CURTIS BANKS

SUFFOLK LIFE ANNUITIES LIMITED SOLVENCY AND FINANCIAL CONDITION REPORT (SFCR) YEAR END 2018

SUFFOLK LIFE ANNUTITES LIMITED SFCR YEAR END 2018

Contents

SUMMARY

The purpose of the Solvency Financial and Condition Report (SFCR) is to provide information about the capital position at 31 December 2018 of Suffolk Life Annuities Limited (SLA) based on the Solvency II requirements.

This report sets out different aspects of SLA's business and performance, risk profile, valuation methods used for solvency purposes and its capital management practices.

Business Performance

SLA is a limited company incorporated and domiciled in the UK, and is a subsidiary of Curtis Banks Group Plc. SLA provides long-term linked life insurance products in the form of Self Invested Personal Pensions and other self invested products. There have been no changes to the products offered by SLA during the year.

For the year ended 31 December 2018 SLA made a profit of £325k (31 December 2017: £378k).

Systems of Governance

SLA's system of governance encompasses the overall framework and structure adopted to ensure it meets the requirements of a robust risk management function. This section of the report aims to provide details of the overarching risk management framework, alongside the key roles, responsibilities and committees providing oversight and direction to the SLA Board.

Roles and responsibilities for risk management comprise of a three lines of defence model. The risk governance framework enables the various group Boards to be satisfied that the embedded risk culture is effectively dealing with risks to which the Group may be exposed. The key elements of the framework include:

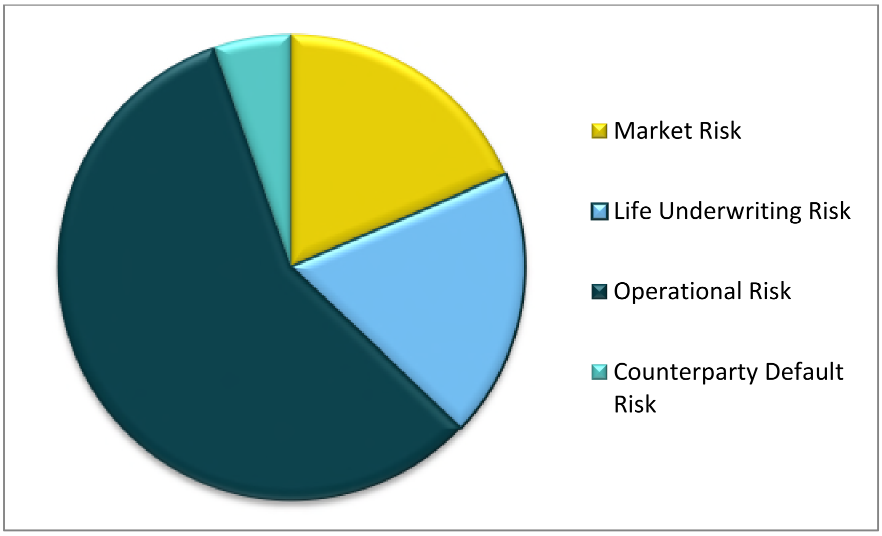
- Focussed risk appetite statements
- Risk Management Framework, Policies and Procedures
- Regular analysis of material risk exposures via the robust governance structure

Further details on our Systems of Governance are detailed in Section B.

Risk Profile

SLA is a unit linked business that does not provide any guarantees on its products. The main sources of risk exposure for SLA are operational risk and from the recognition of future profits on SLA's Solvency II balance sheet.

The pie chart below sets out SLA's risk profile, based on the Solvency Capital Requirement determined on a standard formula basis:



Valuation for Solvency Purposes

SLA's Solvency II balance sheet is constructed under the Solvency II rules and guidance. The table below sets out the SLA's SII balance sheet as at 31 December 2018 and 31 December 2017:

(£'000)	31 December 2018	31 December 2017
Assets		
Assets held for index-linked and unit-linked contracts	3,405,430	3,561,929
Other Assets	5,210	4,299
Total Assets	3,410,640	3,566,228
Liabilities		
Technical provisions - index-linked and unit-linked	3,401,271	3,558,053
Other Liabilities	2,986	2,065
Total Liabilities	3,404,257	3,560,118
Own Funds	6,383	6,110

Capital Management

SLA’s capital management strategy is to ensure that there are sufficient own funds to meet the Solvency Capital Requirement (SCR) and Minimum Capital requirement (MCR), with a target capital ratio of at least 130% of the biting requirement. As at the 31 December 2018 the biting capital requirement was the SCR which was £3,488k and Own Funds totalled £6,389k. This gives capital coverage of 183%, well within the coverage tolerance. The MCR for SLA as at the 31 December 2018 was £3,288k and Own Funds coverage of the MCR was 194%.

SLA monitors its capital coverage on a monthly basis as part of management’s finance and risk review. During the period SLA has maintained compliance with both the SCR and MCR and its target capital coverage.

SLA’s capital items are all classified as tier 1 capital.

DIRECTORS STATEMENT

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and

b) it is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in future.

R Chester.

Director

Director

For and on behalf of Suffolk Life Annuities Limited

19 March 2019

SECTION A BUSINESS AND PERFORMANCE

A1 Business

A1.1 Name and legal form of the undertaking

Suffolk Life Annuities Limited ("SLA")

A1.2 Name and contact details of the supervisory authority

Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

Financial Conduct Authority
12 Endeavour Square
Stratford
London
E14 5HS

A1.3 Name and contact details of the external auditor

PricewaterhouseCooper LLP
2 Glass Wharf
Bristol
BS2 0FR

A1.4 Qualifying holdings in the undertaking

During the reporting period 100% of the voting rights of SLA were held by Suffolk Life Group Limited. The voting rights of Suffolk Life Group Limited are held by Curtis Banks Group Plc, the ultimate parent company, having acquired these from Legal & General Retail Investments (Holdings) Limited on 25 May 2016.

A1.5 Solvency II reporting currency

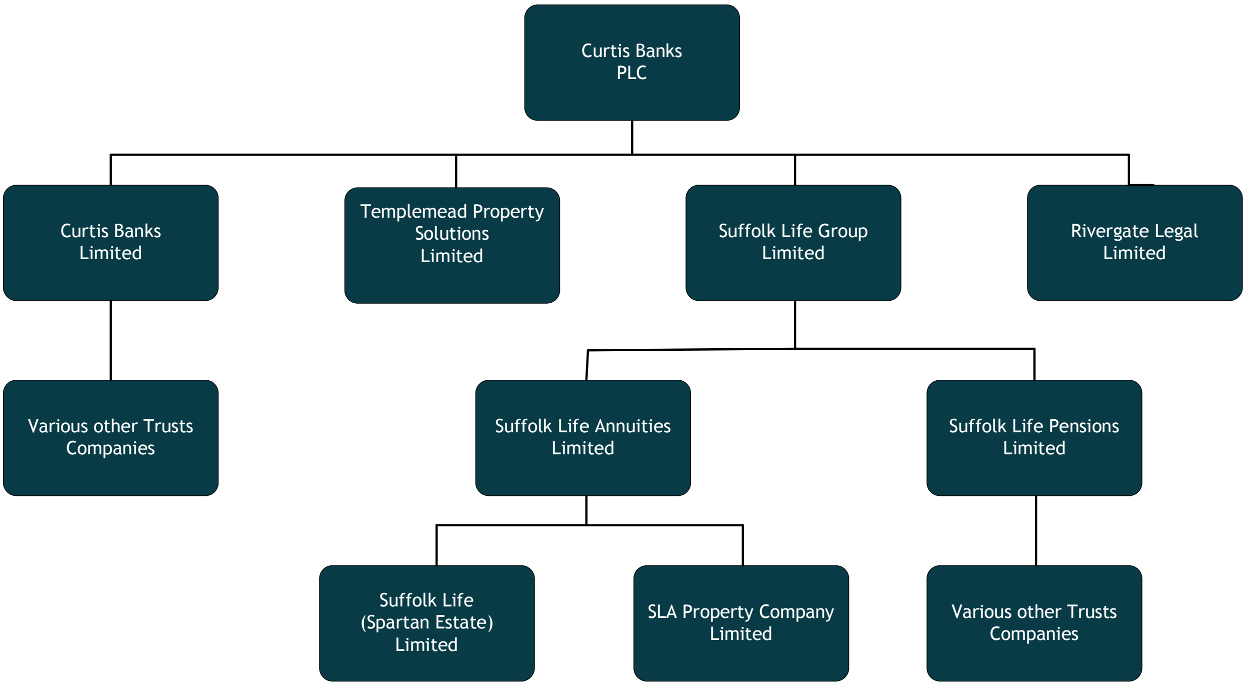
SLA reports on a Solvency II basis in **GBP**.

A1.6 Reporting period

This report covers the financial position as at 31 December 2018.

A1.7 SLA position within the legal structure of the group

The corporate structure of the main UK operating entities is set out below:



The Curtis Banks group has been assessed against the Solvency II group reporting requirements. The conclusion of this assessment was that the group does not meet the requirements for group reporting of Curtis Banks Group PLC not being an insurance holding company or the group being classed as a financial conglomerate.

A1.8 Any significant business or other events over the reporting period

A new trust based SIPP product has been launched by Suffolk life Pensions. This new product will utilise SLA's property TIP to hold commercial property.

A1.8.1 Product Range Changes

Other than the items discussed below there have been no other significant changes in products during the year 2018.

A1.8.1.1 New products

SLA has not written any new products during the reporting period.

A1.8.1.2 Product design changes

The products that SLA writes have not changed during the reporting period.

A1.8.2 Company structure and changes

The following changes in the Directors of SLA occurred during the reporting period:

Remained in office	Appointments	Resignations
Mrs R A K Chester	None	R M Curtis
G Kingston		
Mrs J A Ridgley		
N T Rodgers		
W A Self		
P J Tarran		
I Stone		

There have been no further changes to the company structure during the reporting period.

A2 Underwriting performance

The following table sets out SLA's underwriting performance over the year:

(£'000)	31 December 2018	31 December 2017	Variance
Premiums Written			
Gross	182,531	162,788	19,743
Net	182,531	162,788	19,743
Claims Incurred			
Gross	346,233	303,712	42,521
Net	346,233	303,712	42,521
Expenses			
Overhead Expenses	9,705	9,580	125
Investment Management Expenses	34,475	34,560	(85)
Total Expenses	44,180	44,140	40

As SLA's products are comprised of investment contracts held in pension wrappers the underwriting performance does not impact SLA's income or risk profile. Income is generated from the charging of annual and event based fees. Please refer to Section C for the impact on the risk profile.

Premium income is received through the payment of pension contributions and transfers into self-invested personal pensions (SIPP) and similar self-invested products and from new investments into trustee investment plan (TIP) contracts.

Claims result from the drawing of retirement benefits, dis-investments from TIPs, transfers out to other pension products offered by the Suffolk Life group or other pension providers and payment of pension death benefits.

Expenses for SLA are spilt between the overhead expenses borne by SLA and the investment management expenses which are paid by policyholders from the unit linked fund.

SLA overheads comprise fees paid to Suffolk Life Pensions Limited (SLP) for the provision of administrative services, regulatory fees, internal and external audit and actuarial fees. There has been an increase in expenses during 2018 arising from an increase in audit fees.

A3 Investment performance

Assets held to cover technical provisions are selected by policyholders, or their appointed advisers, or where applicable, by asset managers selected by the policyholders and appointed for the purpose by SLA. The assets are legally and beneficially owned by SLA. SLA is required to maintain assets to match its policyholder liabilities at all times.

The following assets are held to cover technical provisions for unit linked liabilities.

(£'000) Assets held in unit linked policies	31 December 2018	31 December 2017	Variance
Investment properties	1,274,412	1,206,259	68,153
Debt securities and other fixed interest securities	80,058	77,077	2,981
Quoted shares and other variable yield securities	1,734,342	1,955,265	(220,923)
Deposits with credit institutions	402,214	412,127	(9,913)
Other Assets	178,278	196,092	(17,814)
Total Assets	3,669,304	3,846,820	(177,516)
Other payables	263,874	284,891	(21,017)
Net Assets	3,405,430	3,561,929	(156,499)

The following assets were held by SLA for the shareholders:

(£'000) Assets held by SLA	31 December 2018	31 December 2017	Variance
Investment properties	41	40	1
Deposits with credit institutions	4,171	2,688	1,483
Other assets	996	1,569	(573)

A3.1 Information on income and expenses arising from investments over the reporting period

The following returns and expenses were incurred on the unit-linked assets during the year:

(£'000) Investments for the benefit of policyholders	31 December 2018	31 December 2017	Variance
Rental income	78,359	78,250	109
Interest received	3,222	3,329	-107
Investment income on equities and collective investments	37,734	38,370	-636
Investment and administration expenses	(34,475)	(34,560)	85
Net realised gains on investments	(9,689)	24,528	(34,217)
Net unrealised gains on investments	(67,948)	198,534	(266,482)
Total net investment return	7,203	308,451	(301,248)

A3.2 Information about any gains and losses recognised directly in equity over the reporting period

The following table sets out the changes in equity over the reporting period:

(£'000)	Share capital	Retained earnings	Total shareholders funds
Balance at 1 January 2016	1,700	4,273	5,973
Profit for the year	-	378	378
Dividend	-	(4,000)	(4,000)
Balance at 31 December 2017	1,700	651	2,351
Profit for the year	-	325	325
Dividend Paid	-	(400)	(400)
Balance at 31 December 2018	1,700	576	2,276

A3.3 Information about any investments in securitisation over the reporting period

SLA was not exposed to any investments in securitisation over the period.

A4 Performance of other activities

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

The following income arose from the insurance activities of SLA:

(£'000)	31 December 2018	31 December 2017	Variance
Fees for the provision of SIPPS and similar self-invested products	7,152	7,076	76
Interest received	2,320	2,186	134
Commissions	630	617	13
Rent	1	0	1
Total income	10,103	9,879	224

The following expenses were incurred in SLA performing insurance activities:

(£'000)	31 December 2018	31 December 2017	Variance
Fees for administration services	9,034	9,002	32
Regulatory Fees	187	246	(59)
Audit and actuarial fees	297	314	(17)
Other expenses	187	18	169
Total expenses	9,705	9,580	125

A5 Any other information

There are no other material aspects to disclose which are not covered in the above sections.

SECTION B SYSTEM OF GOVERNANCE

B1 General information on the system of governance

SLA’s system of governance encompasses the overall framework and structure adopted to ensure it meets the requirements of a robust risk management function. This section of the report aims to provide details of the overarching risk management framework, alongside the key roles, responsibilities and committees providing oversight and direction to the SLA Board.

B1.1 Structure of the SLA System of Governance

The Group Chief Executive Officer (SMF1) is responsible for running the business on a day to day basis, as authorised by the SLA Board. Material decisions are discussed monthly by the Executive Committee (ExCo), and escalated to the SLA Board when required. All Executive Directors of SLA are members of the ExCo. The SLA Board meets as a minimum four times a year.

The ExCo is responsible for the governance of SLA, SLP and other entities within the Curtis Banks Group, and items affecting all areas of the business are discussed. These are then escalated to the relevant Board on a quarterly basis.

B1.2 SLA System of Governance

A summary of the SLA System of Governance is set out below. Further details are provided within the SLA System of Governance document called the Responsibilities Map.

The Company is committed to high standards of corporate governance. The Company has appointed an independent Actuarial Function Holder and completes an annual review of Governance and its committee structures or more frequently whenever there is a material change in the business which requires a change to the system of governance.

B1.2.1 SLA Board of Directors

The following were members of the SLA Board or held a SMF Function as at 31st December 2018:

Name		
Renata Angela Karolina Chester	SMF2	Chief Finance
Louis Jules Hydleman	SMF12	Chair of the Remuneration Committee
Greg Kingston	SMF3	Executive Director
Christopher Antony James Macdonald	SMF9 SMF10	Chairman (subject to regulatory approval) Chair of the Risk Committee
William John Rattray	SMF11 SMF14	Chair of the Audit Committee Senior Independent Director (subject to regulatory approval)
Jane Ann Ridgley	SMF3 SMF24	Executive Director Chief Operations (subject to regulatory approval)
Nigel Trevor Rodgers	SMF3 SMF24	Executive Director Chief Operations
William Arthur Self	SMF1	Chief Executive
Ian Charles Stone	SMF3 SMF4 SMF16 SMF17	Executive Director Chief Risk Function Compliance Oversight Money Laundering Reporting Officer (MLRO)
Paul James Tarran	SMF7	Group Entity Senior Insurance Manager
Gordon Craig Wood	SMF20	Chief Actuary

B1.2.2 Roles and Duties of the SLA Board

The SLA Board meets quarterly with additional Board meetings being convened to meet business needs, The board of directors carries the responsibility for the oversight of the business and sets its strategy and risk appetite. SLA has a schedule of agenda items which identifies the regular and standing items that are considered at each Board meeting.

At each quarterly Board meeting the SLA Board receives a business update from the Group Chief Executive and a Finance Director's report along with reports on Sales, Operational and Property administration performance, IT and HR. The Chief Risk Officer also provides the Board with a Risk & Compliance Report.

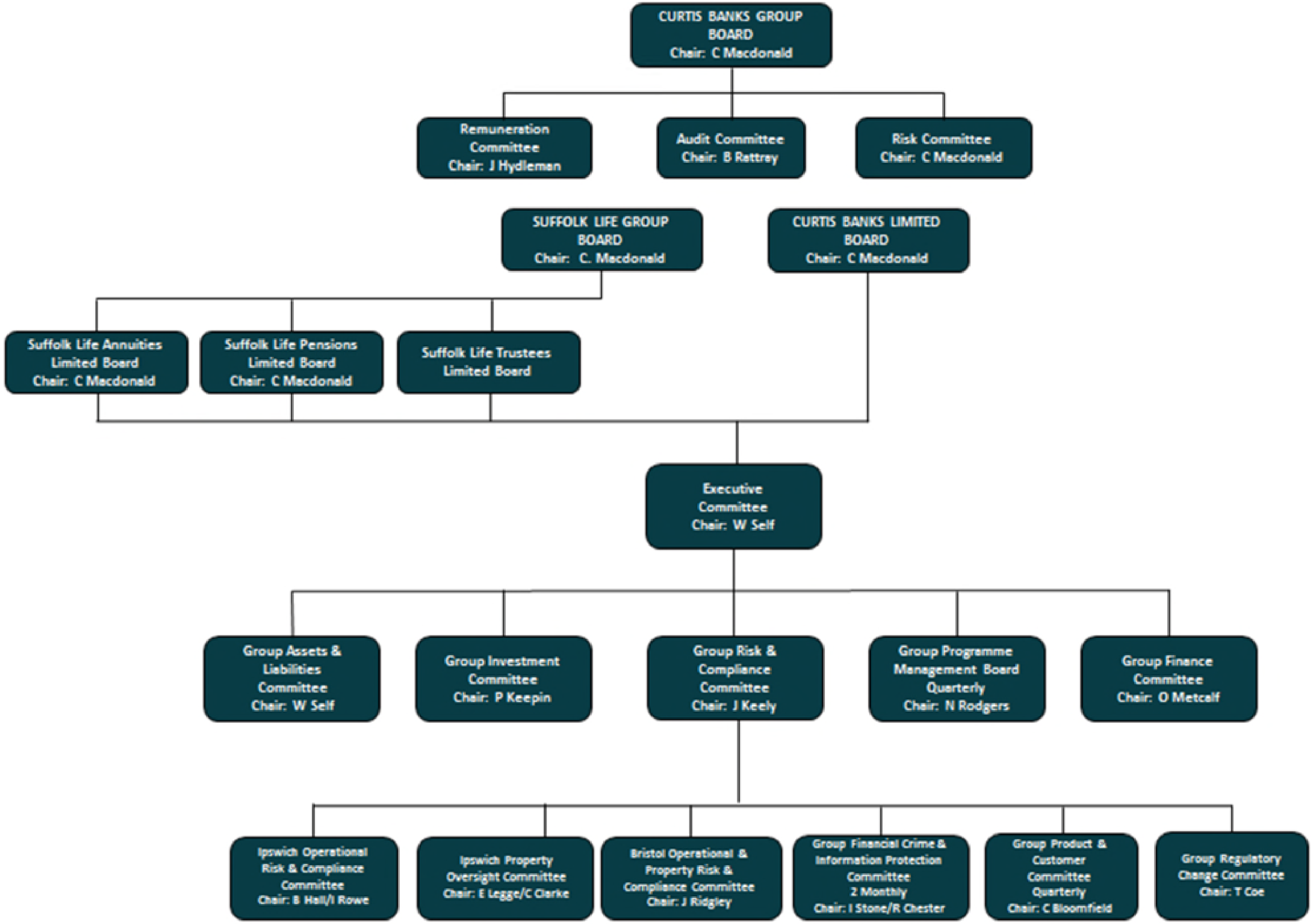
There is a defined schedule of matters reserved for the SLA Board and those matters which are not reserved are delegated to Group Board Committees. The following are direct group sub-committees of the Group Management Committee:

- Group Risk, Audit & Compliance Committee
- Group Asset and Liability Committee
- Group Finance Committee
- Group Investment Committee
- Group Programme Management Board

There are also further sub-committees as outlined below in B1.2.3. Each sub-committee operates under a defined terms of reference.

B1.2.3 SLA Board Committees

The Curtis Banks Group committee structure is outlined and detailed below:



Committee Name	Role Overview
Group Risk, Audit & Compliance Committee (GRACC)	The GRACC's primary role is to ensure that appropriate processes are in place across the Curtis Banks Group to identify, assess, monitor and control areas of risk. The GRACC is not a decision making forum but is a first line oversight committee. It will ratify proposed changes to risk frameworks and risk mitigations, and inform senior management in their decision making, for example when accepting risks. The Committee also has oversight of Solvency II developments
Group Asset and Liability Committee (GALCO)	GALCO provides oversight of the credit, insurance and investment (including counterparty and liquidity) risks to which the Curtis Banks Group is exposed and to oversee the effectiveness of group systems and controls in place to ensure it remains within risk appetite
Group Finance Committee	The Group Finance Committee provides oversight of the financial performance of the company and the Curtis Banks Group of companies as a whole against budgets and forecasts, other key business performance indicators as well as details of capital coverage against internal coverage ratios
Group Investment Committee	The Group Investment Committee provides oversight of the adherence to the relevant allowable investment schedule and the impact of all relevant legislation in respect of investments undertaken through SIPPs and similar self-invested products
Group Programme Management Board (PMB)	The Group PMB provides oversight of the Group's change programme and associated budgets

B1.2.4 Enterprise-Wide Risk Management

The internal control system comprises a three lines of defence model, whereby 1st line manage risks, 2nd line oversee and challenge the management of risk and 3rd line provide independent assurance that risks are effectively managed and there is appropriate oversight in place.

The risk governance framework enables the various group Boards to be satisfied that the risks to which the Group may be exposed are being appropriately identified and managed, and that the risks of significant financial loss or damage to our reputation are being minimised.

Compliance with the requirements is supported by the assurance that key elements of the control environment are kept under review and that all matters arising are recorded and reported within the risk management framework. An Operational Risk Management System is fully embedded in SLA and SLP to support this.

B1.3 SLA Governance changes over the period

During the year, the SLA Board have transitioned from the Senior Insurance Managers Regime to the Senior Managers & Certification Regime. This has resulted in amendments to appointments of approved roles as follows:

Controlled Function Prior to 10th December 2018	Held By	Senior Management Function From 10th December 2018
CF1 – Director	Will Self Jane Ridgley Renata Chester Greg Kingston Nigel Rodgers Ian Stone	SMF3 – Executive Director
CF10 – Compliance Oversight	Ian Stone	SMF16 – Compliance Oversight
CF11 – Money Laundering Reporting Officer (MLRO)	Ian Stone	SMF17 – Money Laundering Reporting Officer (MLRO)
N/A	Jane Ridgley Nigel Rodgers	SMF24 – Chief Operations (subject to regulatory approval)

A change of appointment was also made to the SMF14 (Senior Independent Director) and Chairman (SMF9) role, subject to regulatory approval. A SMF7 appointment was also removed due to the retirement of an approved function holder.

B1.4 Remuneration policies

The Remuneration Committee, Chaired by the SMF12 function holder, is responsible for the Remuneration Policy for SLA and the wider Curtis Banks Group. This involves making recommendations to the SLA Board in reviewing the policy, and ensuring it remains compliant with Solvency II guidelines. Employee salaries are set according to strict criteria, including consideration of:

- The contribution made towards achieving business objectives, in line with the principle of paying for performance
- The performance of the wider Group against its targets and taking into account its risks
- The value placed on comparable jobs within the wider Group
- The market rate for comparable jobs in other companies

Variable remuneration may be payable in the form of a discretionary cash bonus a proportion of which is deferred for three years. These are principally linked to achievement of predetermined objectives laid down at the start of the previous calendar year and broader business performance. There are no incentives on the SLA Board to exceed risk appetite in pursuit of greater reward. The risk strategy is set in advance and no financial incentive or otherwise is awarded for taking risks outside of appetite.

B1.5 Material transactions over the period

During the period dividends totalling £400k were paid to Suffolk Life Group Limited which was then subsequently paid up to Curtis Banks Group Plc. No other material transactions took place during the period.

B1.6 Adequacy of systems of governance

A review of the group wide governance structure was undertaken in 2017. The Curtis Banks Group implemented a revised group focussed structure which drew the key strengths from both the Curtis Banks and Suffolk Life entities. The structure was reviewed again in 2018 to re-assess its effectiveness and this was signed off by the ExCo in June 2018. The ExCo took comfort in the fact that most committees existed in Suffolk Life prior to 2017, which was further enhanced by the additional expertise from the other group entities and some key functions are outsourced to independent third parties.

The Terms of Reference continue to be updated annually to reflect the apportionment of responsibility and ensure clear channels of decision making are in place.

B2 Policies and processes to ensure persons in the key functions are fit and proper

B2.1 Overview

SLA maintains procedures for ensuring that Board members and individuals responsible for key governance functions are 'fit' (i.e. have appropriate qualifications, knowledge and experience) and 'proper' (i.e. they are of good repute and integrity).

B2.2 Determining an individual's Fitness and Propriety

SLA has regard to a number of factors when assessing the fitness and propriety of its approved persons. The responsibilities placed on senior management are articulated under the Senior Managers & Certification Insurance Managers Regime (SM&CR) and the Approved Persons Regime (APER). The key considerations for SLA are:

- Honesty, Integrity & Reputation
- Competence & Capability
- Financial Soundness

A defined policy and process is in place to ensure that the fitness and propriety of applicants is carefully considered before an application to the Regulator is submitted for approval. The SLA Board will not support an application for approval or a notification if it believes that the candidate fails to meet any element of the fit and proper test.

These criteria are also important when assessing the continuing fitness and propriety of approved persons and SMF function holders. From time to time, and at least annually, individuals will be required to certify that there has been no change to the information provided at the point of approval and consequently, the fitness and propriety status remains unchanged.

The Group also employs the following procedures to assess fitness and propriety:

- Performance against internal policies and procedures;
- Disclosure and Barring Service (DBS) checks;
- Annual performance reviews, and
- Annual self-attestation

B2.3 Outsourced Key Functions

The SLA Board outsources certain functions where this can provide enhanced technical skill and greater expertise than if the function remained in-house. Details of the outsourced functions are detailed in section B7.

B3 Risk management system including own risk and solvency assessment

B3.1 Risk Management System Overview

Risk exposures are recorded on departmental Risk Registers and discussed at the appropriate Governance Committee. A regular assessment of key controls and mitigating risk factors is performed by business management. Key risks and mitigating actions are escalated to the Group Risk, Audit & Compliance Committee on a monthly basis if required. The risk framework helps manage the approach to risk based capital requirements.

B3.2 Risk Governance

The Group Risk Management Framework comprises six key areas:

1. Risk Appetite - Sets out the high-level attitude to risk and provides some considerations in forming the ranges and limits of acceptable risk taking to be agreed by the SLA Board
2. Risk Monitoring – Controlling and monitoring the risk so as to ensure that the company is only exposed to risks that are within appetite and pre-determined tolerances
3. Risk Identification & Assessment - Tools that help managers identify and evaluate the risks to which SLA or the wider Group may be exposed. This includes discussion and challenge regarding the annual stress test scenarios for the ORSA document
4. Risk Management Information - How ongoing and emerging risks are reported and reviewed, and assessment of actual risk positions relative to the risk targets and limits that have been set
5. Risk Oversight - Review and challenge of how the company identifies and manages risk by the Head of Risk & Compliance and Chief Risk Function Holder
6. Risk Committees - Governance committees are the forums where key risks are reviewed and risk management strategies are developed. The Group Risk, Audit & Compliance Committee, the GMC and the SLA Board oversee the management of risks and challenge whether the risk framework is effective

B3.3 Risk Strategy, Appetite and Policy

SLA adheres to the Group Risk Management Policy. SLA has limited tolerance for significant operational losses due to the likely reputational damage and costs associated with these. SLA aims to implement effective controls to reduce operational risk exposures, except where the costs of such controls exceed the expected benefits.

B3.4 Risk Identification and Assessment

Business managers are responsible for identifying and assessing the risks in their area. A structured framework has been established to support the identification and assessment of risk. The second line risk team facilitates the process of risk identification and assessment and provides objective review and challenge.

Enterprise risks are identified through a ‘bottom up (business management view) & top down (Board view)’ review process. The risks are assessed in terms of their impact on customers, profits, balance sheet, reputation and strategic objectives. These are also monitored through the relevant governance committees. The risks and mitigating actions are recorded using risk registers.

Operational risks (i.e. exposures associated with routine business activities) are identified and assessed with reference to business processes and the factors that may prevent those objectives being achieved. Significant risks together with key controls are also monitored through the relevant governance committee, at least quarterly.

B3.5 Risk Management, Monitoring and Assurance

SLA and the wider group have in place formal, documented controls across different areas of the business. These are monitored by the business owner of the control and sign-off is confirmed to the Risk & Compliance function on a monthly basis. The controls provide senior management with the assurance that controls to manage the risks associated with the operation of business processes are performing as intended and remain fit for purpose.

These supplement the documented processes within the internal procedures manual. These procedures cover details of processes by team, and are part of the first line of defence in protecting underlying policyholders. This ensures certain risk management responsibilities are embedded at individual team manager level.

Items remain on a risk register until they no longer present a significant risk (irrespective of likelihood). Certain risks are either by their nature not capable of mitigation, or the costs of mitigation are disproportionate to the level of expected loss that may arise over a given timeframe. For such risks, the ExCo, as ratified by the SLA Board, may decide that it is prepared to accept the risk. This risk must remain within SLA's appetite or additional remedial action must be taken. Any high impact risks are escalated initially to the Group Risk, Audit & Compliance Committee, and onto the SLA Board if required.

SLA's capital positon is monitored on a monthly basis and forms part of the financial management information that is reviewed by the Group Finance Committee and group Boards.

B3.6 Risk Reporting and Escalation

Identified material risk exposures are recorded on Risk Registers at the relevant Governance Committee. There are levels of risks recorded against:

- Process Risks
- Enterprise Risks

Process Risks are those that affect everyday operations. They are identified by the business by analysing the process objectives and the factors that may prevent them from being achieved. Significant risks and the key controls to mitigate the risks are recorded on the appropriate Risk Register.

Enterprise Risks are identified through a 'bottom up (business management view) & top down (Board view)' approach. Significant risks and the key controls to mitigate the risks are recorded on the appropriate Risk Register.

Both types of risk are assessed to give an 'Impact' and 'Likelihood' score. Impact is linked to potential Profit & Loss, Balance Sheet and Reputational impact judgement score (scored at the highest of the three measures), and Likelihood is linked to specific percentage based probability thresholds.

Once identified, risk exposures are monitored on a regular basis. Key risk indicators are defined so that a change to the risk is identified and controlled promptly. The information monitored includes:

- A summary of the risk and progress to resolution
- Monitoring of actual exposures against risk appetite/tolerance
- The status of significant risk events
- The status of review activities, and associated management actions

SLA accepts that no controls are fail-safe and that things can go wrong. SLA seeks to identify and resolve issues at the earliest opportunity through a robust control environment. SLA considers the most appropriate form of action to take to mitigate or close risks. This could be one of four actions:

- Treat - Taking action to reduce either the probability of the risk crystallising further, or its impact
- Tolerate- When the probability and impact are low or when it would be too expensive to mitigate a risk
- Transfer – For example, transferring the risk to a third party
- Terminate - Identifying actions to eliminate the risk such as withdrawing from the activity

B3.7 Risk Management Culture

The Risk & Compliance Function works with each business area to monitor and amend their risk/control profiles to focus on identifying key risks, to benefit the achievement of business plan objectives. Individual business area team managers are responsible for risks in their team. The control sign-off process works hierarchically, so senior management is aware of trends and can implement root cause analysis if required.

B4 Internal Control System

The SLA Board has overall responsibility for ensuring that an adequate and effective system of internal control is maintained in the company. In practise the oversight and management of these systems involves participation of the Boards, Board Committees, Senior Managers, Risk & Compliance, Finance and business managers.

The internal control system is designed to manage or mitigate, rather than eliminate the risk. The internal control system enables SLA and the wider group to operate efficiently and respond to any significant or evolving risks that could prevent or limit the achievement of business objectives and strategy.

B4.1 Risk & Compliance

The Risk & Compliance function provides confidence to the SLA Board that the business is effectively managing its day-to-day risk exposures. The internal control system comprises a three lines of defence model, whereby 1st line manage risks, 2nd line oversee and challenge the management of risk and 3rd line provides independent assurance that risks are effectively managed and there is appropriate oversight in place.

The Risk & Compliance function engages with the business to evaluate risks, and then assists the SLA Board in decisions of whether to terminate, treat, transfer or tolerate the given risk. This in turn protects customers, SLA and the wider Group from potential detriment that could be financial, reputational or outside of risk appetite.

The Chief Risk Officer (SMF4) is a member of the ExCo and SLA Board. A report is provided at each meeting confirming the status against newly crystallised risks, ongoing inherent risks, and any other items of note from a risk perspective. These are monitored to resolution, and if necessary provided to the Curtis Banks Group Plc Board for information.

Key risks of an agreed impact or likelihood are escalated monthly to the Group Risk, Audit & Compliance Committee from respective departmental Committees, where they are discussed and management actions put in place, if necessary, to mitigate or eliminate the risk.

B4.2 Compliance Function

The Compliance Function, which is combined with the Risk Function, is part of the Group's overall corporate governance structure. It is responsible for the monitoring, managing and reporting of the compliance risks to which the Company is exposed. Risk & Compliance reports are issued to the Board and the Group Risk, Audit and Compliance Committee assessing the effectiveness and adequacy of compliance within the group.

All staff within the group are responsible for notifying the Risk & Compliance Team of any breach of applicable laws and regulations that fall within the scope of their responsibilities. Upon receipt of notification, the Risk & Compliance Team record the relevant breach in the Company's breach register and discusses remedial actions with the business. Where material, reporting is made to the Group Risk, Audit & Compliance Committee and SLA Board.

B5 Internal Audit Function

The internal audit function is outsourced to KPMG, who have delegated responsibility to ensure an effective internal audit function is in place, including an evaluation of the adequacy and effectiveness of the internal control system, with findings reported to the Board if necessary.

The scope for the internal audit reviews is determined by the business strategy as well as an ongoing assessment of the key risks facing the Group and how well these risks are being managed. Outsourcing this role provides comfort to the SLA Board that matters of audit focus are free from influence, including audit scoring and communication of results. Any conflicts of interest that may influence objectivity or independence are managed accordingly.

B6 Actuarial function

This function (SMF20) is outsourced to Ernst & Young, who provide actuarial support and challenge to both the quantitative and qualitative data that forms the Solvency II return and the underlying assumptions approved by the SLA Board. This ensures the appropriate skill and expertise is applied to assist the SLA Board in performing this key function.

The function reviews the calculation and methodology behind the Quantitative Reporting Template (QRT) data (e.g. Technical Provisions/SCR/MCR) and seeks evidence that data is calculated in line with Solvency II guidelines. The Chief Actuary ensures this by maintaining clear and regular communication with the SMF2 and SMF4 function holders, by attending the SLA Board meetings, and regularly providing challenge and other expertise in relation to the SMF20 function where required.

B7 Outsourcing

The following functions were outsourced as at 31st December 2018:

- Pension scheme administration to Suffolk Life Pensions Limited (SLP), a sister company fully owned by Suffolk Life Group Limited. SLA considers SLP to be providing a critical service as scheme administrator and as such consideration is given on an annual basis by the SLA Board as to whether the ‘Insourcing Agreement’ remains current, appropriate and commercially viable. SLP operates from the same offices as SLA
- The Chief Actuary role is outsourced to Gordon Wood of Ernst & Young, one of the Key Functions under Solvency II. The Chief Actuary works with the Chief Risk Officer and the Head of Risk & Compliance at Suffolk Life to provide appropriate challenge to the models, assumptions and methodologies used under Solvency II reporting
- The Internal Audit Function is outsourced to KPMG. KPMG have delegated responsibility to ensure an effective internal audit function is in place, including an evaluation of the adequacy and effectiveness of the internal control system, with findings reported to the Board if necessary. There is no requirement for a firm of SLA’s size to assign the specified SMF function to an individual at SLA

B8 Any other information

There are no other material aspects of the system of governance which are not covered in the above sections.

B9 Own Risk and Solvency Assessment (ORSA)

SLA completes as part of its annual reporting process an ORSA document. The ORSA document provides data that SLA could use as part of its wider risk management strategy, primarily in the form of post-stress test capital position results. These results assist the SLA Board in forming the key risks, and whether these fall within the defined risk appetite for the coming year. The results also promote Board level discussion of developments in the industry that SLA operates within. These discussions in turn assist the SLA Board in reviewing the key risks, thus adopting a pro-active approach to the risk appetite setting cycle.

The ORSA assessment is forward-looking, in that it considers the current business and risk profile as well as any anticipated external influences. This ensures that SLA can meet the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) on an ongoing basis, although this is assessed on a more frequent basis as part of the monthly Group Finance Committee and ExCo. SLA has a risk appetite to maintain a capital buffer of 130% of the SCR or MCR depending on which metric is higher.

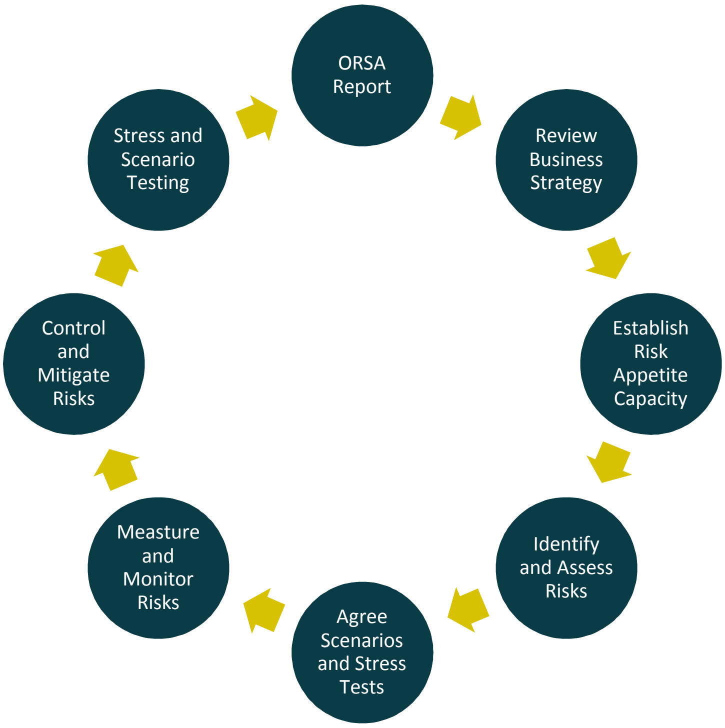
The ORSA also sets out details of how the SLA Board decides on the appropriateness of the Standard Formula Model for the business that SLA operates. The SLA Board believes that the use of the Standard Formula best fits the risk profile of the business that SLA writes, being unit-linked funds (known as property-linked funds under Solvency I).

It is also the Board's view that the Risk Margin required to be calculated under Solvency II, artificially reduces Own Funds and is in excess of the true capital required to match the risk in the business. The assessment of own solvency requirement therefore removes the Risk Margin from the calculation of Own Funds in the ORSA.

The ORSA process is aligned with the Group Risk Management Framework and is a fundamental tool in assessing the respective risks to strategy both now and in the future. It is a circular process that compliments the annual business strategy review, and it relies on the following elements of the business:

- Board strategy
- The Solvency II Pillar I Balance Sheet standard formula model results, and base assumptions used
- The Board who review, challenge and approve the test scenarios included in the ORSA output
- The Finance function who run the tests on the Balance Sheet, for capital adequacy and produce the resultant output
- The Risk & Compliance Function and Actuarial Function who assess the outputs and prepare the reports;
- The Board's assessment of the output and resultant capital. Strategy and risk appetite review,
- ORSA reporting to the Regulator

The diagram on the next page depicts the cycle adopted.


ORSA Report
Review Business Strategy
Establish Risk Appetite Capacity
Identify and Assess Risks
Agree Scenarios and Stress Tests
Measture and Monitor Risks
Control and Mitigate Risks
Stress and Scenario Testing

SECTION C RISK PROFILE

SLA operates in a low risk environment. This is primarily driven from the business being unit linked, with no guarantees, with the investment risk being borne by the policyholder. The risk to SLA is further reduced by income being generated from the policies via fixed monetary fees. As such income is not dependant on the value of the underlying assets held in the unit linked contracts.

For the calculation of the Solvency Capital Requirement, the Standard Formula has been assessed as being appropriate for the risk profile of SLA. SLA has a combined Standard Formula SCR of £3,487k. Pre-diversification and before taking an allowance for the loss-absorbing capacity of deferred taxes, the SCR is £4,162k.

(£'000)	31 December 2018	31 December 2017	Variance
SCR (before diversification)	4,162	4,118	44
***less* Diversification Module - Market risk**	(10)	(10)	0
***less* Diversification Module - Life underwriting risk**	0	0	0
***less* Intra-module diversification**	(458)	(433)	(25)
***less* Allowance for LACDT**	(207)	(206)	(1)
SLA SCR	3,487	3,469	18

Risk profile and drivers

The risk profile for SLA is comprised of the following risks:

Life Underwriting Risk
Market Risk
Credit Risk
Liquidity Risk
Operational Risk
Regulatory Risk

Each of these risks is considered in detail in the following sections.

Each of these risks is driven by a distinct factor. Policy numbers drive Life Underwriting Risk and Operational Risk. The Interest Rate Risk sub module within Market Risk is driven by changes in the risk free rate. The remainder of Market Risk and Counterparty Risk are driven by the investments held for SLA Shareholders.

Change in the risk profile over the period to the 31 December 2018

The table below details the risk profile for SLA as at 31 December 2018.

(£'000)	31 December 2018	31 December 2017	Variance
Life underwriting risk SCR Module	771	773	(2)
Market risk SCR Module	769	763	6
Counterparty default risk SCR Module	223	179	44
Operational risk SCR Module	2,389	2,393	(3)
Diversification	(458)	(433)	(25)
Allowance for deferred tax liability offset	(207)	(206)	(1)
SLA SCR	3,487	3,469	19

There has been an overall increase in the SCR. The main driver is the change to the Counterparty Default Risk module. This has the following impacts:

- Increase in the Counterparty Default Risk module due to the increase in cash holdings
- Increase in the diversification credit which reduces the overall SCR, due to the increase in the Counterparty Default Risk module

C1 Life Underwriting risk

As SLA products are comprised of investment contracts held in pension wrappers the exposure to life underwriting risk is limited to expense and lapse risk modules within the Standard Formula.

The exposure to expense risk for SLA is driven by an unexpected increase in the costs incurred in the operation of the business. The administration of polices is outsourced to SLP. The costs incurred by SLA under the administration agreement are linked to the policy fees charged by SLA to policyholders which are of a fixed monetary value. The agreement does not allow for any unexpected changes and as such the administration fee is not exposed to the standard formula scenario. The remaining exposure to expense risk to SLA is from the costs incurred from regulatory fees, audit fees and the fee for the outsourcing of the actuarial function. In the calculation of the SCR these are stressed in line with the standard formula calculation.

Exposure to lapse risk for SLA occurs from either an unexpected increase to the lapse rate or a sudden mass lapse of policies. This reduces the policies in force resulting in a loss in future income, reducing the value in force which increases Technical Provisions. The agreement between SLA and SLP includes a clause that allows the administration fee to be reduced in the event that SLA experiences a lapse up or mass lapse event.

In the modelling of Technical Provisions, mortality is treated as a lapse when the beneficiary of a pension policy chooses to take a lump sum death benefit rather than continue taking an income from the policy. If the beneficiary chooses to continue taking an income the policy will remain in force.

SLA has assessed its capital at risk to be nil (2017: nil) as reported on QRT 26.01.01. This is due to the specialist nature of the pension products written by SLA. On the death of the policyholder SLA offers the beneficiaries all the available options from a pension contract, including the option to continue taking an income from the policy. In the event of the death of all SLA policyholders a number of the beneficiaries would continue taking benefits leaving the contract in place. SLA would continue to receive fee income form these policies not placing any of the capital held by SLA at risk.

C1.1 Underwriting risk at 31 December 2018

The underwriting life risk for SLA moved from £773k for the year ending 31 December 2017 to £771k for the year ending 31 December 2018.

C1.2 Change in the underwriting risk over the period to the 31 December 2018

The main driver for this change is the increase in future cash flows (non-unit linked BEL) over the period.

C1.3 Risk appetite and tolerance statement

As mentioned in section C1, the policies written by SLA are all unit-linked long-term contracts. SLA has no appetite towards underwriting risk, and as such does not look to offer any guarantees on its current book of business. The future risk appetite is cautious toward this type of risk, primarily because the SLA Board does not see the risk being worth the potential benefits, and there are no plans to establish any new products comprising of this risk for SLA in the short-term.

C2 Market risk

Market risk arises from the level or volatility of market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as stock prices, interest rates, immovable property prices and exchange rates. The products that SLA writes are unit-linked, with the market risk arising from the assets held in these contracts being borne by the policyholder. As the income received form SLA is based on a fixed fee, rather than a percentage of assets held in the unit-linked contracts, SLA's income is not exposed to most market risk.

SLA is primarily exposed to market risk from the movement in the risk free rates used to model the value of in force business. Increases in the risk free rate will result in future cash flows being discounted more heavily reducing the value in force. This is the material market risk to which SLA is exposed, as there is only an immaterial holding in commercial property that is owned by shareholders.

C2.1 Market risk at 31 December 2018

The £769k market risk requirement for SLA is driven by interest rate risk (99%) and property risk (1%).

C2.2 Change in the market risk over the period to 31 December 2018

The main change in the risk profile for the market risk module is due to an increase in the risk free rate over the reporting period.

C2.3 Risk appetite and tolerance statement

All contracts and products offered by SLA are unit-linked in nature, with any market risk being borne by the policyholder. The policyholder (and their financial adviser or asset manager, if applicable) make the investment choices and as such bear the loss or benefit from the gain in fund value.

SLA has a low appetite for risk towards the investment of Shareholders assets. SLA, as part of the wider Group, generates bank interest from the deposit accounts Shareholder funds are held in, and looks to hold capital of 130% of its SCR requirement. SLA is still able to generate income on these funds despite the low interest economic climate. The SLA Board does not view taking additional risk in holding investments other than cash in deposit accounts as sufficiently rewarding, given that the economic environment is still uncertain and volatile. Therefore, this appetite is unlikely to change in the short-term.

C3 Credit risk

Credit risk is the risk that SLA is exposed to lower returns or loss if another party fails to perform its financial obligations. SLA is exposed to credit risk from the failure of the institutions that hold the cash reserves that make up Shareholders assets. Credit risk arising from the investments that makes up the unit linked fund is borne by policyholders.

C3.1 Counterparty Default Risk

SLA is exposed to Counterparty Default Risk from the depositing of shareholder assets with a number of banking counterparties. The £223k of Counterparty Default risk for SLA is driven from £4,171k of cash (31 December 2017: £2,688k) being held in A rated credit institutions.

C3.2 Change in the counterparty Default risk over the period to 31 December 2018

There was an increase of £44k in counterparty default risk over the period to 31 December 2018 driven by the higher cash balances being held.

C3.3 Risk appetite and tolerance statement

All cash deposits held by SLA are subject to pre-approval by the Group Assets & Liabilities Committee (GALCO). The amount of exposure to any individual counterparty is subject to a maximum limit defined under the Curtis Banks Group Treasury Framework, thus mitigating the risk of a single institutional default. The exposure limit is considered monthly by GALCO along with an assessment of the credit rating. Mitigating actions are taken when considered necessary. GALCO only consider holding deposits with Investment Grade institutions or higher.

The SLA Board may consider using alternative banking institutions in the future, although this is dependent on the overall banking environment. If there is a limited pool of Investment Grade institutions, careful analysis and consideration would be undertaken regarding the use of alternative providers. These may be considered under a lower exposure limit.

C4 Liquidity risk

SLA takes no benefit from ‘expected profit included in future premiums’. The fees charged by SLA are fixed and activity based, rather than on a premium or asset basis. SLA therefore only has liquidity risk in relation to meeting its own short-term financial obligations.

C4.1 Risk appetite and tolerance statement

SLA takes no benefit from ‘expected profit included in future premiums’ as its charges are fixed and activity based, rather than on a premium or asset basis. Any monies paid into SIPPs by its policyholders become part of the unit-linked contract. SLA therefore only has liquidity risk in relation to meeting its own short-term financial obligations.

The SLA Board has very limited appetite towards liquidity risk. SLA takes into account the regulatory capital that it is required to hold and the liquidity of the chosen investments. SLA maintains funds (as mentioned in section C3) in deposit accounts with banking institutions rated at Investment Grade and above. SLA accepts that exposure can arise as a consequence of the markets in which it operates and has no appetite to fail to meet its obligations as they fall due.

Liquidity risk is assessed as part of a wider assessment of risks posed to the Own Funds of SLA and managed accordingly. Should the available funds fall outside of SLA's risk appetite, SLA has in place management actions that can be implemented including:

- Access to additional capital from the wider Curtis Banks group
- As part of the agreement with SLP in relation to the administration services SLP conducts on its behalf, there is flexibility in respect of the payments due if certain events were to impact SLA (e.g. a mass lapse event).

C5 Operational risk

Operational Risk is defined as the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. For SLA this risk is primarily driven from the outsourced administration performed by Suffolk life Pensions Limited.

The operational risk requirement for SLA was £2,389k as at 31 December 2018. This requirement marginally decreased over the period from £2,389k as at 31 December 2017.

C5.1 Risk appetite and tolerance statement

Operational Risk for SLA is one of the major components of the SCR. As such, good control over loss arising from inadequate internal controls is of paramount importance to SLA. The SLA Board are comfortable with the low and stable level of Operational Risk taken as part of running the business, but are keen to avoid major stresses to the SCR that may impact its ability to maintain capital coverage at over 130% of its SCR.

This risk is also linked with Group Risk, given that the administration for SLA's products is carried out by a fellow subsidiary company, SLP. Given the nature of the company's business model, SLA has to accept certain risks with the administrative services provided by SLP to SLA. These risks are controlled through the group governance structure (see section B1.2.3).

C6 Other material risks

Other risks that are not considered in the Standard Formula but are materially different in the ORSA are covered below.

C6.1 Regulatory Risk

SLA operates in a highly regulated and specialist industry and therefore is susceptible to any significant regulatory or legislative policy changes from a variety of regulatory bodies. Any changes will influence the overall framework for the design, marketing and distribution of products, the acceptance and administration of business, and the regulatory capital that is required to be held.

The SLA Board regards compliance with regulation as fundamentally important and is continuously monitoring regulatory changes and industry opinion to ensure that it meets its regulatory obligations now and in the future. The SLA Board and wider Group set aside development budget at the start of each financial year to specifically address any regulatory changes that are on the horizon. Legislative updates are fully analysed and the business model adapted to meet any regulatory changes.

C6.2 Material Risk concentrations

SLA is not exposed to any material risk concentrations.

C6.3 Stress Testing

As part of the annual ORSA cycle, scenario and stress tests are conducted on SLA's Own Funds to ensure continued compliance with the SCR and MCR. The scenarios and stress tests are designed by the Group Audit committee and are focussed on specific one off business events which are related to key risks identified in the Committees risk review. The following tests were conducted for the 2018 process:

1. The internal network used by SLA's administrator, Suffolk Life Pensions Limited (SLP) is infected with malicious ransomware with the intention of publishing Policyholders personal data, sensitive corporate data, or permanently block access to data unless a ransom is paid. The system holds data for both entities, and each data controller (SLA & SLP) must pay a fee of £330k each to gain access to the encrypted data.

2. Reputational damage from bad trade/non-trade press results in a mass lapse of 20% from all product lines.

3. Privilege misuse results in personal data being taken from SLA on its policyholders by an employee. SLA, as a data controller, fails to fulfil its obligations to protect its customer's personal data and SLA receives a fine proportionate to the level of the breach. The ICO can impose fines of up to €20m or 4% of group worldwide turnover. The fine is set at 4% of Curtis Banks Group turnover for 2018. SLA also suffers from increased lapse rates of 2% above current levels for the foreseeable future.

4. SLA is held responsible for not safeguarding policyholder assets when conducting due diligence on investments that subsequently become illiquid and have no value. This issue affects the entire industry and the liability exceeds the £10m limit of the PI cover by £2m.

5. Regulatory change results in a one off £1.5m spend on systems changes.

6. Environmental contamination occurs at the three highest risk properties which result in claims being brought against SLA for environmental damage as legal owner of the properties. The cost of the resulting fine is £0.88m. Reputational damage increases lapse rates by 3% above current levels for two years in the Prop TIP line of business.

The testing for each scenario was completed by adjusting the inputs into the balance sheet modelling by the impacts defined in the scenario.

The stress and scenario testing for the 2018 ORSA cycle has found that SLA continues to meet its SCR and MCR requirements over the three year planning horizon in all the completed tests.

C6.4 Adherence to the Prudent Person Principle

The nature of SLA's products allows the policyholder to make their own investment decisions. To ensure the prudent person principle is adhered to, SLA's contracts set out that policyholders can only invest in assets set out in a list of allowable investments. The allowable investments are set by the Board.

The investments made by policyholders are monitored by SLP, with oversight delegated by the SLA Board to the Group Investment Committee. Where the list of allowable investment is breached the policyholder is asked to sell the investment. If the policyholder fails to sell the investment then SLA has the contractual right to force a sale of the investment.

C7 Any other information

C7.1 Standard formula appropriateness

An assessment has been undertaken that determined that the standard formula was appropriate for the calculation of SLA's SCR.

Key points to note in the assessment of Standard Formula appropriateness are as follows:

- As the underlying principle of products that SLA writes is to allow policyholders self-investment via a unit linked fund, the majority of the insurance based risk faced by SLA is passed on to the policyholder
- The core risks to SLA's financial stability are through the recognition of future profits on the balance sheet via the non-unit linked BEL (value in force). As the volatility of the inputs into the calculation of the non-unit linked BEL pose the greatest risk to the available own funds, it has been concluded that the Standard Formula calculation provides the best fit for quantifying these risks
- The Standard Formula output for operational risk shows the largest deviation from the internally calculated basis. In this case, the Standard Formula gives a higher requirement then the internal calculation. Although higher this is seen to be appropriate to use as an offset to some of the risks not covered within the Standard Formula.

There are currently no planned strategic changes that will affect the risk profile of SLA over the medium term meaning the Standard Formula will remain appropriate for the calculation of SLA's SCR over the current planning horizon.

SECTION D VALUATION FOR SOLVENCY PURPOSES

The valuation of assets, Technical Provisions and other liabilities for SII is broadly in line with the financial statements which are prepared by SLA on an UK GAAP basis. The following sections set out the basis for valuation and differences between the SII basis and the financial Statements.

SLA does not apply either the volatility adjustment or matching adjustment and no transitional measures are applied.

D1 Bases, methods and main assumptions used for the valuation for solvency purposes for each material class of assets and the nature of differences with UK GAAP accounting policies

The table below provides details all material classes of assets of SLA and their value under both Solvency II and the financial statements.

(£'000)	SII Basis	Financial Statements
Assets held for index-linked and unit-linked contracts		
Equities and Collective Investment Undertakings	1,734,342	1,734,342
Bonds	80,058	80,058
Property	1,274,412	1,274,412
Cash and Cash Equivalents	402,214	402,214
Debtors	8,588	8,588
Creditors	(4,824)	(4,824)
Accruals	(15,683)	(15,683)
VAT	(1,592)	(1,592)
Bank Loans	(72,085)	(72,085)
Total Assets held for index-linked and unit-linked contracts	3,405,430	3,405,430
Investments (other than assets held for index-linked and unit-linked contracts)		
Deferred Tax	2	2
Property (other than for own use)	41	41
Receivables	996	2,118
Cash and Cash Equivalents	4,171	4,171
Total other Assets	5,210	6,332
Total Assets	3,410,640	3,411,762

The only difference between the valuation of assets on the Solvency II (SII) basis and the financial statements is that accrued fee income is not recognised on the SII balance sheet. The accrual of future income is a UK GAAP accounting item only and has been included in receivables.

SLA also has an interest in two dormant subsidiary companies which are non-trading entitles. The holdings in these entities are valued at £102 (2017: £102) which represents the adjusted equity basis of valuation.

The assets shown in the above table are valued using the following methodology:

Equities

SLA determines the value of equities based on the observable market prices. Where a market price is not available the price of the assets will be set to zero following consideration by the Group Investment Committee. SLA does not have an internal pricing team, all prices are obtained from an independent third party, and this will either be the collective investment scheme manager or Thomson Reuters.

Collective Investments

SLA determines the value of Collective Investments based on the observable market prices. Where a market price is not available the price of the assets will be set to zero following consideration by the Group Investment Committee. SLA does not have an internal pricing team, all prices are obtained from an independent third party, and this will either be the collective investment scheme manager or Thomson Reuters.

Bonds

SLA determines the value of Bonds based on the observable market prices, inclusive of accrued interest and index linked, were applicable. Where a market price is not available the price of the assets will be set to zero following consideration by the Group Investment Committee. SLA does not have an internal pricing team, all prices are obtained from an independent third party, and this will either be the collective investment scheme manager or Thomson Reuters. Bond values include accrued interest income under both the Solvency II and FRS 101 of UK GAAP bases.

Property

Property holdings in investment property are carried at fair value. They are valued by independent valuers on the basis of open market value as defined in the appraisal and valuation manual of the Royal Institute of Chartered Surveyors or by reference to the movement in a property index from the last purchase or valuation date.

Cash, Debtors

Cash and cash equivalents include cash in hand, deposits held at call with banks, treasury bills and other short term highly liquid investments with original maturities of three months or less. The valuation of these assets follows the Solvency II fair value hierarchy. Debtors are recognised fair value. There is no difference between the Solvency II valuation and the FRS 101 of UK GAAP valuation.

Creditors, Bank Loans, Accruals, VAT

Trade payables, bank loans, accruals and VAT liability are recognised at fair value. There is no difference between the Solvency II valuation and the FRS 101 of UK GAAP valuation.

Deferred Tax Asset

The deferred tax asset held by SLA is in respect of the excess of depreciation over capital allowances for some fixed assets. These assets have since been transferred to SLA's sister company SLP.

D2 Bases, methods and main assumptions used for the valuation for solvency purposes for each material class of liabilities and the nature of differences with UK GAAP accounting policies

The value of the Technical Provisions corresponds to the amount that would have to be paid to transfer the insurance obligations immediately to another insurance undertaking. This value is calculated in line with Solvency II requirements as the sum of the Best Estimate Liability (BEL) and risk margin.

The BEL is calculated as the expected present value of all future cash flows associated with the insurance business based on market consistent economic assumptions and best estimate non-economic assumptions. The risk margin is calculated in line with the Solvency II requirements using the cost of capital method.

(£'000)	SII Basis	Financial Statements
Index-linked and unit-linked Best Estimate	3,399,003	3,405,430
Risk margin	2,268	0
Total Technical Provisions	3,401,271	3,405,430

D2.1 Bases, methods and main assumptions used for its valuation of liabilities for solvency purposes

The assumptions and methodology for the best estimate liability and risk margin are set out in the following sections.

D2.1.1 Methodology applied in deriving the Technical Provisions

In accordance with Article 77 of the SII Directive 2009/138/EC, the value of Technical Provisions shall be equal to the sum of a best estimate liability (BEL) and a risk margin.

For SLA the BEL is comprised of two elements:

1. The liabilities from the unit-linked policies which match the assets held for the unit-linked contracts
2. The value in force, calculated using the methodology in section D2.1.1.1.

D2.1.1.1 Best Estimate of Liabilities valuation methodology

The best estimate liability of the value in force, corresponds to the probability-weighted average of future cash-flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant risk-free interest rate.

The calculation of the future cash flows for best estimate is based upon up-to-date and credible information and realistic assumptions and is performed using adequate, applicable and relevant actuarial and statistical methods.

The cash-flow projection used in the calculation of SLA's best estimate takes account of all the cash in- and out-flows from each of the four product groups: SIPPs, Protected Rights, Private funds and

Property TIPs. The cash inflows take account of the fee income received by SLA per policy which is not passed in full to SLP as part of the administration agreement. Cash out flows account for the expenses incurred by SLA which are apportioned across the product groups based on the number of policies. The remaining cash out flow is the administration fee payable to SLP which is modelled in line with the administration agreement.

The projection horizon for the cash flows is calculated using the closure assumption approved by the SLA Board. The closure assumption assumes that the business will cease to operate after 37 years. Therefore, no cash flows are included past this point. The cash flows are then discounted using the EIOPA risk free rate to give the present value of cash flows for each product group. The present value of cash flows for each product group, are then aggregated to give the total value in force used in the calculation of Best Estimate of Liability.

The best estimate is calculated gross, without deduction of the amounts recoverable from reinsurance contracts. SLA does not use any such reinsurance agreements.

D2.1.1.2 Guarantee and option valuation methodology

The products that SLA writes are all investment based contracts that do not offer any financial/non-financial guarantees or contractual options. SLA's remuneration is derived from a fixed monetary fee.

D2.1.2 Methodology applied in deriving the risk margin

The risk margin represents the amount that theoretically would have to be paid to another insurer (in addition to the best estimate of liability) to compensate them for taking on the insurance liabilities. It is based on the principle of allowing for the cost of holding capital to support risks which cannot be readily hedged. These include underwriting risks, credit risk related to reinsurance and special purpose vehicles and operational risk.

D2.1.2.1 Elements included in the SCR for Risk Margin projection

SLA considers Lapse risk, Expense risk, Counterparty Default Risk and Operational Risk to be non-hedgeable. As such the SCR for these risks is included in the calculation of the risk margin.

D2.1.2.2 Steps in the risk margin calculation

The risk margin for SLA is calculated using the following steps:

1. The non-hedgeable risk SCR (at time 0) is apportioned across the product types based on that product's share of value in force.
2. The non-hedgeable risk for each product type is projected over the projection horizon of the product reducing each year in line with the best estimate lapse assumption.
3. 6% cost of capital is applied to the projected non-hedgeable SCR which is then discounted using the risk free rate giving the risk margin for each product group.
4. The risk margin for each product group is aggregated to give the overall risk margin for SLA

D2.1.2.3 The projection of the SCR

For the calculation of the risk margin the SCR projected in line with the policy numbers over the cash flow projection horizon for each product group

D2.1.3 Key assumptions in deriving the Technical Provisions

This section covers key assumptions used to derive the best estimate liability component of the Technical Provisions for SLA. The assumptions used are set out in the following table.

Assumption	31 December 2018	31 December 2017
Lapses		
SIPPs	6.5%	6.0%
Protected Rights	20.0%	20.0%
Private Funds	8.3%	9.5%
Property TIPs	7.7%	8.5%
Average Fee Income per policy		
SIPPs	£880	£770
Protected Rights	£320	£330
Private Funds	£780	£740
Property TIPs	£420	£420
Expenses		
Total expenditure	£459,239	£475,229
Regulatory Fees	£155,273	£182,478
Long Term Assumption for FSCS	£50,000	£43,000
Business Closure Assumption		
Protected Rights	5 years	5 years
All other product Groups	37 years	37 years
Economic Assumptions		
Expense Inflation	2%	2%
Fee inflation	3%	3%
Projection horizon		
Closure Assumption	37 years	37 years

D2.1.3.1 Relevant risk free rate applied in deriving the Technical Provisions

The risk free rate published by EIOPA is used to calculate the Technical Provisions. As at 31 December 2018 SLA does not utilise volatility adjustments.

D2.1.3.2 Lapses

The lapse assumption is derived based on lapse experience analysis performed for each product group. The policy lapse experience analysis is based on the policy count numbers, i.e. lives basis rather than sum assured. Three years of experience data was used to determine the lapse assumption. The experience data was collected directly from the administration system where each type of lapse is recorded.

The types of policy termination considered in setting the lapse assumption were:

- Transfer to another pension provider including products offered by other members of the Curtis Banks Group
- Termination following the payment of a death benefit lump sum
- Termination during cooling off period
- Annuity purchase from another provider on retirement
- Depletion of fund using pension freedoms

D2.1.3.3 Expenses

The following expenses are included in the calculation of Technical Provisions:

External Audit Expenses

The expense incurred by SLA from the annual external audit of the financial statements and the Solvency II requirements.

Internal Audit Expenses

SLA share of the group’s cost for the internal audit function performed by KPMG.

Regulatory fees

The regulatory fees incurred by SLA for operating as a regulated entity comprise fees from both the PRA and FCA. Regulatory fees include the fees and levies from the FCA, PRA, Financial Services Compensation Scheme (FSCS), Money Advice Service (MAS), Financial Ombudsman Service (FOS) and the Pension Guidance Service.

Actuarial Services

The fees incurred from the outsourcing of the actuarial function.

Licensing fee

The fee incurred form the use of a data license from the London Stock Exchange.

SLP administration fee

The fee paid to SLP for the provision of administration services. In the cash flow projection this is 90% of annual fee income after regulatory fees have been taken into account. This is reduced to 80% of fee income in the modelling of the mass lapse standard formula scenario as per the agreement between SLA and SLP.

The expense assumptions above are increased in line with the expense inflation assumption for each year in the cash flow projection.

D2.1.3.4 Mortality and morbidity assumptions

The pension based products that SLA writes offer the return of funds on the death to a beneficiary, as one option on the death of the policyholder. This option is accounted for in the lapse assumption. There are no other guaranteed death benefits available on the death of the policyholder and no further assumptions are set.

D2.2 Uncertainty associated with the value of Technical Provisions

Uncertainty in the valuation of technical provisions is most likely to be found in the modelling of the future cash flows which only impacts the value in force. The uncertainty will be driven from the methodology chosen to model the cash flows and the assumptions used in the cash flows. There is also a level of uncertainty in the methodology used for calculating the risk margin where the non-hedgeable SCR is apportioned across the product groups based on the product group's share of the future cash flows.

The uncertainty in assumptions is managed by comparing past assumptions with experience when deriving the assumption for the current reporting period.

D2.3 Differences between the bases, methods and main assumptions used for the valuation for solvency purposes and those used for valuation in financial statements

The differences between the valuation of technical provisions under a Solvency II basis and FRS 101 of UK GAAP basis have been outlined in section D2.1.

D3 Bases, methods and main assumptions used for the valuation for solvency purposes for each material class of other liabilities and the nature of differences with UK GAAP accounting policies

The following table sets out the differences between the SII balance sheet and the financial statements for other liabilities.

(£'000)	SII Basis	Financial Statements
Deferred Tax Liabilities	707	0
Deferred Fee Income	0	1,773
Payables	2,272	2,272
Debts owed to credit institutions	7	7
Total other liabilities	2,986	4,052

The key differences are:

- The recognition of deferred tax liability on the SII balance from the tax on the future cash flows
- Deferred fee income of £1.773k, which is not recognised under the Solvency II requirements

The deferred tax liability is included on the SII balance sheet to recognise the amounts of income taxes payable in future periods in respect of taxable temporary differences between Solvency II and UK GAAP. The deferred tax liability is calculated by applying the current tax rate to the difference between the Risk Margin and the value in force. The tax rate used at 31 December 2018 was 17% (31 December 2017: 17%).

D3.1 Contingent liabilities

As at 31 December 2018 SLA did not hold any contingent liabilities on its balance sheet.

D3.2 Provisions, other than Technical Provisions

As at 31 December 2018 SLA did not hold any Provisions on its balance sheet.

D4 Alternative methods for valuation

For properties held in the unit linked fund which are valued by independent valuers the property value is calculated by dividing the expected rental cash flows by an appropriate rental yield. Future cash flows are calculated based on the valuer's expectation of rental receipts during and after the current tenancy ends. This is typically based on an assessment of rents charged on comparable properties. Property indexation movements are obtained from a third party property index and applied to the last purchase or valuation date. Valuation uncertainty has been assessed as significant for this asset class. There is no comparison performed against historical experience. This valuation method only impacts the value held in the unit linked fund and has no impact on the Solvency position of SLA.

Other than the method of valuing property described no other alternative valuation methods are used by SLA.

D5 Any other information

No future management actions are used in the calculation of Technical Provisions.

SECTION E CAPITAL MANAGEMENT

E1 Own Funds

E1.1 Management of the Own Funds

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

The Company's Own Funds are primarily invested in cash deposits in bank accounts. There is no intention to change the disposition of own fund items.

The medium-term capital management plan set by the Board is as follows:

- Own funds to be maintained at an acceptable level in excess of the SCR (or MCR where relevant)
- No capital is planned to be issued in the short or medium term
- Own Fund items (other than the value arising from existing policies) are invested in bank deposits in accordance with the Board approved Treasury Policy

SLA has a simple capital structure with all capital items classified as tier 1, with the ability to cancel dividends on ordinary share capital. There are no restrictions on the availability of SLA's own funds to support the SCR or MCR. The Reconciliation Reserve comprises retained profits and valuation differences between SII and FRS 101 of UK GAAP (see section E1.2).

(£'000)	31 December 2018	31 December 2017	Variance
Called up share capital	1,700	1,700	0
Deferred Tax	2	2	(0)
Reconciliation Reserve	4,681	4,408	273
SII Basic Own Funds	6,383	6,110	273

E1.2 Analysis of change from FRS 101 of UK GAAP equity to Basic Own Funds

The following table sets out the difference between FRS 101 of UK GAAP and Solvency II own funds. These items make up the reconciliation reserve.

(£'000)	31 December 2018
UK GAAP Own Funds	2,279
Adjustments for UK GAAP components	
Deferred Income	(1,121)
Accrued Income	1,773
Adjustments SII components	
Risk Margin	(2,268)
Value in force	6,427
Deferred Tax Liability	(707)
SII Own Funds	6,383

The key difference between FRS 101 of UK GAAP own funds and Solvency II own funds are:

- The addition of the Risk Margin which is a Solvency II requirement
- The addition of the value in force on the SII balance sheet which educes Technical Provisions. These are floored to zero on the FRS 101 of UK GAAP balance sheet
- The recognition of deferred tax liability on the SII balance from the tax on the future cash flows
- Deferred and accrued fee income which is not recognised under the Solvency II requirements

E2 Solvency Capital Requirements and Minimum Capital Requirement

E2.1 Detail on the capital requirements for SLA

(£'000)	Standard Formula or Internal Model	31 December 2018	31 December 2017	Variance
Available Own Funds		6,383	6,110	273
SCR				
Market risk SCR Module	Standard Formula	769	763	6
Life underwriting risk SCR Module	Standard Formula	771	773	(2)
Operational risk SCR Module	Standard Formula	2,389	2,393	(4)
Counterparty default risk SCR Module	Standard Formula	223	179	44
Diversification		(458)	(433)	(25)
Allowance for DTL offset		(207)	(206)	(1)
Total SCR		3,487	3,469	18
SCR Surplus		2,896	2,641	255
MCR		3,288	3,251	37
MCR Surplus		3,094	2,859	235

There has been an overall increase of £18k in the SCR from the YE17 position. The main drivers to the changes in the SCR are:

- Increase in the counterparty default risk module due to the increase in cash holdings
- Increase in the diversification credit which reduces the overall SCR, due to the increase in the counterparty default risk module

E2.2 Calculation of MCR

Under Solvency II regulations, the Minimum Capital Requirement is calculated as a linear function of a set or sub-set of the following variables:

- the technical provisions
- written premiums
- capital-at-risk
- deferred tax
- Administrative expenses

The variables used shall be measured net of reinsurance. The MCR requirement should not fall below 25% or exceed 45% of the SCR. There is an absolute floor to the MCR of €3,700k.

SLA is subject to the absolute floor of the MCR which gives an MCR of £3,288k using the £ to € exchange rate for 2018 published by the PRA. The changes to SLA MCR are due to the changes to this exchange rate over the reporting period.

E2.4 Simplifications and parameters used in deriving the Solvency Capital Requirement

SLA has not adopted any of the simplifications outlined in the SII directive or used any entity specific parameters in calculating the SCR. Proportional modelling simplifications have been used in calculating the SCR and Risk margin considering the nature, scale and complexity of the underlying risks of SLA.

E2.5 Disclosure of capital add-ons to SCR

SLA is not subject to any capital add-ons.

E3 Duration based equity sub module

SLA has not adopted the duration based equity sub module.

E4 Differences between Standard Formula and any Internal Model used

SLA does not use an internal model.

E5 Non-compliance with the MCR and non-compliance with the SCR

SLA has maintained compliance with both the MCR and SCR during the reporting period.

E6 Any other information

There is no further material information.

APPENDIX 1 - QUANTITATIVE REPORTING TEMPLATES

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	2
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	41
R0080	*Property (other than for own use)*	41
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	0
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	3,405,430
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	0
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	996
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	4,171
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	3,410,640

	Liabilities	Solvency II value
		C0010
R0510	Technical provisions - non-life	0
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	
R0550	*Risk margin*	
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	3,401,271
R0700	*TP calculated as a whole*	3,405,430
R0710	*Best Estimate*	-6,427
R0720	*Risk margin*	2,268
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	707
R0790	Derivatives	
R0800	Debts owed to credit institutions	7
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	2,272
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	3,404,258
R1000	**Excess of assets over liabilities**	6,383

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross			182,531						182,531
R1420	Reinsurers' share									0
R1500	Net			182,531						182,531
	Premiums earned									
R1510	Gross									0
R1520	Reinsurers' share									0
R1600	Net			0						0
	Claims incurred									
R1610	Gross			346,233						346,233
R1620	Reinsurers' share									0
R1700	Net			346,233						346,233
	Changes in other technical provisions									
R1710	Gross									0
R1720	Reinsurers' share									0
R1800	Net			0						0
R1900	**Expenses incurred**			44,180						44,180
R2500	**Other expenses**									
R2600	**Total expenses**									44,180

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	Accepted reinsurance	Total (Life other than health insurance, including 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
R0010	**Technical provisions calculated as a whole**		3,405,430								3,405,430
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole										0
	Technical provisions calculated as a sum of BE and RM										
	Best estimate										
R0030	**Gross Best Estimate**			-6,427							-6,427
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default										0
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re			-6,427	0						-6,427
R0100	**Risk margin**		2,268								2,268
	Amount of the transitional on Technical Provisions										
R0110	Technical Provisions calculated as a whole										0
R0120	Best estimate										0
R0130	Risk margin										0
R0200	**Technical provisions - total**		3,401,271								3,401,271

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	1,700	1,700		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	4,681	4,681			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	2				2
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	6,383	6,381	0	0	2
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	6,383	6,381	0	0	2
R0510	Total available own funds to meet the MCR	6,381	6,381	0	0	
R0540	Total eligible own funds to meet the SCR	6,383	6,381	0	0	2
R0550	Total eligible own funds to meet the MCR	6,381	6,381	0	0	
R0580	**SCR**	3,487				
R0600	**MCR**	3,288				
R0620	**Ratio of Eligible own funds to SCR**	183.02%				
R0640	**Ratio of Eligible own funds to MCR**	194.05%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	6,383
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	1,702
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	4,681
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	769		
R0020	Counterparty default risk	223		
R0030	Life underwriting risk	771	9	9
R0040	Health underwriting risk	0	9	9
R0050	Non-life underwriting risk	0	9	9
R0060	Diversification	-458		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	1,305		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	2,390
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	-207
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	3,487
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	3,487
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

USP Key

For life underwriting risk:
1- Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1- Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	0

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

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	23,793

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	**Net (of reinsurance/SPV) total capital at risk**
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations	3,399,003	
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		

	Overall MCR calculation	C0070
R0300	Linear MCR	23,793
R0310	SCR	3,487
R0320	MCR cap	1,569
R0330	MCR floor	872
R0340	Combined MCR	1,569
R0350	Absolute floor of the MCR	3,288
R0400	**Minimum Capital Requirement**	3,288

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