Zurich Life Assurance plc.

Solvency and Financial Condition Report 2016

Zurich Life Assurance plc.

Contents

All amounts in the Solvency and Financial Condition Report, unless otherwise stated, are shown in Euros, rounded to the nearest thousand with the consequence that the rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

Executive Summary

Business and Performance

Zurich Life Assurance plc (ZLAP) is a Life Assurance business selling principally into Ireland. ZLAP also writes business in Italy and other European markets. As at 31st December 2016 ZLAP held assets under management exceeding EUR19bn

Its domestic business mix is typical of the Irish market, including unit-linked, guaranteed protection, unitised with-profit (UWP), annuity, group protection and reviewable protection.

The company also currently writes life assurance business in various European markets under EU Freedom of Services and Freedom of Establishment provisions, primarily savings in Italy and term protection in Germany.
There were no material changes to ZLAP's business profile in 2016.

System of Governance

ZLAP is governed by its shareholders and Board and is subject to the Central Bank of Ireland's Corporate Governance requirements

The ZLAP Board has the ultimate responsibility for compliance with the applicable regulatory requirements and the Board has established an extensive system of governance to ensure the sound and prudent management of the company's business.

ZLAP employs a model that allows key functions to review and independently challenge the running of the business by line management, and to report their findings to the Board and other relevant committees.

There were no material changes to ZLAP's system of governance in 2016.

Risk Profile

ZLAP manages a mix of risks typical to a life assurance company operating in Ireland

Its key risks include Underwriting (e.g. insurance, expense), Market (e.g. equity, interest rate), Credit (e.g. asset default, reinsurer default) and Operational (e.g. systems, processes) risks. ZLAP has frameworks in place to monitor and manage all material risks.

There were no material changes to ZLAP's risk profile in 2016.

Valuation for Solvency Purposes

ZLAP values its assets and liabilities in line with regulatory requirements

ZLAP's valuation techniques are described in greater detail in section D of this document.

Capital Management

The Central Bank of Ireland (CBI) requires life offices to maintain solvency coverage at 100% of the Solvency II Solvency Capital Requirement (SCR). As at 31st December 2016, ZLAP has a regulatory solvency ratio of 143%

Furthermore, ZLAP is part of the Zurich Insurance Group ("the Group"). As of 1st January 2017 the Group had a solvency ratio of 227% as measured by the Swiss Solvency Test, which has equivalence with the Solvency II regulatory regime applicable to ZLAP. The Group manages its capital to an 'AA' level according its internal economic capital model. ZLAP's capital management is described in greater detail in section E of this document.

143%
Solvency II ratio (as of 31st December 2016)

EUR 898 m
Own Funds under Solvency II (as of 31st December 2016)

EUR 629 m
Solvency Capital Requirements (SCR) under
Solvency II standard model (as of 31st December 2016)

Information on the SFCR

1. Requirements for the SFCR

Solvency II became effective on 1st January 2016 for all insurance companies and groups regulated in the European Union. The aim of Solvency II is to provide a more risk-based approach to calculating and monitoring the required levels of capital for insurance companies. It also introduced a requirement for insurance companies to produce a publicly available Solvency and Financial Condition Report to assist customers and other stakeholders in understanding the types of business written, how it is managed and the overall financial condition of the company, including the amount of regulatory capital required by and available to the company.

For insurance companies regulated by the Central Bank of Ireland (CBI), the Solvency and Financial Condition Report is produced in accordance with Article 52 of the Statutory Instrument 485 of 2015, Articles 290 to 303 of the Commission delegated Regulation (EU) 2015/35 and the EIOPA guidelines on reporting and public disclosure (B05-15-109).

2. Note on auditability

In accordance with CBI regulation, sections of this report are subject to audit review by the statutory auditors, PricewaterhouseCoopers. The narrative sections in scope for audit review are the following:

- Assets
- Technical provisions
- Other liabilities
- Alternative methods for valuation
- Solvency Capital Requirement and Minimum Capital Requirement
- Own funds
- Any other information (D.5 and E.6)

These sections relate to the following Quantitative Reporting Templates (“QRTs”) which are included in the appendix:

- S.02.01.02
- S.12.01.02
- S.23.01.01
- S.25.01.21
- S.28.01.01

3. Note on materiality

Information to be disclosed is considered to be material if its omission or misstatement could influence the decision-making or the judgement of the users of the document, including the CBI.

4. Approval of the Solvency and Financial Condition Report

This report was reviewed and approved by the Board of Directors of Zurich Life Assurance plc on 9th May 2017.

A. Business and Performance

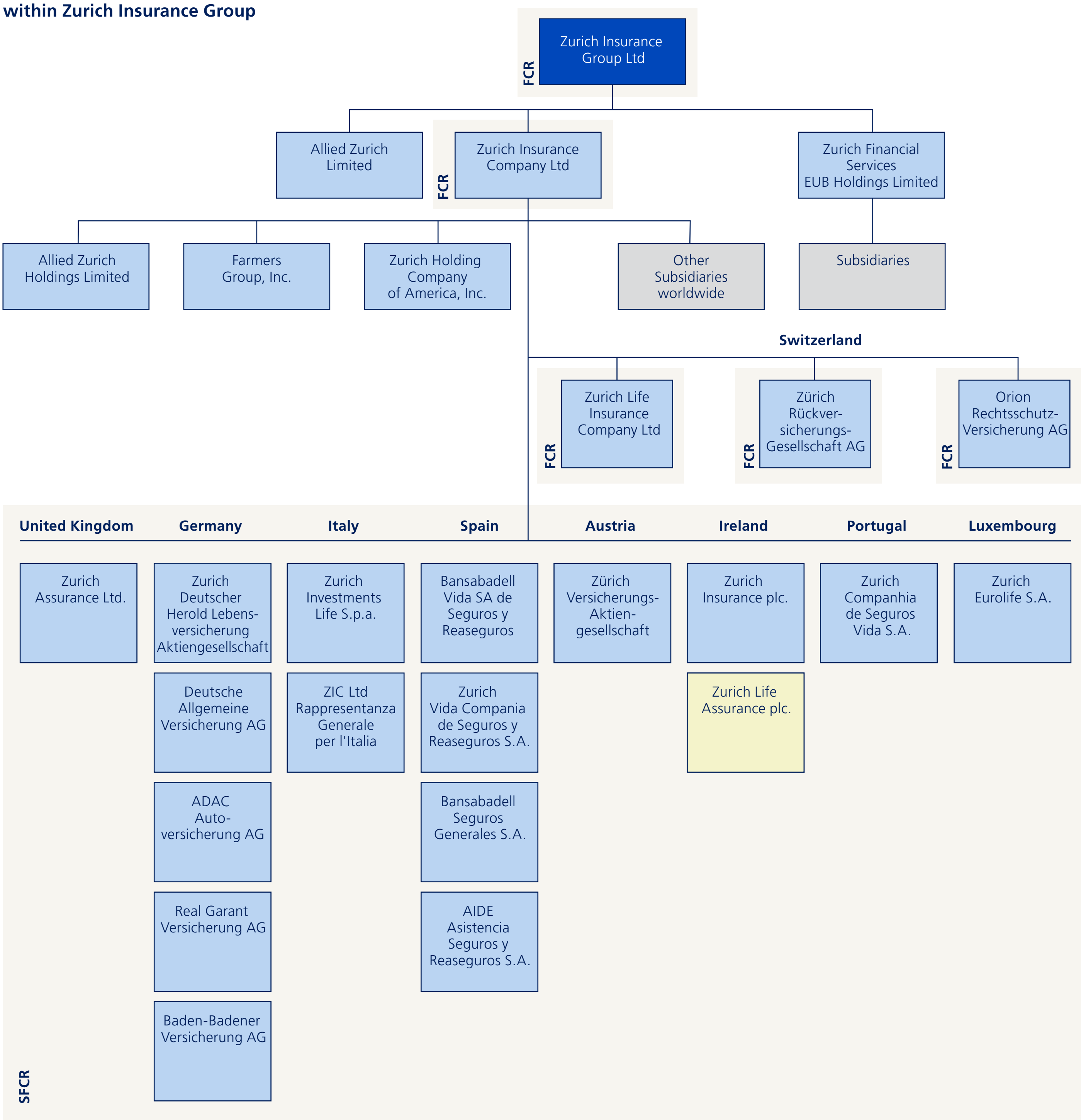
A.1 Business

Zurich Life Assurance plc (ZLAP)'s business profile

Name, location and legal form of the undertaking or the natural persons that are direct and indirect holders of qualifying holdings in the undertaking, with a description of all subsidiaries	ZLAP is registered in Ireland under company number 58098 as a public limited company and has its registered office at Zurich House, Frascati Road, Blackrock, County Dublin, Ireland. ZLAP has a regulated branch in Italy.
Name and contact details of the supervisory authority responsible for financial supervision and, where applicable, name and contact details of the group supervisor	ZLAP is authorized and regulated by the Central Bank of Ireland ("CBI"), New Wapping Street, North Wall Quay, Dublin 1. Zurich Insurance Group is authorized and regulated by the Swiss Financial Market Supervisory Authority ("FINMA"), Laupenstrasse 27, CH–3003 Bern, Switzerland.
Name and contact details of the external auditor of the undertaking	PricewaterhouseCoopers, Chartered Accountants and Statutory Audit Firm, One Spencer Dock, North Wall Quay, Dublin 1.
List of material related undertakings including the name, legal form, country, proportion of ownership interest held and, if different, proportion of voting rights held	Zurich Trustee Services Limited (ZTSL), incorporated in Ireland: ZLAP has a 100% qualifying holding. Zurich Pension Trustee Ireland Limited, incorporated in Ireland: ZTSL and Zurich Holding Ireland Limited each have a 50% qualifying holding. Timosa Limited (in members' voluntary liquidation), incorporated in Ireland: ZLAP has a 100% qualifying holding.
Description of the holders of qualifying holdings in the undertaking	Direct: Zurich Holding Ireland Limited, incorporated in Ireland, has a 100% qualifying holding. Indirect: Zurich Insurance Company Ltd incorporated in Switzerland, has a 100% qualifying holding. Zurich Insurance Group Ltd incorporated in Switzerland, has a 100% qualifying holding.
Proportion of ownership interest held and, if different, the proportion of voting rights held	Zurich Holding Ireland Limited has a 100% shareholding and voting power in ZLAP.
Where the undertaking belongs to a group, details of the undertaking's position within the legal structure of the group	Zurich Holding Ireland Limited, which holds 100% in ZLAP, is 100% owned by Zurich Insurance Company Ltd. A simplified group structure is provided in section B.1
Undertaking's material lines of business and material geographical areas where it carries out business	The company is an authorised life insurance undertaking pursuant to the European Union (Insurance and Reinsurance) Regulations 2015. It is authorised to conduct life, pensions and annuity business, which are its core businesses in Ireland. ZLAP sells life insurance business in Germany on a Freedom of Services basis and savings business in the United Kingdom on a Freedom of Services basis. ZLAP's Italian Branch sells savings business in Italy on a Freedom of Establishment basis. Information on other lines of business and geographical areas is provided in section A.2
Any significant business or other events that have occurred with material impact on the undertaking	As discussed in section B.1: • There have been some updates to the system of governance following the introduction of Solvency II • There were no material transactions during the reporting period

A. Business and Performance *continued*

Chart 1: Public reporting on solvency and financial condition within Zurich Insurance Group



SFCR: Solvency and Financial Condition Report (Solvency II; from 2016) **FCR:** Financial Condition Report (Swiss regulation; from 2017)

Subsidiary/branch   Group of subsidiaries/branches   Current disclosure

Note: The purpose of the chart above is to provide a simplified overview of the Group's major subsidiaries and branches (as reported at December 31, 2016), with special focus on the public reporting of their solvency and financial condition. Please note that this is a simplified representation showing entities that must publish such a report and therefore it may not comprehensively reflect the detailed legal ownership structure of the entities included in the overview. The ordering of the legal entities under each country is not indicative of ownership; these are independent legal entities.

A.2 Underwriting Performance

Since the Company prepares its financial statements in accordance with FRS 101, the underwriting performance information given in this section is on that basis. ZLAP attained a profit (pre shareholder tax) of €70.836m in the 2016 financial statements.

The below table shows the 2016 underwriting performance by Solvency II line of business:

Underwriting Performance by SII Line of Business

in EUR thousands	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Total
(+) Net Premiums Written	18,246	120,699	2,315,163	141,377	2,595,485
(-) Net Claims Incurred	8,410	185,226	1,712,245	90,947	1,996,828
(-) Net Change in Technical Provisions	(6,197)	(29,351)	1,184,198	6,089	1,154,738
(+) Investment Income	–	49,470	799,068	24,040	872,579
(-) Total Expenses	12,830	11,544	183,398	44,605	252,378
Total Underwriting Performance	**3,203**	**2,749**	**34,390**	**23,778**	**64,120**

The 2016 underwriting performance by material geographical area is detailed below:

Underwriting Performance by country

in EUR thousands	Ireland	Italy	Germany	Other	Total
(+) Net Premiums Written	1,946,872	614,520	22,159	11,934	2,595,485
(-) Net Claims Incurred	1,315,813	622,150	587	58,277	1,996,828
(-) Net Change in Technical Provisions	1,224,650	19,377	12	(89,301)	1,154,738
(+) Investment Income	768,385	139,993	–	(35,800)	872,579
(-) Total Expenses	147,775	91,535	7,658	5,410	252,378
Total Underwriting Performance	**27,019**	**21,451**	**13,901**	**1,749**	**64,120**

The reconciliation from the underwriting information above to the profit reported in the financial statements is as follows:

Reconciliation from the SII information

in EUR thousands	2016
Underwriting Performance above	64,120
Shareholder Investment Return	10,761
Fee Deferrals	(4,045)
Profit on Ordinary Activities Before Shareholder Tax	**70,836**

The €10.761m of investment return above relates to returns on shareholder assets. Financial statements methodology requires upfront fees to be recognised over the lifetime of the policy which results in the creation a liability in respect of deferred origination fees. This liability is not allocated across the lines of business or geographical areas in the first two tables.

A. Business and Performance *continued*

A.3 Investment Performance

Income from investments of €885.310m is included in the financial statements.

Investment Return by Asset Class

in EUR thousands	2016
Equities	429,974
Bonds	172,886
Unit Trusts	275,364
Deposits	7,086
Total	**885,310**

The key points to note on the investment return are listed below:

Equities
The investment return on equities includes dividend income and capital gains resulting from strong growth in equity markets in 2016.

Bonds
Falling yields in 2016 led to gains in bond holdings. Coupon payments on bonds held also contribute to the investment result.

Unit Trusts
Unit Trusts are mainly held by policyholders through unit-linked funds. The returns depend on the assets that the unit trust is invested in.

Deposits
Interest is paid on cash deposits. The low (and sometime negative) interest rate environment has impacted the returns on deposits.

Investment Management Expenses include interest payable and the indirect costs, including the relevant staff, accommodation and IT system costs of acquiring and managing all types of investments.

Unrealised gains of €46.8m were recognised directly in the equity in 2016. No investments are securitised.

A.4 Performance of other activities

Other technical income in the financial statements of €258m comprises mainly fees for policy administration and asset management services arising from unit-linked contracts and investment & insurance contracts with discretionary participation features. ZLAP have entered into various operating leases as lessee for office space and equipment. ZLAP had no financial lease arrangements at 31 December 2016.

A.5 Any other Information

Pursuant to Article 293 of the Commission delegated Regulation (EU) 2015/35 no additional material information on ZLAP's business and performance has been identified.

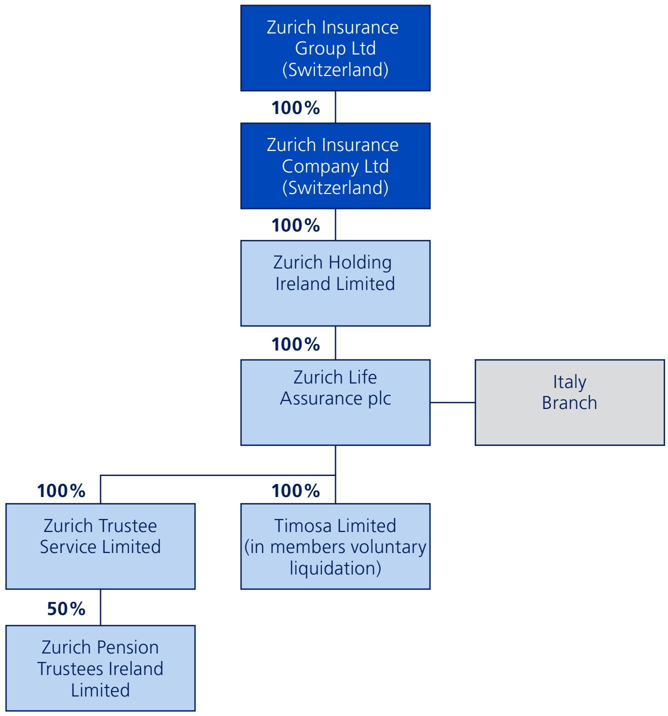
B. System of Governance

B.1 General Information on the system of governance

Summary Group Structure

A summary group structure is provided below.

Summary Group Structure Zurich Life Assurance plc



A simplified structure of the wider Group is shown in section A.1.

B. System of Governance *continued*

ZLAP Corporate Governance Overview

The focal point of ZLAP's system of governance is the Board which directs all aspects of ZLAP's business unless the Board is required, as a matter of law, to refer an issue to its shareholders.

ZLAP Board

The terms of reference of the Board provide that the Board will, amongst other matters:

- approve the corporate objectives and set the strategy to achieve them
- ensure that the organisation conducts its affairs in an ethical, legal and responsible manner
- set and oversee a robust and transparent organisational structure with effective communication and reporting channels
- set and oversee an effective internal control framework that includes well-functioning risk management, actuarial, compliance and internal audit functions as well as an appropriate financial reporting and accounting framework
- determine policies on key areas such as: risk, reserving, compliance, internal audit, outsourcing, fitness and probity, business continuity, accounting, staff remuneration and board diversity
- review the effectiveness of ZLAP's systems of internal control and ensure compliance with ZLAP's policies and principles

Committees of the ZLAP Board

The Board has established the following committees which report directly to it:

The **Audit Committee** assists the Board in controlling, overseeing and coordinating ZLAP's internal and external audit activities and processes. It monitors ZLAP's financial reporting process and reviews the annual financial statements, as well as overseeing the activities of the compliance function.

The **Board Risk Committee** serves as a focal point for oversight of risk management in ZLAP. It makes recommendations to the Board on ZLAP's current risk exposures, risk appetite and future risk strategy, as well as overseeing the risk management function in ZLAP.

The Board has elected not to establish a Remuneration Committee or Nominations Committee and instead relies on similar committees which exist at Zurich Group level.

Executive Management and Management Committees

The Board has delegated broad executive powers to the Chief Executive Officer (CEO) to manage and operate ZLAP's business. The following key management committees have been established to assist and support the CEO and other senior management in fulfilling their responsibilities:

1. The **Management Committee** assists and supports the CEO in managing, controlling and overseeing all the business and operations of ZLAP.

2. The **Risk and Control Committee** ("RCC") assists the CEO by providing an integrated assurance forum for managing, controlling and overseeing the risk management, compliance and internal control activities across ZLAP's business.

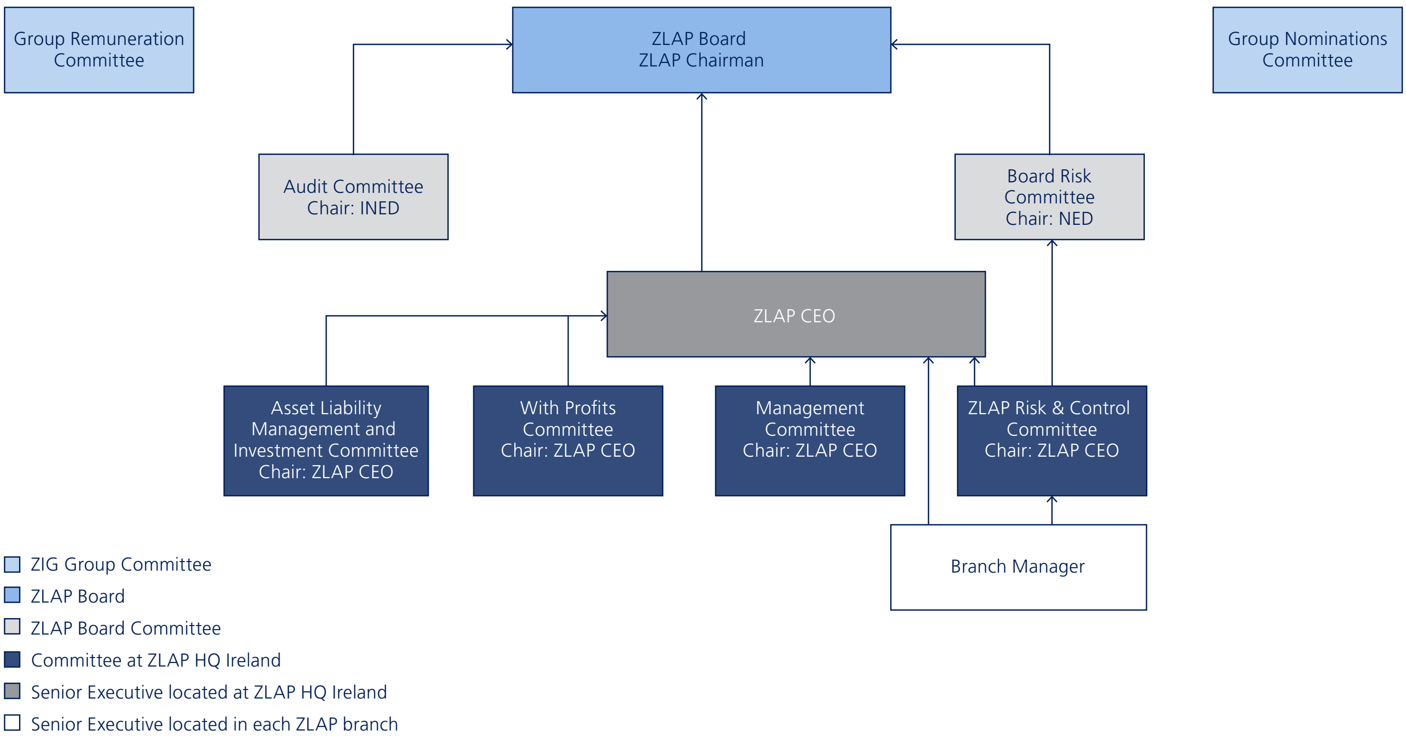
3. The **Asset Liability Management and Investment Committee** ("ALMIC") assists the CEO in managing and overseeing the investment of ZLAP's portfolio of investment assets in accordance with the investment strategy.

4. The **With-Profits Committee** considers the report of the Head of Actuarial Function on unitised with-profits dividends to be added to policyholders' investment accounts and material unitised with-profits matters.

ZLAP has a single branch in Italy (on a Freedom of Establishment basis) which performs sales, marketing, new business preparation and client services liaison functions. A Branch Manager is responsible for the operation of the sales branch and monitoring local compliance and risk in accordance with guidelines issued by ZLAP.

The governance reporting structure is summarised in the chart below.

ZLAP'S system of governance



Key Functions within ZLAP

ZLAP's key functions are as follows:

- The Risk Management function, led by the ZLAP Chief Risk Officer, is responsible for facilitating the implementation and effective operation of the ZLAP Enterprise Risk Management (ERM) Framework, reporting on risk exposures and advising the Board on risk appetite and other risk management matters. Further information on the risk management system is contained in Section B.3 of this report.
- The Compliance function, led by the ZLAP Chief Compliance Officer, is responsible for promoting an ethics-based culture, delivering compliance solutions and providing assurance. Among other things, the Compliance function advises the Board on compliance with laws and regulations, assesses the possible impact on ZLAP of changes in the legal environment and assesses the adequacy of measures taken by ZLAP to prevent non-compliance. Further information on the Compliance function is contained in Section B.4 of this report.
- The Internal Audit function, led by the ZLAP Head of Internal Audit, is responsible for providing independent and objective assurance to the Board, the Audit Committee and the RCC on the adequacy and effectiveness of ZLAP's risk management, internal control and governance processes. Further information on the Internal Audit function is contained in Section B.5 of this report.
- The Actuarial function, led by the ZLAP Head of Actuarial Function, is responsible for carrying out the actuarial activities of ZLAP including the provision of regular reports to the Board on technical provisions. Further information on the Actuarial function is contained in Section B.6 of this report.

Each of the Risk Management, Compliance and Actuarial functions has a clear mandate and authority to fulfil their functional responsibilities, reports to and has access to the Board independent of their own management reporting line to the CEO and has the right to receive all relevant information and be appropriately resourced to perform their respective role(s). Accordingly, each of these functions (notwithstanding their internal management reporting lines) has operational independence to carry out their respective tasks and to report to and advise the Board.

B. System of Governance *continued*

ZLAP's Internal Audit function is provided by the Zurich Group Internal Audit function. An appropriate service level agreement requires that sufficient Internal Audit resources with appropriate capability and competence are provided to ZLAP to deliver the audits contained in ZLAP's annual internal audit plan. The Internal Audit function has a clear mandate pursuant to ZLAP's internal audit policy which further protects the operational independence of ZLAP's Internal Audit function by providing that if the independence or objectivity of the Internal Audit function is impaired, then details of the impairment must be disclosed to the Chairperson of the Audit Committee so that appropriate action can be taken.

Each of the key functions described above has access to the Board (and/or a Board Committee) for the purpose of reporting to and advising the Board. The table below summarises the regularity with which each of these functions reports to the Board (and/or Board Committee).

Table : ZLAP Key Functions

Function name	Responsible role title	Report mechanism into Board
Risk Management Function	Chief Risk Officer	• Report to the Board Risk Committee (quarterly) • Report to the Board (periodically as required)
Compliance Function	Chief Compliance Officer	• Report to the Audit Committee (quarterly)
Internal Audit Function	Head of Internal Audit	• Report to the Audit Committee (quarterly)
Actuarial Function	Head of Actuarial Function	• Report to the Board as required (e.g. annual Actuarial Function report)

Material changes in the system of governance

There were no material changes to ZLAP's system of governance in 2016. In line with Solvency II requirements areas such as the outsourcing framework, key policies and production of the Own Risk and Solvency Assessment were developed.

Overview of Remuneration and ZLAP's Remuneration Policy

The Board has determined that it is appropriate for ZLAP to rely on the Zurich Group Remuneration Committee rather than establish its own Remuneration Committee. The Board has adopted the Zurich Group Remuneration Rules (ZRR) as ZLAP's remuneration policy without material deviation.

The ZRR establish a balanced and effectively managed remuneration system for employees which ensures competitive total remuneration opportunities for which the resulting awards are adjusted depending on the results achieved. The short and long-term incentive plans (STIP and LTIP) aim to align the remuneration architecture with the achievement of key financial objectives, the execution of the business strategy, the risk management framework and the operational plans.

The variable remuneration is largely determined by the achievements against pre-defined financial measures which are aligned with the meeting of strategic objectives. For the most senior employees the remuneration architecture is structured in a way that puts more emphasis on the variable remuneration elements with a higher weighting, on average, towards the long-term.

For senior employees, including those individuals who hold positions considered as key risk-taker roles, a large proportion of their remuneration is deferred over the long term and is dependent on long-term company performance. The performance based target shares guaranteed under the LTIP only vest if certain performance criteria are met and then one half of the vested shares are further restricted from sale for an additional period of three years.

Group Risk Management reviews the processes and criteria for identifying the key risk-taker roles annually. The criteria are based on factors that materially affect risk-taking, such as overall governance, capital consumption, strategy and reputation. Group Risk Management, together with other control and assurance functions, provides risk and compliance information about each key risk taker as part of the annual individual performance assessment. This information is taken into account, among other factors, when proposing STIP awards. Group Risk Management evaluated the remuneration architecture in 2016 and reported that the remuneration architecture is consistent with effective risk management and does not encourage inappropriate risk-taking.

Independent non-executive members of the Board receive fixed remuneration as an annual fee which is not subject to the achievement of any specific performance criteria. Board members and key function holders are, where relevant, members of their respective country pension schemes and all arrangements are subject to the standard rules of those schemes. The rules regarding supplementary pension or early retirement arrangements for these individuals are the same as for other employees.

Material Transactions during reporting period

There were no material transactions during 2016 such as dividend payments, capital injections or mergers and acquisitions.

B.2 Fit and proper requirements

Insurance companies must be satisfied that people who perform certain roles comply with standards known as the Fitness and Probity Standards which are issued by the CBI.

The Fitness and Probity Standards apply to people who are likely to significantly influence the conduct of the business of ZLAP or who ensure its compliance with relevant obligations. They also apply to people who deal directly with customers, for example in an advisory capacity or with respect to claims and complaints.

The Fitness and Probity Standards require those performing these roles to be competent and capable, honest, ethical, act with integrity and be financially sound.

The Board has approved a policy and implemented controls to ensure that it meets these requirements. The Company will carry out checks in advance of a person being appointed to such a role to obtain:

- Evidence of compliance with certain minimum competency standards
- Evidence of professional qualification(s)
- Evidence of Continuing Professional Development (where applicable)
- Record of interview and application
- References
- Record of previous experience
- Satisfactory checks in relation to Central Bank records, sanctions, directorships, judgements, bankruptcies

A person will neither be appointed to a role nor be allowed to remain in a role unless ZLAP is satisfied with the checks carried out.

People who perform these roles are required to certify annually that they agree to abide by the Fitness and Probity Standards and that they will notify ZLAP of any material changes to the information previously provided. In the event changes have occurred, the relevant checks will be re-performed to ensure the individual continues to comply with the relevant standards.

B.3 Risk management system including the own risk and solvency assessment

Risk management in ZLAP

Taking risk is inherent to the insurance business but such risk-taking needs to be made in an informed and disciplined manner, and within a pre-determined risk appetite and tolerance. To facilitate a structured approach to risk-taking an enterprise risk management (ERM) system is embedded in ZLAP's system of governance. The ERM system is designed to support ZLAP's decision-making procedures by providing consistent, reliable and timely risk information and protecting ZLAP's capital from risks that exceed established risk tolerances. These risk tolerances define ZLAP's willingness and ability to take specific types of risks having regard to circumstances that may arise and the actions undertaken in response to those circumstances.

The Board is responsible for ensuring that the rules and procedures for decision-making within the entity are well defined, transparent and supported through appropriate risk management and culture.

B. System of Governance *continued*

The Board has approved a risk appetite statement which details the Company's willingness and capacity to take risk based on:

- Economic capital adequacy
- Strategic direction and objectives
- Financial flexibility and stability
- A reasonable balance of risk and return, aligned with economic and financial objectives
- Protection of the ZLAP and Zurich brand and reputation through promotion and embedding of ZLAP and Zurich values and ethics throughout the organisation

As part of the ERM system, the Risk Management function calculates annual risk tolerance limits and evaluates breaches and potential breaches. The Risk Management function and other functions, such as Compliance and Actuarial, develop and operate methodologies to identify, manage and mitigate designated types of risks. The risk management function monitors overall risks, including specific risk-types, and escalates any risks that exceed ZLAP's risk tolerance. The ZLAP risk management system is used extensively for decision-making across the business including for capital, insurance, reinsurance and investment management.

The Board has approved a Risk Management Policy and adopted the Zurich Group Risk Policy. These are ZLAP's main risk governance documents. They specify ZLAP's risk tolerance, risk limits and authorities, reporting requirements, procedures to approve any exceptions and procedures for referring risk issues to senior management and the Board. Limits are specified per risk type. Ongoing assessments verify that requirements are met.

The approach to articulating the ZLAP risk appetite will continue to evolve in response to developing industry practice and market conditions. ZLAP has maintained compliance with the solvency capital limits of the Board approved risk appetite throughout 2016. ZLAP has also remained compliant with current regulatory capital requirements over the reporting period.

The ZLAP Chief Risk Officer (CRO) is responsible for implementation of the Enterprise Risk Management framework across ZLAP. The CRO reports risk matters to the CEO and senior management through the Risk and Control Committee and to the Board through the Board Risk Committee.

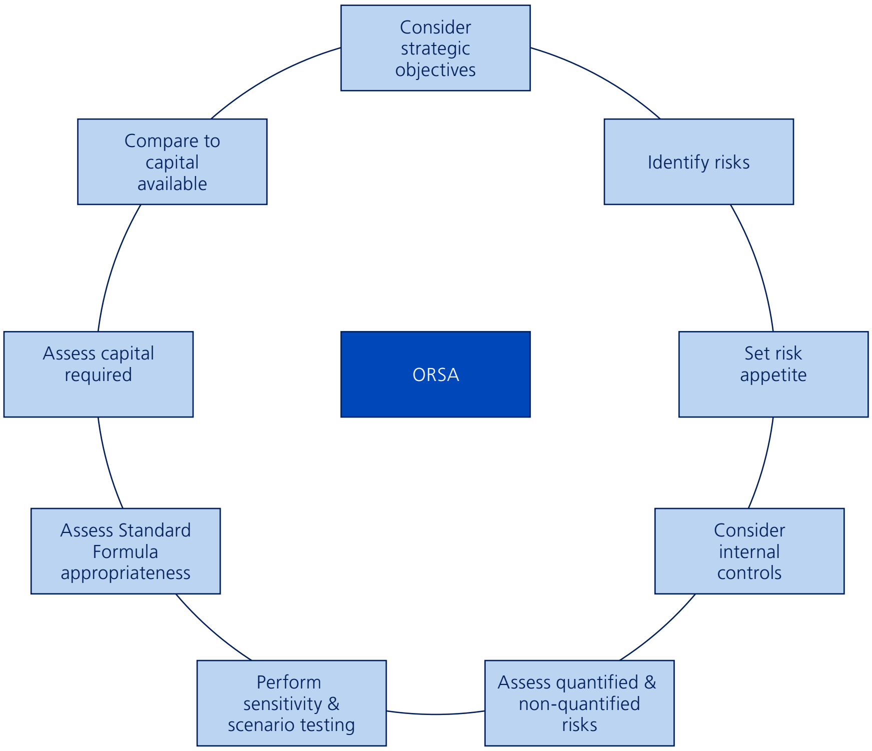
A "three lines of defence" approach runs through ZLAP's risk governance structure so that risks are clearly identified, owned and managed:

- First line: Business management is responsible for day-to-day risk management
- Second line: the Risk Management function oversees the overall risk management framework and helps manage risk. Other governance and control functions such as Compliance and Actuarial help the business manage and control specific types of risks
- Third line: the Internal Audit function provides independent assurance regarding the effectiveness of the risk management framework and controls.

The Own Risk and Solvency Assessment (ORSA) approach

ZLAP defines the Own Risk and Solvency Assessment (ORSA) as the entirety of the processes and procedures employed to identify, assess, manage, monitor and report the short and long-term risks the Company faces. The process includes an analysis of the capital required to cover these risks, both currently and over the business planning horizon. The outcome of the processes and procedures is the main basis for ZLAP's ORSA report, which is the result of cooperation among various functional areas including Risk Management, Finance, Legal, Compliance, Actuarial, Audit and others.

The ORSA process is embedded within the ZLAP ERM framework and is also aligned with the capital management process within ZLAP. The risk and capital assessments and conclusions arising are used within business decision-making processes, including the ongoing development of ZLAP's strategy, business planning, product development and capital management policy. The Board is responsible for directing and overseeing the ORSA process, challenging its outcome and reviewing and approving the ORSA policy and ORSA report.



Governance of the ORSA process is set out within ZLAP's ORSA Policy which is approved by the Board. This policy includes the following:

- Roles and responsibilities within the ORSA process
- Processes and procedures for conducting the ORSA, including the forward looking assessment of own risks and solvency
- Links with the overall Risk and Capital Management System
- Frequency and timeline of the ORSA report production

The cornerstone of the ORSA is the assessment of the current risk profile as well as an assessment of regulatory capital requirements including:

- Consideration of the current and likely future risks inherent to the business, and ZLAP's ERM and capital management framework taking into account its nature, scale and complexity
- An analysis of the solvency position under current and stressed conditions
- A forward-looking assessment of the solvency position over the planning horizon
- Reviewing and setting targets for capital ratios (Overall Solvency Needs) based on the above risk analyses

The ORSA process takes place annually with the final output being the ORSA report, which is reviewed and approved by the Board before being submitted to the Central Bank of Ireland (CBI). In 2016 the ORSA report was presented at the Board meeting in November and was finalised and issued in early December. Additionally, the ORSA will be updated when required to reflect material changes in ZLAP's risk profile including major acquisitions or divestments, major shifts in product mix or major changes in the business, operating or external environment.

B. System of Governance *continued*

B.4 Internal control system

ZLAP adopts principles and tools used by the Zurich Group in relation to internal control, with adaptation to local requirements. The controls required range across financial reporting and the wider operation such as for unit pricing, underwriting and claims management.

Accountability for each control lies with a senior executive in ZLAP and delegation of responsibility follows a transparent approach subject to governance rules (e.g. control delegate must have sufficient knowledge to perform the control). It is cascaded down across the ZLAP organization. The certification process is managed via the Zurich Group's Risk and Control engine (RACE) tool.

The ZLAP Risk Management function supports other functional management in the implementation of the risk and control framework across ZLAP and provides challenge as to the appropriateness of the risk responses in place. The Risk Management function ensures the internal control framework is consistently applied by enabling ZLAP-wide monitoring of the certification process and following up with local risk management teams when exceptions occur.

Control deficiencies and respective remedial actions are tracked on RACE and reported to the RCC and the Board Risk Committee on a quarterly basis.

Internal and external auditors also regularly report conclusions, observations and recommendations that arise as a result of their independent reviews and testing of internal controls over financial reporting and operations at ZLAP level.

Other key elements of ZLAP's internal controls system include administrative and accounting procedures, appropriate reporting arrangements at all levels of the company and an established Compliance function which is described below.

Compliance function

ZLAP's Compliance function is underpinned by a compliance policy and a compliance plan. The compliance policy defines the responsibilities, competencies and reporting duties of the Compliance function. The compliance plan sets out the planned activities of the compliance function taking into account all relevant areas of the activities of ZLAP and their exposure to compliance risk.

ZLAP's Compliance function provides policies and guidance, business advice, training and assurance of appropriate compliance controls within its mandate. The compliance function also supports ZLAP's management in maintaining and promoting a culture of compliance and ethics consistent with Zurich Basics (Zurich Group's code of conduct).

Through a comprehensive program the Compliance function implements, embeds and monitors internal compliance policies and guidance. As part of that program all employees receive regular training on compliance and ethics. Each year, all ZLAP employees confirm their understanding of and compliance with Zurich Basics and relevant internal policies.

The ZLAP Chief Compliance Officer facilitates and supports ZLAP in complying with all applicable regulatory and other compliance requirements. The Chief Compliance Officer is responsible for identifying, documenting, advising, communicating, monitoring and reporting compliance with regulatory requirements and/or changes in such requirements to the CEO, the Audit Committee and the RCC.

B.5 Internal audit function

As indicated in Section B.1 of this report the Internal Audit function for ZLAP is provided by the Zurich Group. A representative of the Zurich Group is appointed as the Head of Internal Audit for ZLAP and is responsible for providing assurance to the Board and the Audit Committee on the adequacy and effectiveness of the risk management framework, internal control system and other elements of the system of governance.

The Board has approved an Internal Audit policy which provides for the development of a risk-based audit plan, based on the full spectrum of business risks and any specific concerns raised by the Audit Committee or other stakeholders. The Audit Committee is responsible for approving the annual audit plan. The audit plan is executed in accordance with defined operating standards, which incorporate and comply with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (ILA). Key issues observed by the Internal Audit function as part of their audit work are communicated to the responsible management function, the CEO and the Audit Committee using a suite of reporting tools.

The Internal Audit function has operational independence to carry out its tasks and to report to and advise the Board (via the Audit Committee). The internal audit policy provides that if the independence or objectivity of the Internal Audit function is impaired, then details of the impairment must be disclosed to the chairperson of the Audit Committee so that appropriate action can be taken.

B.6 Actuarial function

The ZLAP Head of Actuarial Function is responsible for the actuarial function and for the tasks carried out by that function under Solvency II and the requirements of the CBI's Domestic Actuarial Regime in Ireland. All Actuarial function staff report to the Head of Actuarial Function.

The high level responsibilities of the Actuarial function are:

- Co-ordination and validation of the calculation of technical provisions
- Opining on ZLAP's underwriting policy and on the adequacy of its reinsurance arrangements, in line with the requirements of the Solvency II Directive
- Contributing to the effective implementation of the risk management system

As part of its key function role the Actuarial function provides independent and objective assurance to the Board and Board Risk Committee. To this end the Actuarial function reports to the Board on its activities via a written report submitted at least annually, documenting the tasks performed, identifying any deficiencies where relevant and giving recommendations as to how they should be remedied.

The Actuarial function also provides independent and objective assurance to the Audit Committee in respect of the valuation of ZLAP's technical provisions.

B.7 Outsourcing

Outsourcing refers to an arrangement by which a business capability that would otherwise be performed by a unit or function within a company is, instead, performed by a service provider.

ZLAP enters into outsourcing arrangements with service providers (either within the Zurich Group or external to the Zurich Group) only where it has identified material benefits in doing so and provided that the arrangement is not likely to undermine the continuous and satisfactory service to policyholders, impair the quality of the company's system of governance or unduly increase operational risk. These benefits may include increasing the efficiency of a particular process and/or availing of specific expertise. The risks associated with outsourcing to service providers are recognised and appropriately managed in accordance with ZLAP's Outsourcing Policy which provides that:

- Risk and control assessments must be conducted prior to any decision to outsource and then periodically during the life of the outsourcing arrangement
- Service providers are selected and managed in such a way as to avoid undue concentration risk
- All regulatory requirements, including those relating to critical or important functions or activities (CIFA) are met

The ZLAP Chief Risk Officer has overall management responsibility for the design of outsourcing governance across ZLAP. The ZLAP Chief Operating Officer is responsible for implementation.

B. System of Governance *continued*

Any proposal to outsource a critical or important function or activity in ZLAP is thoroughly examined by those with approval authority within ZLAP before any decision to taken to proceed. The proposed arrangement is then notified to the CBI in advance of the commencement of the proposed arrangement to allow for appropriate consultation with the CBI if required.

The following are the critical or important functions or activities which have been outsourced by ZLAP and the jurisdictions of the corresponding service providers:

- Internal Audit (Switzerland)
- Management of IT Infrastructure, Support and Maintenance (Ireland & Switzerland)
- Application Support and Maintenance for some applications (United Kingdom & Switzerland)
- Production of Solvency II Yield Curve and other aspects of Standard Formula support (Switzerland)
- Printing and Posting of policy holder literature (Ireland & Italy)
- Certain Fund Management services (Ireland & Germany)
- Payroll application support and maintenance (Ireland)
- Policy Administration Services for Italian and German propositions (Ireland & Poland)
- Policy Administration Services for UK propositions (Ireland)
- Policy Administration Services for Swedish & Spanish propositions (Isle of Man)
- Policy Administration Services for German propositions (Germany)

B.8 Any other information

Assessment of system of governance

During each calendar year the Board oversees various internal reviews that consider the adequacy of the individual components of ZLAP's system of governance. These reviews take account of the nature, scale and complexity of the risks inherent in ZLAP's business. The reviews are reported to the Board or one of its Committees and typically involve feedback from the relevant management functions (including, where appropriate, the key functions).

C. Risk Profile

ZLAP manages a mix of risks typical to a life assurance company in Ireland. Its key risks include underwriting, market, insurance, credit and operational risks. ZLAP has frameworks in place to monitor and manage all material risks as described in this chapter.

C.1 Underwriting risk

Underwriting risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities. Key underwriting risks are as follows:

- Mortality risk – where actual claims experience on life insurance policies is higher than expected
- Longevity risk – where annuitants live longer than expected
- Morbidity risk – where health-related claims are higher than expected
- Lapse risk – where policies are discontinued and contributions reduced prior to the maturity of contracts at a higher rate than expected
- Expense risk – where expenses incurred in acquiring and administering policies are higher than expected

Risk concentrations

See section C.7

Analysis of sensitivities for underwriting risk

ZLAP carries out stress and scenario testing as part of the Own Risk and Solvency Assessment (ORSA) process which includes testing of material underwriting risks. The projected solvency impacts resulting from a range of credible adverse scenarios, including sensitivities to individual risks and scenarios where several key risks interact, are analysed.

The following were the most significant individual stresses in respect of underwriting risk (reductions to Own Funds in respect of 1-in-200 shocks) as at 31 December 2016:

- Mass lapse (70% cancellation of Group pension schemes and 40% reduction in other policies): €311 million
- A 20% reduction in pensioner mortality: €74 million
- A 10% increase in expenses plus 1% increase in expense inflation: €72 million

Given the level of ZLAP's free surplus in its base projections, its available capital remains above the regulatory requirement in all the various scenarios within the analysis. The interaction between risks within ZLAP's aggregate portfolio is also actively monitored as part of ZLAP's portfolio-based risk appetite and early warning system.

Risk mitigation techniques

ZLAP has a board-approved Reinsurance Strategy appropriate to the company's overall risk profile which governs its reinsurance arrangements. A high proportion of ZLAP's mortality and morbidity risks are ceded to reinsurers. ZLAP has also taken steps to control its longevity exposure by using reinsurance.

Additionally, ZLAP applies strong new business underwriting standards and monitors the dynamics of emerging experience to ensure any adverse trends in mortality and morbidity are identified in a timely manner. ZLAP applies local underwriting and claims policies and procedures that are consistent with Zurich Risk Policy and regulatory requirements.

Specific measures to manage lapse risk include identifying lapse trends, aligning customer service with customer expectations and structuring contracts in an appropriate manner.

Measures to manage expense risk include ongoing monitoring and analysis and seeking appropriate expense efficiencies through process improvements.

C. Risk Profile *continued*

C.2 Market risk

Market risk is the risk associated with ZLAP's balance sheet positions where the value or cash flow depends on financial markets. Key risk factors include:

- Equity (share) prices
- Interest rate movements
- Currency exchange rates

ZLAP is exposed to risks from price fluctuations on equity securities which could affect reported income, surplus and regulatory capital position. ZLAP is exposed to market movements from unit-linked contracts given that these affect the amount of fee income earned when the fee income level is dependent on asset values. Therefore, the value of in-force unit-linked business can be negatively affected by adverse movements in equity markets.

Interest rate risk is the risk of loss resulting from changes in interest rates. ZLAP is exposed to interest rate risk including from debt securities, reserves for insurance contracts, liabilities for investment contracts, employee benefit plans and loans and receivables. On unit-linked contracts, ZLAP is exposed to fluctuations in interest rates in so far as they affect the amount of fee income earned if the fee income level is dependent on the asset values.

Currency risk is the risk of loss resulting from changes in exchange rates. ZLAP's primary currency exposure relates to loss of future fees on unit-linked business where policyholder assets are invested in non-Eurozone assets.

Risk concentrations

See section C.7

Analysis of market risk sensitivities

ZLAP carries out stress and scenario testing as part of the ORSA process which includes stress testing of market risks (e.g. equity shocks, interest rate up and down shocks). The projected solvency impacts resulting from a range of credible adverse scenarios, including sensitivities to individual risks and scenarios where several key risks interact, are analysed.

The following were the most significant individual stresses in respect of market risk (reductions to Own Funds in respect of 1-in-200 shocks) as at 31 December 2016:

- A 38% fall in OECD-listed equities and 48% fall in other equities: €259 million
- A 25% reduction in non-Euro currencies: €137 million

Given the level of ZLAP's free surplus in its base projections, its available capital remains above the regulatory requirement in all the various scenarios within the analysis. The interaction between risks within ZLAP's aggregate portfolio is also actively monitored as part of ZLAP's portfolio-based risk appetite and early warning system.

Risk mitigation techniques

ZLAP manages its market risk through its investment strategy which is set by the Board and its Investment Risk Policy which is Board-approved. The company's Asset-Liability Management & Investment Committee (ALMIC) monitors investment risks and adherence to Investment Guidelines designed to limit these risks. The guidelines are consistent with those detailed in the Zurich Risk Policy and are reviewed on a regular basis.

ZLAP's in-house investment and actuarial teams work together to ensure investment holdings match the underlying policyholder liability profiles and actively review asset and liability profiles to ensure that any rebalancing necessary to allow for experience variations is carried out in a timely manner.

General controls such as concentration risk reduction and use of hedging also apply. ZLAP also invests its assets in accordance with the 'Prudent Person Principle' as set out in Solvency II legislation. The aim of the principle is to ensure that ZLAP only invests in assets and instruments whose risks the company can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of its overall solvency needs. ZLAP's approach to this principle includes the risk mitigation techniques identified in sections C2 – C4 of this document.

C.3 Credit risk

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfil their financial obligations. ZLAP's exposure to credit risk is derived from assets such as debt securities, cash instruments and derivatives, as well as with respect to reinsurance counterparties. ZLAP has limited credit exposure with respect to receivables such as payments due from policyholders, intermediaries and other insurance companies.

Risk concentrations

See section C.7

Risk mitigation techniques

ZLAP's objective in managing credit risk exposures is to maintain them within parameters that reflect its strategic objectives and risk tolerance. Sources of credit risk are assessed and monitored, and there are policies to manage the specific risks within the various subcategories of credit risk. To assess counterparty credit risk, ZLAP uses ratings assigned by external rating agencies, qualified third parties, such as asset managers, and internal rating assessments.

The following techniques are employed to manage credit risk:

- ZLAP's credit risks are monitored by the company's ALMIC
- ZLAP applies strict asset quality and diversification guidelines
- ZLAP's Reinsurance strategy sets out exposure limits per reinsurer linked to credit rating
- ZLAP maintains a range of collateral arrangements
- Credit risk guidelines have been established in line with ZLAP's Risk Management Policy (supplemented by Zurich Risk Policy) and are managed in close cooperation with Group Investment Management and Group Risk Management.

Analysis of credit risk sensitivities

As part of the ORSA process, ZLAP considers scenario analysis with respect to credit risks. The results of the analysis showed no significant exposures with respect to credit risk – for instance, a one-step rating downgrade across all our banking partners has an immaterial impact on our regulatory solvency position.

C.4 Liquidity risk

Liquidity risk is the risk that ZLAP may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so.

Expected profit included in future premiums

Article 295 of the Delegated Regulations requires that ZLAP provide the value of its Expected Profit Included in Future Premiums. As at 31/12/2016, the company's Expected Profit Included in Future Premiums was €161m.

Risk mitigation techniques and their effectiveness

ZLAP's Liquidity Policy outlines the framework in place for managing liquidity risk which includes:

- Unit liabilities being matched to policyholder liabilities having regard to the nature, term and currency of the liabilities
- Non-unit liabilities being generally cashflow-matched with liquid, investment-grade fixed interest assets
- Excess invested assets being held mainly in liquid, investment-grade bonds and deposits with highly rated banks

Analysis of liquidity risk sensitivities

ZLAP carries out stress and scenario testing as part of the ORSA process which includes stress testing of liquidity risks. Impacts resulting from a range of credible adverse scenarios are analysed. The results of the analysis showed no significant exposures with respect to liquidity risk given the risk mitigation techniques outlined above.

C. Risk Profile *continued*

C.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events such as outsourcing, catastrophes, legislation, or external fraud including cyber-attack.

Risk concentrations

See section C.7

Risk mitigation techniques

ZLAP's control frameworks (as described in section B.4) are a key component in mitigating operational risks. Guidelines for assessing, mitigating and monitoring operational risk are set out in the Zurich Risk Policy. Other proactive risk activities include:

- Oversight of controls effectiveness in the Risk & Control and Audit Committees
- Oversight teams monitoring the work of third party service providers
- Information security and cyber-security practices
- Monitoring quality and operational performance indicators on a regular basis
- Appropriate research of market conditions and regulatory requirements before launching new products
- Maintaining and testing business continuity and disaster recovery plans
- An annual risk-based schedule of internal audits
- Staff training and awareness campaigns on matters including business continuity, oversight of third parties and information security

Analysis of operational risk sensitivities

ZLAP carries out stress and scenario testing as part of the ORSA process which includes stress testing of operational risks. As part of ZLAP's Top Down Scenario framework to identify and measure operational risks a scenario-based approach is applied to assess, model and quantify the operational risks under extreme circumstances. For ZLAP key scenarios relate to IT system design and availability risks, and reserving risk. The results of the analysis showed no significant exposures with respect to operational risk given the risk mitigation techniques outlined above.

C.6 Other material risks

Strategic risk

Strategy is defined as the long term plan of action designed to allow the achievement of goals and aspirations. Strategic risk is the risk that unexpected losses will occur due to not achieving strategic targets. Drivers of the risk are:

- Inadequate assessment of strategic plans
- Ineffective implementation of strategic plans
- Unexpected changes to assumptions underlying strategic plans

Reputational risk

Risks include acts or omissions by ZLAP or any of its employees that could damage ZLAP or the Group's reputation and lead to a loss of trust among its stakeholders. Every risk type has potential consequences for Zurich's reputation. Effectively managing each type of risk helps reduce threats to Zurich's reputation.

Group risk

Group risk is the risk of loss resulting from the failure of a Group company as a going concern, or from the failure of a Group company to provide key outsourced services as required by ZLAP. The Group provides some of the outsourced services set out in section B.7.

Risk mitigation techniques and their effectiveness

ZLAP works to reduce unintended risks of strategic business decisions through its risk assessment processes and tools. As part of regular risk assessment processes, the Board and senior management assess key strategic risk scenarios for the company as a whole, including scenarios for emerging risks and their strategic implications.

ZLAP and the Group endeavour to preserve their reputation by adhering to applicable laws and regulations, and by following the core values and principles of Zurich Basics, the Group's code of conduct, which includes integrity and good business practice. Reputational risk is further mitigated by ZLAP's adherence to the CBI's Fitness & Probity regime, and the Group's Remuneration Rules.

Given ZLAP's business model, potential risks from exposures to the Group are largely unavoidable and risk mitigation at legal entity level, such as purchase of financial protection, is not commercially realistic. In any case ZLAP's exposure to intra-group concentrations is relatively limited. For example, dependence on operational services (e.g. data centres) is closely monitored, with critical intra-group services in scope for ZLAP's outsourcing framework as discussed in section B.7.

Analysis of risk sensitivities

As part of its annual ORSA process ZLAP carries out scenario analyses which include quantitative and/or qualitative impact assessments of strategic and reputational risks. The results of the most recent analysis showed no significant exposures with respect to these risks given the risk mitigation techniques outlined above, and mitigating actions assigned to specific risks as required. Strategic risk exposures are reviewed at least quarterly and more frequently if required. Reputational risks are monitored on an ongoing basis by teams including Compliance, Service Quality and Legal. Group-related risks are in scope for Board and BRC discussions around emerging risks, and may be tracked in ZLAP's risk register with additional remedial actions assigned if appropriate.

C.7 Any other information

A form of sub-risk that may apply to the risk categories described throughout this section is concentration risk. ZLAP manages various types of concentration risk through a range of measures including Risk Appetite, investment guidelines, Zurich Risk Policy limits, catastrophe reinsurance and outsourcing framework.

D. Valuation for Solvency Purposes

D.1 Assets

Asset Classes

in EUR thousands, as of December 31	Mark to Market	Mark to Model	Other valuation	Solvency II Value
Pension benefit surplus			–	–
Property, plant & equipment held for own use			883	883
Participations			246	246
Equities	400,547			400,547
Bonds	2,616,547			2,616,547
Collective Investments Undertakings	–			–
Derivatives		54,473		54,473
Deposits other than cash equivalents	458,213			458,213
Assets held for index-linked and unit-linked contracts	15,943,837			15,943,837
Loans and mortgages			398	398
Reinsurance recoverables		146,903		146,903
Deposits to cedants		–		–
Insurance & intermediaries receivables			23,455	23,455
Reinsurance receivables			24,756	24,756
Receivables (trade, not insurance)			80,696	80,696
Cash and cash equivalents			36,277	36,277
Any other assets, not elsewhere shown			94,099	94,099
Total Assets	**19,419,144**	**201,376**	**260,810**	**19,881,330**

The asset valuation methodologies applied for solvency purposes are as follows:

Assets valued using mark to market methods:
The fair value of instruments traded in active markets is based on quoted prices provided by third party data providers as at the valuation date. In certain cases prices are provided using other valuation techniques, but where all significant valuation inputs are based on observable market data these assets are considered as mark to market.

Assets valued using mark to model methods:
The mark to model valuation approach relates to pricing techniques where at least one of the significant inputs is not based on observable market data and applies to the valuation of the following ZLAP assets:

i. Reinsurance Recoverables

Future cash flows associated with reinsurance obligations are projected using the company's main financial projection system and discounted back to the reporting date using the prescribed EIOPA Solvency II risk free swap curve.

ii. Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the balance sheet. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. This category includes financial assets and liabilities for which fair values are determined using valuation techniques with all significant inputs based on observable market data.

Assets valued using other methods:
The majority of items that are disclosed under the "other valuation" heading are items that are recorded at their nominal amount, adjusted for the probability of default of the counter party.

i. Pension Benefit Surplus:

Valuation is made using appropriate International Accounting Standards (IAS 19).

ii. Participations (Subsidiaries): Equity method accounting.

iii. Loans and mortgages: Carried at nominal value.

iv. Insurance, reinsurance & intermediaries receivables:
Measured at cost.

v. Cash and Cash Equivalents:
Carried at nominal value.

vi. Receivables/any other assets not elsewhere shown:
Measured at cost.

The 'nominal value' is the face-value of the asset. The 'measured at cost' value is the amount that ZLAP expects to receive.

Comparison to Financial Statements

The following table sets out the differences between the valuation of assets for ZLAP under Solvency II and the valuation of assets in the ZLAP financial statements.

Asset Classes

in EUR thousands, as of December 31	**Solvency II**	**Financial Statements**	**Reported Difference**
Deferred acquisition costs	–	480,879	(480,879)
Intangible assets	–	9,110	(9,110)
Deferred tax assets	–	–	–
Pension benefit surplus	–	–	–
Property, plant & equipment held for own use	883	883	–
Holdings in related undertakings, including participations	246	246	–
Equities	400,547	400,547	–
Bonds	2,616,547	2,616,547	–
Deposits other than cash equivalents	458,213	458,213	–
Collective Investments Undertakings	–	–	–
Derivatives	54,473	54,473	–
Assets held for index-linked and unit-linked contracts	15,943,837	15,943,837	–
Loans and mortgages	398	398	–
Reinsurance Recoverables	146,903	331,722	(184,819)
Deposits to cedants	–	–	–
Insurance and intermediaries receivables	23,455	23,455	–
Reinsurance receivables	24,756	24,756	–
Receivables (trade, not insurance)	80,696	80,696	–
Cash and cash equivalents	36,277	36,277	–
Any other assets, not elsewhere shown	94,099	94,084	15
Total assets	**19,881,330**	**20,556,123**	**(674,793)**

The level of details included in the above table reflects the detail required in the quantitative reporting template S.02.01.b. Differences between the Solvency II values and the financial statements arise due to methodology differences:

1. "Deferred acquisition costs" is an intangible asset in the financial statements and has no equivalent under Solvency II. Costs that vary with and are directly related to the acquisition of new and renewal business, including for example commissions and certain underwriting and policy issue expenses, are deferred and subsequently amortised over a defined period.

2. "Intangible" assets, such as software, are an accounting concept. They can be recognised under Solvency II only when they can be sold separately and a valuation can be derived from a quoted market price, in an active market, for the same or a similar asset.

D. Valuation for Solvency Purposes *continued*

3. Reinsurance Assets: In both the financial statements and Solvency II balance sheets, liabilities have been stated gross of reinsurance with a reinsurance asset shown in respect of the value of the ceded business. The calculation of the reinsurance asset differs between the financial statements and Solvency II in line with the difference in the liability calculation outlined in section D.2.

D.2 Technical provisions

Technical Provisions overview

The table below shows the regulatory technical provisions at 31 December 2016 by line of business:

Technical provisions by line of business

in EUR thousands, as of December 31, 2016	Gross Best Estimate	Risk Margin	Reinsurance Recoverables
Insurance with Profit Participation	1,582,846	16,922	–
Index-linked and unit-linked insurance	15,647,639	167,283	(47,277)
Other life insurance	991,020	10,595	(50,658)
Health insurance	79,872	8,239	(48,967)
Total	**18,301,378**	**203,039**	**(146,903)**

Best Estimate Liability (BEL) Methodology:

The Best Estimate Liabilities (BEL) for non-profit (conventional and unit-linked) and unitised with-profits (UWP) business are calculated on an individual policy basis using a deterministic valuation approach and best estimate assumptions. Under this approach, the BEL is derived by:

- Calculating the current unit reserve by multiplying units held by valuation price
- Projecting the expected liability cash-flows for each future year using best-estimate deterministic assumptions
- Discounting each of these cash-flows back to the valuation date using the relevant Solvency II risk-free rate of return
- Summing the resultant discounted cash-flows and the value of units currently held

The value of options and guarantees attached to UWP business is calculated using a stochastic approach, based on 1,000 economic scenarios. Within this stochastic model, the economic simulations are generated from a market-consistent risk-neutral model and the best estimate non-economic assumptions are applied deterministically. Under this approach, the BEL is derived by:

- Projecting the liability cash-flows arising within the unitised with-profits fund using realistic deterministic non-economic assumptions for each year in the future under a wide range of market consistent economic scenarios;
- Discounting each of these cash-flows back to the valuation date to determine the liability value across all simulations; and then
- Taking the average across all of the stochastic scenarios

The risk margin is calculated as per the prescribed Solvency II cost-of-capital approach. This requires the Solvency Capital Requirement to be calculated for each year in the future. ZLAP's approach to projecting the Solvency Capital Requirement is to use appropriate proxies in order to project the individual elements of the Solvency Capital Requirement. These proxies are taken from our financial projection model which projects cashflows using best–estimate assumptions. Any hedgeable market or counterparty risk is excluded from the Solvency Capital Requirement projections.

Assumptions

The assumptions used in the calculation of the Technical Provisions can be classified into three distinct groups: demographic, economic and future management actions.

The demographic assumptions used in all financial reporting measures, including the calculation of Technical Provisions, are reviewed and updated annually by the Actuarial Function. In cases where ZLAP has sufficient experience to produce a credible basis the standard approach is to use actual experience to set assumptions. In cases where ZLAP does not yet have sufficient experience to produce a credible basis the approach will necessarily vary with the nature of the assumption being set. In such cases ZLAP's own experience may be supplemented by any or all of the following:

- Industry experience studies and standard table publications
- Data sourced from reinsurance providers
- Experience and industry knowledge from other areas of the Zurich Group

The annual review of assumptions took place in Q3 2016. Mortality, longevity and persistency assumptions were updated as part of this review.

Economic assumptions are updated at each quarterly reporting period. Expense unit costs are reviewed in detail once per annum and are increased in line with expense inflation on a quarterly basis. The main economic assumptions relevant for the calculation of ZLAP's Technical Provisions are:

1. EIOPA Risk-Free Yield Curve - This is provided by EIOPA.

2. Expense unit costs - The unit costs are based on a set of best estimate expenses for the next calendar year and adjusted for any expenses which are not expected to recur in the long term. The investigation also provides a split of expenses between initial and renewal, and between direct and overhead.

3. Expense inflation - This is determined quarterly by using market observable data on inflation.

Under the Solvency II regime, companies operating under the Standard Formula are permitted to include the impact of future management actions in the calculation of the Technical Provisions provided these assumptions meet the criteria set out in Article 23 of the Solvency II Delegated Acts. Management actions are subject to annual approval by the Board.

Indication of the level of uncertainty

The technical provisions are calculated within controlled systems and subject to multiple reviews to ensure they are accurate. Procedures and processes are in place to identify any potential issues or errors in the calculation.

One example of estimates in the Technical Provisions is the set of assumptions underlying the calculation of the Technical Provisions. These assumptions are reviewed annually and are subject to several review points before approval. An exercise to analyse the expected sensitivity of the Technical Provisions to changes in various assumptions is also performed and ensures that the impact of changes is well understood.

Technical Provisions – Reconciliation to financial statements

Reconciliation to Financial Statements

in EUR thousands	Gross Financial Statements TPs	Gross SII TPs	Difference
Insurance with Profit Participation	1,633,187	1,599,768	33,419
Index-linked and unit-linked insurance	16,109,708	15,814,922	294,786
Other life insurance	1,382,904	1,001,615	381,289
Health insurance	79,999	88,111	(8,112)
Total	**19,205,798**	**18,504,416**	**701,382**

The main differences between the Solvency II and Financial Statements liabilities are described below:

D. Valuation for Solvency Purposes *continued*

Risk Margin

Solvency II Technical Provisions include a risk margin. The risk margin is essentially the difference between the best estimate of the liabilities, and the amount that undertakings would be expected to require in order to take on and meet the insurance obligations. The Risk Margin has been allocated across all four Solvency II lines of business in proportion to the Solvency II BEL. There is no Risk Margin in the liabilities in the financial statements.

Unit Linked and Insurance with Profit Participation Policies

Under Solvency II, the discounted value of all future cashflows (within the contract boundary) is included. Typically, the future cashflows will reflect future expected profits so that the inclusion of the future cashflows reduces the BEL below the value of the unit held by policyholders. The value of future cashflows is not included in the financial statements for this line of business.

Term Protection policies (included in Other Life and Health insurance lines of business above)

Under Solvency II, all future cashflows are projected on a best estimate basis and discounted to the reporting date using the EIOPA Solvency II swap curve. As this business is expected to be profitable in the future under best estimate assumptions, this results in a negative technical provision for this business. In the financial statements, the technical provisions for individual protection products are calculated separately for each annual cohort of business using prudent assumptions set at the time that each cohort was sold. Negative reserve amounts are not permitted.

Matching adjustment

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

Volatility adjustment

The Company does not use the volatility adjustment referred to in Article 77d of Directive 2009/138/EC.

Transitional risk free interest rate-term structure

The Company does not apply the transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC.

Transitional deduction

The Company does not apply the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

Recoverables from reinsurance contracts and special purpose vehicles

ZLAP has a number of reinsurance arrangements with reinsurance providers that are both internal and external to the Zurich Group. These cover individual and group mortality, morbidity, income protection, longevity and unit-linked risks. The reinsurance recoverables in respect of the reinsurance arrangements in place within ZLAP are calculated on an individual policy basis (or individual group basis for group business) using the same deterministic valuation approach & best estimate assumptions that were used to calculate the gross best estimate liability. Under this approach, the Reinsurance Recoverables are derived by:

- Projecting the expected reinsurance cash-flows for each future year using best-estimate deterministic assumptions
- Discounting each of these cash-flows back to the valuation date using EIOPA's Solvency II risk-free swap curve
- Summing the resultant discounted cash-flows

There are no special purpose vehicles within ZLAP.

D.3 Other liabilities

Valuation for Solvency Purposes

The following table provides a summary of the items making up the "Other Liabilities" figure as shown in the Quantitative Report Template S.02.01.b. Full details of the differences between the financial statements and Solvency II are also included:

Other Liabilities

in EUR thousands	SII Value	Financial Statements Value	Difference
Provisions other than technical provisions	139,290	139,290	–
Pension benefit obligations	65,502	65,502	–
Deferred tax liabilities	34,466	11,426	23,040
Derivatives	26,226	26,226	–
Debts owed to credit institutions	14,716	14,716	–
Insurance & intermediaries payables	71,669	71,669	–
Reinsurance payables	28,217	28,217	–
Payables (trade, not insurance)	80,147	80,467	(320)
Any other liabilities, not elsewhere shown	18,726	101,957	(83,231)
Total	**478,959**	**539,470**	**(60,511)**

Main details of the valuation of these items for solvency purposes are:

Provisions other than technical provisions: The main item included is outstanding claims (i.e. policies where we have been notified of a claim but the payment is not settled). The full value of the amount being paid out is included.

Pension benefit obligations: Pension scheme valuation is based on appropriate International Accounting Standards (IAS 19). The full value of the pension scheme deficit is included in the liabilities.

Deferred tax liabilities: Deferred taxes under Solvency II are calculated based on the difference between the SII values ascribed to assets and liabilities and the values ascribed to the same assets and liabilities for tax purposes. This difference is multiplied by the undertaking's tax rate. The timing of the recognition of profit over the lifetime of business differs between Solvency II and the financial statements due to difference in methodology. This results in a tax difference arising as shown in the "Deferred tax liability" line of the above table.

Derivatives: Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the balance sheet. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. This category includes financial assets and liabilities for which fair values are determined using valuation techniques with all significant inputs based on observable market data.

Debts owed to credit institutions: The main item included here is recently issued uncashed cheques. The full face value of the cheques issued is included.

Insurance & intermediaries payables: The main items included are payments to policyholders (i.e. policies where we have been notified of a surrender but the payment is not yet settled) and agents and intermediaries (i.e. commission). The full value of the amount being paid is included.

Reinsurance payables: Reinsurance premiums owed but not yet paid to reinsurance counterparties. The full value of the amount which will be paid is included.

Payables (trade, not insurance): The main items included are tax deducted at source but not yet due to revenue (including payroll tax, Italian Withholding tax and exit tax) where the full value of the obligation to revenue is included and collateral obligations from derivative trading which are marked to market.

D. Valuation for Solvency Purposes *continued*

Any other liabilities, not elsewhere shown: Main items included under Solvency II are expenses and VAT incurred but not yet settled where the full value of the expense due to be paid is included. The difference between Solvency II and the financial statements is due to the Deferred Origination Costs and Deferred Front-End Fees. These are intangible liabilities in the financial statements which facilitate the recognition of origination fees over the life time of the contracts to which those fees relate. Solvency II methodology recognises these fees as they are incurred.

D.4 Alternative methods for valuation

Mark to Model Valuation Approach

ZLAP values all assets and liabilities at market value where possible. However, the future cash flows associated with insurance obligations cannot be determined on the basis of the market price of financial instruments. The value of technical provisions associated with these future cash flows will therefore be calculated as the sum of the Best Estimate Liability plus Risk Margin using "Mark to Model" Techniques. Details on the mark to model valuation approach underlying the calculation of the Best Estimate Liability and the Risk Margin (including the justification for the appropriateness of the valuation approach adopted and information on the assumptions underlying the calculation), are provided in section D.2 of this document. Assets valued under the Mark to Model Approach were discussed in section D.1.

D.5 Any other information

No additional material information on the valuation of assets and liabilities has been identified.

E. Capital Management

E.1 Own funds

Objectives of Capital Management

Under the Solvency II regime, the CBI requires ZLAP to hold Own Funds in excess of 100% of the Solvency Capital Requirement (SCR). For ZLAP, the SCR is calculated in accordance with the Solvency II Standard Formula. The SCR is based on a mixture of formula calculations and stress events calibrated to a 1 in 200 year shock event. In the event that the Own Funds is less than 100% of SCR (or trending towards that level in the next three months) then the ZLAP Board must approve a remediation plan for submission to the CBI, within two months of the date of the breach.

Also calculated under Solvency II is the Minimum Capital Requirement (Solvency II MCR). In the event that Own Funds is less than the MCR then this is an event which could result in regulatory intervention in the running of the company.

The Company maintains an efficient capital structure consistent with the regulatory and market requirements of its business. The objective of capital management is to maintain, at all times, sufficient own funds to cover the SCR and MCR with an appropriate buffer. The company's approach to developing the Business Plan each year is focussed on understanding the best-estimate of profit expected to emerge in each of the following 3 years.

Structure of the Own Funds

The table below shows the structure of the Own Funds at 31/12/2016 and 31/12/2015:

Structure of the Own Funds

in EUR thousands, as of December 31	**2016**	2015
Ordinary share capital (gross of own shares)	17,688	17,688
Share premium account related to ordinary share capital	282,992	282,992
Reconciliation reserve	597,274	594,080
Total Own Funds	**897,954**	**894,760**

There have been no changes to the ordinary share capital or share premium account during 2016. The reconciliation reserve has increased by €3.194m.

The Company's ordinary share capital, share premium arising on ordinary share capital and reconciliation reserve are all available as tier 1 unrestricted own funds as per Article 69 (a)(i) of the Delegated Regulation. The Own Funds splits into the various tiers at 31/12/2016 and 31/12/2015 is shown below

Structure of the Own Funds

in EUR thousands, as of December 31	**2016**	2015
Tier 1 – unrestricted	897,954	894,760
Tier 1 – restricted	–	–
Tier 2	–	–
Tier 3	–	–
Total	**897,954**	**894,760**

The ordinary share capital and share premium arising is not subordinated and has no restricted duration. The reconciliation reserve equals the excess of assets over liabilities less other basic own fund items, as at the reporting date. This reconciliation reserve mainly consists of the expected future profits included in the Technical Provisions. The Company has no Tier 1 restricted own funds (per Article 80 of the Delegated Regulations), no Tier 2 own funds (per Article 72 of the Delegated Regulations) and no Tier 3 own funds (per Article 76 of the Delegated Regulations).

E. Capital Management *continued*

All Own Funds are available to meet the Solvency Capital Requirement and Minimum Capital Requirement at 31/12/2016:

Structure of the Own Funds

in EUR thousands, as of December 31, 2016	Total	Tier 1 – unrestricted
Total available own funds to meet the SCR	897,954	897,954
Total available own funds to meet the MCR	897,954	897,954

Reconciliation to Financial Statements

The following table illustrates the differences between equity as shown in the financial statements and the excess of assets over liabilities as calculated for solvency purposes:

Reconciliation to Financial Statements

in EUR thousands	2016
Solvency II Own Funds	**897,954**
SII Technical Provisions to Financial Statements Reserves	(701,382)
Reinsurance Differences	184,819
SII Deferred Tax to Financial Statements Deferred Tax	23,040
Deferrals of Acquisition Income & Expenses	397,649
Other Intangible Assets	9,110
Payables (trade, not insurance)	(320)
Any other assets, not elsewhere shown	(15)
Financial Statements Equity	**810,855**

Solvency II Own Funds are calculated in line with the Solvency II Directive and associated guidance. Financial Statements Equity is calculated in line with FRS 101.

The main items giving rise to the difference between Financial Statements Equity and SII Own Funds are:

- **Reserving:** Financial statements reserve calculations include some allowance for prudence. Under Solvency II, the technical provisions include the discounted value of all future cashflows within the contract boundaries. Solvency II Technical Provisions include a risk margin. The main reserving differences are discussed further in Section D.2.
- **Reinsurance:** This is due to the reserving differences and is discussed in Section D.1.
- **Tax:** Tax assets and liabilities under each measure reflect the timing of the recognition of profits and will therefore necessarily differ due to the items listed above.
- **Deferrals of Acquisition Income & Expenses:** Financial statements methodology requires upfront costs and fees to be recognised over the lifetime of the policy which results in the creation of assets in respect of deferred acquisition and origination costs and a liability in respect of deferred origination fees. Solvency II methodology recognises these costs and fees as they are incurred.
- **Other Intangible Assets:** Intangible assets are an accounting concept. They can be recognised under Solvency II only when they can be sold separately and a valuation can be derived from a quoted market price, in an active market, for the same or a similar asset.

Further analysis of own funds

None of the Company's own funds are subject to transitional arrangements and the Company has no ancillary own funds. No deductions are applied to own funds and there are no material restrictions affecting their availability and transferability.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

SCR and MCR

The following table shows the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) at 31/12/2016:

SCR and MCR

in EUR thousands, as of December 31	2016
Solvency Capital Requirement	629,482
Minimum Capital Requirement	174,509

SCR split by risk module or category

ZLAP uses the standard formula to calculate the Solvency Capital Requirement. The table below shows the Solvency Capital Requirement at 31/12/2016 split by risk module:

SCR split by risk module or category

in EUR thousands, as of December 31, 2016	2016
Market risk	381,343
Counterparty default risk	19,573
Life underwriting risk	374,684
Health underwriting risk	15,440
Diversification	(181,729)
Basic Solvency Capital Requirement	**609,311**
Adjustment due to Ring Fenced Fund	16,398
Operational risk	38,247
Loss-absorbing capacity of deferred taxes	(34,474)
Solvency capital requirement	**629,482**

Specific disclosures regarding the SCR

ZLAP does not use a simplified calculation for any risk-module or sub-module in the Solvency Capital Requirement. No undertaking-specific parameters or capital add-ons are used in the calculation.

Minimum Capital Requirement Inputs

The Minimum Capital Requirement is based on a percentage of the technical provisions, where the percentage depends on the Line of Business of the Technical Provisions. The MCR Cap and Floor are percentages of the SCR. The absolute minimum that the MCR can be equal to is €3.7m.

Minimum Capital Requirement Inputs

in EUR thousands	2016
Linear MCR	174,509
SCR	629,482
MCR Cap	283,267
MCR Floor	157,371
Combined MCR	174,509
Absolute Floor of MCR	3,700
MCR	**174,509**

E. Capital Management *continued*

Material Changes in SCR and MCR

There were no material changes to the Solvency Capital Requirement or the Minimum Capital Requirement over the reporting period. The SCR has increased as expected as the business has grown. The current split of the SCR among the risk modules (shown in the table above) is very similar to the mix of risk modules at the end of 2015.

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

ZLAP is not using the duration based equity risk sub-module in the calculation of the Solvency Capital Requirement.

E.4 Differences between the standard formula and any internal model used

ZLAP uses the standard formula to calculate the Solvency Capital Requirement.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

Throughout 2016, ZLAP was compliant with the Minimum Capital Requirement and Solvency Capital Requirement.

E.6 Any other information

Financial strength of the Zurich Group

In addition to the capital and liquidity held by ZLAP, the Group holds substantial capital and liquidity centrally. This centrally held capital and liquidity can be deployed into subsidiaries if needed, and thus provides further support for ZLAP to absorb potential losses which could arise from the occurrence of extreme adverse events.

The Group itself is regulated by the Swiss Financial Markets Supervisory Authority. As of 1st January 2017, the Group had a solvency ratio of 227% as measured by the Swiss Solvency Test, which has equivalence with the Solvency II regulatory regime applicable to ZLAP. The Group manages its capital at an AA level according to its internal economic capital model. The financial strength of Zurich Insurance Company Ltd, which is the main insurance carrier of the Group, is rated AA- by Standard and Poor's.

More information on the Group's risk and capital management is provided in its annual report, which is available at www.zurich.com.

Objectives of the Zurich Group's capital management

In addition to ZLAP's capital management objectives, the Group's capital management strategy is to maximize long term shareholder value by optimizing capital allocation while managing the balance sheet at 'AA' level and in accordance with regulatory, solvency and rating agency requirements. In particular, the Group endeavours to manage its capital such that it and all of its regulated entities are adequately capitalized in compliance with the relevant regulatory capital adequacy requirements. The Group also wants to minimize constraints to capital fungibility by pooling risk, capital and liquidity centrally as far as possible.

Appendix

S.02.01.02

Balance Sheet, Assets

in EUR thousands, as of December 31

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	–
Deferred tax assets	R0040	–
Pension benefit surplus	R0050	–
Property, plant & equipment held for own use	R0060	883
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	3,530,026
Property (other than for own use)	R0080	–
Holdings in related undertakings, including participations	R0090	246
Equities	R0100	400,547
Equities – listed	R0110	400,547
Equities – unlisted	R0120	–
Bonds	R0130	2,616,547
Government Bonds	R0140	2,616,547
Corporate Bonds	R0150	–
Structured notes	R0160	–
Collateralised securities	R0170	–
Collective Investments Undertakings	R0180	–
Derivatives	R0190	54,473
Deposits other than cash equivalents	R0200	458,213
Other investments	R0210	–
Assets held for index-linked and unit-linked contracts	R0220	15,943,837
Loans and mortgages	R0230	398
Loans on policies	R0240	–
Loans and mortgages to individuals	R0250	99
Other loans and mortgages	R0260	299
Reinsurance recoverables from:	R0270	146,903
Non-life and health similar to non-life	R0280	–
Non-life excluding health	R0290	–
Health similar to non-life	R0300	–
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	99,626
Health similar to life	R0320	48,967
Life excluding health and index-linked and unit-linked	R0330	50,658
Life index-linked and unit-linked	R0340	47,277
Deposits to cedants	R0350	–
Insurance and intermediaries receivables	R0360	23,455
Reinsurance receivables	R0370	24,756
Receivables (trade, not insurance)	R0380	80,696
Own shares (held directly)	R0390	–
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	–
Cash and cash equivalents	R0410	36,277
Any other assets, not elsewhere shown	R0420	94,099
Total assets	**R0500**	**19,881,330**

S.02.01.02

Balance Sheet, Liabilities

in EUR thousands, as of December 31

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	R0510	–
Technical provisions – non-life (excluding health)	R0520	–
TP calculated as a whole	R0530	–
Best Estimate	R0540	–
Risk margin	R0550	–
Technical provisions – health (similar to non-life)	R0560	–
TP calculated as a whole	R0570	–
Best Estimate	R0580	–
Risk margin	R0590	–
Technical provisions – life (excluding index-linked and unit-linked)	R0600	2,689,493
Technical provisions – health (similar to life)	R0610	88,111
TP calculated as a whole	R0620	–
Best Estimate	R0630	79,872
Risk margin	R0640	8,239
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	2,601,383
TP calculated as a whole	R0660	–
Best Estimate	R0670	2,573,867
Risk margin	R0680	27,516
Technical provisions – index-linked and unit-linked	R0690	15,814,922
TP calculated as a whole	R0700	–
Best Estimate	R0710	15,647,639
Risk margin	R0720	167,283
Contingent liabilities	R0740	–
Provisions other than technical provisions	R0750	139,290
Pension benefit obligations	R0760	65,502
Deposits from reinsurers	R0770	–
Deferred tax liabilities	R0780	34,466
Derivatives	R0790	26,226
Debts owed to credit institutions	R0800	14,716
Financial liabilities other than debts owed to credit institutions	R0810	–
Insurance & intermediaries payables	R0820	71,669
Reinsurance payables	R0830	28,217
Payables (trade, not insurance)	R0840	80,147
Subordinated liabilities	R0850	–
Subordinated liabilities not in BOF	R0860	–
Subordinated liabilities in BOF	R0870	–
Any other liabilities, not elsewhere shown	R0880	18,726
Total liabilities	**R0900**	**18,983,376**
Excess of assets over liabilities	**R1000**	**897,954**

Appendix *continued*

S.05.01.02

Premiums, claims and expenses by line of business, Life

in EUR thousands, as of December 31

Premiums written	
Gross	R1410
Reinsurers' share	R1420
Net	R1500
Premiums earned	
Gross	R1510
Reinsurers' share	R1520
Net	R1600
Claims incurred	
Gross	R1610
Reinsurers' share	R1620
Net	R1700
Changes in other technical provisions	
Gross	R1710
Reinsurers' share	R1720
Net	R1800
Expenses incurred	**R1900**
Other expenses	**R2500**
Total expenses	**R2600**

			Line of Business for: life insurance obligations			Life reinsurance obligations		Total
Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
33,224	120,779	2,315,341	215,037	–	–	–	–	2,684,381
14,979	80	178	73,660	–	–	–	–	88,897
18,246	120,699	2,315,163	141,377	–	–	–	–	2,595,485
32,569	120,779	2,315,341	216,797	–	–	–	–	2,685,486
14,585	80	178	75,405	–	–	–	–	90,247
17,985	120,699	2,315,163	141,392	–	–	–	–	2,595,238
22,160	185,282	1,712,245	156,870	–	–	–	–	2,076,556
13,750	55	–	65,923	–	–	–	–	79,728
8,410	185,226	1,712,245	90,947	–	–	–	–	1,996,828
(4,495)	(18,106)	1,183,600	33,297	–	–	–	–	1,194,296
1,701	–	–	14,648	–	–	–	–	16,349
(6,196)	(18,106)	1,183,600	18,649	–	–	–	–	1,177,947
12,830	**11,544**	**183,398**	**44,605**	**–**	**–**	**–**	**–**	**252,378**
								–
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**252,378**

Appendix *continued*

S.05.02.01

Premiums, claims and expenses by country, Life

in EUR thousands, as of December 31

	R1400	
Premiums written		
Gross	R1410	
Reinsurers' share	R1420	
Net	R1500	
Premiums earned		
Gross	R1510	
Reinsurers' share	R1520	
Net	R1600	
Claims incurred		
Gross	R1610	
Reinsurers' share	R1620	
Net	R1700	
Changes in other technical provisions		
Gross	R1710	
Reinsurers' share	R1720	
Net	R1800	
Expenses incurred	**R1900**	
Other expenses	**R2500**	
Total expenses	**R2600**	

	Home Country					Top 5 countries (by amount of gross premiums written) – life obligations	Total Top 5 and home country
	C0150	C0160	C0170	C0180	C0190	C0200	C0210
		IT	DE	SE	GB	ES	
	C0220	C0230	C0240	C0250	C0260	C0270	C0280
	2,027,493	614,540	30,270	5,707	5,663	548	2,684,221
	80,621	20	8,111	–	–	–	88,752
	1,946,872	614,520	22,159	5,707	5,663	548	2,595,469
	2,028,598	614,540	30,270	5,707	5,663	548	2,685,325
	81,972	20	8,111	–	–	–	90,103
	1,946,626	614,520	22,159	5,707	5,663	548	2,595,222
	1,388,455	622,150	5,180	4,988	50,939	2,126	2,073,837
	72,642	–	4,593	–	–	–	77,234
	1,315,813	622,150	587	4,988	50,939	2,126	1,996,603
	1,254,199	19,377	12,107	1,180	(88,436)	(1,813)	1,196,614
	6,340	–	12,095	–	–	–	18,435
	1,247,859	19,377	12	1,180	(88,436)	(1,813)	1,178,179
	147,775	**91,535**	**7,658**	**1,334**	**4,028**	**48**	**252,378**
		–	–	–	–	–	**252,378**

Appendix *continued*

S.12.01.02

Life and Health SLT Technical Provisions

in EUR thousands, as of December 31

Technical provisions calculated as a whole	**R0010**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020
Technical provisions calculated as a sum of BE and RM	
Best Estimate	
Gross Best Estimate	**R0030**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	R0090
Risk Margin	**R0100**
Amount of the transitional on Technical Provisions	
Technical Provisions calculated as a whole	R0110
Best estimate	R0120
Risk margin	R0130
Technical provisions – total	**R0200**

S.12.01.02

Life and Health SLT Technical Provisions

in EUR thousands, as of December 31

Technical provisions calculated as a whole
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole
Technical provisions calculated as a sum of BE and RM
Best Estimate
Gross Best Estimate
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total
Risk Margin
Amount of the transitional on Technical Provisions
Technical Provisions calculated as a whole
Best estimate
Risk margin
Technical provisions – total

	Index-linked and unit-linked insurance			Other life insurance					
Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
–	–			–			–	–	–
–	–			–			–	–	–
1,582,846		15,343,286	304,354		989,761	1,259	–	–	18,221,506
–		47,277	–		73,766	(23,108)	–	–	97,936
1,582,846		15,296,008	304,354		915,995	24,367	–	–	18,123,570
16,922	167,283			10,595			–	–	194,799
–	–			–			–	–	–
–		–	–		–	–	–	–	–
–	–			–			–	–	–
1,599,768	15,814,922	–	–	1,001,615	–	–	–	–	18,416,305

	Health insurance (direct business)					
		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
	C0160	C0170	C0180	C0190	C0200	C0210
R0010	–			–	–	–
R0020	–			–	–	–
R0030		83,316	(3,444)	–	–	79,872
R0080		32,073	16,895	–	–	48,967
R0090		51,243	(20,338)	–	–	30,904
R0100	8,239			–	–	8,239
R0110	–			–	–	–
R0120		–	–	–	–	–
R0130	–			–	–	–
R0200	88,111	–	–	–	–	88,111

Appendix *continued*

S.22.01.21

Impact of long term guarantees and transitional measures

in EUR thousands, as of December 31		Amount with LTG measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	18,301,378	–	–	–	–
Basic own funds	R0020	897,954	–	–	–	–
Eligible own funds to meet SCR	R0050	897,954	–	–	–	–
SCR	R0090	629,482	–	–	–	–
Eligible own funds to meet MCR	R0100	897,954	–	–	–	–
Minimum Capital Requirement	**R0110**	**174,509**	**–**	**–**	**–**	**–**

S.23.01.01

Own funds

in EUR thousands, as of December 31

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	17,688	17,688		–	
Share premium account related to ordinary share capital	R0030	282,992	282,992		–	
Iinitial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	R0040	–	–		–	
Subordinated mutual member accounts	R0050	–		–	–	–
Surplus funds	R0070	–	–			
Preference shares	R0090	–		–	–	–
Share premium account related to preference shares	R0110	–		–	–	–
Reconciliation reserve	R0130	597,274	597,274			
Subordinated liabilities	R0140	–		–	–	–
An amount equal to the value of net deferred tax assets	R0160	–				–
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	–	–	–	–	–
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	–	–	–	–	–
Deductions						
Deductions for participations in financial and credit institutions	R0230	–	–	–	–	–
Total basic own funds after deductions	**R0290**	**897,954**	**897,954**	**–**	**–**	**–**
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	–			–	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand	R0310	–			–	
Unpaid and uncalled preference shares callable on demand	R0320	–			–	–
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	–			–	–
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	–			–	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	–			–	–
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	–			–	
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	–			–	–
Other ancillary own funds	R0390	–			–	–
Total ancillary own funds	**R0400**	**–**	**–**	**–**	**–**	**–**

Appendix *continued*

S.23.01.01

Own funds

in EUR thousands, as of December 31

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	897,954	897,954	–	–	–
Total available own funds to meet the MCR	R0510	897,954	897,954	–	–	
Total eligible own funds to meet the SCR	R0540	897,954	897,954	–	–	–
Total eligible own funds to meet the MCR	R0550	897,954	897,954	–	–	
SCR	**R0580**	**629,482**				
MCR	**R0600**	**174,509**				
Ratio of Eligible own funds to SCR	**R0620**	**143%**				
Ratio of Eligible own funds to MCR	**R0640**	**515%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	897,954
Own shares (held directly and indirectly)	R0710	–
Foreseeable dividends, distributions and charges	R0720	–
Other basic own fund items	R0730	300,680
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	–
Reconciliation reserve	**R0760**	**597,274**
Expected profits		
Expected profits included in future premiums (EPIFP) – Life business	R0770	160,502
Expected profits included in future premiums (EPIFP) – Non-life business	R0780	–
Total Expected profits included in future premiums (EPIFP)	**R0790**	**160,502**

S.25.01.21

Solvency Capital Requirement – for undertakings on Standard Formula

in EUR thousands, as of December 31		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	391,606		No
Counterparty default risk	R0020	20,100		
Life underwriting risk	R0030	384,767	No	No
Health underwriting risk	R0040	15,856	No	No
Non-life underwriting risk	R0050	–	No	No
Diversification	R0060	(186,620)		
Intangible asset risk	R0070	–		
Basic Solvency Capital Requirement	**R0100**	**625,709**		

		C0100
Calculation of Solvency Capital Requirement		
Operational risk	R0130	38,247
Loss-absorbing capacity of technical provisions	R0140	–
Loss-absorbing capacity of deferred taxes	R0150	(34,474)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	**R0200**	**629,482**
Capital add-on already set	R0210	–
Solvency capital requirement	**R0220**	**629,482**
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	558,145
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	71,338
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Appendix *continued*

S.28.01.01

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

in EUR thousands, as of December 31		C0010
MCR(NL) Result	R0010	–

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

S.28.01.01

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

in EUR thousands, as of December 31		C0040
MCR(L) Result	R0200	174,509

		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance/ SPV) total capital at risk
		C0050	C0060
Obligations with profit participation – guaranteed benefits	R0210	1,306,886	
Obligations with profit participation – future discretionary benefits	R0220	275,960	
Index-linked and unit-linked insurance obligations	R0230	15,600,362	
Other life (re)insurance and health (re)insurance obligations	R0240	971,267	
Total capital at risk for all life (re)insurance obligations	R0250		15,578,719

		C0070
Linear MCR	R0300	174,509
SCR	R0310	629,482
MCR cap	R0320	283,267
MCR floor	R0330	157,371
Combined MCR	R0340	174,509
Absolute floor of the MCR	R0350	3,700

		C0070
Minimum Capital Requirement	**R0400**	**174,509**

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