ECCU Assurance Designated Activity Company

Solvency and Financial Condition Report

For year ending 31st December 2022

EXECUTIVE SUMMARY 4

A: BUSINESS AND PERFORMANCE 7

A1: BUSINESS 7

A2: UNDERWRITING PERFORMANCE 10

A3: INVESTMENT PERFORMANCE 11

A4: PERFORMANCE OF OTHER ACTIVITIES, OTHER MATERIAL INCOME AND EXPENSES 12

A5: ANY OTHER INFORMATION 13

B: SYSTEM OF GOVERNANCE 14

B1: GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE 14

B2: FIT & PROPER REQUIREMENTS 20

B3: RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT 21

B4: INTERNAL CONTROL SYSTEM 26

B5: INTERNAL AUDIT FUNCTION 27

B6: ACTUARIAL FUNCTION 28

B7: OUTSOURCING 29

B8: ANY OTHER INFORMATION 34

C: RISK PROFILE 35

C1: UNDERWRITING RISK 35

C2: MARKET RISK 36

C3: CREDIT RISK 40

C4: LIQUIDITY RISK 42

C5: OPERATIONAL RISK 44

C6: OTHER MATERIAL RISKS 46

D: VALUATION FOR SOLVENCY PURPOSES 48

D2: TECHNICAL PROVISIONS 50

D3: OTHER LIABILITIES 52

D4: ALTERNATIVE METHODS FOR VALUATION 53

D5: ANY OTHER INFORMATION 53

E1: OWN FUNDS 54

E2: SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT 56

E3: USE OF THE DURATION-BASED EQUITY RISK SUBMODULE IN THE CALCULATION OF THE SCR 56

E4: DIFFERENCE BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED 57

E5: NON-COMPLIANCE WITH THE MCR AND NON-COMPLIANCE WITH THE SCR 57

E6: ANY OTHER INFORMATION 57

APPENDIX A: ANNUAL QUANTITATIVE REPORTING TEMPLATES (QRTS) 58

Executive Summary

This Solvency and Financial Condition Report, (“SFCR”), is published by ECCU Assurance DAC, (“ECCU”), and relates to the company’s performance in the year to 31st December 2022.

ECCU is a life insurance undertaking, wholly owned by the Irish League of Credit Unions, (“ILCU”), incorporated in 1980 to provide insurance to a customer base comprising the credit unions affiliated to the ILCU.

The ECCU group risk product set comprises Loan Protection (“LP”), Life Savings (“LS”) and optional riders, e.g. Death Benefit Insurance (“DBI”) and Total Permanent Disability from Any Occupation. These policies provide benefits to credit unions affiliated to the ILCU upon death or total permanent disability occurring to their eligible members. ECCU also offers a whole-of-life policy, DBPlus, which provides a lump sum benefit on death and individuals meet the cost of the premiums at their own expense.

ECCU aims, subject to capital requirements and at the discretion of the board, to return group risk underwriting surpluses to its credit union policyholders by way of an annual claims experience refund.

As at year end, ECCU has Stop Loss and Excess of Loss Reinsurance treaties in place with Arch Reinsurance Europe Underwriting Designated Activity Company to reduce exposure to mortality risks from large individual claims and adverse aggregate mortality experience.

ECCU’s group risk customer base is located across the island of Ireland. This includes ILCU affiliates resident in Northern Ireland to which ECCU provided insurance services on a Freedom of Services basis when the UK was a member of the EU. As a consequence of the United Kingdom exiting the EU in January 2020, ECCU applied for branch authorisation to the UK’s Prudential Regulation Authority, (“PRA”), and the Financial Conduct Authority, (“FCA”). Approval for the branch was received in June 2022 and ECCU now has a branch office in Banbridge, Co. Down. There have been no changes to ECCU’s claims management or other customer services following the establishment of its Northern Ireland Branch.

The business has been successful overs its 42 year history in providing cover to credit unions to ensure they are not left with bad debts upon the untimely death of members with outstanding loans. The COVID-19 pandemic had an impact on ECCU; however its operations continued to serve its credit union policyholders within the terms of its customer charter and its capital position remained strong during 2022.

ECCU employs 13 staff.

ECCU outsources certain functions to the ILCU which undertakes these activities under an Agency & Management Agreement with associated Service Level Agreements. ECCU also outsources the Head of Internal Audit and the Head of Actuarial, key functions, to Deloitte and Willis Towers Watson, respectively. Its investments are managed by Irish Life Investment Managers, (“ILIM”), in accordance with the terms of a mandate defined and regularly reviewed by the ECCU Board of Directors.

This report covers the Business and Performance of the Company, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. The ultimate Administrative Body that has responsibility for all these matters is the Company’s Board of

Directors, ("the Board"). The Board is aided in this by the various governance and control functions that it has put in place to monitor and manage the business.

Business and Performance

Although the number of reported COVID deaths in 2022 was considerably down compared to the number reported in 2021, a significant number of excess deaths occurred in 2022 compared with the pre-COVID five-year average. In addition, the ongoing war in Ukraine threw financial markets into turmoil resulting in rising inflation and significant falls in global assets. These demographic and economic shocks, combined with additional expenses due to currency movements and additional pension contributions in respect of the deficit in the defined benefit scheme, adversely impacted ECCU's financial performance in 2022, resulting in a loss for the year of €3.9m. Hence, no claims experience refund is payable to credit unions in respect of 2022.

Claims incurred, net of reinsurance decreased to €63.3m in 2022, down €1.5m on the prior year.

Earned premiums, net of reinsurance, decreased to €70.6m in 2022, down €1.5m on the prior year, primarily due to a reduction in LS and DBI coverage.

Despite ECCU's prudent investment policy with an emphasis on security of capital, continuity of income and a diversity of assets, market volatility resulted in an overall negative return during 2022 of €5.6m (2021: €2.9m positive).

ECCU continues to have a strong balance sheet; however, "Total Equity" is down 8.8%, at €51.3m, and technical provisions for outstanding claims down 12.4%, to €25.9m.

Cover for the Solvency Capital Requirement decreased to 232.3%, at 31st December 2022 (2021: 237.1%), primarily due to a decrease in the free assets available for Regulatory Solvency purposes of €3.8m year on year.

System of Governance Summary

Independent Non-Executive Director, ("INED"), John Lyons joined the Board on 4th April 2022.

Risk Profile Summary

The COVID-19 pandemic which began in 2020 and continued into 2021 and 2022, now appears to be abating due to the successful rollout of the vaccine programmes. ECCU will continue to monitor the level of deaths and ensure that adequate provisions are held to meet future claims.

During 2021, the ILCU, as principal employer, commenced a review of The Irish League of Credit Unions Republic of Ireland Pension Scheme and concluded that the Scheme should close to future accrual with effect from 31st March 2022. Although staff have retained all the benefits that they had earned in the scheme to that date, the Company and its employees ceased making regular contributions to the scheme and ceased earning any additional benefits from the scheme. At the date of closure of the scheme, there was a past service deficit which was allocated to each individual participating employer, including ECCU, based on the total benefits earned by staff in each participating employer. The Company’s portion of that past service deficit is €965,100. This total cost is included in the Profit and Loss account for the year ended 31st December 2022. The Company has entered into a 10 year funding plan to pay the deficit of which the first year’s contribution was paid in 2022. The Company’s liability in the Balance Sheet in respect of the funding plan based on outstanding contributions payable under the funding plan is €849,410.

Gerry Jordan

Chief Executive Officer

A: BUSINESS AND PERFORMANCE

A1: Business

A.1(a) ECCU Assurance Designated Activity Company is a regulated life assurance undertaking authorised by the Central Bank of Ireland under the European Union (Insurance and Reinsurance) Regulations 2015. The Company's financial year-end is at 31st December.

The Company's postal address and registered office is:

ECCU Assurance DAC,

33-41 Lower Mount Street,

Dublin 2,

D02 Y489,

Ireland.

A.1(b) The Central Bank of Ireland, ("CBI"), is responsible for the financial supervision of the Company.

The CBI may be contacted at:

Central Bank of Ireland,
New Wapping Street,
North Wall Quay,
Dublin 1,
D01 F7X3,
Ireland.

The Company is regulated in the Republic of Ireland by the CBI. For business in Northern Ireland ECCU Assurance is authorised by the Prudential Regulation Authority, ("PRA"), and regulated by the Financial Conduct Authority, ("FCA"), and the PRA. ECCU Assurance is a UK establishment registered in Northern Ireland. ECCU Assurance, 16 Townsend St., Banbridge, Co. Down BT32 3LF (a branch of ECCU Assurance DAC) is a UK establishment (with registration number FC039503 and BR024609) registered in Northern Ireland.

A.1(c) The Company's external auditor is KPMG.

KPMG may be contacted at:

KPMG,
1 Harbourmaster Place,
IFSC,
Dublin 1,
D01 F6F5,
Ireland.

A.1 (d)The Company is wholly owned by the ILCU, a trade association of affiliated credit unions on the island of Ireland. The Company's group risk policyholders are the same credit unions.

A.1 (e)The Company has one dormant, non-trading, subsidiary in the UK named ECCU Assurance Company (Services) (UK) Limited.

This subsidiary's postal address and registered office is:

Hays Galleria,
1 Hays Lane,
London,
SE1 2RD,
United Kingdom.

A.1 (f) **Group Policies**

The Company sells single premium group risk products to credit unions, ("CUs"), affiliated to the ILCU, in the Republic of Ireland and Northern Ireland. The relevant policyholders are CUs, and not the CUs' members.

The assurance business written by ECCU is predominantly in the form of monthly renewable term assurance policies. These policies are structured as group risk contracts with the CUs being the policyholders. All CUs affiliated to the ILCU have two main policies in place:

(1) Life Savings Policy

Date of Lodgment Cover

The CU's Life Savings policy pays a benefit on death, subject to terms and conditions of cover, based on the amount of savings made during a member's lifetime. The amount paid will depend on the member's age when the lodgments were made and their savings history with their credit union. Withdrawals from savings may reduce the accrued insurance benefits. Savings lodged after age 70 are not insurable but cover remains in place to the date of death once the shares are not withdrawn and the credit union pays the appropriate premium.

Date of Death Cover

The CU's Life Savings policy pays a benefit on death, subject to terms and conditions of cover, based on the amount of savings made during a member's lifetime. The amount paid will depend on the age of the member at their date of death. Withdrawals from savings may reduce the accrued insurance benefits. Savings lodged after age 70 are not insurable but cover remains in place to the date of death once the shares are not withdrawn and the credit union pays the appropriate premium.

(2) Loan Protection Policy

The CU's Loan Protection policy protects a credit union's loans, subject to terms and conditions of cover, by clearing the outstanding principal loan balance in the event of an eligible member's death or disability (optional, see below). Cover under this policy ceases on the day of the member's 70th birthday.

Each of the above policies has associated rider policies giving a credit union the option to enhance the cover/benefit under its main policy of cover. The optional riders, which are subject to terms and conditions of cover, are as follows. Life Savings: Accidental Death, Dismemberment & Loss of Sight, Joint Life. Loan Protection: Disability, Over 70's, Over 80's, Joint Life.

DBPlus

ECCU launched a new, individual, whole-of life policy, DBPlus, in December 2020. This aims to provide funeral, or other end of life expenses oriented, cover to credit union members at their own expense. The volume of this business transacted during 2022 was not material.

Reinsurance

Since 1st January 2014, Arch Reinsurance Europe Underwriting Designated Activity Company, ("Arch Re"), has provided reinsurance cover to the Company. Arch Re is an Irish based reinsurer and is part of Arch Capital Group Limited, a Bermudan based global reinsurer. Arch Re is rated A+ and there are two treaties in place, an excess of loss treaty and a stop loss treaty.

The excess of loss treaty provides cover for individual large claims aggregated across product lines in excess of €40,000 or £30,000 for each life. There is a cap of €1m on each life. ECCU's reinsurance structure was revised during 2022 such that the stop loss treaty now pays claims in excess of 100% of net written premiums and has a cap of 30% of the gross written premium.

During 2022 the Company renewed its excess of loss reinsurance cover arrangements with Arch Re, to 31st December 2023. From 1st January 2023 the Company has a stop loss treaty in place with Axis Re SE, replacing the stop loss treaty that was previously in place with Arch Re.

A.1 (g) There are no other significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking.

A2: Underwriting Performance

The excess of earned premium over claims incurred, net of reinsurance was €7.3m in 2022 (2021: €7.3m). There was a 2.1% decrease in net earned premium written in the prior year primarily due to a decrease in LS and DBI sums assured. Claims paid increased from €65.6m in 2021 to €67.4m in 2022. The decrease in the gross claims outstanding provision for 2022 was €3.7m (2021: decrease of €0.3m). The net cost of reinsurance decreased by €0.4m due to a combination of changes made to the trigger point and capacity on the stop loss treaty during 2022 and a reduction in gross written premiums. Performance in 2022 was also impacted by negative investment returns which, including unrealised gains and losses, amounted to a negative result of €5.6m (2021: €2.9m positive). There is no claims experience refund payable to Credit Unions for 2022 (2021: €4.6m) due to the significant falls in assets experienced due to the ongoing war in Ukraine, as well as the significant number of excess deaths experienced in 2022 compared to the pre-COVID five-year average. These demographic and economic shocks impacted ECCU's financial performance in 2022, resulting in a loss for the year of €3.8m.

As shown in the table below, gross premium written during 2022 amounted to €72.5m, which represents a decrease of 2.6% when compared to 2021 due to an overall decrease in sums assured. LP sums assured increased by 4%. LS sums assured decreased by 7% while DBI sums assured decreased by 5%.

Total Premium Income €m			Sums Assured €m			Paid Claims Ratio %		
2020	**2021**	**2022**	**2020**	**2021**	**2022**	**2020**	**2021**	**2022**
76.6	74.4	72.5	15,905	16,190	15,706	86.3%	88.1%	93.0%

The Company's performance in respect of life savings, loan protection and death benefit insurance in 2022 is outlined in the tables below.

Savings Assured €m			Insurable Members 000's			Claims €m		
2020	**2021**	**2022**	**2020**	**2021**	**2022**	**2020**	**2021**	**2022**
7,750	8,127	7,571	3,488	3,506	3,533	31.1	30.7	32.3

There has been a 6.8% decrease in savings assured and a 0.8% increase in the number of insurable members since 2021.

Loans Assured €m			Insurable Borrowers 000's			Claims €m		
2020	**2021**	**2022**	**2020**	**2021**	**2022**	**2020**	**2021**	**2022**
5,515	5,631	5,836	766	725	728	16.7	17.4	17.1

The increase in loans assured of 3.6% primarily reflects the increase in assured borrowings with a slightly higher number of borrowers.

Death Benefits Assured			Insurable Members			Claims		
€m			000's			€m		
2020	**2021**	**2022**	**2020**	**2021**	**2022**	**2020**	**2021**	**2022**
2,640	2,432	2,299	1,503	1,362	1,321	18.2	17.5	18.0

DBI sums assured were 5.5% lower in 2022 than in 2021. The number of insurable members has fallen by 3% since 2021.

A3: Investment Performance

The Company continues to pursue a conservative investment policy, with 31.7% of the Company's invested assets taking the form of deposits with credit institutions. The remainder of ECCU's investment assets are in the form of Eurozone Government bonds (37%), units in an infrastructure fund (11.2%), units in an equity fund (11.1%), units in a residential property fund (6%), and units in an Irish Property fund (3%). The Company has invested in infrastructure and property funds to reduce volatility in investment returns while also maintaining a reasonable investment return. The Company's investments at year end had a market value of €63.2m.

2022 investment return which includes unrealised gains and losses amounted to a loss of €5.6m (2021: €2.9m positive). The overall investment return arises from a number of factors including realised losses of €0.2m (2021: €2.2m gain) and lower bond yields which resulted in a lower level of income from bonds at €0.2m in 2022 (2021: €0.3m). The situation on negative interest rates in the market improved in 2022 resulting in positive deposit income of €0.01m in 2022 (2021: - €0.2m). There were unrealised losses on ECCU's bond portfolio of €3.4m (2021: €1m loss) and unrealised losses on the equity fund, infrastructure fund, Irish property fund and residential property fund totaling €2.1m in 2022 (2021: €1.2m gain). Overall, the Company experienced an 8.8% negative return on its investments in 2022 (2021: 3.9% positive), significantly impacted by the turmoil in financial markets.

	2022 **€** Net investment income	**2022** **€** Net investment expense	**2022** **€** Net realised gains and losses	**2022** **€** **Net investment result (excl unrealised)**	**2022** **€** Changes in fair value	**2022** **€** **Net investment result (incl unrealised)**
Debt Securities	217,671	(1,343)	(866,365)	(650,037)	(3,365,705)	(4,015,742)
Unit Trusts	75,628	-	698,359	773,987	(2,101,033)	(1,327,046)
Cash and deposits	9,134	-	-	9,134	(222,608)	(213,474)
	302,433	(1,343)	(168,006)	133,084	(5,689,346)	(5,556,262)

	2021 € Net investment income	2021 € Net investment expense	2021 € Net realised gains and losses	2021 € **Net investment result (excl unrealised)**	2021 € Changes in fair value	2021 € **Net investment result (incl unrealised)**
Debt Securities	338,367	(1,412)	(52,400)	284,555	(974,322)	(689,767)
Unit Trusts	39,678	-	2,215,982	2,255,660	1,239,878	3,495,538
Cash and deposits	(157,935)	-	-	(157,935)	256,622	98,687
	220,110	(1,412)	2,163,582	2,382,280	522,178	2,904,458

At the end of the financial year, the average maturity of the deposits was 4.9 months (2021: 5.3 months). The average interest rate was 1.10% (2021: -0.45%). The Company does not engage in any securitisation arrangements.

A4: Performance of Other Activities, Other Material Income and Expenses

During 2021, the ILCU, as principal employer, commenced a review of The Irish League of Credit Unions Republic of Ireland Pension Scheme and concluded that the Scheme should close to future accrual with effect from 31st March 2022. Although staff have retained all the benefits that they had earned in the scheme to that date, the Company and its employees ceased making regular contributions to the scheme and ceased earning any additional benefits from the scheme. At the date of closure of the scheme, there was a past service deficit which was allocated to each individual participating employer based on the total benefits earned by staff in each participating employer. The Company's allocation of that past service deficit is €965,100. This total cost is included in the Profit and Loss account for the year ended 31st December 2022. The Company has entered into a 10 year funding plan to pay the deficit of which the first year was paid in 2022 amounting to €112,270 (2021: €nil).

Surplus arising in the technical account in a given year, after making adequate provision for technical provisions and any adjustment necessary to meet the Company's economic capital requirements, over its planning time-horizon, is returned to its policyholders (credit unions) by way of a claims experience refund. The claims experience refund is calculated based on the combined effect of the underwriting result and investment income in the technical account. An additional calculation is performed to check that the claims experience refund to policyholders would not result in the release of capital required to be retained by the Company in order to meet the Company's economic capital requirements, as calculated on a Solvency II basis. There is no claims experience refund payable to Credit Unions for 2022 (2021: €4.6m) due to the significant falls in assets experienced due to the ongoing war in Ukraine, as well as the significant number of excess deaths experienced in 2022 compared to the pre-COVID five-year average.

The ILCU (parent undertaking) acts as agent of the Company. The range of services provided and the basis for the fees in respect of such services provided are set out in the Agency and Management Agreement dated 22nd March 2013, as amended on 21st November 2014, between the ILCU and the Company.

The fees paid to the ILCU for services provided in accordance with the Agency and Management agreement during 2022 amounted to €2,257,006 (2021: €2,201,305).

The Company was the main sponsor at the ILCU AGM in 2022 costing €100,000 (2021: €0).

The fees paid to the ILCU for the funding of secure e-mail for each credit union for the secure and confidential transmission of personal sensitive data electronically to ECCU amounted to €25,000 (2021: €25,000).

During the year, the Company provided project funding to the ILCU International Development Foundation Limited in order to support credit union development in Sierra Leone. This amounted to €55,000 (2021: €35,000).

The Company made a contribution to the ILCU towards a group cyber insurance policy amounting to €17,640 (2021: €6,300).

Staff costs amounted to €2,256,941 in 2022 (2021: €1,308,950) which includes the Company's liability in the Balance Sheet in respect of the pension funding plan based on outstanding contributions payable under the funding plan of €1,308,794.

A5: Any other information

There is no other material information to disclose regarding the business and performance of ECCU.

B: SYSTEM OF GOVERNANCE

B1: General Information on the System of Governance

B1.1 Overview

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

The Company's Board of Directors is responsible for the oversight of the business and sets its strategy and risk appetite. Mr. John Lyons joined the Board on 8th April 2022. Thus, at year end, the Board comprised the CEO, 4 Independent non-Executive Directors and 2 non-Executive Directors. ECCU previously obtained a derogation from the CBI exempting it from the requirement that the majority of its directors be independent non-executive directors.

Board of Directors:

J Kehoe (Chair)	G Jordan (CEO)
A Kennedy	C Murphy
C McDonnell	E Sharkey
J Lyons	

Company Secretary:

L D'Alton

The Company is committed to high standards of corporate governance. The Company completed an annual review of Governance and its Committee structures in line with the Requirements. ECCU has appointed an independent Head of Actuarial Function.

The Board delegates certain responsibilities to its Audit, Risk and Remuneration sub-committees in accordance with the Requirements and terms of references approved by the Board.

The Board met on seven occasions during the year under review. The Audit, Risk and Remuneration sub-committees operated throughout the year and reported to the Board at its subsequent meetings. The Audit Committee met on eight occasions, the Risk Committee five and the Remuneration Committee met once during the year to 31st December 2022. The Chair of each Committee is an Independent non-Executive Director and appointed by the Board.

- Audit Committee (Chair: Caroline McDonnell)

- Risk Committee (Chair: Aisling Kennedy)
- Remuneration Committee (Chair: Caroline McDonnell)

The Audit Committee assists the Board in discharging its responsibilities for:

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

The principal role of the Audit Committee is to support the Board in considering activities that expose or may expose ECCU to material audit, financial or other risk. The Committee consists of four members, all of whom are non-Executive Directors and the majority of whom are independent.

The Audit Committee works closely with the Risk Committee to ensure the successful operation of the risk management and internal control systems.

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

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

The Risk Committee is established separately from the Audit Committee and is responsible for providing oversight and advice to the Board on the current risk exposures of ECCU and future risk strategy. The Committee also provides direction and oversight in relation to regulatory policies and procedures, including those relating to risk identification, assessment, management and monitoring.

The Risk Committee comprises four members. When appointing Risk Committee members, the Board ensures that there is an appropriate representation of Independent Non-Executive Directors which is proportionate to the nature, scale and complexity of ECCU.

There is cross membership between the Audit and Risk Committees to enhance Board consideration of risk-related issues across the undertaking. Specifically, the Chair of each committee is a member of the other.

The Remuneration Committee operates under delegated authority from the Board. Its role is to advise the Board on broad policy relating to the total remuneration paid to Senior Management and it also has a role in performance management and objective setting for the Senior Management Team.

The Remuneration Committee establishes the Company's remuneration policies and procedures based on best practice and the requirements issued by the Central Bank of Ireland in ensuring that no element of reward encourages excessive risk taking. All members of the Committee are non-Executive Directors, the majority of whom are independent. The Remuneration Committee and the Risk Committee have at least one shared member.

The Company operates a Claims Appeals Committee which meets regularly to consider appeals from credit unions in respect of claims that have been declined because they fail to meet the policy terms and conditions. The Claims Appeals Committee comprises three ECCU representatives, one of whom is an Independent non-Executive Director, and two representatives of the ILCU.

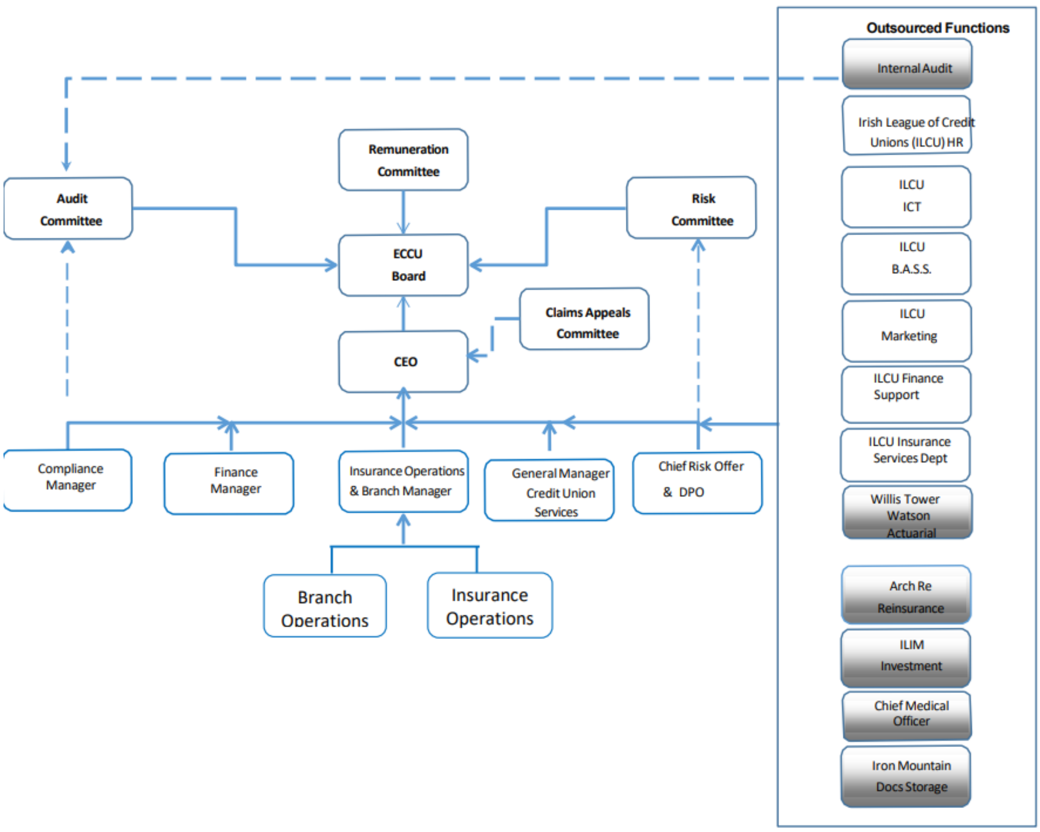
The Claims Appeals Committee considers the circumstances in which the appealed claims failed in accordance with the policy terms and conditions, the representations by the credit union in its appeal, the personal circumstances of the credit union members and any events outside the control of the member.

Any payments approved by the Claims Appeals Committee are reviewed by the Board and are made ex-gratia. 27 claims were appealed by credit unions in 2022 (2021: 25), of which 19 (2021: 16) received ex-gratia payments.

The Senior Management Team, ("SMT"), comprises the CEO, Finance Manager, Insurance Operations Manager, General Manager Credit Union Services, the Chief Risk & Data Protection Officer and Compliance Manager.

The Internal Audit and Head of Actuarial Functions are outsourced.

The reporting relationships of the committees and functions are shown below:



B1.2 Independent Control Functions:

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

B1.2.1 Chief Risk Officer ("CRO"), PCF-14:

A Chief Risk Officer is appointed to oversee the implementation of the Company's Risk Management Policies, reporting to the Risk sub-Committee of the Board, the Board and the Company's CEO. The responsibilities of the Chief Risk Officer include:

- The oversight of and adherence to the Company's Enterprise Risk Management framework (ERM);
- To be the focal point for risk event reporting of new and emerging risks, such that these can be assessed and material issues reported to the Board and Risk Committee;
- To coordinate the 'Own Risk and Solvency Assessment', ("ORSA"), process at least annually; and
- The CRO is the designated Data Protection Officer of ECCU.

B1.2.2 Head of Compliance, PCF-12 and PCF-52:

The Compliance Manager occupies the role of Head of Compliance with responsibility for the implementation of the Company's Compliance Policy and effective processes. The Compliance Manager reports to the Audit sub-Committee of the Board and the CEO. The responsibilities of the Compliance Manager include:

- To monitor regulatory change and to inform the Company and its service providers where such changes have implications for the Company's processes;
- To monitor Compliance within the Company, making recommendations where change is required;
- To report on significant instances of non-compliance to the Audit Committee and the Company's management;
- The Compliance Manager also occupies the roles of Money Laundering Reporting Officer and Company Secretary.

The Audit Committee oversees the preparation of the annual 'risk-based' Compliance Monitoring Plan and reviews progress against its measures throughout the year.

B1.2.3 Head of Actuarial Function ("HoAF"), PCF-48:

The Actuarial Function and the role of HoAF are outsourced to Willis Towers Watson. The responsibilities of the HoAF (Mr. Eoin Murphy) and the Actuarial Function, in line with guidance from the Central Bank of Ireland and the Society of Actuaries, include, but are not limited to, the following matters:

- Coordinating the calculation of the firm's technical provisions'
- Assessing the consistency of the internal and external data used in the calculation of technical provisions against the data quality standards as set in Solvency II;

- Continuous monitoring of the solvency position of the Company and the required level of statutory reserves;
- Reporting on the solvency position of the Company;
- The provision of advice and support to the Company on the ORSA process, including the financial consequences of stresses and scenarios and the impact of management actions.

B1.2.4 Head of Internal Audit, PCF-13:

The Head of Internal Audit function is outsourced to Deloitte. The function provides independent and objective assurance services, via a formal outsourcing arrangement in respect of the Company’s processes, as carried out by its services providers with due regard to the adequacy of the governance, risk management and internal control framework. The Head of Internal Audit reports to the Audit Committee. The Audit Committee receives and approves the ‘risk-based’ Audit Plan prepared by the Head of Internal Audit.

Internal Audit reports highlight any significant control failings or weaknesses identified and the impact they have had, or may have, and the actions and timings which management have agreed to take to rectify them.

B1.3 Other Control Functions:

The Company has defined three additional Control Functions:

- Chief Executive Officer, (“CEO”), PCF-8

  The CEO is the only executive director on the Board, PCF-1, and has ultimate responsibility for the Company’s compliance. The CEO also occupies the role of Head of Underwriting, PCF-18.

- Finance Manager

  The Finance Manager occupies the roles of Head of Finance, PCF-11, and Head of Investment, PCF-19.

- Insurance Operations Manager

  The Insurance Operations manager occupies the roles of Chief Operating Officer, PCF-42, and Head of Claims, PCF-43.

B1.4 Remuneration, Employee Benefits and Practices:

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

The Company paid contributions into a defined benefit pension plan in respect of staff who transferred under Transfer of Undertakings Protection of Employment arrangements from the

ILCU to the Company in 2013 and pays contributions based on a percentage of salary into a defined contribution pension plan on behalf of its remaining employees.

The defined benefit plan is a post-employment benefit plan. During 2021, the ILCU, as principal employer, commenced a review of the defined benefit plan and concluded that the Scheme should close to future accrual with effect from 31 March 2022. The Company introduced a second defined contribution plan during 2022 to replace the future accrual of benefits under this defined benefit plan for these employees.

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. The contributions to the defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which the employees render the related service. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company.

Employees contribute additional voluntary contributions to suit their circumstances.

Remuneration of employees that perform activities for any of the Key Control Functions are determined independently of the performance of the business activities they review to avoid any potential conflicts of interest. Remuneration for those persons is weighted in favour of fixed remuneration. Where a variable component exists, it is based on performance against predefined performance criteria.

Remuneration packages may include both fixed and variable components. Where fixed and variable components exist, these are appropriately balanced so that the fixed component represents a sufficiently high proportion of the total remuneration to avoid employees and Directors becoming dependent on the variable component and to allow the Company to operate a fully flexible bonus policy (i.e. the ability to pay no bonus if appropriate).

Where a variable component exists, it is subject to a maximum ratio of variable to fixed of 20:80.

Any variable component is based on the performance assessment of each individual, combined with the performance of the Company overall.

B1.5 Material Transactions:

The ILCU is the parent undertaking of the Company.

The ILCU acts as agent of the Company. The range of services provided and the basis for the fees in respect of such services are set out in the Agency and Management Agreement dated 22 March 2013, as amended on 21 November 2014, between the ILCU and the Company.

The fees paid to the ILCU for services provided in accordance with the Agency and Management agreement during 2022 amounted to €2,257,006 (2021: €2,201,305).

Surplus arising in the technical account in a given year, after making adequate provision for technical provisions and any adjustment necessary to meet the Company's economic capital requirements over its planning time-horizon, is returnable to its policyholders (credit unions) by way of a claims experience refund. Such a claims experience refund is calculated based on the combined effect of the underwriting result and investment income in the technical account. An additional calculation is performed to check that the claims experience refund to policyholders would not result in the release of capital required to be retained by the Company in order to meet the Company's economic capital requirements as calculated on a Solvency II basis. There is no claim experience refund payable to credit unions in 2023 for 2022 (2021: €4,644,844).

Directors fees, expenses and emoluments amounted to €412,405 in 2022 (2021: €401,373).

B2: Fit & Proper requirements

The Company has adopted a Fitness and Probity Policy, which sets out the due diligence process that must be performed, summarised below, and which aligns with the Central Bank of Ireland's published guidance, as contained in:

- Guidance on Fitness and Probity Standards 2014;
- Guidance on Fitness and Probity 2018;
- Dear CEO letters (April 2019 and November 2020);
- Guidance on PCF In-Situ Returns, 2022.

The process steps include:

- Identification;
- Compliance with the minimum competency code, where relevant;
- Professional qualification(s);
- Continuous Professional Development;
- Interview and application;
- References;
- Record of previous experience;
- Record of experience gained outside the State;
- Concurrent responsibilities; and
- Individual Questionnaire.

As part of the recruitment process for a PCF or CF role, a candidate is assessed to determine whether they are deemed Fit for the role. When assessing the fitness of a person, the Company considers the candidates professional competence in terms of management and in the relevant area of the business activities (technical competence) and specifically, where required, that the CBI's Minimum Competency Code for the role is met.

When assessing the knowledge, competence and experience required to perform a particular function, the qualifications and experience of the existing Board, Senior Management Team and other employees within the Company are taken into account when considering a new appointment.

The collective knowledge, competence and experience of the Board and Senior Management Team include:

- Market knowledge;
- Business strategy and business model;
- Systems of governance;
- Financial and actuarial analysis; and

- Regulatory framework and requirements.

The Company considers information about a candidate's competency and capability for a role. This includes the following:

- The requirements of the role;
- The candidate's demonstrated capacity to successfully undertake the responsibilities of the role and the establishment/maintenance of an effective control regime;
- The candidate's knowledge of the business; and
- The candidate's relevant formal/informal training and professional qualifications.

As part of the recruitment process, a candidate is assessed to determine whether they are deemed Proper for the role, specifically with reference to honesty, integrity, fairness, ethical behaviour and financial soundness.

The characteristic of independence is a particular requirement of the role of director.

When assessing the probity of a person, the conviction of a relevant criminal offence, disciplinary or administrative offences shall be taken into consideration.

The Company considers ongoing judicial proceedings, current investigations and/or enforcement actions. Any imposition of administrative sanctions for non-compliance (by regulatory or professional bodies) with any financial services legislation are also considered when assessing the probity of a person.

A candidate's record is considered a good indicator of character, as well as other information indicative of honesty, integrity, fairness and ethical behaviour.

When determining financial soundness, the company considers whether a candidate has been declared bankrupt, is involved in ongoing bankruptcy proceedings or is associated with an insolvency entity.

The Company considers that a person who has been convicted of fraud, money laundering, theft, financial crime or a tax offence may be ineligible to occupy a PCF role. Such instances of ineligibility shall be determined by the Board.

For certain Control Functions (referred to as Pre-approved Control Functions or "PCFs"), approval from the Company's regulator is required prior to appointment by the Company's Board. Members of the Board are all PCF functions as are all the key Control Functions described earlier. PCF role holders attest annually to the Company in respect of their continuing fitness and probity.

B3: Risk Management System including the Own Risk and Solvency Assessment

The Company's Enterprise Risk Management (ERM) framework has been developed to enable the Board and management to understand and appropriately manage and mitigate the risks associated with the Company's objectives over the short, medium and longer term together with the overall level of risk embedded in functional and operational processes and activities, including those which are the subject of outsourcing arrangements.

The Risk Committee receives regular reporting from the Company's Chief Risk Officer in relation to the outcome of the periodic risk assessments undertaken by management in line with the ERM framework.

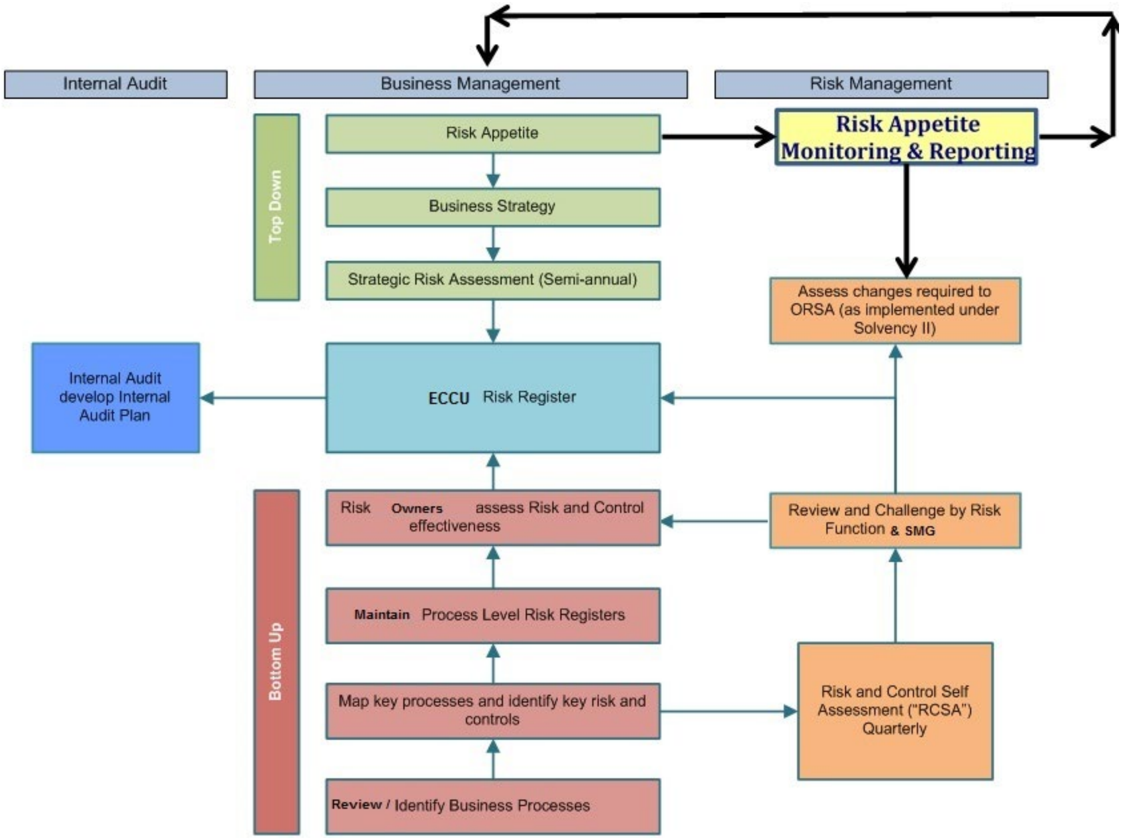
The main policy objectives of the ERM framework are:

(a) Performance Objectives: the efficiency and effectiveness of activities, use of assets and other resources and protecting the Company from loss. The ERM framework seeks to ensure that personnel, including those providing services on an outsourced basis, are working to achieve business objectives with efficiency and integrity, without unintended or excessive cost, or placing other interests before those of the Company.
(b) Information Objectives: the preparation and provision of timely, reliable and relevant reports needed for substantive, informed decision-making. Information objectives also address the need for reliable annual accounts, financial statements and other financial-related disclosures, reports to external parties and stakeholders. The ERM framework seeks to ensure the information received by management, the Board of Directors, Shareholders and regulators is of sufficient quality and integrity that recipients can rely on the information in making decisions.
(c) Compliance Objectives: the ERM framework seeks to ensure that all organisational activities and outputs comply with applicable laws and regulations, supervisory requirements and internal policies and procedures.

The result is a risk management strategy, which is led by the Board whilst being embedded in the Company's business systems, strategy and policy-setting processes and the normal working routines and activities of the Company. Consequently, risk management is an intrinsic part of the way business is conducted and allows the Company to respond quickly to evolving risks, which may arise internally or externally.

The ERM framework is intended to reduce, but cannot eliminate, the range of possibilities which might be detrimental to the Company. Similarly, the ERM framework cannot provide protection with certainty against any failure of the Company to meet its business objectives, or guard against material errors, losses, fraud, or breaches of law and regulations. Taking all these factors into account, the ERM framework is intended to provide reasonable assurance that the Company will conduct is business in an orderly and legitimate manner on a continuing basis and that reasonably foreseeable circumstances will not prevent the Company from achieving its business objectives.

The Risk Management Framework within ECCU comprises a multi-phased cyclical process of monitoring, review, reporting, and management of risks employing a “Bottom-Up” and “Top-Down” approach to inform the SMT, the Risk Sub-Committee of the Board, the Board and the ORSA process towards achieving the appropriate capitalisation of the undertaking in respect of its risk exposures.



The SMT heads of function define and document the key processes of their areas of responsibility, to include identification of associated risks and their respective control owners.

The key processes are periodically reviewed, and refinements documented. Associated movements in the process risks and controls are identified and documented. This forms the basis of the process-oriented risk registers.

At least annually, all Risk and Control Owners, assess the following processes and update the process-oriented risk register to reflect new and emerging risks:

- Investment Management;
- Product Pricing and Underwriting;
- Finance and Actuarial;
- Support Services (HR, Legal);
- Reinsurance;
- Premiums / Collections / Policy Administration / Claims and;
- Information Technology.

The Risk Owners review existing process level risk registers for completeness and accuracy and make updates as may be required.

For each risk identified, the Risk Owners assess the impact, should the risk occur, and assign a RED, AMBER or GREEN status to reflect outside, within but requiring active monitoring, or absolutely within tolerance requiring no further action, respectively.

Risk Owners also assess the effectiveness of controls to mitigate the risk.

The Risk Owners within ECCU perform a quarterly Risk and Control Self-Assessment, (“RCSA”), and submit movements identified to the SMT and CRO for review and challenge.

The CRO may perform an independent review and challenge of any RCSA based on their knowledge of the business, internal audit, external audit review or compliance monitoring programme findings.

The CRO reports on RCSA findings to each meeting of the Risk Committee in a “Risk Report” to include the current Risk Dashboard, summarising the current status of the respective Risk Categories in accordance with the Taxonomy of Risk, as defined in the Company’s Risk Management Policy.

The Risk Committee reviews the risk dashboard, to include the strategic risks that affect ECCU at its meetings, at least quarterly, and considers recommending such amendment to strategy, ORSA and capital requirements as may be required. All decisions of the Risk Sub-Committee in this regard shall be recorded in the minutes and communicated to the Board at the earliest opportunity.

The Risk Committee reviews and assesses the strategic risks that affect ECCU at least annually during its scheduled meetings.

The CRO reports to the Risk Committee on material risk incidents.

Material risk incidents are events which could impair the Company’s integrity, leading to material damage to its reputation, legal or regulatory sanction, or financial loss, as a result of failure, or perceived failure, to comply with all applicable laws, regulations and internal standards.

Risk incidents are reported to the CRO if they breach or are likely to breach ECCU’s Risk Appetite.

The CRO reports material risk incidents that breach or have the potential to breach risk appetite, to the Risk Committee, in accordance with the provisions of the approved Risk Appetite Statement. The SMT advise on specific remedial actions or options available, as agreed with the CRO, to address the circumstances prevailing in order to resolve the breach and remove the potential for such to occur.

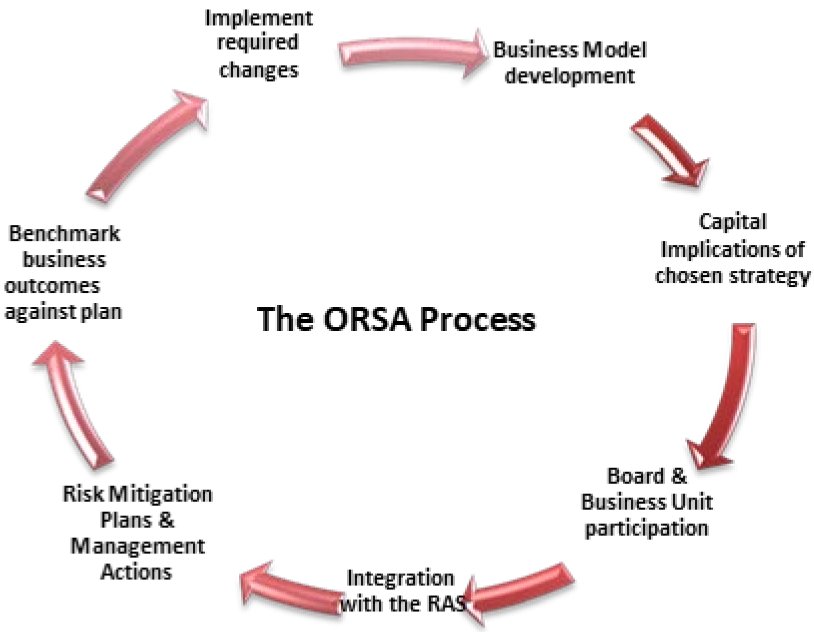
Own Risk Solvency Assessment (“ORSA”)

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

The ORSA is an ongoing process that relies on key elements of the business:

- Board strategy, policies and plans;
- Solvency II Pillar 1 Balance Sheet standard formula results, and base assumptions used;
- ERM process and its outputs, which identifies the key risks;
- Board reviews, challenges and approves the test scenarios and ORSA output;
- Actuarial Function that runs the tests on the Balance Sheet, for capital adequacy and produces the resultant outputs;

- Risk Function, Actuarial Function and SMT which assess the outputs and prepare the reports;
- Risk Committee and Board's assessment of the output and resultant capital, strategy and risk appetite review;
- ORSA Reporting to the Company's regulator, the Central Bank of Ireland.



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

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

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

The Company determined that the Solvency II standard formula be used to calculate the required solvency capital and to assess the overall solvency needs. A five-year base case projection of the Solvency II Balance Sheets and Solvency Capital Requirements ("SCR") position is produced using the standard formula. The results are subjected to a range of scenario testing that is reviewed by management and by the Board, and where appropriate, potential management actions are noted, and conclusions drawn.

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

B4: Internal Control System

The Internal Control Framework for the Company has four elements:

(a) Board-level Controls – the Board Charter, policies, reports and minutes of Board and Board committee meetings form the principal framework within which the Board operates. The control environment and 'tone at the top' are influenced significantly by the Board and its Audit and Risk committees. Independence, membership, scrutiny of activities, and appropriateness of actions of both the Board and the committees have a significant influence on the control environment.

(b) The Senior Management Team - performing the executive functions of the business. Led by the CEO, the SMT plays a key role in determining the corporate culture of the Company and in setting the 'tone at the top'. The SMT communicates behavioural standards both formally and informally and a Compliance Manual is provided to all employees. All employees are required to review and sign the Compliance Manual on an annual basis.

(c) Independent Control Functions – Risk, Compliance and Head of Actuarial Functions.

The Company has established and embedded a Risk Function that is proportionate to the nature, scale and complexity of its business.

The responsibilities of the Risk Function include oversight activities such as:

- Evaluating the design and effectiveness of the Risk Management System, ("RMS"), to identify, measure, monitor, manage and report risks (including emerging risks) to which the Company is exposed and reporting the findings to the Risk Committee regularly and to the Board periodically, as defined in the RMS;
- Identifying any shortcomings and making recommendations on how deficiencies can be remediated;
- Providing and maintaining a comprehensive and objective representation of the Company's risk profile and suggesting actions to manage these risks appropriately;
- Monitoring the Risk Management System and ensuring appropriate implementation of risk policies;
- Reporting to the Risk Committee on details of risk exposures including providing information on the outcome of the ORSA;
- Reporting to the Risk Committee on specific areas of risk inter alia according to requests from the Risk Committee; and
- Advising the Board periodically, and the Risk Committee regularly, on strategic risks.

ECCU strives to establish and embed a Compliance Function that is proportionate to the nature, scale and complexity of the business.

The responsibilities of the Compliance Function include oversight activities such as:

- Identifying, assessing, monitoring and reporting the compliance risk exposure of the Company to the Audit Committee, focusing on compliance with applicable laws and regulatory requirements;
- Designing guidelines and procedures for staff in relation to compliance matters;

- Enhancing staff awareness and providing training on compliance matters as required;
- Recording of incidents that must be reported and ensuring the Company fulfils its obligations of notification to third parties (e.g. external auditors, and the CBI);
- Investigating and following up potential violations of the law and regulations;
- Advising on new products, services and markets from a compliance perspective;
- Monitoring projected revisions of legislation and plans to introduce new regulation and assessing the potential impact on the Company; and
- Reporting to the Audit Committee on compliance issues.

The Compliance Function operates with organisational authority and operational autonomy and conducts compliance activities from the annual plan approved by the Audit Committee.

The Head of the Actuarial Function is a key source of expertise on actuarial matters for the Board. The individual is accountable to the Board. The HoAF provides guidance to the Board on the selection of key actuarial assumptions and influences Board decisions in key areas of actuarial expertise. The HoAF also drives risk awareness and an appropriate risk culture within the undertaking.

(d) Controls over Outsourced Activities – documented outsourcing agreements and Service Level Agreements ("SLAs") set out the terms of the arrangement and the relationship between the Company and its outsourced providers. Conformance by the outsourced service supplier to these agreements is monitored by a business owner within the Company who reports, by exception, to the CRO and to the Audit Committee and the Board as required.

Internal control is, to a varying degree, the responsibility of everyone within the Company and is therefore an explicit or implicit part of everyone's job description. All staff produce information used in the Internal Control System and / or perform control actions.

All areas of the business have a responsibility to inform the Internal Audit Function, CEO, CRO and Compliance Manager of deficiencies in controls, losses that are sustained, or a definite suspicion concerning irregularities.

A number of external parties contribute to the achievement of ECCU's objectives as outsourced service providers.

Control of outsourced activities is provided for through the effective monitoring of the processes of the outsourced service provider. The CEO, as business owner, is responsible for ensuring the appropriateness of control activities at outsourced providers.

B5: Internal Audit Function

The Internal Audit Function is an independent function which examines and evaluates the functioning of the internal controls and all other elements of the system of governance.

It also assesses the compliance of activities with internal strategies, policies, processes and reporting procedures.

The Head of Internal Audit, through planned reviews of the Company's processes and those of its service providers, provides an opinion on the internal control framework of the Company's business. Internal Audit plays an important role in evaluating the effectiveness of control systems and contributes to increased effectiveness through the identification of weaknesses and provision of recommendations for improvement. Due to the nature and scale of the Company's activities, the Internal Audit Function has been outsourced to Deloitte.

The Internal Audit Function develops an annual Internal Audit Plan for Audit Committee approval based on the key risks identified and assessed through the Risk Management System. Every activity (including activities performed by outsourced service providers) is within scope and is considered in the design of the Internal Audit Plan.

The Internal Audit Function performs its activities with objectivity and independence.

The Internal Audit Function produces written reports to the Audit Committee. The report covers any deficiencies regarding the efficiency and suitability of the Internal Control System, as well as major shortcomings regarding compliance with internal policies, procedures and processes. It also includes recommendations on how to remedy inadequacies and specifically addresses how past recommendations have been implemented.

The performance of ECCU's Internal Audit Function is assessed annually by the Board.

B6: Actuarial Function

The Actuarial Function of the Company is outsourced to Willis Towers Watson in accordance with a statement of work approved by the Board. Willis Towers Watson reports to the Board at least annually and attends Board meetings. Willis Towers Watson can draw upon a range of resources to carry out the necessary tasks.

The key responsibilities of the Actuarial Function, ("AF"), and Head of Actuarial function, ("HoAF"), are defined in the Reserving Policy and in summary are:

- The AF must coordinate the calculation of technical provisions. The AF will report to the CEO and Finance Manager every quarter on the results of this calculation.
- The AF must ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions.
- The AF must assess the sufficiency and quality of the data used in the calculation of technical provisions.
- The AF must inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions.
- The CBI's Domestic Actuarial Regime requires the HoAF to provide an Actuarial Opinion on Technical Provisions, ("AOTP"), to the Central Bank of Ireland and an Actuarial Report on Technical Provisions, ("ARTP"), to the Board on an annual basis.
- Providing an opinion on the Company's underwriting policy.
- Providing an opinion on the adequacy of the Company's reinsurance arrangements.

In addition, the Actuarial Function contributes to the ORSA process, to include providing an opinion to the Board, and carries out other calculations for ECCU including pricing and scenario projections.

B7: Outsourcing

The Company is wholly owned by the ILCU, an unincorporated association of credit unions which exists to represent and service affiliated credit unions on the island of Ireland. The Company outsources a number of important functions to the ILCU, with whom it shares a business premises, which undertakes these activities on its behalf in Ireland under an Agency and Management Agreement with respective SLAs.

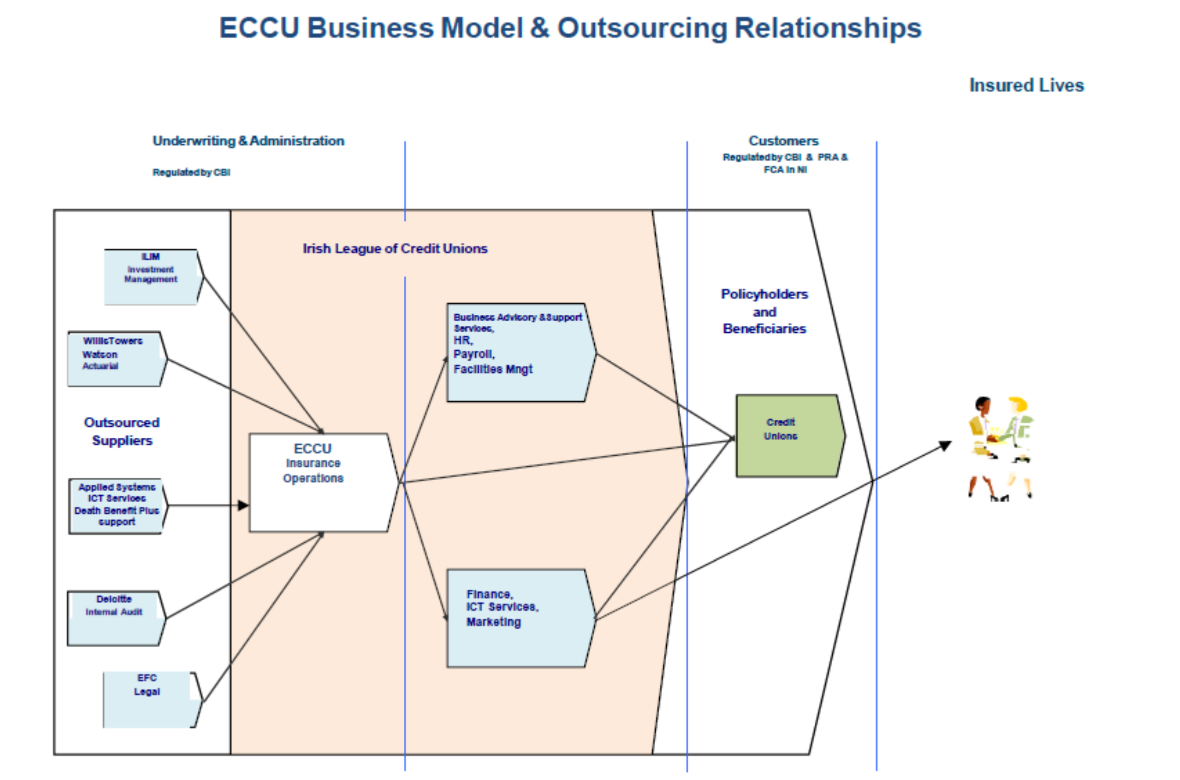
Specifically, ECCU outsources the following functions to the ILCU, for which the CEO has overall responsibility:

- Information & Communications Technology Support;
- Business Continuity Support;
- Human Resource Management;
- Marketing;
- Customer Relations; and
- Facilities Management.

An arrangement of any form between the Company and an outsourced service provider by which that service provider performs a process, a service or activity which would otherwise be performed by the Company itself and which is essential to its operations, without which it would be unable to deliver its services to policyholders, is considered to be the outsourcing of a critical activity. The Company outsources the following critical activities, which are carried out in Ireland, to Irish resident service providers with proven competence in their respective fields, in accordance with its Board approved policy:

- Internal Audit Function, provided by Deloitte, in respect of which the relevant Business Owner is the Finance Manager;
- Head of Actuarial Function, provided by Willis Towers Watson, in respect of which the relevant Business Owner is the CEO; and
- Investment Management, provided by Irish Life Investment Managers, in respect of which the relevant Business Owner is the Finance Manager.

In addition, other non-critical functions, e.g., document storage, shredding etc., are also outsourced by the Company.



Potential new Outsourcing arrangements are subject to the following procedural stages:

- Pre-outsource actions;
- Consideration of impact of outsourcing (risk management);
- Due diligence;
- Written agreement including SLAs and;
- Monitoring.

Other areas for consideration shall include contingency planning, exit strategies and internal outsourcing.

Pre-outsource actions

At an early stage in the process a Business Owner is made responsible for the outsourced activity by the Board. The Business Owner shall be adequately experienced and competent and shall be responsible for:

- Negotiating and managing the relationship and procurement processes, conducting fee negotiations within the parameters set by the Board, defining services and developing SLAs;
- Monitoring ongoing compliance with regulations and SLAs;
- Ensuring overall service requirements have been adequately specified and documented;
- Reviewing the need for, extent and adequacy of any guarantees or indemnities provided by or on behalf of the outsourced service provider and;
- Preparing for the smooth transition of operations to the outsourced service provider

by assessing the impact of the transfer on current and new operations. This includes developing contingency plans if problems occur during the transfer to the outsourced service provider to ensure that business continuity expectations can always be met.

Consideration of the impact of outsourcing – risk management

The Company does not intend to significantly increase risk exposures as a result of outsourcing. This is achieved by:

- Establishing mechanisms to provide reasonable protection from financial or operational loss as a result of failed or inappropriate outsourcing arrangements. This is achieved through the effective implementation of policy and the enforcement of outsourcing agreements and SLAs;
- Ensuring that all outsourcing arrangements are in the best interests of the Company and;
- Meeting, at a minimum, current legislation, regulatory requirements, and working practices in accordance with the Company's business objectives.

A risk examination shall allow the Company to understand the main risks that may arise from the outsourcing, identify the most suitable strategies for the mitigation of these risks and ensure that the outsourced service provider has the ability and authorisation required by law to perform the outsourced activities reliably and professionally.

Outsourcing activities are monitored in a way that will allow management to make sound quantitative estimates of operational risk capital.

To ensure that the outsourcing of any critical activity does not lead to a material impairment of the quality of ECCU's governance system:

- The Business Owner ensures that the outsourced service provider has adequate Risk Management and Internal Control Systems in place and;
- The outsourced activities shall be adequately addressed within ECCU's Risk Management and Internal Control Systems.

In order to safeguard against an undue increase in operational risk when outsourcing a critical activity, the Business Owner:

- Verifies that the outsourced service provider has adequate financial resources to take on the tasks the Company plans to transfer and to properly and reliably discharge its duties;
- Verifies that the staff of the outsourced service provider are selected based on criteria that give reasonable assurance that they are sufficiently qualified and reliable;
- Verifies that the outsourced service provider properly isolates and identifies the information, documentation and assets belonging to the Company and its clients in order to protect their confidentiality and;
- Makes sure the outsourced service provider has adequate contingency plans in place to deal with emergency situations or business disruptions and has periodic testing of backup facilities, where necessary, having regard to the outsourced

activity.

When selecting an outsourced service provider, the Board ensures that outsourcing is not undertaken in such a way as to lead to any of the following:

- A material impairment in the quality of the Company's system of governance;
- An undue increase in the Company's operational risk;
- An impairment in the ability of the Central Bank of Ireland to monitor the Company's compliance with its obligations and;
- Disruption to the continuous and satisfactory service to policyholders.

Outsourced service provider due diligence

When choosing a suitable outsourced service provider, the Business Owner carries out the necessary steps to ensure that:

- An examination is performed of the potential outsourced service provider's ability and capacity to deliver the required functions or activities satisfactorily, considering the Company's objectives and needs;
- The outsourced service provider has adopted all means to ensure that no explicit or potential conflicts of interest with the Company exist;
- Persons at the outsourced service provider responsible for Control Functions comply with the Fit and Proper requirements of the Central Bank of Ireland;
- The Company enters into a written agreement with the outsourced service provider which clearly allocates the respective rights and obligations of each party;
- The general terms and conditions of the outsourcing agreement are authorised by the Board;
- The outsourcing agreement does not represent a breach of any data protection regulation or other laws; and
- The outsourced service provider is subject to the same provisions that are applicable to the Company regarding the safety and confidentiality of information relating to clients.

Outsourced service provider written agreement

An outsourcing agreement is prepared by the Company which includes, inter alia, the following:

- A description of the scope of the agreement and services provided;
- The commencement date and end date;
- The review date of the agreement;
- The pricing and fee structure;
- The duties and responsibilities of both parties involved;
- The performance monitoring provisions including the terms of use of SLAs;
- A mechanism which will allow recourse to or a penalty against the outsourced service provider for non-performance of their duties and failure to meet service levels under the SLA;
- The contingency and disaster recovery plans to be implemented at the outsourced service provider to ensure continuation of service;
- The outsourced service provider's commitment to comply with all applicable laws, regulatory requirements and guidelines and to cooperate with the CBI in connection

with outsourced activities;

- A provision that the outsourced service provider discloses any developments that may have a material impact on its ability to carry out the outsourcing, including any material changes to its financial resources or risk profile;
- A provision that the outsourced service provider is required to maintain an adequate risk and internal control system and provide reasonable evidence and/or assurance upon request by ECCU;
- A provision that the outsourced service provider can only terminate the contract with a notice period sufficiently long to enable ECCU to find an alternative solution;
- A provision that ECCU reserves the right to information about the outsourced activities and the outsourced service provider's performance;
- A provision that the outsourced service provider shall protect any confidential information relating to ECCU and its clients;
- A provision that ECCU, its external auditor and the CBI shall have effective access to all information related to the outsourced functions or activities, as well as to the outsourced service provider's business premises if an on-site inspection or audit is to be performed;
- A provision that the Board has the right to directly address questions to the outsourced service provider.

Provisions for termination are included in the written outsourcing agreement. Non-compliance with any of the requirements outlined within the outsourcing agreement shall be the cause for the termination of the outsourcing contract at the discretion of the Company.

Outsourcing agreements include the provision that it is the responsibility of the outsourced service provider to cooperate with the Company and the Central Bank of Ireland in connection with the outsourced activities and to allow the Financial Regulator access to data related to the outsourced function.

Management and monitoring of the outsourced service provider

The CEO has responsibility for all outsourcing activity.

The CEO has day-to-day responsibility for managing and monitoring all outsourcing activity as delegated by the Board.

The CEO assesses the impact of outsourcing on the risk profile of the Company on an individual and aggregated basis.

Each outsourced function is managed in accordance with the following minimum standards:

- A Business Owner is responsible for managing and monitoring the arrangement and for reporting to the CEO;
- The Business Owner has appropriate technical knowledge and authority to manage the outsourced arrangement;
- The Business Owner draws upon the resources of the Company, as needed, to assist with any functional area of expertise;
- The Business Owner maintains appropriate levels of contact with the outsourced service provider;

- The Business Owner formally monitors compliance with SLAs and Key Performance Indicators (“KPIs”) on a quarterly basis and reports areas of non- compliance to the CEO; and
- The Company ensures that where non-compliance with outsource agreements or SLAs is identified, appropriate action to rectify the non-compliance is taken.

Contingency plans and exit strategy

Contingency and disaster recovery plans are included in all outsourcing agreements to ensure continuity of service to ECCU through any business interruption event which may arise in the supply of outsourced services to ECCU.

The Business Owner ensures that appropriate contingencies and disaster recovery plans have been implemented at the outsourced service provider.

Provisions are included in all relevant outsourcing agreements for the right to terminate the contract where the outsourced service provider is non-compliant with pre-defined SLAs.

The Business Owner develops an exit strategy, to include the identification of potential alternative suppliers in the market, to address the potential risks that may arise if the termination of an outsourced agreement is to be contemplated.

B8: Any Other Information

The Company has assessed the adequacy of its system of governance and has concluded that it effectively provides for the sound and prudent management of the undertaking, being proportionate to the nature, scale and complexity of the risks inherent in its business. In reaching this conclusion the Board has the benefit of consideration of rolling internal audit reviews of the discrete elements of the system of governance over many years.

C: RISK PROFILE

Risk Management Objectives and Risk Policies

The Company's objective in the management of financial risk is to minimise, where practicable, its exposure to such risk, except when necessary to support other objectives.

Overall responsibility for the management of the Company's exposure to risk is vested in the Board. To support it in this role, an enterprise risk management framework is in place comprising risk identification, risk assessment, control and reporting processes. Additionally, the Board has established several Committees with defined terms of reference. These are the Audit, Risk and Remuneration Committees.

The more significant financial risks to which the Company is exposed are set out below. For each category of risk, the Company has determined its risk appetite and the SMT manages and monitors the performance of the Company within the parameters set out in the Board's Risk Appetite Framework.

C1: Underwriting Risk

Underwriting Risk refers to the risk of loss, or of adverse change in the value of insurance liabilities, due to inadequate pricing and/or reserving assumptions which includes the fluctuations in the timing, frequency and severity of insured events, relative to the expectations of the Company at the time of underwriting.

The Company's underwriting strategy is to supply renewable term cover to affiliated credit unions of ILCU within regulatory approved classes of Insurance in accordance with the Company's Risk Appetite Framework.

As a life insurance company, the Company is subject primarily to mortality risk.

Reinsurance arrangements are in place to cover a proportion of the sums at risk in the event of a claim. The reinsurance cover is designed to protect ECCU against large individual claims and against significant adverse underwriting experience (such as might arise during a mortality pandemic).

The Company provides monthly renewable loan protection and life savings cover for all credit unions affiliated to the ILCU on a group policy basis. The insured lives are members of those credit unions affiliated to the ILCU across the island of Ireland. As a result, concentration is minimised as the spread of credit unions is diversified in terms of geographic, demographic, and socio-economic risk exposure.

An increase in the mortality rate would lead to an increase in the outstanding claims reserve. An increase of 10% in the mortality rate would lead to an increase in Best Estimate Liability of €2.2m (2021: €2.6m).

The Company's technical provisions are also sensitive to changes in claims reporting and payment patterns. An increase in lags (between the date the claim was incurred and the date paid) would lead to an increase in the Best Estimate Liability, as more outstanding claims would be expected to materialise. An increase in lags of one month would, if all other assumptions remain unchanged, lead to an increase in Best Estimate Liability for claims outstanding of €5.7m (2021: €5.4m).

C2: Market Risk

Market risk is the risk of adverse financial impact because of market movements such as currency exchange rates, interest rates, and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the Company in managing its market risk is to ensure risk is managed in line with the Company's risk appetite framework.

The Company's risk management objectives in order to minimise its exposure to market risk in line with the overall risk appetite framework are:

- To adopt a conservative approach to investments and seek to safeguard the assets of shareholders;
- Hold sufficient investment values and investment liquidity to ensure all liabilities are met as they fall due;
- Ensure that there are appropriate policies and strategies in place for liquidity risk management, concentration risk management, counterparty risk management, and asset liability risk management to meet this objective; and
- Manage investment assets in accordance with the prudent person principle.

Application of the Prudent Person Principle

The Company adopts a conservative approach to investments and seeks to safeguard the assets of the Company. The majority of the Company's investment assets are managed by an external investment manager (ILIM) in accordance with a conservative investment mandate set by the Board.

The concentration risk limits and thresholds within the managed investment portfolio are reviewed by the SMT and the Board of ECCU at least annually. Any changes to the limits require the approval of the Board.

On breach of any Concentration Risk limits, the investment manager will inform the Finance Manager of the breach and the corrective action taken to remedy the breach.

ECCU's Board approved asset classes consisting of the following:

Asset Class	Tolerance Range (as % of portfolio)
Cash (consisting of deposits and Eurozone government treasury (T-bills) with a duration of < 24 months)	30% - 40%
Cash deposits with any one credit institution	No more than €5 million (£Stg4.5m for GBP deposits)
Cash deposits with specific Irish Banks	Maximum €2.5m per institution
Short term cash holding	Minimum €5m to be held on maturity periods of 0-6 months

Number of deposit counterparties	Minimum of 3
Number of French deposit counterparties	Maximum of 2
Country of issue Cash deposits not to be held with the same Banks employed as ECCU's short term deposit counterparties Cash deposits to be held with credit institutions other than those specifically mentioned above to have at least one long-term credit rating of A / A2 and at least one short-term rating of A1 / P-1. As outlined below under "**Counterparty Risk**" a notching policy applies in relation to the application of counterparty ratings	OECD only
Eurozone Government Bonds	Between 35% and 55%
Eurozone government-backed bonds, minimum credit rating investment grade 0 – 5 Years	Between 20% and 30%
Eurozone government-backed bonds, minimum credit rating investment grade > 5 Years	Between 15% and 25%
Growth Portfolio	0 – 35%
Equity – ILIM Indexed Global Equity Fund Hedged C Share Class (IMO5C)	Between 0% and 20%
Irish Infrastructure Fund, Irish Residential Property 2 Fund (PRS Fund), & Irish Property Fund	Between 0% and 15%

ECCU has a minimal appetite for asset and liability mismatch and attempts to match assets and liabilities over the short- and medium-term horizons according to duration and currency. ECCU matches its assets based on a prudent assessment of its liabilities and invests the remaining surplus assets in line with the "Investment Mandate" which has been approved by the ECCU Board. Surplus assets are invested prudently with an emphasis on security, continuity of income and diversity of assets.

The asset and liability mismatch is analysed for efficiency and effectiveness and to ensure there is appropriate assets to back the liabilities on an ongoing basis. The Actuarial Function performs stress testing on the Asset Liability Management mismatch on a quarterly basis to ensure the Company has sufficient assets to cover liabilities.

A sovereign default and/or bank default are examples of events that could impact on the value of the investments backing policyholder liabilities and hence the interest of policyholders.

ECCU does not engage in non-routine investment activities.

The Board must approve ECCU entering into any agreement which requires the use of derivatives, asset backed securities, or collateralised debt obligations or gearing. ECCU currently does not invest directly in any complex financial instruments, and should it ever do so the Board would ensure that ECCU had access to appropriate expertise to understand, monitor and manage these products.

ECCU evaluates all investments according to Solvency II valuation principles.

The Finance Manager is responsible for the continuous management and monitoring of ECCU's liquidity position. The short-term (less than 1 year) liquidity position is monitored by projecting rolling monthly net cash flows by currency. The effect of managing and monitoring ECCU's liquidity position is to reduce the likelihood of breaching the risk limits as specified in the Risk Appetite Statement.

Given the nature of ECCU's business (monthly renewable term assurance) there is currently no requirement for a long-term liquidity strategy.

In the event of Risk Appetite limit breaches, SMT have an escalation schedule in place to record the breach, the corrective action taken and the timely reporting of the breach where required to the Risk Committee, the Board and the CBI as specified and defined in the "Risk Appetite Framework".

Currency Risk

Currency risk arises when the obligations an entity has promised to fulfil (liabilities) are in a different currency from the assets it holds to cover those liabilities. The Company undertakes certain transactions denominated in foreign currencies hence exposure to exchange rate fluctuations can arise.

The Company has minimal exposure to currency risk as the Company's financial assets are primarily matched to the same currencies as its insurance contract liabilities.

Carrying amounts of the Company's foreign currency denominated assets and liabilities:

	2022	2021
	€	€
	GBP	GBP
Assets	9,216,692	9,958,407
Liabilities	(5,108,441)	(6,782,109)
	4,108,251	3,176,298

The following table details the Company's sensitivity to a 10% increase (appreciation) and decrease (depreciation) in the Euro against GBP. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

	2022	2021
	€	€
10% increase		
Pre-tax (loss)/profit	(323,399)	(223,792)
Shareholders' equity	(282,974)	(195,818)
10% decrease		
Pre-tax profit/(loss)	323,399	223,792
Shareholders' equity	282,974	195,818

The Company's method for sensitivity to currency rate fluctuations has not changed over the financial year.

Interest Rate Risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk as it invests in government bonds. These assets are managed by an external investment manager in accordance with a conservative investment mandate.

The following table details the Company's sensitivity to a 1% increase and decrease in interest rates. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

	2022	2021
	€	€
1% increase		
Pre-tax (loss)/profit	(1,325,698)	(1,685,772)
Shareholders' equity	(1,159,985)	(1,475,050)
1% decrease		
Pre-tax profit/(loss)	1,503,584	1,966,350
Shareholders' equity	1,315,636	1,720,556

The Company's method for sensitivity to interest rate fluctuations has not changed significantly over the financial year.

Price Risk

The Company is exposed to price risk arising from fluctuations in the value of financial instruments as a result of changes in the market prices and risks inherent in all investments.

The Company has no significant concentration of price risk. The risk is managed by the Company maintaining an appropriate mix of financial instruments and adopting a conservative investment policy.

The Company's sensitivity to a 10% increase and decrease in market prices is as follows:

	2022	2021
	€	€
10% increase		
Movement in fair value of shares and other variable yield securities in unit trusts	1,978,189	2,116,215
Movement in fair value of debt securities and other fixed income securities	2,330,274	2,727,916
10% decrease		
Movement in fair value of shares and other variable yield securities in unit trusts	(1,978,189)	(2,116,215)
Movement in fair value of debt securities and other fixed income securities	(2,330,274)	(2,727,916)

The Company's method for sensitivity to price risk fluctuations has not changed significantly over the financial year.

C3: Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The key areas of exposure to credit risk for the Company are in relation to the following:

- The Company is exposed to reinsurance counterparty risk, being the risk associated with losses from the reinsurer being unable to pay reinsurance claims;
- The Company is exposed to credit risk on third parties where debt securities are held; and
- The Company is exposed to credit risk where it places funds on deposit with credit institutions.

The Company has established policies and procedures in order to manage credit risk and methods to measure it.

The Company monitors the credit risk in relation to its reinsurance arrangement and investment portfolio by monitoring external credit ratings for the reinsurer and investments directly held by the Company monthly. The Company also maintains an appropriate mix of financial instruments and adopts a conservative investment policy.

There were no changes in the Company's credit risk exposure in the financial year nor to the objectives, policies, and processes for managing credit risk.

The following table shows aggregated credit risk exposure:

	2022 € AAA – AA+	2022 € AA – A-	2022 € BBB+ – BBB-	2022 € Not Rated	2022 € Total
Debt securities and other fixed income securities	6,429,411	9,252,214	7,723,079	-	23,404,704
Shares and other variable yield securities and units in unit trusts	-	-	-	19,781,890	19,781,890
Deposits with credit institutions	-	20,053,218	-	-	20,053,218
Cash at bank and in hand	-	8,746,577	-	-	8,746,577
Debtors arising out of direct insurance operations	-	-	-	6,351,250	6,351,250
Deferred tax asset	-	-	-	428,529	428,529
Other debtors	-	-	-	172,645	172,645
	6,429,411	38,052,009	7,723,079	26,734,314	78,938,813

	2021 € AAA – AA+	2021 € AA – A-	2021 € BBB+ – BBB-	2021 € Not Rated	2021 € Total
Debt securities and other fixed income securities	5,562,684	11,104,353	10,739,976	-	27,407,013
Shares and other variable yield securities and units in unit trusts	-	-	-	21,162,146	21,162,146
Deposits with credit institutions	-	25,203,191	-	-	25,203,191
Cash at bank and in hand	-	11,013,277	-	-	11,013,277
Debtors arising out of direct insurance operations	-	-	-	6,605,165	6,605,165
Deferred tax asset	-	-	-	-	-
Other debtors	-	-	-	149,893	149,893
	5,562,684	47,320,821	10,739,976	27,917,204	91,540,685

None of the financial assets are determined to be impaired as at the end of the reporting period.

C4: Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its obligations associated with financial liabilities as they fall due.

The Company is exposed to liquidity risk on its insurance contracts.

The objective of the Company in managing its liquidity risk is to ensure risk is managed in line with the Company's risk appetite framework. The Company has established policies and procedures in order to manage liquidity risk and methods to measure it.

The Company's insurance liabilities and other material liabilities are matched closely with assets of appropriate amount, type, duration, and currency. Rolling monthly cash flow projections by currency are performed and are updated each month based on actual experience and additional information on expected future performance. As a result, the liquidity risk of the Company is mitigated.

There were no changes in the Company's liquidity risk exposure in the financial year, nor to the objectives, policies, and processes for managing liquidity risk.

The following table details the Company's expected maturity profile of the Company's obligations with respect to its financial liabilities:

	2022 **€** 1-3 months	**2022** **€** 3-6 months	**2022** **€** 6 months-1 year	**2022** **€** Greater than 1 year	**2022** **€** Total
Creditors arising out of direct insurance operations	534,263	-	-	-	534,263
Other creditors including taxation and social welfare	443,386	17,472	107,944	767,889	1,336,691
	977,649	17,472	107,944	767,889	1,870,954

	2021 **€** 1-3 months	**2021** **€** 3-6 months	**2021** **€** 6 months-1 year	**2021** **€** Greater than 1 year	**2021** **€** Total
Creditors arising out of direct insurance operations	695,241	4,644,844	-	-	5,340,085
Other creditors including taxation and social welfare	442,442	22,256	89,848	-	554,546
	1,137,683	4,667,100	89,848	-	5,894,631

The Company does not hold derivative assets. The following table details the Company's expected maturity for non-derivative assets:

	2022 € 1-3 months	2022 € 3 months-1 year	2022 € 1-5 years	2022 € 5 years +	2022 € Total
Debt securities and other fixed income securities	-	2,310,530	11,821,448	9,272,726	23,404,704
Shares and other variable yield securities and units in unit trusts	7,028,224	7,090,113	5,663,553	-	19,781,890
Deposits with credit institutions	5,671,019	14,382,199	-	-	20,053,218
Cash at bank and in hand	8,746,577	-	-	-	8,746,577
Debtors arising out of direct insurance operations	6,351,250	-	-	-	6,351,250
Deferred tax asset	-	215,516	213,013	-	428,529
Other debtors	27,225	145,420	-	-	172,645
	27,824,295	24,143,778	17,698,014	9,272,726	78,938,813

	2021 € 1-3 months	2021 € 3 months-1 year	2021 € 1-5 years	2021 € 5 years +	2021 € Total
Debt securities and other fixed income securities	2,176,278	-	13,150,454	12,080,281	27,407,013
Shares and other variable yield securities and units in unit trusts	10,868,493	-	10,293,653	-	21,162,146
Deposits with credit institutions	6,601,841	18,601,350	-	-	25,203,191
Cash at bank and in hand	11,013,277	-	-	-	11,013,277
Debtors arising out of direct insurance operations	6,605,165	-	-	-	6,605,165
Deferred tax asset	-	-	-	-	-
Other debtors	23,627	126,266	-	-	149,893
	37,288,681	18,727,616	23,444,107	12,080,281	91,540,685

None of the financial assets are determined to be impaired as at the end of the reporting period.

There are no future premiums included in the calculation of the ECCU's technical provisions.

C5: Operational Risk

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events.

Operational Risk Categories

Internal Fraud

Internal Fraud is a loss due to acts of a type intended to defraud, misappropriate property, or circumvent regulations, the law or company policy which involves at least one internal party.

Internal Fraud is categorised further into:

- Unauthorised activity;
- Claims fabrication; and
- Theft and fraud

External Fraud

External Fraud is a loss due to acts of a type intended to defraud, misappropriate property or circumvent the law by a third party.

External Fraud is categorised further into:

- Theft and fraud (including claims fraud); and,
- System security.

Employment Practices and Workspace Safety

A loss arising from acts inconsistent with employment, health and safety laws or agreements from payment of personal injury claims, or from diversity/discrimination events.

Employment practices and workplace safety is broken down further into:

- Employee relations – e.g., harassment, terminations, industrial action;
- Safe environment – e.g., health and safety, public liability, employee liability; and,
- Diversity and discrimination – e.g., equal opportunities, human rights.

Clients, products and business practices

A loss arising from an unintentional or negligent failure to meet a professional obligation to specific clients or from the nature or design of a product.

Clients, products, and business practices are broken down further into:

- Improper business or market practices;
- Client data protection and privacy;

- Product flaws;
- Credit control (e.g., management of premiums due from credit unions and reinsurance recoveries);
- Failure to adhere to policies and procedures manuals (may be dealt with as part of underwriting risk policy);
- Changes in the industry; and,
- Technological developments.

Damage to physical assets

A loss arising from loss or damage to physical assets from natural disaster or other events.

Business disruption and system failures

A loss arising from disruption or system failures.

Business disruption and system failures are broken down further into:

- Disaster recovery; and
- Business continuity.

Regulatory

Compliance with applicable laws, rules and regulations other than employment laws e.g., money laundering, regulatory reporting etc.

Legal

Some of the legal risks include:

- Defective contracts;
- Litigation; and
- Changes in legislation/court rulings.

Other Operational Risks

- Reliance on Arch Reinsurance Europe Underwriting Designated Activity Company;
- Model error risk;
- Pricing error risk; and
- Staff – Small staff contingent.

Management and monitoring of Operational Risk

The Company's Risk Management System includes a Risk Management Cycle, RCSA and risk management policies and procedures which aim to ensure all risks are managed within the Risk Appetite set out by the Board.

Operational Risk is managed at a process level whereby process and risk owners perform quarterly RCSA's to identify, assess and report on risks and the effectiveness of the controls.

The Chief Risk Officer, ("CRO"), performs an independent review and challenge of the RCSA's for appropriateness.

In addition, Quality Assurance ("QA") frameworks have been established by the respective Risk and Compliance Functions to perform testing over the design and operating effectiveness of controls identified by the risk owners.

Where controls are deemed to be designed or operating ineffectively, action plans are developed to remediate the gap.

The CRO issues a Risk Report to the Risk Committee which includes the results of the RCSA, any issues noted, and the remediation plans which have been put in place to resolve any issues. The report will also include a summary from the CRO of changes to external risks since the last report and the recommended response to deal with the emerging risks.

Operational Risk Monitoring Actions and Reporting

The Company has no appetite for Operational Risk:

All incidents, near-misses and losses, resulting from inadequate or failed internal processes, personnel, systems or from an external event, are recorded in the Incident Log, reviewed by the SMT and material cases reported to the Risk Committee of the Board.

C6: Other material risks

There are two other material risks of concern within the Company at present, including:

1. Cyber Risk

With the increasing dependence on electronic communications, electronic data storage and use of the Internet there arises an increasing cyber security risk of data theft, malicious data interference and service disruption.

The Company outsources its Data Centre services to the ILCU.

Cybersecurity comprises the technologies, processes and practices designed to protect networks, computers, programs and data from attack, damage or unauthorised access. In a computing context, the term 'security' implies 'cybersecurity'.

The following are the core elements of cybersecurity:

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

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

- Reputation damage – declining public confidence and harm to reputation;

- Disruption to critical infrastructure, and damage to service provision to policyholders;
- Theft of funds, data and corporate intellectual property; and
- Cost of responding to a breach – clean-up, legal fees, potential litigation, forensics and potential fines.

Accountability sits with the Board. Directors approach cybersecurity as an enterprise-wide risk management issue, not just an Information and Communications Technology, ("ICT"), issue.

2. Macroeconomic Risks and threats to product sustainability

Income generation continues to be a challenge for credit unions although recent interest rate increases will help to alleviate this pressure. In recent years ECCU responded to the cost challenges faced by its policyholders by launching lower benefit levels for its core LS and DBI product offerings to offer the capability to reduce premiums. During 2022 ECCU continued to engage in product innovation in order to make available alternative offerings to credit unions to help to ameliorate their cost challenges. DBPlus, a member-pay, whole of life, insurance policy was launched in December 2020 and provides for a commission to be paid to credit unions in return for introducing the product provider to subscribing policyholders. Variants of LS and DBI, including Life Savings (Date of Death) and DBItwo , respectively, are available also.

D: VALUATION FOR SOLVENCY PURPOSES

D1: Assets

The following tables present a summary of the Solvency II valuation of each class of asset.

There are only presentation differences between Solvency II and Financial Statement line items, arising from differences in classification between Solvency II and Irish GAAP.

Investments

	Solvency II 2022 €	Solvency II 2021 €
Government Bonds	23,404,706	27,407,013
Collective Investments Undertakings	19,781,892	21,162,146
Deposits other than cash equivalents	20,146,420	25,155,014
	63,333,018	73,724,173

Valuation Basis

Investments in government bonds and investments in collective investment undertakings, are initially measured at fair value, which is normally the transaction price. Such financial assets are subsequently measured at fair value.

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the Company applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimates other than market inputs within the valuation model are used. There is no standard model and different assumptions would generate different results.

Financial assets carried at fair value through profit or loss are grouped into the level in the fair value hierarchy into which each fair value measurement is categorised as follows:

- Level 1: Financial assets are valued using a quoted price in an active market. An active market in this context means quoted prices are readily and regularly available and the quoted price is usually the current bid price. Assets classified as level 1 include the following:
  - Government bonds which are valued at bid price on a daily basis, with transactions taking place with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Financial assets are valued using the price of a recent transaction for an identical asset, where quoted prices are unavailable. Assets classified as level 2 in the tables below include the following:

    - Government bonds which are valued at bid price on a daily basis, with transactions taking place with less frequency and volume than those classified as level 1.
    - Underlying holdings in an equity fund – these are priced at the last traded price on a daily basis.
- <u>Level 3:</u> Financial assets valued using a valuation technique where recent transactions of an identical asset on their own are not a good estimate of fair value. For investments in funds, the estimates of fair value are based on net asset values of the underlying funds which are described below. Assets classified as level 3 include the following:
    - Investment in an Infrastructure fund – The unit value per share is calculated by the funds administrator, Northern Trust International Fund Administration Services (Ireland) Limited, in line with the funds valuation policy as set out in the prospectus. Valuations of the underlying assets in the fund are undertaken semi-annually by qualified independent valuation agents. A financial model is prepared by the Infrastructure Investment manager and is presented to the independent valuation agent for their review. Sensitivity checks are performed on the financial model by the independent valuation agent. A valuation report is completed by the independent valuation agent which contains a valuation range and a mid-point recommendation. The Infrastructure Investment Manager reviews the recommendations made by the valuation agents following consideration of the appropriateness of the valuation methodologies adopted and analysis and discussion of the key assumptions. Assets are valued on a fair value basis. Valuations are determined adopting an income approach including a discounted cash flow model and residual profit method. The assumptions used to determine the discount rate include the risk free rate, market premium, asset beta, equity beta, gearing, tax, alpha risk premium, and the cost of equity.
    - Investment in a residential property fund – The unit value per share is calculated by the funds' administrator, Northern Trust International Fund Administration Services (Ireland) Limited, in line with the funds valuation policy as set out in the prospectus. The valuations of the underlying assets in the fund are carried out by an Independent Valuer in accordance with the Appraisal and Valuation Manual of the Society of Chartered Surveyors. Properties are valued on a market value basis and reasonable estimates of costs which would be incurred in disposing of the property are included in the value of the properties.
    - Investment in an Irish property fund – The unit value per share is calculated by the funds administrator, Irish Life, in line with the funds valuation policy. The valuations of the underlying assets in the fund are carried out by an Independent Valuer in accordance with the Appraisal and Valuation Manual of the Society of Chartered Surveyors. Properties are valued on a market value basis and reasonable estimates of costs which would be incurred in disposing of the property are included in the value of the properties.

Deposits other than cash equivalents

Cash and cash equivalents comprise amounts that are commonly used to make payments, and which the Company has instant access to. Deposits other than cash equivalents comprise amounts that cannot be used to make payments before a specific maturity date.

Cash and cash equivalents and other assets

	Solvency II 2022 €	Solvency II 2021 €
Cash and cash equivalents	8,653,378	11,061,455
Insurance and intermediaries receivables	6,293,344	6,495,642
Reinsurance receivables	57,907	109,524
Receivables (trade, not insurance)	65,323	59,494
Deferred Tax Asset	428,529	-
Any other assets not shown elsewhere	113,756	110,797
	15,612,237	17,836,912

Cash and cash equivalents comprise amounts that are commonly used to make payments, and which the Company has instant access to.

Insurance and intermediaries receivables comprise amounts due for payment by policyholders, insurers, and others linked to the insurance business.

Other assets comprise amounts such as reinsurance receivables, trade receivables, and a tax refund due.

All the above are initially measured at transaction price and subsequently measured at amortised cost.

D2: Technical Provisions

The table below shows the technical provisions and reinsurance recoverable at 31 December 2022 on Solvency II basis. The Best Estimate Liability and risk margin are measured on the same basis as in the Financial Statements. There is a difference in the recoverables from reinsurance contracts as measured on the Solvency II basis compared to the Financial Statements – this is explained in Section D4.

Line of Business	Gross Best Estimate Liability €'000s	Risk Margin €'000s	Gross Technical Provisions (calculated as a whole)	Recoverables from Reinsurance contracts and SPVs €'000s	Total Technical Provisions net of Recoverables €'000s
Life	23,587	632	n/a	(812)	25,032
Health	1,290	424	n/a	0	1,714
Total	**24,876**	**1,057**	**n/a**	**(812)**	**26,745**

The methodology and assumptions used in calculating the technical provisions are in accordance with articles 75 to 86 of Directive 2009/138/EC of the European Parliament, articles 17 to 42 of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and the Guidelines on valuation of technical provisions, EIOPA-BoS-14/166.

The methodology for calculating the best estimate liability ("BEL") is consistent with the concept of representing the amount that another insurer would need to be paid to assume these policies. The technical provisions typically consist of a liability equivalent to a best estimate of the future cash flows, along with a risk margin to reflect the compensation another insurer would be expected to seek for assuming the associated potential uncertainty.

The technical provisions do not include any allowance for transitional measures, matching adjustment or volatility adjustment.

The key sources of uncertainty associated with the technical provisions are the number and size of claim payments (in respect of claims incurred prior to the valuation date but not yet paid).

The background to the reserving approach is described below. The approach taken for reinsurance assets and liabilities (excluding creditors/debtors that arise in the normal course of business) is also described.

The BEL is calculated as the sum of the following:

- Estimate of outstanding claims: The liability is the estimate of claims that will be paid in each future year discounted using the EIOPA risk free rates. The estimate of claims that will be paid in each future year takes account of historic patterns of claim payment by type of claim, seasonal effects and changes in processing speeds where relevant.
- Allowance for expenses

COVID-19 claims incurred before 2022 are largely developed and therefore have been included in the claims triangles using the same approach as non-COVID-19 claims. The approach for COVID-19 reserves in respect of claims incurred in 2022 is unchanged from last year-end (i.e. based on population data) given the uncertainty relating to ECCU's share of population, COVID-19 deaths and the reporting of those deaths continues.

The COVID-19 provision continues to be monitored and the reserves held in respect of COVID-19 claims are checked for reasonability by the Actuarial Function on a quarterly basis.

The risk margin is calculated as a function of the projected non-hedgeable SCR and the cost of capital as set out in the Delegated Regulation in line with Method (1) under Guideline 62 of the "Guidelines on the valuation of technical provisions" published by EIOPA.

The reinsurance recoverable is the reinsurer's share of the outstanding claims less premiums, accounted for in the same period as the related claim, adjusted for the premium payable to the reinsurer to cover potential catastrophe claims in 2023. In the financial statements, this reinsurance premium is accounted for, in accordance with the contract terms, when due, reflecting the period in which risk is transferred.

Reinsurance Recoverables

Solvency II 2022 €000	Financial Statements 2022 €000	Solvency II 2021 €000	Financial Statements 2021 €000
(812)	144	(849)	149

D3: Other Liabilities

The following table presents a summary of the valuation of each class of other liabilities on a Solvency II basis at 31 December 2022 and 2021. There is a difference in the contingent liability (in 2021) as measured on the Solvency II basis compared to the Financial Statements as explained below. Other than that, there are only presentation differences between Solvency II and Financial Statement line items, arising from differences in classification between Solvency II and Irish GAAP.

Other liabilities	2022 €	2021 €
Insurance & intermediaries payables	374,647	5,025,882
Provisions other than technical provisions	-	-
Pension benefit obligations	849,410	-
Contingent liability	-	1,098,391
Reinsurance Payables, Payables (trade not insurance)	652,895	889,120
	1,876,952	7,013,392

Insurance and Intermediaries payables

Insurance and intermediaries payables comprise amounts due to policyholders, insurers, and others linked to the insurance business. These are recognised initially at transaction price and are subsequently measured at amortised cost.

Pension benefit obligations / contingent liability

The Company pays contributions into a defined benefit pension scheme in respect of staff who transferred under Transfer of Undertakings Protection of Employment arrangements from the ILCU to the Company in 2013. This defined benefit scheme is a post-employment benefit plan. It is a multi-employer scheme in which the Company, the ILCU, and individual credit unions participate on an industry-wide basis (The Irish League of Credit Unions Republic of Ireland Pension Scheme). This is a funded defined benefit scheme with assets managed by the Scheme's trustees.

During 2021, the ILCU, as principal employer, commenced a review of The Irish League of Credit Unions Republic of Ireland Pension Scheme and it was concluded that the Scheme should close to future accrual with effect from 31 March 2022. Although staff retained all the benefits that they had earned in the scheme to that date, the Company and its employees ceased making regular contributions to the scheme and ceased earning any additional benefits from the scheme. At the date of closure of the scheme, there was a past service deficit which was allocated to each individual participating employer based on the total benefits earned by staff in each participating employer. The Company's allocation of that past service deficit is €965,100. This total cost is included in the Profit and Loss account for the year ended 31 December 2022. The Company has entered a 10 year funding plan to pay the deficit of which the first year was paid in 2022. The Company's liability in the Balance Sheet in respect of the funding plan based on outstanding contributions payable under the funding plan is €849,410. This liability is recognised on the balance sheet in the financial statements and on the Solvency II balance sheet hence is measured on the same basis as the financial statements for Solvency II in 2022.

However, for the purpose of the 2021 financial statements this represented a contingent liability as the funding plan was subject to final agreement from the trustees. Hence, ECCU's liability in respect of the funding plan was not recognised in the financial statements balance sheet but was disclosed in the notes to the financial statements and in the directors' report. However, this liability was recognised on the Solvency II balance sheet in 2021.

As outlined in the table below, ECCU's liability in respect of the funding plan is recognised on the Solvency II balance sheet in both 2022 and 2021 but is only recognised as a liability in the financial statements in 2022.

	Solvency II 2022 €000	**Financial Statements 2022 €000**	**Solvency II 2021 €000**	**Financial Statements 2021 €000**
Pension benefit obligations	849	**849**	-	**-**
Contingent Liabilities	-	-	1,098	-

D4: Alternative methods for valuation

ECCU does not have any material assets or liabilities for which it applies alternative methods of valuation.

D5: Any Other Information

No other material information is reported regarding the valuation of assets and liabilities for solvency purposes.

E: CAPITAL MANAGEMENT

E1: Own Funds

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

The Company holds technical provisions to meet its liabilities to policyholders. In addition, the Central Bank of Ireland requires the Company to hold an excess of assets over its liabilities to meet its regulatory Solvency Capital Requirement and Overall Solvency Needs as determined by the process of ORSA. The Company's Solvency Capital Requirement is calculated using a standard formula as prescribed by the Solvency II Directive and Delegated Acts. Additional capital resources are required to cover all material risk exposures over and above the risks covered by the Company's Solvency Capital Requirement in order to meet its Overall Solvency Needs.

Restrictions on available capital resources

The Company has set out economic capital targets in its risk appetite framework towards ensuring its capital adequacy is maintained at all times. The Company's capital management policy and plan ensures that capital management is conducted within the defined risk appetite framework and in line with the overall risk strategy and discrete risk policies.

Should the Company's capital position deteriorate below the tolerance limits set out in the capital dimension of its risk appetite, the Board considers the prevailing circumstances and restricts the amount of surplus available for refund to policyholders and/or, where it is appropriate and feasible to do so, implements actions that reduce risk so as to bring the Company's overall solvency position back within its risk appetite.

Capital Management objectives

The Company's objectives in managing its capital are:

- To meet the requirements of its policyholders and the Central Bank of Ireland;
- To ensure it holds sufficient capital to meet its overall solvency needs;
- To match the profile of its liabilities, taking in to account the risks inherent in the business;
- To provide security for policyholders; and
- To maintain sufficient financial strength to support new business growth.

Other than the amount of the deferred tax asset, the Company's own funds are all Tier 1 capital. There are no plans to change this.

The Company does not use derivative instruments other than those in the equity fund, in which the company holds units, for efficient portfolio management.

Available capital resources

The table below sets out the level of free assets held by the Company compared to the minimum required on a regulatory basis.

	2022	2021
	€	€
Total Shareholders Funds	51,279,603	56,198,241
Adjustments – Regulatory Basis:		
- Contingent Liability	-	(1,098,391)
- Reinsurers' share of technical provisions	(956,739)	(997,493)
Total Free Assets available for Regulatory Solvency purposes	50,322,864	54,102,357
Solvency Capital Requirement	21,665,059	22,815,963
Excess of assets over Solvency Capital Requirement	28,657,805	31,286,394
Total Policyholder Liability on Regulatory basis:		
Life assurance provision	25,932,932	29,596,742

The cover for the Solvency Capital Requirement at 31st December 2022 is strong, with assets of €50,322,864 (2021: €54,102,357) available to cover the Solvency Capital Requirement. The Company holds 232.3% (2021: 237.1%) of the Solvency Capital requirement at 31st December 2022.

The MCR at period end is €9,749,277 (2021: €10,267,183).

As shown in the table below, the Company's own funds consist mostly of Tier 1 own funds along with a small amount of Tier 3 own funds (deferred tax asset).

	2022 Total €	2022 Tier 1 €	2022 Tier 3 €
Ordinary share capital (gross of own shares)	36,599,871	36,599,871	
Reconciliation Reserve*	13,294,474	13,294,474	
An amount equal to the value of net deferred tax assets	428,529		428,529
Total	**50,322,874**	**49,894,345**	**428,529**

	2021 Total €	2021 Tier 1 €	2021 Tier 3 €
Ordinary share capital (gross of own shares)	36,599,871	36,599,871	
Reconciliation Reserve*	16,502,497	16,502,497	
An amount equal to the value of net deferred tax assets	-		-
Total	**53,102,368**	**53,102,368**	**-**

*After allowing for a contingent liability of €nil in 2022 (2021: €1.1m).

E2: Solvency Capital Requirement and Minimum Capital Requirement

The table below sets out the SCR as at 31 December 2022 and 31 December 2021:

€'000s	2022	2021
Market risk	7,524	9,593
Counterparty default risk	2,104	2,467
Life Underwriting risk	10,144	9,257
Health underwriting risk	6,803	7,054
Diversification effect	(8,293)	(8,970)
BSCR	18,282	**19,401**
Operational risk	2,899	2,977
Contingent Liability / Pension Scheme SCR	485	438*
SCR	21,666	22,816

*At Q4 2021 the Contingent Liability SCR was included within the other SCR components. At Q4 2022 the Pension Scheme SCR was treated as a ring-fenced fund.

The Company uses EIOPA's Solvency II Standard Formula. It does not use Company specific parameters and does not use simplified calculations in its computation.

The ratio of eligible own funds to meet the SCR and MCR is outlined in the table below:

	2022 €	**2021 €**
Eligible amount of own funds to cover the SCR	50,322,874	53,102,368
SCR	21,665,059	22,815,963
Ratio of eligible own funds to SCR	**232%**	**233%**
Eligible amount of own funds to cover the MCR	49,894,345	53,102,368
MCR	9,749,277	10,267,183
Ratio of eligible own funds to MCR	**512%**	**517%**

E3: Use of the duration-based equity risk submodule in the calculation of the SCR

The Company has opted not to use the duration-based equity risk sub module of the Solvency II regulations.

E4: Difference between the Standard Formula and any internal model used

The Company applies the Standard formula model and does not use the internal model to calculate the Solvency Capital Requirement.

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

There was no breach of the Solvency Capital Requirement (or the Minimum Capital Requirement) over the reporting period.

E6: Any Other Information

There is no other material information to disclose regarding capital management.

APPENDIX A: ANNUAL QUANTITATIVE REPORTING TEMPLATES (QRTS)

1. General Information

General information

Undertaking name	ECCU Assurance DAC
Undertaking identification code	635400SOYBXW4XBIRY60
Type of code of undertaking	LEI
Type of undertaking	Life undertakings
Country of authorisation	IE
Language of reporting	en
Reporting reference date	31 December 2022
Currency used for reporting	EUR
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.12.01.02 - Life and Health SLT Technical Provisions
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

2. Balance Sheet S.02.01.02

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	429
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	63,333
R0080	*Property (other than for own use)*	
R0090	*Holdings in related undertakings, including participations*	
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	23,405
R0140	*Government Bonds*	23,405
R0150	*Corporate Bonds*	
R0160	*Structured notes*	
R0170	*Collateralised securities*	
R0180	*Collective Investments Undertakings*	19,782
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	20,146
R0210	*Other investments*	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	-812
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	-812
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	-812
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	6,293
R0370	Reinsurance receivables	58
R0380	Receivables (trade, not insurance)	65
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	8,653
R0420	Any other assets, not elsewhere shown	114
R0500	**Total assets**	78,133

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	0
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	
R0550	*Risk margin*	
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	25,933
R0610	*Technical provisions - health (similar to life)*	1,714
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	1,290
R0640	*Risk margin*	424
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	24,219
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	23,587
R0680	*Risk margin*	632
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	849
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	375
R0830	Reinsurance payables	344
R0840	Payables (trade, not insurance)	308
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	27,810
R1000	**Excess of assets over liabilities**	50,323

3. Premiums, claims and expenses by line of business S.05.01.02

S.05.01.02

Premiums, claims and expenses by line of business

Life

		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
	Premiums written									
R1410	Gross	2,687			69,792					72,479
R1420	Reinsurers' share	68			1,767					1,835
R1500	Net	2,619			68,025					70,644
	Premiums earned									
R1510	Gross	2,687			69,792					72,479
R1520	Reinsurers' share	68			1,767					1,835
R1600	Net	2,619			68,025					70,644
	Claims incurred									
R1610	Gross	699			62,762					63,461
R1620	Reinsurers' share	0			403					403
R1700	Net	699			62,359					63,057
	Changes in other technical provisions									
R1710	Gross	0			0					0
R1720	Reinsurers' share	0			0					0
R1800	Net	0			0					0
R1900	**Expenses incurred**	214			5,562					5,776
R2500	**Other expenses**									317
R2600	**Total expenses**									6,093

4. Premiums, claims and expenses by country S.05.02.01

S.05.02.01
Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
R1400			GB					
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	54,736	17,742					72,479
R1420	Reinsurers' share	1,386	449					1,835
R1500	Net	53,351	17,293					70,644
	Premiums earned							
R1510	Gross	54,736	17,742					72,479
R1520	Reinsurers' share	1,386	449					1,835
R1600	Net	53,351	17,293					70,644
	Claims incurred							
R1610	Gross	46,745	16,716					63,461
R1620	Reinsurers' share	398	5					403
R1700	Net	46,347	16,711					63,057
	Changes in other technical provisions							
R1710	Gross	0	0					0
R1720	Reinsurers' share	0	0					0
R1800	Net	0	0					0
R1900	**Expenses incurred**	4,362	1,414					5,776
R2500	**Other expenses**							317
R2600	**Total expenses**							6,093

5. Life and Health SLT Technical Provisions S.12.01.02

S.12.01.02
Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**										0						0
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole										0						0
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**						23,587				23,587		1,290				1,290
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						-812				-812		0				0
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re						24,399	0			24,399		1,290	0			1,290
R0100	**Risk margin**					632					632	424					424
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole										0						0
R0120	Best estimate										0						0
R0130	Risk margin										0						0
R0200	**Technical provisions - total**					24,219					24,219	1,714					1,714

6. Own Funds S.23.01.01

S.23.01.01
Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	36,600	36,600		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	13,294	13,294			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	429				429
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	50,323	49,894	0	0	429
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	50,323	49,894	0	0	429
R0510	Total available own funds to meet the MCR	49,894	49,894	0	0	
R0540	Total eligible own funds to meet the SCR	50,323	49,894	0	0	429
R0550	Total eligible own funds to meet the MCR	49,894	49,894	0	0	
R0580	**SCR**	21,665				
R0600	**MCR**	9,749				
R0620	**Ratio of Eligible own funds to SCR**	232.28%				
R0640	**Ratio of Eligible own funds to MCR**	511.77%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	50,323
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	37,028
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	13,294
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

7. Solvency Capital Requirement – for undertakings on Standard Formula S.25.01.21

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	7,723		
R0020	Counterparty default risk	2,159		
R0030	Life underwriting risk	10,413		
R0040	Health underwriting risk	6,983		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-8,513		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	18,766		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	2,899
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	21,665
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	21,665
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	0

		LAC DT
	Calculation of loss absorbing capacity of deferred taxes	C0130
R0640	LAC DT	
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

USP Key

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

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

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

8. Minimum Capital Requirement – only life or only non-life insurance or reinsurance activity S.28.01.01

S.28.01.01

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

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

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

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	11,255

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	0	
R0220	Obligations with profit participation - future discretionary benefits	0	
R0230	Index-linked and unit-linked insurance obligations	0	
R0240	Other life (re)insurance and health (re)insurance obligations	25,689	
R0250	Total capital at risk for all life (re)insurance obligations		15,307,915

	Overall MCR calculation	C0070
R0300	Linear MCR	11,255
R0310	SCR	21,665
R0320	MCR cap	9,749
R0330	MCR floor	5,416
R0340	Combined MCR	9,749
R0350	Absolute floor of the MCR	4,000
R0400	**Minimum Capital Requirement**	9,749