# ECCU Assurance DAC
# Solvency and Financial Condition Report ("SFCR")
**(for the financial year ended 31st December 2016)**

**Contents**

**Summary**

Solvency II, the new EU-wide regulatory regime for Insurance Companies, came into force with effect from 1 January 2016. The regime requires new reporting and public disclosure arrangements to be put in place by insurers and this document has been prepared in accordance with these requirements. This is the first Solvency and Financial Condition Report, ("SFCR"), published by ECCU Assurance DAC, ("the Company"). It relates to the year to 31st December 2016.

Company Background

The Irish League of Credit Unions, ("ILCU"), is an unincorporated association of credit unions which exists to represent and service affiliated credit unions on the island of Ireland.

ECCU Assurance DAC is a life insurance undertaking, wholly owned by the ILCU, which exists to provide insurance to a customer base comprised solely of credit unions affiliated to the ILCU. ECCU exhibits characteristics similar to a "Captive" undertaking.

ECCU's customer base is located across the island of Ireland. This includes ILCU affiliates resident in Northern Ireland to which ECCU provides insurance services on a Freedom of Services basis.

ECCU outsources certain functions to the ILCU which undertakes these activities under an Agency and 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 in accordance with the terms of a mandate defined and regularly reviewed by the ECCU Board of Directors.

The ECCU product set comprises Loan Protection (LP), Life Savings (LS) and optional riders, e.g. Death Benefit Insurance or insurance against 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. This product set has remained largely unchanged since the formation of the company in 1980 and no new product development has taken place recently.

The insurance premiums are collected from its affiliated credit unions by the ILCU and paid to ECCU. Benefits are paid by ECCU directly to its policyholders, the credit unions, on foot of successful claims. Payments are increasingly made by Electronic Funds Transfer. ECCU does not receive premium from or make payments to individual credit union members.
Underwriting surpluses are returned to the policyholders by way of claims experience refund when the annual results are known.

ECCU has Stop Loss and Excess of Loss Reinsurance treaties in place with Arch Reinsurance Europe Underwriting Designated Activity Company.

ECCU engages with a User Group drawn from the ILCU affiliates on matters of product and service evolution in support of ILCU Strategy implementation.

The business has been successful over its 36 year history in providing cover to credit unions at best cost while ensuring they are not left with bad debts upon the untimely death of members with outstanding loans. It is stable and predictable. It exhibits an annual seasonality in Claims experience which sees peak Claims registered in the first half of the year but this rate declines as the year progresses.

ECCU employs 13 personnel, 7 of whom transferred from the ILCU when ECCU took in-house its previously outsourced operations in 2013. These staff transferred on their current terms and conditions.

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 of 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.

**Material Changes over the Reporting Period**

Business and Performance

During the year, the Company changed its accounting policy with respect to the calculation of Technical Provisions. The Company now calculates Technical Provisions in accordance with Solvency II legislation. The impact of this voluntary change in accounting policy on the financial statements is primarily to reduce technical provisions and to increase the reinsurers' share of technical provisions. There was no impact on overall retained earnings as at December 2016 year-end as a result of this change in accounting policy.

The Company introduced lower Life Savings maximum cover levels and changes to ECCU's requirements in relation to Declarations of Health which have been well received.

System of Governance

The Company devoted considerable time and energy during the year to completing its Solvency II change programme in order to meet all of its reporting obligations on time.

Risk Profile

Cyber Security Risks, Brexit and the challenging Economic Environment were to the fore during 2016 and will remain on the top of management's agenda in 2017 and beyond.

Gerry Jordan
Chief Executive Officer

## A: Business and Performance

### A.1 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.

On 28th July 2016 the Company converted from a private company limited by shares, named ECCU Assurance Company Limited, and re-registered as a designated activity company limited by shares, named ECCU Assurance Designated Activity Company, as required by Part 2 of the Companies Act 2014.

The Company's postal address and registered office is:

ECCU Assurance DAC,
33-41 Lower Mount Street,
Dublin 2,
Ireland D02 Y489

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,
PO Box 11517,
Spencer Dock,
North Wall Quay,
Dublin 1, Ireland.

The Company is regulated in the Republic of Ireland by the CBI and in Northern Ireland, for conduct of business rules, by the UK's Financial Conduct Authority, ("FCA").

A.1(c) The Company's external auditor is PricewaterhouseCoopers, ("PWC").

PWC may be contacted at,
PricewaterhouseCoopers,
One Spencer Dock,
North Wall Quay,
Dublin 1,
Ireland,
I.D.E. Box No. 137

A.1(d)The Company is wholly owned by the Irish League of Credit Unions, ("ILCU"), a trade association of affiliated credit unions on the island of Ireland. The Company's 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:

10- 18 Union street
London
SE1 1SZ

A.1(f) The Company sells single premium group risk products to credit unions, ("CUs"), affiliated to the Irish League of Credit Unions, ("ILCU"), in the Republic of Ireland and Northern Ireland. The policyholders are the CUs and not the CUs' members, although it is the members' lives that are insured. The business sold in Northern Ireland is transacted under the freedom of services provisions of the Third EU Life Directive.

The assurance business written by ECCU is exclusively in the form of monthly renewable term assurance policies. The policies are structured as group risk contracts with the credit unions being the policyholders. All credit unions affiliated to the Irish League of Credit Unions have two main policies in place:

**Life Savings Policy**
The credit union'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 lodgements were made and their savings history with their credit union. Withdrawals from savings may reduce the accrued insurance benefit. 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.

**Loan Protection Policy**
The credit union'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/ (disability, optional see below). This policy also benefits the member and their next of kin by removing the burden of repaying a loan at a most difficult time. Cover under this policy ceases on the day of the members 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 Riders:**

*Accidental Death, Dismemberment & Loss of Sight* – This rider policy provides for the doubling of the amount payable under the main life savings policy in the event of accidental death. It also pays benefits based on loss of limbs and loss of sight.

*Death Benefit Insurance (DBI)* – The cover under this rider policy is designed to provide a lump sum payment to assist the family of a deceased member with the costs associated with bereavement.

*Joint Life* – As the standard Life Savings Policy covers the life of the first named member to a joint account this rider policy allows credit unions to cover the savings to pay a benefit in the event of the death of the second named person on the account. To provide for DBI benefit in respect of the 2nd named member of a joint account the credit union must also have the DBI rider in place. Accounts with more than two named individuals on the account are not insurable under the Joint Life Rider.

**Loan Protection Riders:**

*Disability* – This rider policy provides additional protection to the credit union in that it provides cover for an event which renders a member totally and permanently unable to engage in any occupation or gainful activity for remuneration. The maximum sum assured is €40,000/£30,000. Credit unions can choose to cover loans up to age 60 or 65.

*Over 70* – This rider policy allows the credit union to extend the cover under its Loan Protection Policy to age 80. The cover ceases on the day of the members 80th birthday. The maximum sum assured is €40,000/£30,000.

*Over 80* – This rider policy allows the credit union to extend the cover under its Loan Protection Policy to age 85. The cover ceases on the day of the members 85th birthday. The maximum sum assured is €40,000/£30,000.

*Joint Life* – As the standard Loan Protection Policy covers the life of the first named member to a joint account this rider policy allows credit unions to cover the loan in the event of the death of the second named person on the account and the benefit is paid on a first death basis. Again, credit unions can extend the cover under the joint account rider to age 80 or 85 were they have the Over 70 or Over 80 riders in place.

A.1(g) **Change in Accounting Policy**

During the year, the Company changed its accounting policy with respect to the calculation of Technical Provisions. The Company now calculates Technical Provisions in accordance with Solvency II legislation. Previously, the Company calculated Technical Provisions based on the historic regulatory based approach, adjusted as necessary for prudence.

As Solvency II came into force on 1 January 2016, it is the most current regulatory basis and is therefore more relevant to the economic decision making needs of users.

The current, best estimate liability, method for calculating the Technical Provisions on a Solvency II basis is consistent with the concept of representing the amount that another insurer would need to be paid to assume the liability for these policies.

Hence this calculation provides more reliable information and will result in a faithful representation of the financial position and performance.

The impact of this voluntary change in accounting policy on the financial statements is primarily to reduce technical provisions and to increase the reinsurers' share of technical provisions.

Current and prior year figures have been impacted due to this change in accounting policy. It impacts directly on the calculated technical provisions for outstanding claims for both the current year and prior year figures. It also impacts indirectly on other derived items in the Profit and Loss Account and Balance Sheet for both the current year and prior year figures.

The impact of the change in accounting policy is to reduce reported profits before tax by €5.3m in 2015, and by €903k in 2016. Reported profits before tax in years prior to 2015 have been increased by the same amount. Overall, this resulted in a loss before tax of €126k in 2016 compared with a restated profit before tax of €1.1m in 2015. There was no impact on overall retained earnings as at December 2016 year-end as a result of this change in accounting policy.

## Reinsurance

Since 1 January 2014 Arch Reinsurance Europe Underwriting Designated Activity Company, ("Arch Re"), provides reinsurance cover to the Company. Arch Re is an Irish based reinsurer and is part of Arch Capital Group Ltd, a Bermudan based global reinsurer. Arch Re is rated A+ by S&P and Fitch.

Arch Re 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.

A stop loss treaty comes into effect should claims exceed 105% of net written premiums, (i.e. gross written premium per financial statements less reinsurance premium for other reinsurance treaties). The benefit is capped at 20% of the gross written premium.

During 2016 the Company renewed its reinsurance cover arrangements with Arch re for a further two years, to 31st December 2018, at a marginally increased premium rate.

## A.2 Underwriting Performance

The excess of earned premium over claims incurred, net of reinsurance was €7.4M in 2016 (€9.8M in 2015). There was a 2.8% increase in net earned premium written on the prior year primarily due to an increase in premium rates. Claims paid increased from €61.9M in 2015 to €66.9M in 2016. The decrease in the gross claims outstanding provision for 2016 was €0.4M (2015: decrease of €0.1M). The net cost of reinsurance decreased by €0.3M due to an increase in claims recoveries in 2016. The claims experience refund payable to Credit Unions has decreased from €7.0M in 2015 to €4.8m in 2016 due to a decline in underwriting performance and lower investment returns.

| **Total Premium Income €m** | | | **Sums Assured €m** | | | **Claims Ratio %** | | |
|---|---|---|---|---|---|---|---|---|
| **2014** | **2015** | **2016** | **2014** | **2015** | **2016** | **2014** | **2015** | **2016** |
| 68.4 | 72.5 | 74.6 | 15,495 | 15,737 | 15,738 | 90.0 | 85.3 | 89.7 |

Gross premium written during 2016 amounted to €74.6m, an increase of 2.8% when compared to 2015 primarily due to an increase in premium rates. LP and LS sums assured remained stable while DBI sums assured decreased by 1%.

The Company's performance in respect of life savings, loan protection and death benefit insurance in 2016 are outlined below:

| **Savings Assured €m** | | | **Insurable Members '000s** | | | **Claims €m** | | |
|---|---|---|---|---|---|---|---|---|
| **2014** | **2015** | **2016** | **2014** | **2015** | **2016** | **2014** | **2015** | **2016** |
| 7,592 | 7,769 | 7,796 | 3,187 | 3,207 | 3,311 | 27.1 | 28.8 | 31.9 |

The 0.3% increase in savings assured reflects the stable position in respect of credit union shares and deposits.

| **Loans Assured €m** | | | **Insurable Borrowers '000s** | | | **Claims €m** | | |
|---|---|---|---|---|---|---|---|---|
| **2014** | **2015** | **2016** | **2014** | **2015** | **2016** | **2014** | **2015** | **2016** |
| 5,028 | 4,935 | 4,934 | 738 | 754 | 773 | 18.5 | 16.1 | 16.7 |

The slight decline in loans assured of 0.02% reflects the decrease in assured borrowings with a higher number of borrowers.

| **Death Benefits Assured €m** | | | **Insurable Members '000s** | | | **Claims €m** | | |
|---|---|---|---|---|---|---|---|---|
| **2014** | **2015** | **2016** | **2014** | **2015** | **2016** | **2014** | **2015** | **2016** |
| 2,876 | 3,033 | 3,008 | 1,469 | 1,530 | 1,585 | 16.0 | 17.0 | 18.3 |

DBI sums assured were 0.8% lower in 2016 compared with 2015.

## A.3 Investment Performance

The Company pursues a conservative investment policy, with 35% of the Company's invested assets taking the form of deposits with credit institutions. The remainder of the Company's investment assets are in the form of Eurozone Government bonds (39%), units in an equity fund (17%), units in an absolute alpha fund (3%), and units in an infrastructure fund (6%). The Company's decision to invest in the absolute alpha fund and an infrastructure fund during 2015 was taken in order 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 €62.3M.

Investment returns, which includes unrealised gains and losses, amounted to a positive return of €1.4M (2015: €2.2M positive). The overall investment return arises from a number of factors which include realised gains of €4.4M, (2015: €2.7M gain), and lower bond yields available in 2016, which resulted in a decrease in income from bonds, from €0.7M in 2015, to €0.6M in 2016. Deposit income of €0.01M in 2016, (2015: €0.03M), was lower than the prior year reflecting a reduction in prevailing interest rates in the market. There were unrealised losses on ECCU's bond portfolio of €0.05M, (2015: €1.7M loss), and unrealised losses on the equity fund, absolute alpha fund, and infrastructure fund of €2.9M in 2016 (2015: €0.2M gain). Overall, the Company achieved a 2.3% return on its investments in 2016.

| | **2016** **€** Net investment income | **2016** **€** Net investment expense | **2016** **€** Net realised gains and losses | **2016** **€** **Net investment result (excl unrealised)** | **2016** **€** Changes in fair value | **2016** **€** Net investment result (incl unrealised) |
|---|---|---|---|---|---|---|
| Debt Securities | 599,948 | (1,745) | 299,198 | 897,401 | (55,381) | 842,020 |
| Unit Trusts | 32,157 | - | 4,066,815 | 4,098,972 | (2,857,625) | 1,241,347 |
| Cash and deposits | 5,815 | - | - | 5,815 | (656,563) | (650,748) |
| | 637,920 | (1,745) | 4,366,013 | 5,002,188 | (3,569,569) | 1,432,619 |

| | 2015 € Net investment income | 2015 € Net investment expense | 2015 € Net realised gains and losses | 2015 € **Net investment result (excl unrealised)** | 2015 € Changes in fair value | 2015 € Net investment result (incl unrealised) |
|---|---|---|---|---|---|---|
| Debt Securities | 680,070 | (2,685) | 1,522,146 | 2,199,531 | (1,697,910) | 501,621 |
| Unit Trusts | - | - | 1,224,140 | 1,224,140 | 228,482 | 1,452,622 |
| Cash and deposits | 27,349 | - | - | 27,349 | 248,731 | 276,080 |
| | 707,419 | (2,685) | 2,746,286 | 3,451,020 | (1,220,697) | 2,230,323 |

| Investments by asset class | 2016 | | 2015 | |
|---|---|---|---|---|
| | Market value | Cost | Market value | Cost |
| | € | € | € | € |
| **Listed** | | | | |
| Shares and other variable yield securities and units in unit trusts | 16,162,533 | 14,309,578 | 14,953,344 | 10,242,763 |
| Debt Securities and other fixed income securities | 24,300,907 | 23,828,653 | 27,926,306 | 27,412,204 |
| | 40,463,440 | 38,138,231 | 42,879,650 | 37,654,967 |
| **Unlisted** | | | | |
| Deposits with credit institutions | 21,801,492 | 21,801,492 | 17,310,696 | 17,310,696 |
| | 62,264,932 | 59,939,723 | 60,190,346 | 54,965,663 |

At the end of the financial year, the average maturity of the deposits was 12 months (2015: 8 months). The average interest rate was 0.02% (2015: 0.02%).

There are no gains or losses recognised directly in equity.

The Company does not engage in any securitisation arrangements.

## A.4 Performance of Other Activities Other Material income and Expenses

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, is returned to its policyholders (credit unions). 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 release of this amount as a claims experience refund to policyholders would not result in the release of capital required to meet the Company's economic capital requirements as calculated on a Solvency II basis. The total claims experience refund paid to credit unions in 2016 was €4,781,230 (2015: €7,012,577).

The Irish League of Credit Unions (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 22 March 2013, as amended on 21 November 2014, between the Irish League of Credit Unions and the Company. The fees paid to the Irish League of Credit Unions for services provided in accordance with the Agency and Management agreement during 2016 amounted to €1,948,728 (2015: €1,877,071).

Staff costs amounted to €1,157,096 in 2016 (2015: €1,165,757).

## A.5 Any Other Information

During the year the Company's name was changed to ECCU Assurance Designated Activity Company from ECCU Assurance Company Limited in accordance with obligations arising under the Irish Companies Acts 2014.

The new EU regulatory regime known as Solvency II, implemented through Irish Statutory Instrument No. 485 of 2015, came into force 1 January 2016.

## B: System of Governance

### B.1 General Information on the System of Governance

B.1.1Overview:
The Company is classified as a Medium 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. The Board comprises the CEO, 3 Independent non-Executive Directors and 2 non-Executive Directors, having 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 R Kehoe (Chairman)
J G Gibson
J G Hickey
G Jordan
C Murphy
M E Sharkey

Company Secretary:
B Mulholland

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

The Board delegates certain responsibilities to its Audit, Risk and Remuneration sub-Committees in accordance with the Requirements and terms of reference 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 and Risk Committees met on six occasions and the Remuneration Committee met once during the financial year to 31$^{st}$ December 2016. The Chair of each Committee is an Independent Non-Executive Director:

- Audit Committee (Chairman: J G Gibson)
- Risk Committee (Chairman: J G Hickey)
- Remuneration Committee (Chairman: J G Hickey)

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 wrong-doing 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 three members which the Board believes is sufficient to handle the nature, scale and complexity of the business conducted by it.

All members of the Committee are non-Executive Directors, 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 Solvency II developments;
- The oversight of investment issues;
- The timely reporting of material deviations from defined risk appetite; and
- Monitoring the effectiveness, independence and objectivity of the Risk function.

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 consists of three members which the Board believes is sufficient to handle the nature, scale and complexity of the business conducted by it. 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.

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 Irish League of Credit Unions, one being a member of the Insurance Committee and the other being the Head of Insurance.

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 member and any events outside the control of the member.

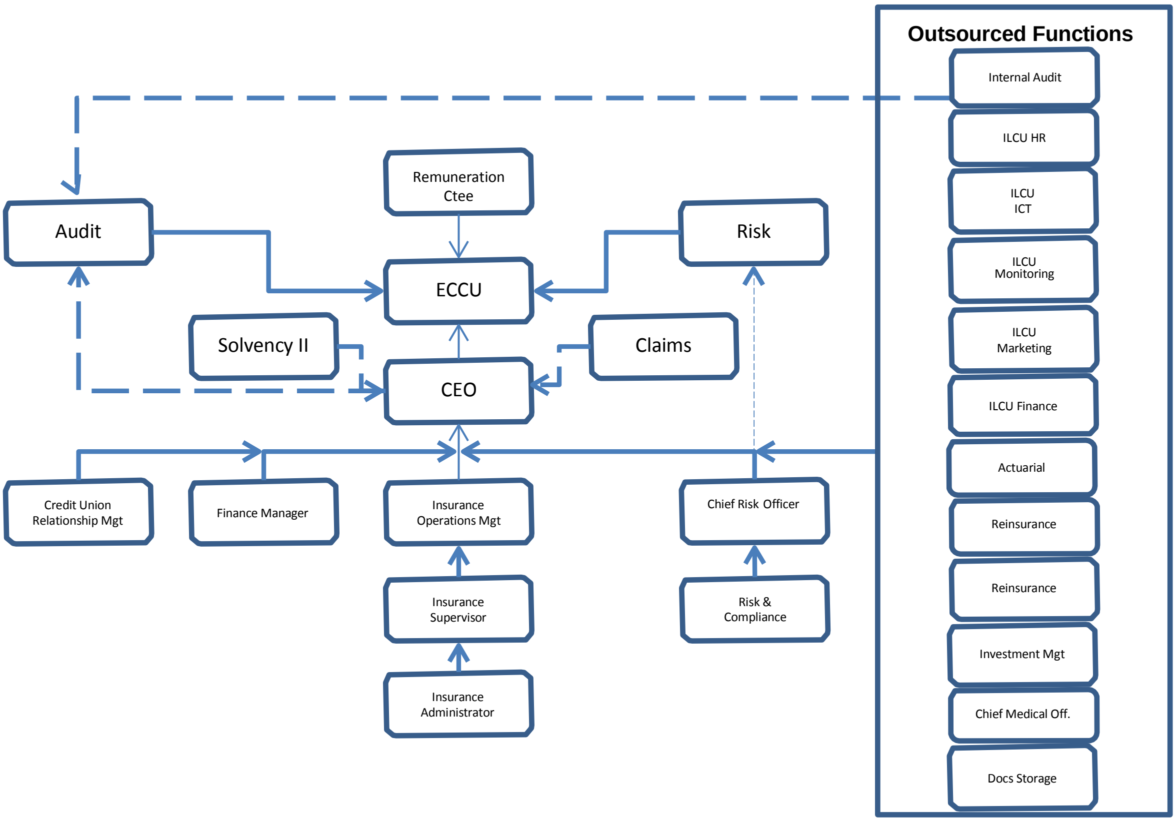
Any payments approved by the Claims Appeals Committee are reviewed by the Board and are made ex-gratia.

In 2016, 54 claims were appealed by credit unions of which 42 received ex-gratia payments.

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

The Internal Audit and Head of Actuarial Functions are outsourced.

The reporting relationships of the committees and functions are illustrated below.



B.1.2 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.

B.1.2.1: 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 Risk Committee
- To coordinate the 'Own Risk and Solvency Assessment' ("ORSA") process at least annually

B.1.2.2: Head of Compliance, PCF-12:
The CRO also occupies the role of Head of Compliance with responsibility for the implementation of the Company's Compliance Policy and effective processes. The Compliance Officer reports to the Audit sub-Committee of the Board and the CEO. The responsibilities of the Compliance Officer 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 Audit Committee oversees the preparation of the annual 'risk based' Compliance Monitoring Plan and reviews progress against its measures throughout the year.

B.1.2.3: Money Laundering Reporting Officer, PCF-15, and Data Protection Officer
The CRO also occupies the roles of Money Laundering Reporting Officer and Data Protection Officer.

B.1.2.4: 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 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 (Own Risk and Solvency Assessment) process, including the financial consequences of stresses and scenarios and the impact of management actions

B.1.2.5: 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 service 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.

B.1.3 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 assumed the role of Head of Underwriting, PCF-18, during the year.
- Finance Manager, PCF-11

  The Finance Manager also occupies the role of 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.

B.1.4 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 pays contributions into a defined benefit pension plan in respect of staff who transferred under TUPE arrangements from the ILCU to the Company in 2013 and also 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. 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.

The 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 plan are recognised as an expense in the profit and loss account in the periods during which 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 is aligned to the experience, role and performance of the individual, the contribution to the business as a whole, and the overall performance of the Company.

Remuneration packages may include both fixed and variable components. Where fixed and variable components exist these shall be 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 so as 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.

B.1.5 Material Transactions:
The Irish League of Credit Unions is the parent undertaking of the Company.

The Irish League of Credit Unions 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 22 March 2013, as amended on 21 November 2014, between the Irish League of Credit Unions and the Company.

The fees paid to the Irish League of Credit Unions for services provided in accordance with the Agency and Management agreement during 2016 amounted to €1,948,728 (2015: €1,877,071).

During the year, the Company made a payment to the Irish league of Credit Unions to fund a financial education initiative for second level students amounting to €6,000 (2015: €20,000). The Company also provided project funding to ILCU International Development Foundation Limited in order to support credit union development in Sierra Leone. This amounted to €10,000 in 2016 (2015: €10,000).

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, is returned to its policyholders, (i.e. those credit unions which are members of the Irish League of Credit Unions). The claims experience refund is calculated based on the combined effect of the underwriting result and investment income in the technical account. The claims experience refund arising in 2016 amounted to €4,781,230 (2015: €7,012,577).

Directors fees, expenses and emoluments amounted to €325, 923 in 2016 (2015: €315,952).

**B.2 'Fit and Proper' Requirements**

The Company has adopted a Fitness and Probity Policy, which sets out the due diligence checks that must be performed in the following areas and which aligns with the Central Bank of Ireland's Guidance on Fitness and Probity Standards 2014. These 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
- Individual Questionnaire

As part of the recruitment process for a PCF or CF role, a candidate is assessed to determine whether he/she is deemed Fit for the particular role. When assessing the fitness of a person, the Company considers the candidate's professional competence in terms of management (management competence) 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 are 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;
- System of governance;
- Financial and actuarial analysis; and,
- Regulatory framework and requirements.

The Company considers information about a person's competency and capability for a role, which includes the following:

- The activities and size of ECCU;
- The responsibilities of the role;
- The person's demonstrated capacity to successfully undertake the responsibilities of the role and the establishment/maintenance of an effective control regime;
- The person's knowledge of the business and responsibilities of the role; and
- Relevant professional qualifications, formal and informal training.

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

When assessing the probity of a person, the conviction of a relevant criminal offence, disciplinary or administrative offence 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 taken into account 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 insolvent 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 of the key Control Functions described earlier. PCF role holders attest annually to the Company in respect of their continuing fitness and probity.

**B.3 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 within functional and operational processes and activities, including those which are the subject of outsourcing arrangements.

The Board 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.

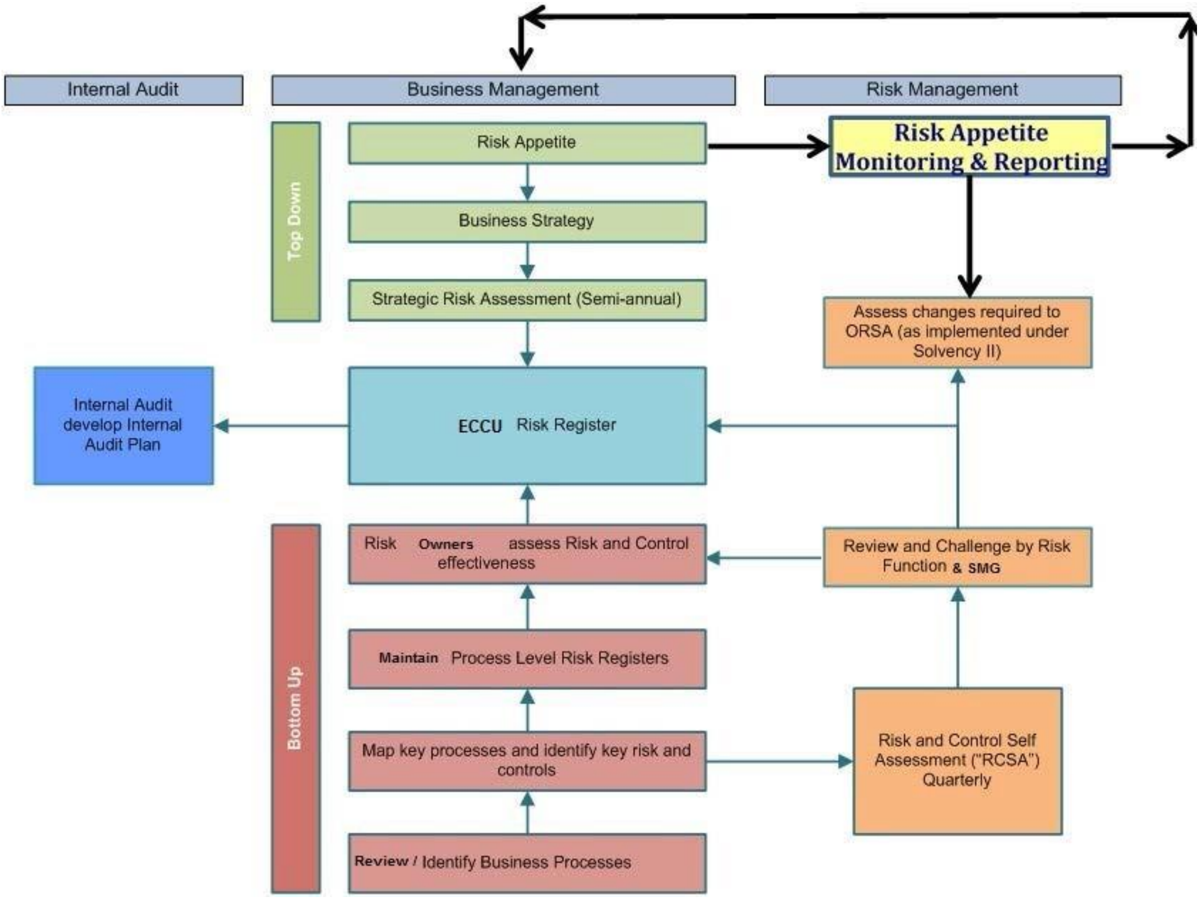
(b) Information Objectives: the preparation and provision of timely, reliable and relevant reports needed for substantive, informed decision-making. Information objectives also address the need for reliable annual accounts, financial statements and other financial-related disclosures; reports to external 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 cause detriment 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 laws and regulations. Taking all of these factors into account the ERM Framework is intended to provide reasonable assurance that the Company will conduct its 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 so as 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 Admin / Claims and;
- Information Technology

The Risk Owners review existing process level risk registers for completeness and accuracy and make such 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 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 his/her 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 the course of 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 a 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.

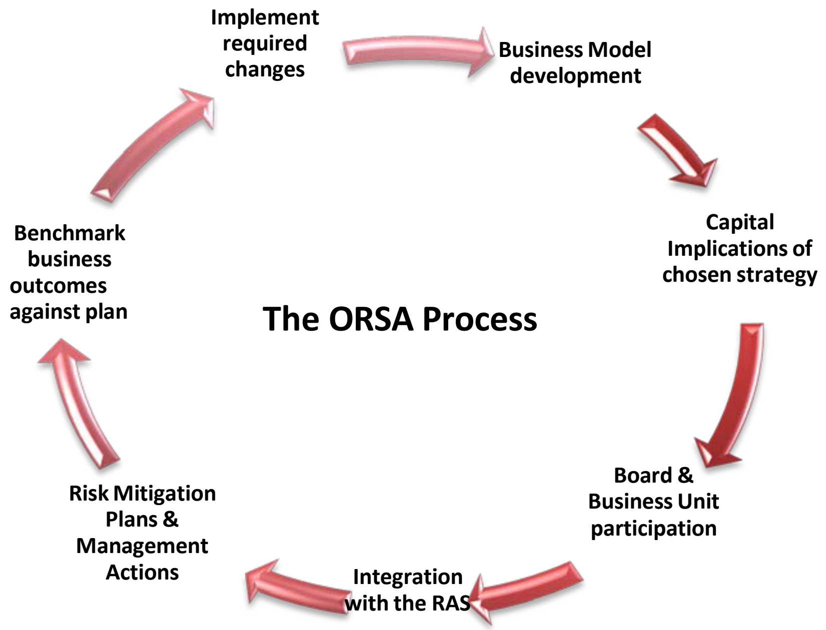
The CRO reports material risk incidents that breach or have the potential to breach risk appetite, to the Risk Committee, in accordance with the provisions of the approved Risk Appetite Statement. The SMT advises on specific remedial actions or options available, as agreed with the CRO, to address the particular 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 assessments 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 process is a circular process that relies on key elements of the business:

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

**B.4 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 sub-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 Sub-Committees. Independence, membership, scrutiny of activities, and appropriateness of actions of both the Board and the sub- 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 made available to all employees. All employees are required to review and sign up to 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 Own Risk and Solvency Assessment ("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. ECCU has assigned responsibility for the Compliance Function to the CRO.

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 outsourcer services 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 and CRO of deficiencies in controls, losses that are sustained, or a definite suspicion concerning irregularities.

A number of external parties contribute to 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.

**B.5 Internal Audit Function**

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.

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 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 with regard to 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.

ECCU's Internal Audit Function's performance is assessed annually by the Audit Committee.

**B.6 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 in December 2014. Willis Towers Watson reports to the Board at least annually and also 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 and Head of Actuarial function are defined in the Reserving Policy and in summary are:

- The AF must coordinate the calculation of technical provisions. The AF will report to 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 (TPs) to the Central Bank of Ireland and an actuarial report on TPs 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 and carries out other calculations for ECCU including pricing and scenario projections.

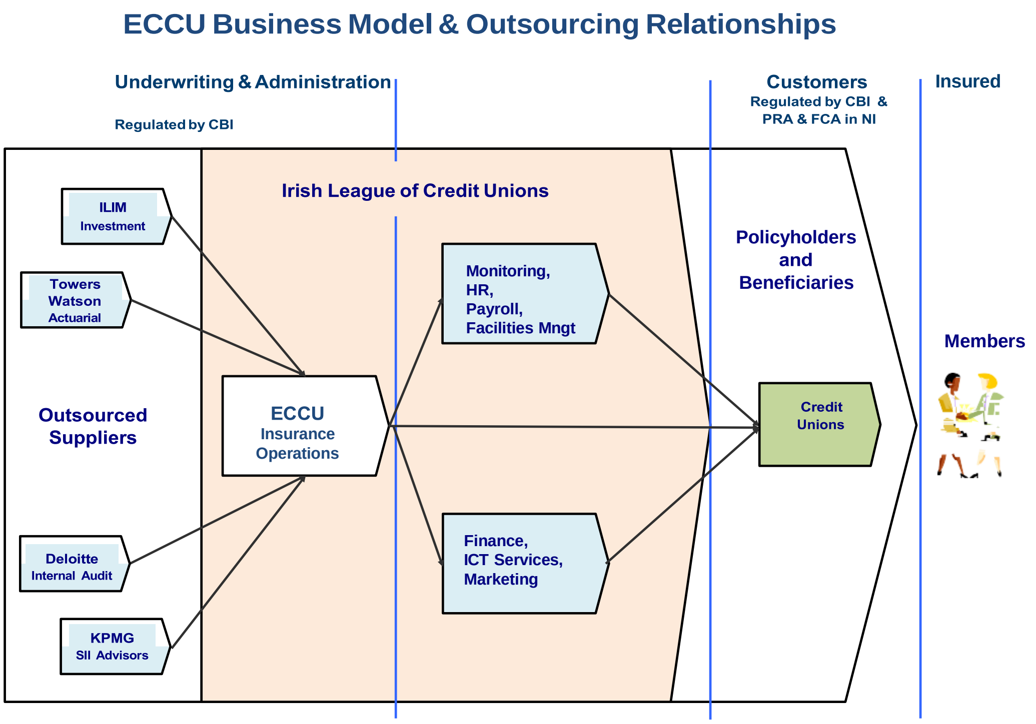
**B.7 Outsourcing**

The Company is wholly owned by the Irish League of Credit Unions, ("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 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.

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 Head of Compliance;
- 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:

1. Pre-outsource actions;
2. Consideration of impact of outsourcing (risk management);
3. Due diligence;
4. Written agreement including SLAs and;
5. 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;
- Making preparations 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 in the event that problems occur during the transfer to the outsourced service provider to ensure that business continuity expectations can be met at all times.

**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 will be 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 on the basis of 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 activity outsourced.

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, taking into account 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 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 continuation of service.

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

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

### B.8 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, in respect of which there are no outstanding recommendations. During 2016 the Central Bank of Ireland also conducted a Targeted Risk Assessment of Governance within the Company which reported 2 specific observations on how the conduct of Board and its sub-Committee meetings should be enhanced and which have been addressed.

## 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 a number of 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 performance of the Company within the parameters set out in the Board's Risk Appetite Framework.

**C.1 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 on the death of the life assured. The reinsurance cover is designed to protect ECCU against large individual claims and also against significant adverse underwriting experience (such as might arise if there was 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 technical provisions for claims outstanding of €2.5m (2015: €1.7m).

The Company's technical provisions are also sensitive to changes in claims reporting and payment patterns. An increase in lags (between date claim incurred and date paid) would lead to an increase in the claims outstanding reserve, 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 technical provisions for claims outstanding of €6.1m (2015: €5.6m).

There were no material changes in underwriting risk profile over 2016.

**C.2 Market Risk**

Market risk is the risk of adverse financial impact as a consequence 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.
- 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 required to be 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 consist of the following:

| Asset Class | Tolerance Range (as % of portfolio) |
|---|---|
| Cash (consisting of deposits and Eurozone government's treasury (T-bills) with a duration of < 3 months). Minimum credit rating A. No more than €5m per institution. | 35% to 45% |
| Eurozone government-backed bonds, minimum credit rating investment grade, 0 – 5 Years. | 20% to 30% |
| Eurozone government-backed bonds, minimum credit rating investment grade, > 5 Years. | 15% to 25% |
| Equity – Indexed World Equity Fund (Unhedged). | 0% to 20% |
| Irish Infrastructure Fund & Absolute Return. | 0% to 10% |

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 are appropriate assets to back the liabilities on an ongoing basis. The Actuarial Function performs stress testing on Asset Liability Management mismatch on a quarterly basis to ensure it 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. The ECCU Board has approved an investment, managed by ILIM, in an Absolute Return Fund, a collective investment scheme which can use hedge fund-like strategies for the purpose of efficient portfolio management in order to help meet the fund's objectives.

ECCU evaluates all investments according to Solvency II valuation principles. ECCU does not solely rely on any valuation provided by financial institutions or similar third parties. The Finance Manager performs independent verification of the value of quoted investments and bonds on a sample basis. The performance of the external investment manager is reviewed on an annual basis.

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. It is expected that the business could be wound down within one year in the event of closure to new business.

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 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 exposures 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:

| | 2016<br>€<br>GBP | 2015<br>€<br>GBP |
|---|---|---|
| Assets | 8,213,294 | 11,147,540 |
| Liabilities | (4,098,461) | (5,088,247) |
| | 4,114,833 | 6,059,293 |

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.

| | 2016<br>€ | 2015<br>€ |
|---|---|---|
| 10% increase | | |
| Pre tax profit | (299,874) | (328,675) |
| Shareholders' equity | (262,389) | (287,591) |
| 10% decrease | | |
| Pre tax profit | 299,874 | 328,675 |
| Shareholders' equity | 262,389 | 287,591 |

The Company's method for sensitivity to currency rate fluctuations has not changed significantly 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.

| | 2016<br>€ | 2015<br>€ |
|---|---|---|
| 1% increase | | |
| Pre tax profit | (1,686,578) | (1,872,479) |
| Shareholders' equity | (1,475,755) | (1,638,419) |
| 1% decrease | | |
| Pre tax profit | 1,686,578 | 1,872,479 |
| Shareholders' equity | 1,475,755 | 1,638,419 |

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:

| | 2016<br>€ | 2015<br>€ |
|---|---|---|
| 10% increase | | |
| Movement in fair value of shares and other variable yield securities in unit trusts | 1,616,253 | 1,495,334 |
| Movement in fair value of debt securities and other fixed income securities | 2,400,105 | 2,763,998 |
| 10% decrease | | |
| Movement in fair value of shares and other variable yield securities in unit trusts | (1,616,253) | (1,495,334) |
| Movement in fair value of debt securities and other fixed income securities | (2,400,105) | (2,763,998) |

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

**C.3 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 objective of the Company in managing its credit 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 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 held by the Company on a monthly basis. 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:

| | **2016** | **2016** | **2016** | **2016** | **2016** |
|---|---|---|---|---|---|
| | **€** | **€** | **€** | **€** | **€** |
| | AAA – AA+ | AA – A- | BBB+ – BBB- | Not Rated | Total |
| Debt securities and other fixed income securities | 6,226,954 | 6,309,886 | 11,764,067 | - | 24,300,907 |
| Shares and other variable yield securities and units in unit trusts | - | - | - | 16,162,533 | 16,162,533 |
| Deposits with credit institutions | - | 21,193,453 | 608,039 | - | 21,801,492 |
| Cash at bank and in hand | - | 1,990,578 | 10,159,620 | - | 12,150,198 |
| Debtors arising out of direct insurance operations | - | - | - | 6,762,903 | 6,762,903 |
| Other debtors | - | - | - | 292,579 | 292,579 |
| | 6,226,954 | 29,493,917 | 22,531,726 | 23,218,015 | 81,470,612 |

| | **2015** | **2015** | **2015** | **2015** | **2015** |
|---|---|---|---|---|---|
| | **€** | **€** | **€** | **€** | **€** |
| | AAA – AA+ | AA – A- | BBB+ – BBB- | Not Rated | Total |
| Debt securities and other fixed income securities | 891,914 | 12,843,754 | 14,190,638 | - | 27,926,306 |
| Shares and other variable yield securities and units in unit trusts | - | - | - | 14,953,344 | 14,953,344 |
| Deposits with credit institutions | - | 16,603,741 | 706,955 | - | 17,310,696 |
| Cash at bank and in hand | - | 5,527,465 | 13,444,665 | - | 18,972,130 |
| Debtors arising out of direct insurance operations | - | - | - | 6,175,014 | 6,175,014 |
| Other debtors | - | - | - | 93,644 | 93,644 |
| | 891,914 | 34,974,960 | 28,342,258 | 21,222,002 | 85,431,134 |

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.

Changes in the Company's liquidity risk exposure in the financial year, arising from increased claim payments, were managed by liquidating deposits with credit institutions. There were no changes 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:

| | **2016** | **2016** | **2016** | **2016** | **2016** |
|---|---|---|---|---|---|
| | **€** | **€** | **€** | **€** | **€** |
| | 1-3 months | 3-6 months | 6 months-1 | Greater than 1 year | Total |
| Creditors arising out of direct insurance operations | 465,563 | 4,805,769 | - | - | 5,271,332 |
| Other creditors | 354,881 | - | - | - | 354,881 |
| | 820,444 | 4,805,769 | - | - | 5,626,213 |

| | **2015** | **2015** | **2015** | **2015** | **2015** |
|---|---|---|---|---|---|
| | **€** | **€** | **€** | **€** | **€** |
| | 1-3 months | 3-6 months | 6 months-1 year | Greater than 1 year | Total |
| Creditors arising out of direct insurance operations | 368,091 | 7,019,351 | - | - | 7,387,442 |
| Other creditors | 281,409 | - | 1,022,427 | - | 1,303,836 |
| | 649,500 | 7,019,351 | 1,022,427 | - | 8,691,278 |

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

| | 2016<br>€<br>1-3 months | 2016<br>€<br>3 months-1 year | 2016<br>€<br>1-5 years | 2016<br>€<br>5 years + | 2016<br>€<br>Total |
|---|---|---|---|---|---|
| Debt securities and other fixed income securities | - | - | 14,399,830 | 9,901,077 | 24,300,907 |
| Shares and other variable yield securities and units in unit trusts | 12,771,045 | 3,391,488 | - | - | 16,162,533 |
| Deposits with credit institutions | 11,808,207 | 6,495,160 | 3,498,125 | - | 21,801,492 |
| Cash at bank and in hand | 12,150,198 | - | - | - | 12,150,198 |
| Debtors arising out of direct insurance operations | 6,762,903 | - | - | - | 6,762,903 |
| Other debtors | 13,972 | 278,607 | - | - | 292,579 |
| | 43,506,325 | 10,165,255 | 17,897,955 | 9,901,077 | 81,470,612 |

| | 2015<br>€<br>1-3 months | 2015<br>€<br>3 months-1 year | 2015<br>€<br>1-5 years | 2015<br>€<br>5 years + | 2015<br>€<br>Total |
|---|---|---|---|---|---|
| Debt securities and other fixed income securities | - | - | 14,205,886 | 13,720,420 | 27,926,306 |
| Shares and other variable yield securities and units in unit trusts | 11,698,160 | - | 3,255,184 | - | 14,953,344 |
| Deposits with credit institutions | 12,211,926 | 5,098,770 | - | - | 17,310,696 |
| Cash at bank and in hand | 18,972,130 | - | - | - | 18,972,130 |
| Debtors arising out of direct insurance operations | 6,175,014 | - | - | - | 6,175,014 |
| Other Debtors | 18,481 | 75,163 | - | - | 93,644 |
| | 49,075,711 | 5,173,933 | 17,461,070 | 13,720,420 | 85,431,134 |

There are no future premiums included in the calculation of 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; and,
- 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
- 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
- Changes in legislation/court rulings

**Other operational risks**
- Reliance on Arch Reinsurance Europe Underwriting Designated Activity Company
- Model error risk
- Pricing error risk
- Staff – Small staff contingent

**Management and monitoring of Operational Risk**
The Company's Risk Management System includes a Risk Management Cycle, Risk and Control Self-Assessments, ("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 RCSAs 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 RCSAs for appropriateness.

In addition, a risk and compliance Quality Assurance ("QA") framework has 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 Sub-Committee of the Board.

**C6. Other Material Risks**

Three other material risks of concern within our Company at present, are:

**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 Irish League of Credit Unions.

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
- 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
- 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 ICT issue.

**Brexit:**

The Brexit referendum on the 23 June 2016 has precipitated the exit of the UK from the EU. This will take a number of years to achieve and even for the nature of the future relationship of the UK with the EU, and Ireland, to become clear. How the UK will implement change, and what will remain the same, is yet to be seen. The Company is monitoring this development and considers that depending on how the exit of the UK evolves likely areas of impact are as follows:

- Currency volatility
- ‘Freedom of Services’ access to credit unions resident in Northern Ireland
- Potential import/export tariffs
- Other Countries leaving the EU

The Company is monitoring developments and considering its response to these risks.

**Defined Benefit Pension Risk:**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company, the ILCU, and individual credit unions participate in an industry-wide pension scheme for employees (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.

The scheme is a multi-employer Scheme and due to the nature of the Scheme, it is not possible for the Company to separately identify its share of the Scheme's underlying assets and liabilities.

Consequently, it accounts for the Scheme as a defined contribution plan. There is an agreed funding plan in respect of the Pension Scheme as a result of the Minimum Funding Standard deficit certified by the Scheme's Actuary in 2009. Consequently, the Company recognises a liability at each balance sheet date for its outstanding contributions payable under the agreed funding plan to the extent that they relate to the committed funding in respect of the deficit to which the funding plan relates.

## D: Valuation for solvency purposes

### D.1 Assets

There are no material differences between the bases, methods and main assumptions used by the Company for its valuation of assets for solvency purposes and those used for its valuation in the financial statements.

#### Financial assets carried at fair value through profit or loss

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.

#### Government Bonds

Government bonds 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. All of ECCU's government bonds are valued at bid price on a daily basis.

#### Collective Investments Undertakings

Certain financial assets are valued using the price of a recent transaction for an identical asset, where quoted prices are unavailable. This valuation method is used for the following collective investment undertakings held by ECCU:

- Underlying holdings in an equity fund – these are priced at the last traded price on a daily basis.

- Investment in the Absolute Alpha fund – the underlying funds are officially valued on a monthly basis by independent administrators. The managers of the underlying funds also produce weekly and monthly performance estimates. A combination of the latest month-end official valuations and the most recent month to date performance estimates are used to update the value of the underlying holdings. The month end valuation reflects the market prices of the underlying securities within which the investment managers are invested.

Other 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. This valuation method is used for the following collective investment undertakings held by ECCU:

- Investment in an Infrastructure fund – valuations of the assets are undertaken semi-annually by a qualified independent valuer. A financial model is prepared by the investment manager and is presented to the independent valuer for their review. Sensitivity checks are performed on the financial model by the independent valuer. A valuation report is completed by the independent valuer which contains a valuation range and a mid-point recommendation. The Capital Infrastructure Valuation Committee of the Investment Manager reviews the recommendation made by the valuer following consideration of the appropriateness of the valuation methodology adopted and analysis and discussion of the key assumptions. This fund is valued by discounting the expected equity dividends using an appropriate financial model. 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.

**Financial assets carried at fair value through profit or loss**

| | **2016** | **2015** |
|---|---|---|
| | € | € |
| Government Bonds | 24,300,907 | 27,926,306 |
| Collective Investments Undertakings | 16,162,533 | 14,953,344 |
| | 40,463,440 | 42,879,650 |

## Basic financial assets

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.

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

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

**Basic Financial assets**

| | **2016** | **2015** |
|---|---|---|
| | € | € |
| Deposits other than cash equivalents | 23,897,920 | 25,184,655 |
| Cash and cash equivalents | 10,053,769 | 11,109,797 |
| Insurance and intermediaries receivables | 6,689,072 | 6,138,352 |
| | 40,640,761 | 42,432,804 |

## D.2 Technical Provisions

The table below shows the technical provisions and reinsurance recoverables at 31 December 2016.

| Line of Business | Gross Best Estimate Liability<br>€000 | Risk Margin<br>€000 | Total Technical Provisions<br>€000 | Recoverables from Reinsurance contracts and SPVs<br>€000 |
|---|---|---|---|---|
| Life | 18,661 | 1,062 | 19,723 | (423) |
| Health | 5,124 | 513 | 5,637 | - |
| **Total** | **23,785** | **1,575** | **25,360** | **(423)** |

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 that EIOPA intended would 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).

There are no material differences between the bases, methods and main assumptions used by the Company for its valuation of technical provisions for solvency purposes and those used for its valuation in the financial statements.

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

The risk margin is calculated using a simplified approach based on the initial amount of the SCR and the average duration of the BEL (the average duration of the outstanding claims is approximately one year).

The reinsurance recoverable is the reinsurer's share of the outstanding claims less premiums.

The Company has entered into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Reinsurance recoveries are accounted for in the same period as the related claim. The reinsurance recoverable for solvency purposes also allows for the premium payable to the reinsurer to cover potential catastrophe claims in 2017. This is consistent with the calculation of the SCR.

During the year, the Company changed its accounting policy with respect to the calculation of Technical Provisions. The Company now calculates Technical Provisions in accordance with Solvency II legislation. Previously, the Company calculated Technical Provisions based on the historic regulatory based approach, adjusted as necessary for prudence. As Solvency II came into force on 1 January 2016, it is the most current regulatory basis and is therefore more relevant to the economic decision making needs of users. The current, best estimate liability, method for calculating the Technical Provisions on a Solvency II basis is consistent with the concept of representing the amount that another insurer would need to be paid to assume the liability for these policies. Hence this calculation provides more reliable information and will result in a faithful representation of the Company's financial position and performance.

## D.3 Other Liabilities

There are no material differences between the bases, methods and main assumptions used by the Company for its valuation of other liabilities for solvency purposes and those used for its valuation in the financial statements.

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.

**Other liabilities**

| | **2016** | **2015** |
|---|---:|---:|
| | € | € |
| Insurance & intermediaries payables | 5,134,105 | 7,327,533 |

## D.4 Alternative Methods for Valuation

### Differences between bases, methods, assumptions used for Solvency and those used in Financial Statements

The reinsurance recoverable on the Solvency II balance sheet allows for the premium payable to the reinsurer to cover potential catastrophe claims in 2017. This is consistent with the calculation of the SCR which allows for recoveries under this treaty where appropriate. 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.

## D.5 Any other information

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

# E. Capital Management

## E.1 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 a process of Own Risks and Solvency Assessment. The Company's Solvency Capital Requirement is calculated using a standard formula as prescribed by the Solvency II Directive, Omnibus 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 distribution 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.

Subject to the above, surplus that has been transferred to the shareholders fund is unencumbered. Distributable surplus within the life assurance fund is not available for distribution to shareholders.

**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, so as to ensure that assets are held with sufficient values and liquidity to meet all liabilities when they fall due;
- To provide security for policyholders; and
- To maintain sufficient financial strength to support new business growth.

The Company's own funds are all Tier 1 capital. There are no plans to change this.

The Company does not use derivative instruments.

### 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.

| | 2016 € | 2015 € |
|---|---|---|
| Total Shareholders Funds | 50,279,801 | 50,391,535 |
| Adjustments – Regulatory Basis: | | |
| - Reinsurers' share of technical provisions | (563,890) | (563,890) |
| Total Free Assets available for Regulatory Solvency purposes | 49,715,911 | 49,827,645 |
| Solvency Capital Requirement | 26,545,733 | 26,285,595 |
| Excess of assets over Solvency Capital Requirement | 23,170,178 | 23,542,050 |
| Total Policyholder Liability on Regulatory basis: | | |
| Life assurance provision | 25,359,883 | 25,760,742 |

The cover for the Solvency Capital Requirement at 31 December 2016 is strong, with assets of €49,715,911 (2015: €49,827,645) available to cover the Solvency Capital requirement. The Company holds 187% (2015: 190%) of the Solvency Capital requirement at 31 December 2016.

The MCR at period end is €11,465,672.

**Own Funds**

| | 2016 Tier 1 € | 2015 Tier 1 € |
|---|---|---|
| Ordinary share capital (gross of own shares) | 36,599,871 | 36,599,871 |
| Reconciliation Reserve* | 12,466,038 | 13,340,661 |
| Eligible amount of own funds to cover the SCR | 49,065,909 | 49,940,532 |
| Eligible amount of basic own funds to cover the MCR | 49,065,909 | 49,940,532 |

*After allowing for a foreseeable dividend of €650,000

## E.2 Solvency Capital Requirement and Minimum Capital Requirement

| €000,000s | 2016 | 2015 |
|---|---|---|
| Market risk | 9.2 | 8.7 |
| Counterparty default risk | 2.5 | 2.8 |
| Life Underwriting risk | 14.9 | 14.9 |
| Health underwriting risk | 7.0 | 7.0 |
| Diversification effect | (10.1) | (10.1) |
| **BSCR** | **23.6** | **23.4** |
| Operational risk | 3.0 | 2.9 |
| **SCR** | **26.5** | **26.3** |

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 Minimum Capital requirement at 31st December 2016 is €11,465,672 (2015: €11,600,205), being the sum of 2.1% of the best estimate liability of €24m and 0.07% of the capital at risk of €16bn.

The Solvency Capital Requirement at 31st December 2016 is €26,545,733 (2015: €26,285,595).

There were no material changes to the SCR or MCR over 2016.

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

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

## E.4 Differences between the Standard Formula and Any Internal Model used

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

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

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

# ECCU Assurance DAC

## Solvency and Financial Condition Report

## Disclosures

31 December

2016

(Monetary amounts in EUR thousands)

## 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 2016 |
| Currency used for reporting | EUR |
| Accounting standards | The undertaking is using local GAAP (other than IFRS) |
| 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

**S.02.01.02**

## Balance sheet

| | | Solvency II value |
|---|---|---|
| | **Assets** | C0010 |
| R0030 | Intangible assets | 0 |
| R0040 | Deferred tax assets | 0 |
| R0050 | Pension benefit surplus | 0 |
| R0060 | Property, plant & equipment held for own use | 0 |
| R0070 | Investments (other than assets held for index-linked and unit-linked contracts) | 64,361 |
| R0080 | *Property (other than for own use)* | 0 |
| R0090 | *Holdings in related undertakings, including participations* | 0 |
| R0100 | *Equities* | 0 |
| R0110 | *Equities - listed* | 0 |
| R0120 | *Equities - unlisted* | 0 |
| R0130 | *Bonds* | 24,301 |
| R0140 | *Government Bonds* | 24,301 |
| R0150 | *Corporate Bonds* | 0 |
| R0160 | *Structured notes* | 0 |
| R0170 | *Collateralised securities* | 0 |
| R0180 | *Collective Investments Undertakings* | 16,163 |
| R0190 | *Derivatives* | 0 |
| R0200 | *Deposits other than cash equivalents* | 23,898 |
| R0210 | *Other investments* | 0 |
| R0220 | Assets held for index-linked and unit-linked contracts | 0 |
| R0230 | Loans and mortgages | 0 |
| R0240 | *Loans on policies* | 0 |
| R0250 | *Loans and mortgages to individuals* | 0 |
| R0260 | *Other loans and mortgages* | 0 |
| R0270 | Reinsurance recoverables from: | -423 |
| R0280 | *Non-life and health similar to non-life* | 0 |
| R0290 | *Non-life excluding health* | 0 |
| R0300 | *Health similar to non-life* | 0 |
| R0310 | *Life and health similar to life, excluding index-linked and unit-linked* | -423 |
| R0320 | *Health similar to life* | 0 |
| R0330 | *Life excluding health and index-linked and unit-linked* | -423 |
| R0340 | *Life index-linked and unit-linked* | 0 |
| R0350 | Deposits to cedants | 0 |
| R0360 | Insurance and intermediaries receivables | 6,689 |
| R0370 | Reinsurance receivables | 74 |
| R0380 | Receivables (trade, not insurance) | 44 |
| R0390 | Own shares (held directly) | 0 |
| 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 | 10,054 |
| R0420 | Any other assets, not elsewhere shown | 268 |
| R0500 | **Total assets** | 81,067 |

**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* | 0 |
| R0540 | *Best Estimate* | 0 |
| R0550 | *Risk margin* | 0 |
| R0560 | *Technical provisions - health (similar to non-life)* | 0 |
| R0570 | *TP calculated as a whole* | 0 |
| R0580 | *Best Estimate* | 0 |
| R0590 | *Risk margin* | 0 |
| R0600 | Technical provisions - life (excluding index-linked and unit-linked) | 25,360 |
| R0610 | *Technical provisions - health (similar to life)* | 5,636 |
| R0620 | *TP calculated as a whole* | 0 |
| R0630 | *Best Estimate* | 5,123 |
| R0640 | *Risk margin* | 513 |
| R0650 | *Technical provisions - life (excluding health and index-linked and unit-linked)* | 19,724 |
| R0660 | *TP calculated as a whole* | 0 |
| R0670 | *Best Estimate* | 18,662 |
| R0680 | *Risk margin* | 1,062 |
| 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 | 0 |
| R0750 | Provisions other than technical provisions | 0 |
| R0760 | Pension benefit obligations | 28 |
| R0770 | Deposits from reinsurers | 0 |
| R0780 | Deferred tax liabilities | 318 |
| R0790 | Derivatives | 0 |
| R0800 | Debts owed to credit institutions | 0 |
| R0810 | Financial liabilities other than debts owed to credit institutions | 0 |
| R0820 | Insurance & intermediaries payables | 5,134 |
| R0830 | Reinsurance payables | 297 |
| R0840 | Payables (trade, not insurance) | 214 |
| R0850 | Subordinated liabilities | 0 |
| R0860 | *Subordinated liabilities not in BOF* | 0 |
| R0870 | *Subordinated liabilities in BOF* | 0 |
| R0880 | Any other liabilities, not elsewhere shown | 0 |
| R0900 | **Total liabilities** | 31,351 |
| | | |
| R1000 | **Excess of assets over liabilities** | 49,716 |

**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** | 2,949 | | | 71,631 | | | | | 74,580 |
| R1410 | Gross | 55 | | | 1,333 | | | | | 1,388 |
| R1420 | Reinsurers' share | 2,894 | | | 70,298 | | | | | 73,192 |
| R1500 | Net | | | | | | | | | |
| | **Premiums earned** | 2,949 | | | 71,631 | | | | | 74,580 |
| R1510 | Gross | 55 | | | 1,333 | | | | | 1,388 |
| R1520 | Reinsurers' share | 2,894 | | | 70,298 | | | | | 73,192 |
| R1600 | Net | | | | | | | | | |
| | **Claims incurred** | 596 | | | 65,685 | | | | | 66,282 |
| R1610 | Gross | 0 | | | 709 | | | | | 709 |
| R1620 | Reinsurers' share | 596 | | | 64,976 | | | | | 65,573 |
| R1700 | Net | | | | | | | | | |
| | **Changes in other technical provisions** | | | | | | | | | |
| R1710 | Gross | 0 | | | 0 | | | | | 0 |
| R1720 | Reinsurers' share | 0 | | | 0 | | | | | 0 |
| R1800 | Net | 0 | | | 0 | | | | | 0 |
| R1900 | **Expenses incurred** | 148 | | | 3,595 | | | | | 3,743 |
| R2500 | **Other expenses** | | | | | | | | | 447 |
| R2600 | **Total expenses** | | | | | | | | | 4,190 |

**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 | 60,497 | 14,083 | | | | | 74,580 |
| R1420 | Reinsurers' share | 1,126 | 262 | | | | | 1,388 |
| R1500 | Net | 59,371 | 13,821 | 0 | 0 | 0 | 0 | 73,192 |
| | **Premiums earned** | | | | | | | |
| R1510 | Gross | 60,497 | 14,083 | | | | | 74,580 |
| R1520 | Reinsurers' share | 1,126 | 262 | | | | | 1,388 |
| R1600 | Net | 59,371 | 13,821 | 0 | 0 | 0 | 0 | 73,192 |
| | **Claims incurred** | | | | | | | |
| R1610 | Gross | | | | | | | |
| R1620 | Reinsurers' share | 53,781 | 12,501 | | | | | 66,282 |
| R1700 | Net | 709 | 0 | | | | | 709 |
| | **Changes in other technical provisions** | 53,072 | 12,501 | 0 | 0 | 0 | 0 | 65,573 |
| R1710 | Gross | | | | | | | |
| R1720 | Reinsurers' share | 0 | 0 | | | | | 0 |
| R1800 | Net | 0 | 0 | | | | | 0 |
| | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R1900 | **Expenses incurred** | 3,036 | 707 | | | | | 3,743 |
| R2500 | **Other expenses** | | | | | | | 447 |
| R2600 | **Total expenses** | | | | | | | 4,190 |

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 | 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 | 0 | | | | | 0 |
| | **Technical provisions calculated as a sum of BE and RM** | | | | | | | | | | | | | | | | |
| | **Best estimate** | | | | | | | | | | | | | | | | |
| R0030 | **Gross Best Estimate** | | | | | | 18,662 | | | | 18,662 | | 5,123,004 | | | | 5,123,004 |
| R0080 | Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | | | | | | -423 | | | | -423 | | 0 | | | | 0 |
| R0090 | Best estimate minus recoverables from reinsurance/SPV and Finite Re | | | | | | 19,085 | 0 | | | 19,085 | | 5,123,004 | 0 | | | 5,123,004 |
| R0100 | **Risk margin** | | | | | 1,062 | | | | | 1,062 | 512,784 | | | | | 512,784 |
| | **Amount of the transitional on Technical Provisions** | | | | | | | | | | | | | | | | |
| R0110 | Technical Provisions calculated as a whole | | | | | 0 | | | | | 0 | 0 | | | | | 0 |
| R0120 | Best estimate | | | | | | 0 | | | | 0 | | | | | | 0 |
| R0130 | Risk margin | | | | | 0 | | | | | 0 | 0 | | | | | 0 |
| R0200 | **Technical provisions - total** | | | | | 19,724 | | | | | 19,724 | 5,635,789 | | | | | 5,635,789 |

**S.23.01.01**

## Own Funds

| | Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35 | Total | Tier 1 unrestricted | Tier 1 restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| R0010 | Ordinary share capital (gross of own shares) | 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 | 12,466 | 12,466 | | | |
| R0140 | Subordinated liabilities | 0 | | 0 | 0 | 0 |
| R0160 | An amount equal to the value of net deferred tax assets | 0 | | | | 0 |
| 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** | 49,066 | 49,066 | 0 | 0 | 0 |
| | **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 | 49,066 | 49,066 | 0 | 0 | 0 |
| R0510 | Total available own funds to meet the MCR | 49,066 | 49,066 | 0 | 0 | |
| R0540 | Total eligible own funds to meet the SCR | 49,066 | 49,066 | 0 | 0 | 0 |
| R0550 | Total eligible own funds to meet the MCR | 49,066 | 49,066 | 0 | 0 | |
| R0580 | **SCR** | 26,546 | | | | |
| R0600 | **MCR** | 11,466 | | | | |
| R0620 | **Ratio of Eligible own funds to SCR** | 184.84% | | | | |
| R0640 | **Ratio of Eligible own funds to MCR** | 427.94% | | | | |

| | **Reconcilliation reserve** | C0060 |
|---|---|---|
| R0700 | Excess of assets over liabilities | 49,716 |
| R0710 | Own shares (held directly and indirectly) | 0 |
| R0720 | Foreseeable dividends, distributions and charges | 650 |
| R0730 | Other basic own fund items | 36,600 |
| R0740 | Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | 0 |
| R0760 | **Reconciliation reserve** | 12,466 |
| | **Expected profits** | |
| R0770 | Expected profits included in future premiums (EPIFP) - Life business | 0 |
| R0780 | Expected profits included in future premiums (EPIFP) - Non- life business | 0 |
| R0790 | **Total Expected profits included in future premiums (EPIFP)** | 0 |

**S.25.01.21**

## Solvency Capital Requirement - for undertakings on Standard Formula

| | | Gross solvency capital requirement | USP | Simplifications |
|---|---|---|---|---|
| | | C0110 | C0080 | C0090 |
| R0010 | Market risk | 9,178 | | |
| R0020 | Counterparty default risk | 2,499 | | |
| R0030 | Life underwriting risk | 14,940 | | |
| R0040 | Health underwriting risk | 7,024 | | |
| R0050 | Non-life underwriting risk | 0 | | |
| R0060 | Diversification | -10,078 | | |
| R0070 | Intangible asset risk | 0 | | |
| R0100 | **Basic Solvency Capital Requirement** | 23,563 | | |

| | | |
|---|---|---|
| | **Calculation of Solvency Capital Requirement** | C0100 |
| R0130 | Operational risk | 2,983 |
| R0140 | Loss-absorbing capacity of technical provisions | 0 |
| R0150 | Loss-absorbing capacity of deferred taxes | 0 |
| 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** | 26,546 |
| R0210 | Capital add-ons already set | 0 |
| R0220 | **Solvency capital requirement** | 26,546 |
| | **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 | |
| R0420 | Total amount of Notional Solvency Capital Requirements for ring fenced funds | |
| R0430 | Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios | |
| R0440 | Diversification effects due to RFF nSCR aggregation for article 304 | 0 |

**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 | 11,466 |

| | | 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 | 24,208 | |
| R0250 | Total capital at risk for all life (re)insurance obligations | | 15,653,286 |

| | **Overall MCR calculation** | C0070 |
|---|---|---|
| R0300 | Linear MCR | 11,466 |
| R0310 | SCR | 26,546 |
| R0320 | MCR cap | 11,946 |
| R0330 | MCR floor | 6,636 |
| R0340 | Combined MCR | 11,466 |
| R0350 | Absolute floor of the MCR | 3,700 |
| R0400 | **Minimum Capital Requirement** | 11,466 |