Solvency and Financial Condition Report

ReAssure Group

Year Ended 31 December 2016

Table of contents

Table of contents 2

Executive summary 4

Audit Opinion 7

Directors' statement in respect of the group SFCR 11

Section A: Business and performance 12

A1: Business 12

A2: Underwriting performance 15

A3: Investment Performance 16

A4: Performance of other activities 16

A5: Any other information 16

Section B: System of governance 17

B1: General information on the system of governance 17

B2: Fit and proper requirements 24

B3: Risk management system including the ORSA 26

B4: Internal control system 34

B5: Internal audit function 37

B6: Actuarial function 38

B7: Outsourcing 39

B8: Any other information 40

Section C: Risk profile 41

C1: Underwriting risk 42

C2: Market risk 43

C3: Credit risk 44

C4: Liquidity risk 45

C5: Operational risk 46

C6: Other material risks 46

C7: Any other information 46

Section D: Valuation for solvency purpose 47

D1: Assets 47

D2: Technical provisions 52

D3: Other liabilities 58

D4: Alternative methods for valuation 61

D5: Any other information 64

Section E: Capital management 65

E1: Own funds 65

E2: Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) 73
E3: Use of the duration-based equity risk sub-module in the calculation of the SCR 74
E4: Difference between the standard formula and any internal model used 74
E5: Non-compliance with the MCR and the non-compliance with the SCR 74
E6: Any other information 74
F1: Appendix A1: Glossary 75
F3: Appendix A2: SFCR QRT Templates 77

Executive summary

Business and performance

The group continues with its overall strategy of making closed book acquisitions in the UK and Ireland where appropriate opportunities arise and providing excellent customer service to existing policyholders as the book runs off. The group comprises four main elements: Reassure Group Limited (a holding company), ReAssure Limited (the UK life company in the group), Ark Life dac (an Irish life company) and ReAssure UK Services Limited (a company providing administration services to ReAssure Limited and other life companies outside the ReAssure group).

The group acquires closed blocks of long term insurance business and administers the run off of the blocks in the interests of policyholders and shareholders. On 6 January 2016, a fellow Swiss Re Group company acquired from a third party the entity and the subsidiaries of Guardian Holdings Europe Limited for £1.6 billion. The acquired entities were then gifted to the Reassure business unit by that fellow group company and on 31 December 2016 the business of the main operating entity, Guardian Assurance Limited, was transferred by way of Part VII transfer into ReAssure Limited, the main operating entity of the group. In addition to the acquisition, the group continued to run off its existing in force block of business releasing cash for reinvestment in the business or the payment of dividends. The group is headed by a life insurance holding company, ReAssure Group Limited, which sets the strategic direction for the group. In addition to the operational life companies the group also contains ancillary service companies which support the operations of the life companies.

Although the group made an underwriting loss it also recorded a commensurate investment profit driven by positive investment market movements in the period, with both equity and bond markets performing positively. The nature of the company's product and investment structure, including its sizeable unit linked and annuity business, means that the result at the underwriting level will be largely offset by the investment performance.

System of governance

The group continued to operate its comprehensive three lines of defence governance model as follows:

- First line – Business units who are risk owners and risk takers;
- Second line – Risk controlling and oversight including risk management and compliance; and
- Third line – Independent review by group internal audit.

At the end of the period the business has been restructured to simplify the arrangements for intercompany governance between entities (by moving to a unitary management team and Board supplemented with some specific accountabilities that preserve appropriate levels of independence between entities where this is valuable). This has not changed the nature of the overall model, but is expected to increase the efficiency of the business operations.

Risk profile

The group faces a number of key risks which it manages by having a strong risk management framework and a culture of controlled risk taking. Due to the nature and composition of the business, key risks it faces are investment risk (on its sizable investment portfolio) and longevity risks (on its annuity book). The group also faces operational risks (which includes risks driven by the change and integration projects), high volume of regulatory change (regulatory risk) and uncertainties in the markets and wider UK economy regards Brexit (political risk).

The group manages its risk taking by having a clearly set out risk appetite and then managing the risks arising by having a strong risk management framework including processes for risk identification, measurement and reporting. This framework means risk mitigation actions can be taken in a timely manner should that be required.

Valuation for solvency purposes

The group's technical provisions as at 31 December 2016 were £41,824 million. They were comprised of the following components:

£'000	**RAL Solo**	**Ark Solo**	**Group Expenses**	**Total**
Gross BEL	40,126,560	2,014,437	57,998	42,198,995
Risk margin	1,395,173	43,261	-	1,438,434
Transitional deduction to Technical Provisions	(577,808)	-	-	(577,808)
Total Technical Provisions	40,943,925	2,057,698	57,998	43,059,621
Reinsurance Recoverable	(973,854)	(262,070)	-	(1,235,924)
Technical Provisions allowing for Reinsurance Recoverable	39,970,071	1,795,628	57,998	41,823,697

The results above show the Technical Provisions under Solvency II calculated as at 31 December 2016. The Technical Provisions comprise the best estimate liabilities and the risk margin of the group. The calculation of the best estimate liabilities under Technical Provisions involves discounting best estimate cash flows using a risk-free term structure prescribed by EIOPA. The group has been approved to use a Matching Adjustment on two ring-fenced blocks of non-profit annuities. This adjustment is calculated separately for each of the two Matching Adjustment portfolios as a fixed addition to the EIOPA risk-free term structure. The group has also been approved to use a Volatility Adjustment and the risk-free term structure has been increased by a Volatility Adjustment (also prescribed by EIOPA) for certain other non-profit annuities that do not use the Matching Adjustment.

Other assets and liabilities have been valued on a market consistent basis in accordance with the Solvency II valuation guidance. Other net assets (excluding Technical Provisions) have grown from £28 billion at year end 2015 to £44 billion at year end 2016. The growth in net assets is substantially accounted for by net assets of £15 billion arising from the acquisition of the Guardian Holdings Europe Group Limited. The growth in the remaining net assets is mainly attributable to the growth in investment assets resulting from the strong market performance in 2016.

Capital management

A summary of the company's Own Funds at year end was as follows:

Solvency II Capital & Reserves	**2016 £'000**	**2015 £'000**
Share Capital	73,051	73,051
Share Premium	83,911	83,911
Reconciliation Reserve	2,546,096	1,502,455
Surplus Funds	624,133	175,474
Amounts equal to value of deferred tax assets	404	2,804
Total	3,327,595	1,837,695

There has been no change in the share capital or share premium of the group during the period. The majority of the increase in the reconciliation reserve has arisen due to the acquisition of the Guardian Holdings Europe Limited group at the start of 2016. Guardian had one ring fenced with profit fund that was transferred to Reassure Limited and that is the reason surplus funds have increased from £175 million to £624 million during the year. All capital held at the end of 2016 is Tier 1 capital fully available for absorbing losses without restrictions.

The group paid a dividend of £346 million during the year. The group has deducted from its Own Funds a foreseeable dividend of £891 million.

Audit Opinion

Report of the external independent auditors to the Directors of ReAssure Group Limited ('the Group') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Group as at 31 December 2016:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group-Wide Solvency and Financial Condition Report of the Group as at 31 December 2016, ('**the Narrative Disclosures subject to audit**'); and

- Group templates S.02.01.02, S.22.01.22, S.23.01.22, S.25.01.22 and S.32.01.22 ('**the Group Templates subject to audit'**).

- Company templates S.02.01.02, S.12.01.02, S.22.01.21, S.23.01.01, S.25.01.21 and S.28.01.01 in respect of ReAssure Limited and S.02.1.02, S23.01.01 and S28.01.01 of Guardian Assurance Limited ('**the Company Templates subject to audit'**)

The Narrative Disclosures subject to audit, the Group Templates subject to audit and the Company Templates subject to audit are collectively referred to as the '**relevant elements of the Single Group-Wide Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the **Other Information** which comprises:

- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Single Group-Wide Solvency and Financial Condition Report;

- Group templates S.05.01.02 and S.05.02.01 and Company templates S.05.01.02, S.05.02.01;

- Information calculated in accordance with the previous regime used in the calculation of the transitional measure on technical provisions, and as a consequence all information relating to the transitional measure on technical provisions as set out in the Appendix to this report;

- The written acknowledgement by management of their responsibilities, including for the preparation of the Single Group-Wide Solvency and Financial Condition Report ('**the Responsibility Statement**');

To the extent the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report of the Group as at 31 December 2016 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & I)), International Standard on Auditing (UK) 800 and International Standard on Auditing (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report* section of our report.

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group-Wide Solvency and Financial Condition Report, which describe the basis of accounting. The Single Group-Wide Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Single Group-Wide Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Single Group-Wide Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Directors for the Single Group-Wide Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Single Group-Wide Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations, which have been modified by the modifications and supplemented by the approvals made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based, as detailed below:

- Permission to publish a Single Group-Wide SFCR;
- Approval to use the matching adjustment in the calculation of technical provisions;
- Approval to use the volatility adjustment in the calculation of technical provisions; and
- Approval to use transitional measures on technical provisions.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Single Group-Wide Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report

It is our responsibility to form an independent opinion, in accordance with applicable law, ISAs (UK & I) and ISAs (UK) 800 and 805 as to whether the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based. ISAs (UK & I) require us to comply with the Auditing Practices Board's Ethical Standard for Auditors.

An audit involves obtaining evidence about the amounts and disclosures in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report sufficient to give reasonable assurance that the relevant elements of the Single Group-Wide Solvency and Financial Condition Report are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report. In addition, we read all the financial and non-financial information in the Single Group-Wide Solvency and Financial Condition Report to identify material inconsistencies with the audited relevant elements of the Single Group-Wide Solvency and Financial Condition Report. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

This report, including the opinion, has been prepared for the Directors of the Group to comply with their obligations under External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements.

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are required to read the Other Information and consider whether it is materially inconsistent with the relevant elements of the Single Group-Wide Solvency and Financial Condition Report and our knowledge obtained in the audits of the Single Group-Wide Solvency and Financial Condition Report and of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants

London
29 June 2017

Publication on website
The maintenance and integrity of the ReAssure Group Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Single Group-Wide Solvency and Financial Condition Report since it was initially presented on the website.

· Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

Appendix – relevant elements of the Single Group-Wide Solvency and Financial Condition Report that are not subject to audit

The relevant elements of the Single Group-Wide Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of Group template S.22.01.22:
  Column C0030 – Impact of transitional on technical provisions

- The following elements of Company template S.12.01.02:
  Rows R0110 to R0130 – Amount of transitional measure on technical provisions

- The following elements of Company template S.22.01.21
  Column C0030 – Impact of transitional on technical provisions

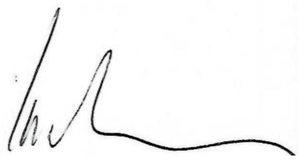
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

Directors' statement in respect of the group SFCR

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

a) throughout the financial year in question, the group has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable at the level of the group; and
b) it is reasonable to believe that the group has continued so to comply subsequently and will continue so to comply in future.

Signed on behalf of the Board of Reassure Group on 29 June 2017 by:



Matthew Cuhls
Chief Executive Officer

Ian Patrick
Director

Section A: Business and performance

A1: Business

1 Full name and legal form

ReAssure Group Limited, registered office: Windsor House, Ironmasters Way, Telford Centre, TF3 4NB. Registered in England No 02970583. The company is a limited liability company incorporated under UK law.

2 Name and contact details of ReAssure Group's Supervisory Authority

The Prudential Regulation Authority (PRA) is the supervisory authority responsible for the regulation and financial supervision of the group. The contact details of the PRA are:

Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA
UK

ReAssure Group Limited is an insurance holding company and heads a Solvency II group subject to group supervision. ReAssure Group Limited is not a regulated entity.

3 Name and contact details of the ultimate parent company's supervisor

Swiss Re Limited, a company incorporated in Switzerland, is the ultimate controlling parent company of the group. Swiss Re Limited is regulated by the Swiss Financial Market Supervisory Authority (FINMA). The contact details of FINMA are:

Swiss Financial Market Supervisory Authority
27 Laupenstrasse
CH – 3003 Bern
Switzerland

4 Name and contact details of External Auditor

PricewaterhouseCoopers (PwC) LLP is the appointed auditor of ReAssure Group. The contact details of PwC are:

7 More London Riverside
London
SE1 2RT
UK

5 Description of the holders of qualifying holdings in ReAssure Group Limited

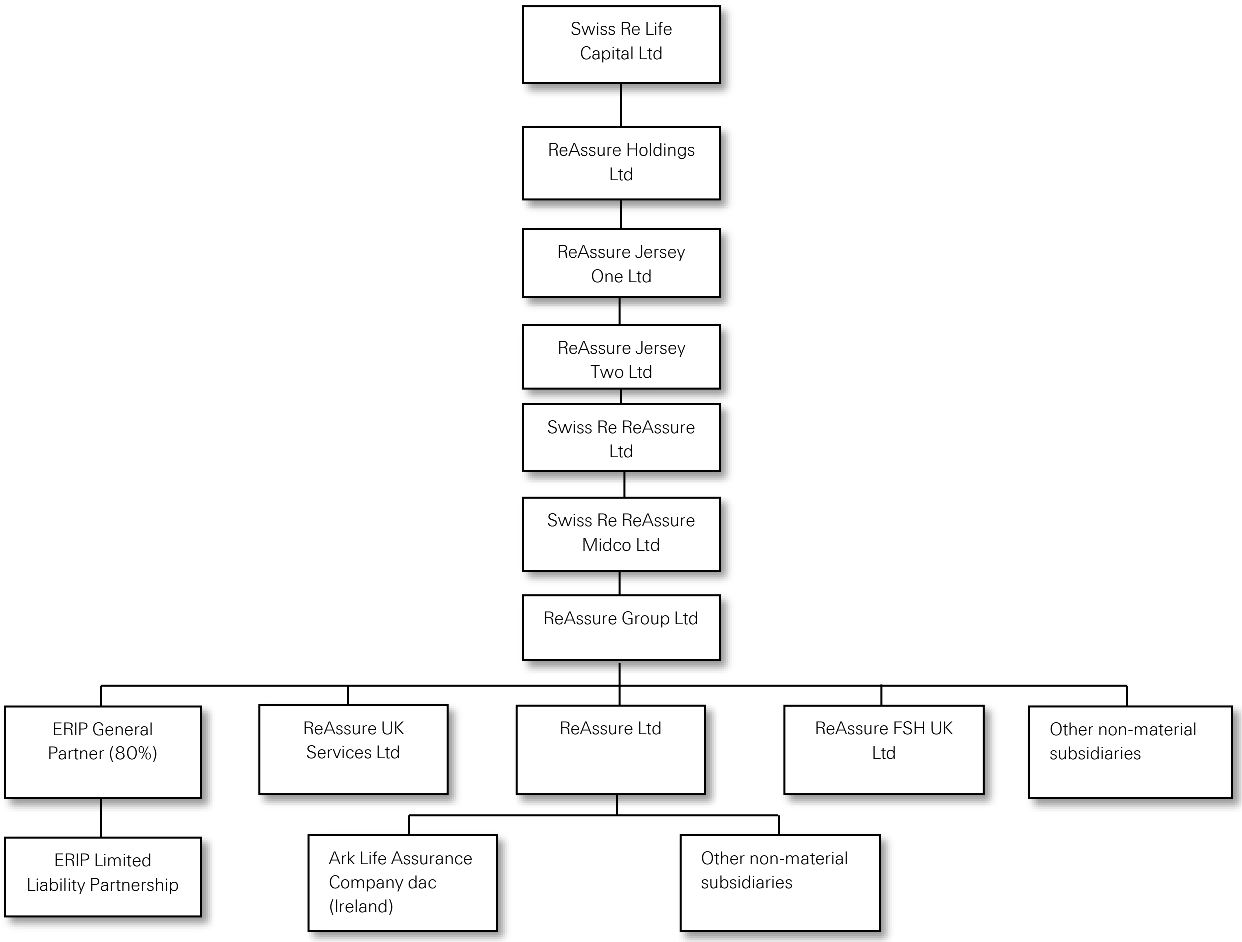
ReAssure Group Limited is owned 100% by Swiss Re ReAssure Midco Limited. As all voting rights are proportionate to the ordinary share capital held, Swiss Re ReAssure Midco Limited also holds 100% of the voting rights in ReAssure Group. The controlling divisional entity is Swiss Re Life Capital, a company incorporated in Switzerland. The Life Capital division is a division of the Swiss Re, a public limited company incorporated in Switzerland.

6 Details of ReAssure Group Limited's position within the Swiss Re Life Capital legal structure

The position of ReAssure Group within the legal structure of Swiss Re Life Capital is shown in the Group Structure Chart below. The immediate holding company of ReAssure Group is Swiss Re ReAssure Midco Limited, a company incorporated in Jersey. The divisional holding company is Swiss Re Life Capital Limited, a company incorporated in Switzerland. The ultimate parent company is Swiss Re, a public limited company incorporated in Switzerland.

7 Structure Chart for ReAssure Group and description of all material related undertakings

The structure chart for ReAssure Group is shown below:



All holdings are 100% unless otherwise noted.

The above chart represents the position post the Part VII transfer of the long term business of Guardian Assurance into ReAssure Limited. The ultimate controlling entity of Swiss Re Life Capital Limited is Swiss Re, a public company incorporated in Switzerland.

ReAssure Limited is the main insurance carrier for the group. ReAssure Limited administers long term life, health and pension business for the benefit of policyholders. ReAssure Limited also owns Ark Life Assurance Company dac (Ark Life) a long term insurance carrier based in Ireland. ReAssure UK Services Limited acts as the primary management services company for the group. The company provides IT, administration and project management services to ReAssure Limited and to other group companies as required. ERIP Limited Liability Partnership is an investment vehicle that holds a portfolio of residential property for the benefit of ReAssure Limited.

8 Material lines of business and geographical area served

ReAssure Group operates in the UK and Ireland. ReAssure Group acts as an insurance holding company, setting strategy and direction for group companies including the carriers of long term insurance business. Its principle insurance companies have the following material lines of business:

- Life and pension annuities in payment
- Personal and group pension business
- Life protection and endowment business
- Health protection business

Within these lines of business, the companies have a mix of non-profit, unit linked and with profit products. The group also includes entities that provide services to its long term insurance operations and provide third party administration services.

9 Significant business or other events in the reporting period

On the 6 January 2016 the group was gifted the entire share capital of the Guardian Financial Services Group, which had been acquired by a fellow group company. At the point of the acquisition, the group indicated that it intended to transfer the operational business of Guardian Assurance Limited into ReAssure Limited by way of Part VII transfer once legal and regulatory approval had been gained. On 20 December 2016 the High Court gave approval for the transfer to take place. As a result, on 31 December 2016 the substantial majority of the net assets of Guardian Assurance Limited transferred to ReAssure Limited.

The Part VII transfer also had the impact of moving ownership of Ark Life, a long term insurance provider based in Ireland, to ReAssure Limited. As a result all long term business within the group is provided by either ReAssure Limited or its subsidiary Ark Life.

10 Group consolidated financial statements

ReAssure Group is not required to produce audited consolidated financial statements at the ReAssure Group level. This is because consolidated financial statements for the full Swiss Re Group include all the companies in ReAssure Group. For internally produced consolidations of the ReAssure Group there are no differences between the data used in the consolidations and the data used for the calculation of group solvency.

11 Group operations

ReAssure Limited, which acts as the UK insurance carrier, represents the bulk of group activity. ReAssure Limited has assets of £47Bn compared to total group assets of £50Bn. The majority of the remaining group assets are the assets of Ark Life. Aside from the holding company the group has two ancillary service companies who provide management services to the insurance entities.

A2: Underwriting performance

1 Underwriting performance by group company and material lines of business

The underwriting performance of ReAssure Group's insurance companies during 2016 was as follows:

£'000	ReAssure Limited 2016	Guardian Assurance Limited 2016	Ark Life Assurance Company 2016	Underwriting performance 2016
Life and Pension	(988,258)	(816,376)	(540)	(1,805,174)
Participating Business	(165,310)	(225,238)	-	(390,548)
Unit and Index Linked	(2,752,134)	(271,248)	(113,983)	(3,137,365)
Health	1,556	(6,060)	1,310	(3,194)
Total	**(3,904,146)**	**(1,318,922)**	**(113,213)**	**(5,336,281)**

£'000	ReAssure Limited 2015	Guardian Assurance Limited 2015	Ark Life Assurance Company 2015	Underwriting performance 2015
Life and Pension	194,147	-	-	194,147
Participating Business	37,322	-	-	37,322
Unit and Index Linked	(370,800)	-	-	(370,800)
Health	(100)	-	-	(100)
Total	**(139,431)**	**-**	**-**	**(139,431)**

The above tables are presented on an IFRS basis and so amounts for business without material insurance risk are not included.

Guardian Assurance Limited and ReAssure Limited operate in only one geographical segment which is the United Kingdom. Ark Life Assurance dac operates only in Ireland. Guardian Assurance and Ark Life were not part of the group in 2015.

Due to the product structure of the businesses, the maturity of the books and the fact that the group does not write any material levels of new business, in 2016 it recorded a substantial loss at the underwriting level. However the underwriting result does not include investment income, which is set out in section A3 below. As a result of the structure of unit linked business and annuity business in particular, which makes up the majority of the product portfolio, investment income earned off-sets the loss at the underwriting level. It can be seen that in 2015, when investment performance was weaker, the loss at the underwriting level is much less pronounced. The total profit for the respective periods on an IFRS basis (with Part VII impacts not included) was broadly comparable between the two years, in spite of the very different underwriting result.

A3: Investment Performance

1 Income and expenses arising from investments

Investment income and expenses by investments assets category, as at 31 December 2016, were as follows:

£'000	2015	2016
Income from government and corporate bonds	457,811	862,458
Income from equities and collective investment schemes	377,581	592,932
Income from property	42,549	50,711
Other investment income	7,164	100,853
Net realised and unrealised (losses)/gains on government and corporate bonds	(418,055)	1,545,038
Net realised and unrealised gains on equities and collective investment schemes	66,245	2,846,291
Net realised and unrealised gains/(losses) on property	58,004	(405)
Net realised and unrealised (losses)/gains on derivatives	(1,443)	409,992
Total investment income	**589,856**	**6,407,870**
Investment management charges, including interest	(28,267)	(58,065)
Total investment charges	**(28,267)**	**(58,065)**

The group had a strong investment performance in 2016, driven by increases in values in both equities and bonds. Equity and collective investment scheme performance was driven by strong UK and worldwide market performance in the year.

During 2016, interest rates continued to move downwards and there was tightening of credit spreads on GBP investments. This generated unrealised gains on the large government and corporate bond portfolio held by the group.

The 2016 investment income also reflected a full year contribution from a portfolio of assets transferred under Part VII of the FSMA 2000 in 2015. As the portfolio was transferred part way through 2015, there was only a partial contribution to investment income in that year. 2016 also includes return from Guardian Assurance and Ark Life which was not present in 2015.

A4: Performance of other activities

There are no other material activities that impact on company performance.

A5: Any other information

There is no other material information to report for 2016.

Section B: System of governance

B1: General information on the system of governance

1 Overview of Governance Structure

In considering the governance structure of the group, it is important to make the distinction between governance of ReAssure Group Limited (the legal entity company) and the consolidated ReAssure Group comprising ReAssure Group Limited and all of its subsidiary companies, which together form the Solvency II consolidated group.

Governance arrangements described below concerning the legal entity board outline the legal responsibilities of the directors of ReAssure Group Limited to that legal entity. However in general, unless otherwise stated, the Board and Operational committees described cover the operations of all ReAssure Group companies. Some will often be primarily concerned with ReAssure Limited, the principal operating subsidiary of the group and the carrier of the bulk of the insurance risk and other related risks. For example the Board Investment Committee is primarily concerned with ReAssure Limited.

The Boards

The activities of each entity within the ReAssure Group are governed by its respective Board of Directors. The Board Operating Manual (BOM) outlines the Board level governance arrangements for each entity as approved by each Board and establish the structure for oversight and management of ReAssure Group.

The manual forms part of the Governance Framework. It outlines key responsibilities, those powers which the Board wish to exercise themselves (or through formally constituted committees of the Board), delegation of authorities and other powers, such as day to day management of the business to the Chief Executive Officer of ReAssure Group.

The manual articulates key aspects of the internal control environment which assist the Board and Executive Management to govern, direct and control the business of ReAssure Group. The governance structure is reviewed by the Board at least annually and in the event of material changes to the business.

The Board reserve certain matters and decisions for themselves and also delegate other matters for decision to the relevant Board Committees. The Board may also delegate specific matters to other committees on an ad hoc or Standing Committee basis.

ReAssure Group Chief Executive Officer

The CEO of ReAssure Group is responsible for the execution of company strategy as approved and adopted by the Board of the group legal entity. The principal areas of responsibility are:

- Identifying opportunities for and facilitating delivery of value added activities within the business plan and that are approved during the year;
- Capital and investment management;
- Championing at all levels within the organisation the importance of treating customers fairly;
- The recruitment and retention of appropriate skilled personnel to ensure strong governance and operational management of all life company matters;
- Sponsorship of delivery of the core customer and product proposition initiatives to both maintain and, where necessary or justified, enhance customer outcomes;
- Ensuring compliance with regulatory requirements;

- Supporting the ReAssure Group aspects of the Solvency II development and implementation programme;
- Integration and transition into ReAssure Group of any businesses acquired; and
- Oversight of outsourced arrangements.

Leadership and direction are provided through the ReAssure Management Committee which is chaired by the CEO. The CEO directly oversees five units within ReAssure; each with it's own head reporting directly to the CEO:

- Corporate Strategy and Planning;
- Product and Proposition;
- Operations;
- Customer Services; and
- Aviva Third Party Administration.

2 Board Committees

Audit Committee
The Audit Committee acts on behalf of ReAssure Group, ReAssure and ReAssure UK Services and all of their subsidiary companies, operating under powers delegated to it from the ReAssure and RUKSL Boards. It oversees the integrity of the respective companies' financial statements and approves that they represent a true and fair reflection of the trading position and of the assets and liabilities. It ensures the appropriate performance of external audit, internal audit and business assurance functions, and reviews their outputs.

(Board) Risk Committee
The Audit Committee acts on behalf of ReAssure Group, ReAssure and ReAssure UK Services and all of their subsidiary companies, operating under powers delegated to it from the ReAssure and RUKSL Boards. It ensures compliance with legal and regulatory requirements and oversees the development and implementation of the respective companies' internal control environments, including risk management and compliance frameworks.

Board Investment Committee
The Board Investment Committee recommends overall investment strategy, policy and asset allocation for ReAssure Group. The Committee also considers and where appropriate sponsors or approves recommendations made in relation to investment strategy, policy and strategic asset allocations.

Fairness Committee
The Fairness Committee oversee the fair treatment of policyholders and acts as the ReAssure Limited with-profits committee. The Committee provide independent judgement in assessing compliance with the principles and practices of the with-profits funds of ReAssure Limited and considers significant transactions and issues arising in the Long Term Business Funds of ReAssure Limited which affect policyholders' and shareholder's interests (or conflicting interests of different groups of policyholders) so as to ensure that each party is treated fairly.

ReAssure Management Committee (RMC)
The purpose of the RMC is to promote strong, sound financial stewardship of the business (including investments) for the benefit of policyholders and shareholders and ensure that high standards of conduct risk are set and achieved. The RMC is the primary body bringing together executive

management and takes input from a wide range of other committees. The scope of the RMC includes strategic oversight, risk management and governance.

Independent Governance Committee (IGC)
The purpose of the Independent Governance Committee is to operate in the interests of scheme members to challenge the providers that schemes are offering a value for money product in an appropriate way. This involves the review of various aspects of the administration of workplace personal pensions administered by the group.

3 Operational Committees

There are a number of other operational committees which have been constituted in order to discharge a number of key cross functional managerial responsibilities. These include:

- Risk Committee (Operational) (RC) which oversees the risk environment of the business;
- Technical Committee (TC) which is focused on reviewing the appropriateness of the internal model;
- Strategy and Operational Model Committee which exists to agree and enforce a coherent operating model for the business;
- Policyholder Investment Committee which ensures policyholder assets are appropriately invested;
- Treating Customers Fairly Committees (TCF) which ensures that the conduct risk framework of ReAssure Group is well defined and effectively implemented (note that there are two sub elements to this body focusing on Servicing and Techncial Actuarial matters such as WP management and pricing respectively); and
- Change Committee which approves and oversees the delivery of material change within the business.

4 Main roles and responsibilities of key functions

Finance
The key role of finance is to identify and prepare appropriate information that allows a wide range of stakeholders (internal and external) to make informed judgements and decisions. The Finance function generates a broad spectrum of financial and non-financial information covering planning and forecasting, budgeting, board and management packs (operational and strategic), financial documentation, statutory and prudential reporting. It provides effective management support and rigour to investment appraisals with appropriate insight and analysis, and ensures that planning assumptions are well conceived. The Finance function also plays a key role in articulating business performance enabling management to address and react to trends quickly.

Actuarial
The Actuarial function is responsible for calculating and monitoring the ongoing solvency of ReAssure Group on all applicable regulatory bases. It is also responsible for economic capital valuations and reporting the net worth of the in-force business on a realistic basis, together with providing actuarial calculations and analysis pertinent to profit reporting.

Risk Management
ReAssure Group Risk Management forms part of the wider Swiss Re Group Risk Management Function forming an integral yet independent part of the ReAssure Group business model. The function is headed by the ReAssure Group Chief Risk Officer (CRO) and comprises of Operational risk, Financial and Insurance risk and Information Security teams who oversee all ReAssure Group risk-taking activities.

Risk Management provides independent second line oversight and assurance to the ReAssure Group Boards, its Committees and the Executive Management Team that all risks to which the group are exposed are identified, measured (modelled where appropriate), monitored, reported and controlled within the defined risk appetite and tolerance limits as set by the Boards as part of the business planning process.

Compliance

ReAssure maintains a permanent second line compliance function which operates independently and has the responsibility to monitor and, on a regular basis, to assess the adequacy and effectiveness of the measures and procedures put in place to comply with ReAssure Group's obligations under the regulatory system; and the actions taken to address any deficiencies in ReAssure Group's compliance with its regulatory obligations. The compliance function also monitors regulatory change, provides guidance on regulatory requirements and is responsible for producing Compliance Policies which meet UK regulatory and Swiss Re Group requirements.

Group Internal Audit

The Swiss Re Group Internal Audit (GIA) function is objective and independent from ReAssure Group's operational functions. GIA provide independent evaluation and assurance on the adequacy and effectiveness of the wider control framework covering design effectiveness and operational compliance, the effectiveness of the internal control system and other elements of the system of governance. GIA helps the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The conclusions drawn from the independent assessment must be reported to the Audit Committee of the Board in order to enable it to act on this information if necessary. The Audit Committee approve the GIA Plan on an annual basis.

Corporate Strategy and Planning (CS&P)

The key responsibilities of CS&P are to design and maintain comprehensive business plans for ReAssure. In discharging its duties, this business area actively engages with senior management, the ReAssure Group Board and prudential regulator in respect of planning. It supports significant transactions providing co-ordination, management and project delivery expertise. CS&P also manage third-party relationships and confirm adequate oversight of suppliers.

RUKSL and delivery of services via the management services company

ReAssure Group delivers its management services via management services agreements between group companies. ReAssure UK Services Limited 'RUKSL'. RUKSL delivers the majority of key management services to the rest of the group. These include customer servicing , IT support and project and change management. ReAssure Limited pays a fixed fee per policy tariff for the delivery of core services and also contracts separately with RUKSL for the delivery of specific change projects where new requirements arise. Executive oversight of the delivery of services from RUKSL rests with the ReAssure Management Committee and ultimate responsibility resides with the ReAssure Limited Board.

Oversight of Ark Life dac

Ark Life operates as a stand alone long term insurance company in Ireland. Ark has its own governance arrangements which are the responsibility of the ARK board of directors, headed by the Ark Life CEO. The Ark Life CEO reports directly to the ReAssure Group CEO and the ReAssure Management Group and the ReAssure Limited Board retain oversight responsibility for Ark Life dac. This ensures broad consistency of operational models between Ark Life dac and the rest of the ReAssure group.

Although the Ark Life governance arrangements are tailored to its own particular business it is broadly consistent with the arrangements followed in the rest of the group. It also employs a three lines of defence structure and has a number of board committees which ensure a strong governance overview of its operations.

5 Reporting, resources and access to information

The Boards, the Board Committees and the Operational Committees have full authority to investigate any matters within their respective duties. They are authorised to obtain independent professional advice, request external advisors to undertake specific tasks or to obtain any information from any director, officer or employee acting on behalf of the group and to secure their attendance to the relevant meetings when necessary.

The key functions have operational independence in performing their reporting functions with the exception of Internal Audit, which shall have complete independence in performing its reporting function. Key function holders will report directly to the Boards, Board Committees or Operational Committees any issues that could have an impact on the group. The heads of key functions have authority to recruit and retain suitably qualified staff and where necessary to supplement permanent staff with qualified and experienced temporary staff should that be required.

6 Adequacy of the system of Governance

ReAssure Group is a large and complex organisation. The system of governance, including second and third line assurance functions reflects the broad spread of risks that the group faces in its operations. The comprehensive nature of the structure of governance and the considerable resources that support the structure means that the group is well placed to mitigate the multiple risks that it faces. The group is also able to call on the wider resources of the Swiss Re group, should it feel that such support is necessary. However the group actively monitors for new and emerging risks and is ready to respond to those as necessary.

7 Consistent application of risk management systems across the group

The majority of the insurance risk is contained in one group carrier, ReAssure Limited, and so many risk management systems apply only to that carrier. However where risk management systems such as compliance and internal audit are applicable to other group companies such as the ancillary service companies and the group holding company these are applied with consistency across the group. Internal audit, compliance and risk are group functions and they work in a consistent manner across the group, using the same standards, personnel and resources for all entities.

Ark Life operates as a stand alone long term insurance carrier but the CEO of Ark Life reports to the CEO of ReAssure Group and this ensures that equivalent standards are applied to Ark Life as are applied to the rest of the group. Ark Life follows the same governance and risk management model as ReAssure, employing the three lines of defence to manage risk to ensure appropriate governance.

8 Remuneration policy and practices

The group adopted the Swiss Re Group Compensation Policy (SRGCP). The SRGCP captures Swiss Re´s compensation framework and governance. It governs the compensation processes and contains key guidelines for the execution of individual compensation actions. The aim is to reward sustained performance as well as providing closer alignment of the interests of shareholders and employees.

Swiss Re´s compensation framework comprises core components such as base salary, pensions and benefits, as well as a combination of short-and long-term incentives. These incentive programmes reflect the long-term nature of the business: both the Value Alignment Incentive (VAI) as the deferred part of the Annual Performance Incentive (API) and the Leadership Performance Plan (LPP) aim to reward sustained performance rather than short-term results.

9 Overview of the compensation components (applicable to all staff)

Fixed compensation

Base salary

The base salary is the fixed compensation that is paid to employees for carrying out their role and is established based on the following factors:

- scope and responsibilities of the role, as well as qualifications required to perform the role;
- market value of the role in the location in which Swiss Re competes for talent; and
- skills and expertise of the individual in the role.

Variable compensation

Annual Performance Incentive (API)

The API is a discretionary, variable component of compensation. Combined with the base salary, it provides competitive total cash compensation when both business and individual performance targets are achieved. When the total API level for an employee exceeds a pre-defined amount, the award is split into two components, an immediate cash incentive payment (cash API) and Value Alignment Incentive (deferred API).

Value Alignment Incentive (deferred Annual Performance Incentive) (VAI)

The VAI is a mandatory deferral of a portion of the API above a pre-defined amount adding a time component to variable compensation. This supports the Group's business model by aligning a portion of variable compensation with sustained long-term results.

Leadership Performance Plan

The purpose of the LPP is to provide an incentive for Swiss Re's senior management to create successful and sustainable company performance over the long-term. For Group Executive Committee members and Group Managing Directors, the LPP duration is five years. The vesting and performance measurement period is three years.

10 Participation plans

Incentive Share Plan

The Incentive Share Plan (ISP) provides employees with an opportunity to receive some or all of their immediate cash API in the form of Swiss Re Shares subject to a one-year blocking period. The ISP encourages alignment with shareholders' interests. At the end of the one year period, the employee assumes full ownership of the shares.

Global Share Participation Plan

Swiss Re offers its employees an opportunity to directly participate in the long-term success of the Group by purchasing Swiss Re Ltd shares (up to a maximum of CHF 7 000 per year) through the Global Share Participation Plan (GSPP). The company provides a 30% match on the number of shares held by employees at the end of the three-year plan cycle. The match is subject to forfeiture rules in case of termination of employment before the end of the plan cycle. The GSPP has the same core design in all locations.

11 Performance criteria

Annual Performance Incentive

The Target API is set in advance for each eligible employee based on multiple factors, including market benchmarks and an analysis of the role that an individual performs. Payout is linked to Swiss Re's financial results, qualitative criteria and individual performance.

Value Alignment Incentive
The payout factor of the VAI is calculated based on the three-year average of the EVM business profit margin. EVM is Swiss Re's integrated economic valuation and reporting framework for planning, pricing, reserving and steering the business.

Leadership Performance Plan
At grant date, the LPP award is split equally into two underlying components:

- **Restricted Share Units**
  The performance condition for Restricted Share Units (RSUs) is return on equity (RoE) with a linear vesting line. Vesting is at 0% for a RoE at the risk free rate and at 100% for a RoE at a pre-defined premium above the risk free rate. The premium is set at the beginning of the plan period and for the LPP 2016, this premium was set at 900 basis points above the risk free rate (annual risk free rate is defined as the average of 12 monthly rates for 5-year US Treasury Bonds of the corresponding performance year). At the end of each year, the performance against the RoE condition is assessed and one third of the RSUs are locked in within a range from 0% to 100%. At the end of the three-year period, the total number of units locked in at each measurement period will vest (capped at 100%).
- **Performance Share Units**
  The performance condition for Performance Share Units (PSUs) is relative total shareholder return (TSR) measured over three years. Swiss Re's TSR performance is assessed relative to the TSR of the pre-defined peer group. The pre-defined peer group consists of companies that are similar in scale, have a global footprint or have a similar business mix as Swiss Re.

13 Supplementary pension or early retirement schemes for key individuals
The group does not have a policy of offering supplementary or enhanced early retirement to key individuals.

14 Material transactions
As at 31 December 2016 one ex member of the management body of the group was entitled to a termination payment of £6.5 million. The payment due included pay in lieu of notice, deferred incentive payments and redundancy payments owing.

During 2016, there were no other material transactions with shareholders, with persons who exercise a significant influence on the group, or with members of the administrative, management and supervisory bodies.

B2: Fit and proper requirements

1 Skills, knowledge and expertise requirements of persons managing the business

ReAssure Group has in place an effective system of governance which provides for sound and prudent management of the business. This includes a transparent organisational structure with a clear allocation and appropriate segregation of responsibilities, proportionate to the nature, scale and complexity of the business.

The Senior Insurance Managers' Regime requires all Regulated Persons, who effectively run the business, to be assessed as fit and proper, on appointment, and thereafter on a continuing basis. All Regulated Persons are required to adhere to the PRA Conduct Standards and FCA Conduct Rules, which are consistent with the behavioural standards expected by Reassure.

All Regulated Persons shall be fit and proper to fulfil their role taking into account the following factors:
(a) Their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (fit); and
(b) They are of good repute and integrity (proper).
Regulated Persons within ReAssure Group should collectively possess appropriate qualification, experience and knowledge in respect of:

- insurance and financial markets;
- business strategy and business model;
- system of governance;
- financial and actuarial analysis; and
- regulatory framework and requirements.

2 Principles for assessing the fitness and propriety of persons managing the business

Certain prescribed information is obtained as part of the assessment of the individual at recruitment, and on an ongoing basis to demonstrate the individual is, and remains fit and proper to perform the role. The following key principles set out how ReAssure Group meets the fit and proper requirements:

- Apply the regulatory criteria for the assessment of the fit and proper requirements before an individual is appointed as a new Regulated Person.
- Obtain approval for a Regulated Person in line with regulatory requirements.
- Assess competence and undertake the checks required, including adherence to the Conduct Standards and Rules on an ongoing basis.
- Assessments are conducted professionally, fairly and with integrity.
- Inform the PRA and/or the FCA of:
    - any changes impacting the Regulated Person who effectively runs the business;
    - all information required to assess whether a prospective Regulated Person is fit and proper; and
    - any Regulated Person who has been removed or replaced because they no longer fulfil the fit and proper requirements.

3 Policies and processes established to ensure persons are fit and proper

ReAssure Group has a documented Fit and Proper Policy which includes the Fit and Proper Framework responsibilities. Human resources (HR) own and maintain the process flows that have been established to ensure regulated persons are fit and proper.

The Head of Compliance is responsible for:

- Ensuring ReAssure Group has a framework to comply with the obligation to ensure that every person who performs a key function is fit and proper; and
- Leading the development, and monitoring the effective implementation, of policies and procedures for the induction, training and professional development for all Regulated Persons within ReAssure Group, with support from the Head of HR.

Chairman of the Board is responsible for leading the development, and monitoring the effective implementation, of policies and procedures for the induction, training and professional development for all members of the Board.

It is the direct responsibility of a Regulated Person's manager to:

- Assess the competence of the Regulated Person at recruitment, and on an ongoing basis;
- Discuss any concerns with the Head of Compliance and any other persons as appropriate; and
- Formally inform the Head of Compliance and Head of Human Resources if the Regulated Person is not assessed as fit and proper with recommendations as to next steps.

HR will maintain records of breaches of any Conduct Standards or Rules by any Regulated Person including those reported to the Chief Executive Officer or the Head of Compliance. Compliance will maintain a record of any breaches of Conduct Standards and/or Rules reported by compliance to the Regulator.

Company Secretarial will initiate reassessments based on standard time-frames. Competence Sign-Off forms will be maintained by Company Secretarial and Human Resources (as required) and kept on an individual's personnel file.

Company Secretarial is responsible for making any regulatory notifications and applications for regulatory approval to the regulator(s).

Ark Life

Ark Life follow set procedures relating to appointment to controlled functions. These include a number of checks to ensure that those persons possess the requisite skills, knowledge and experience for their roles. HR will undertake a due diligence process running checks on a range of factors including educational qualifications, references, knowledge of the Irish market, additional directorships, background CBI and criminal conviction checks. Staff in controlled functions are then subject to annual reassessment to ensure they remain fit and proper for their role.

B3: Risk management system including the ORSA

1 Risk management function

The ReAssure Group Risk Management function (Risk Management) forms part of the wider Swiss Re Group Risk Management Function forming and is an independent part of the ReAssure Group business model. The function is headed by the ReAssure Group Chief Risk Officer and comprises of Operational, Financial, Insurance and Investment teams who oversee all ReAssure risk-taking activities across the group.

Risk Management provides independent oversight and assurance to the ReAssure Group Board, Board and management Risk Committees and ReAssure Management Committee (RMC) that all risks are identified, measured (modelled where appropriate), monitored, reported and controlled within risk appetite and risk limits.

Risk Management is responsible for the effective operation of the risk, control and governance frameworks. It sets risk standards (policies) and monitors the risk profile and aggregated view of risk exposures.

The ReAssure Group Risk Management System contains the following elements:

- Risk Strategy
- Risk Culture
- Risk Management Principles
- Risk Management Framework
- Risk Governance
- Risk Control and Reporting Processes (including Own Risk and Solvency Assessment)

2 Risk strategy

Risk Strategy is the term used to describe circumstances under which the group is willing to engage in risk taking activities as well as the criteria for controlling its operational risks.

Due to the nature of its business activities the group actively takes on risks in insurance and financial markets, actively managing these risks using risk selection as well as capital market instruments and insurance retrocessions.

However, such risks should only be actively sought if:

- There is a thorough understanding of how the risks, including all associated financial and reputational risks, can be adequately assessed and managed; and
- The potential risk accumulations within the overall risk portfolio are fully understood and can be adequately controlled at the group and at Swiss Re Group level.

RAGL identifies, manages and accepts to a certain degree the operational risks inherent in these risk-taking activities. Operational risks are avoided where possible or where unavoidable, mitigated to the extent that it is cost effective to do so, balancing the anticipated costs of the mitigation activities against the corresponding reduction in expected losses, capital costs, and any reputational risk that may crystallise.

3 Risk culture

Risk culture is based on transparency and the ability to respond to change which are integral to the risk and control processes facilitating risk management knowledge sharing at all levels.

The goal of risk transparency is to create a culture of mutual trust, and to reduce the likelihood of surprises regarding the sources and potential magnitude of losses. This goal is achieved through regular dialogue and by establishing timely and appropriate risk reports documenting landscape and loss potential of business activities. The aim is to establish risk transparency internally and, to the extent that it does not affect the group's competitive position, externally with shareholders and regulators.

Risk transparency requires the establishment of processes and systems to regularly review and update the risk landscape and in particular to monitor emerging risks. In addition, it also requires that the bases for key risk decisions are appropriately documented. This allows decisions to be potentially challenged and ultimately improved.

Definition
Risk culture builds upon the Swiss Re's Group Code of Conduct and stands for the risk and control related values, knowledge and behavior shared by all its employees.

Key features
The purpose is to promote rigor and discipline and influence appropriate behaviour in view of the following cultural aspects:

- Leadership in providing clear vision and direction (tone at the top);
- Consideration of risk relevant information in decision-making;
- Risk governance and accountability of risk takers and transparent flow of risk information; and
- Embedding of risk management skills and competencies.

Implementation
Risk culture is brought to life by its linkage to performance management, which is based on business results (the 'What') and behaviours (the 'How'). Important sets of behaviours are defined as Leadership Imperatives for all managers and Personal Imperatives for those without line manager responsibility. These imperatives cover Key Risk-taking Behaviours (KRBs) following our Risk Culture Framework (see figure 1 below). All of our employees are assessed against the imperatives on an annual basis.

Figure 1 – Risk Culture Framework

4 Risk management principles

The group has four guiding principles in relation to how risks are managed:

- Controlled risk taking;
- Clear accountability;
- Independent risk controlling function; and
- Open risk culture.

Under these risk management principles all risk taking must be controlled, have clear accountability and be monitored by an independent risk controlling function.

5 Risk management framework

The Risk Management Framework (RMF) sets out how the group organises and applies its risk management practices to ensure that all activities are conducted according to its risk appetite framework.

The major elements of the RMF are:

- The Swiss Re Group Risk Policy which specifies the key risk management principles;
- The Risk Management Standards outlining the fundamental risk governance, risk controls and risk roles and responsibilities for the delegation of risk taking;
- The Risk Appetite Framework articulates RAGL's risk appetite statements, preferences and limits for controlled risk taking;
- The Risk Control Framework (RCF), which defines the standards for risk control tasks that are required to ensure that the group engages in controlled risk taking.

Risk Appetite Framework

The Risk Appetite Framework establishes the overall approach through which ReAssure Group practices controlled risk taking. At its highest level this is expressed as a series of Risk Appetite Statements, which in accordance with the group's strategy, expresses the types of risk that ReAssure Group wishes to pursue, accept or avoid. The group's Risk Tolerance outlines the maximum extent to which the Board has authorised executive management to assume risk given its financial resources.

The ReAssure CRO is responsible for monitoring the limits specified in the Risk Appetite Framework and to communicate them to the Board, Committees and the RMC.

Risk Appetite Statement

The group's risk appetite outlines the group's principles on acceptable risks and provides key guidance for risk taking and risk controlling as part of implementing the group.

Acceptable risks

a. ReAssure Group actively seeks insurance risk and as a consequence takes on financial market risk.

b. Insurance risks need to comply with the criteria of insurability: Potential losses must be fortuitous, clearly defined and financially measurable.

c. Risks are actively sought if:

   i. there is a thorough understanding of how all the risks individually can be adequately measured and managed,
   ii. potential risk accumulations arising from both additional exposures as well as changes in dependencies between underlying risk factors are understood and can be controlled,

iii. ReAssure Group is adequately remunerated for the risks it takes, and
iv. there is an alignment of interests between the group's clients and ReAssure Group.

d. Within tolerance limits, the group accepts operational risks inherent in its activities.

e. All risk taking needs to comply with applicable laws and regulation, the Swiss Re Group Code of Conduct and the Swiss Re Sustainability Risk Framework.

Achieving targeted performance
ReAssure Group pursues business where risk-adjusted returns are attractive striving to maximise economic value creation and optimise the use of the group's financial resources to grow through the acquisition of insurance entities or portfolios of insurance business.

The group focuses on long-term, sustainable performance committing to long-term contractual arrangements provided there is adequate compensation for the deployed resources.

The group actively manages the assets that it holds as a consequence of its insurance liabilities. Foremost, the group aims to match its insurance liabilities through appropriate asset and liability management, however, when adequately compensated for the underlying risk, we are also willing to:

a. Accept market risk from writing insurance business where no adequate replicating market instruments are available, and

b. Consciously take controlled unmatched positions in the markets.

Providing liquidity and financial flexibility
In order to manage liquidity and financial flexibility, the group policy is to have a significant amount of high quality, readily tradable assets, which enable us to access cash and free up capital, even in stressed conditions. Provided we receive an adequate compensation and our financial flexibility is not jeopardised, we also have appetite for various forms of long-term business and illiquid investments including the following:

a. Business that generates cash up-front and pay-outs in later years, which also supports broad investment strategies, including the opportunity to pursue illiquid investments; and

b. Transactions where attractive future income compensates us for our initial cash outlay.

Managing capital adequacy
ReAssure has an appetite for business activities that improves the group's risk diversification in order to improve capital adequacy. ReAssure actively uses retrocessions (including to the Swiss Re Group) to optimise the group's capital requirements and limit the concentration of an individual risk group to no greater than 50% of the overall risk profile.

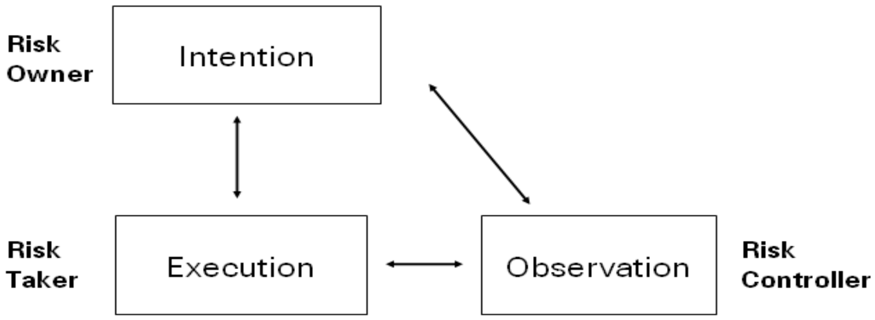
Risk Control Framework
The RCF represents the risk management element of the Internal Control System (ICS) and is a subset of the RMF. It comprises of actions to control risks originated by any of the group's business activities or operations and establishes the responsibilities of the Risk Taker, the Risk Owner and the Risk Controller and requires that they are discharged in a defined, auditable process.

Roles for delegated risk taking
Under the group's risk management principles all risk taking must be controlled, have clear accountability and be monitored by an independent risk controlling function. To ensure that risk taking conforms to these principles, the RMF establishes three fundamental roles in the delegation of risk taking:

- **The Risk Owner**, who establishes a strategy, assumes responsibility for achieving the objectives and maintains ultimate responsibility for the outcomes.
- **The Risk Taker**, who takes steps to achieve this objective within a clearly specified authority delegated by the Risk Owner; it is the duty of each Risk Taker to inform the Risk Controller of all facts relevant for the discharge of their duties; and
- **The Risk Controller**, who is tasked by the Risk Owner with the overseeing risk taking activities and escalating to the Risk Owner risk issues.

At each level of delegation, these three roles must be clearly identified with a clear description of their respective responsibilities. The interrelation of the roles of Risk Owner, Risk Taker and Risk Controller is illustrated in the Risk management triangle below in figure 2.

Figure 2 - Risk management triangle



Risk Governance
The ReAssure Risk Management Standards are subordinate to the Swiss Re Group Risk Policy (GRP) which articulates the group's risk standards, and hence influences the ReAssure risk framework, including risk strategy, risk management and capital structure and risk principles.

Risk Category Standards
The ReAssure Risk Management Standards apply to all risks that the group actively assumes or is exposed to through its operations. This is supplemented by several ReAssure Group Risk Category Standards that provide more granular risk management processes for the different risks. All activities that generate exposure to risk within a particular risk category need to comply with the relevant risk category standards.

The ReAssure Group Risk Category Standards include:

- Operational Risk Management Standards
- Life and Health Risk Management Standards
- Financial Risk Management Standards (including the ReAssure Investment Guidelines)
- Funding and Liquidity and Risk Management Standards
- Asset - Liability Risk Management Standards

6 Risk governance and management processes

Risk and Control Framework

The RCF ensures risk taking is controlled and sets out responsibilities for the Risk Owner, Risk Taker and the Risk Controller. The RCF comprises of the following key risk processes, each representing a key component of the risk management cycle:

- Risk oversight of the Business Plan
- Risk identification
- Risk measurement
- Risk exposure control
- Risk reporting

Risk Management oversight of the business plan

Risk oversight of the group's business plan aims to ensure that the group fully understand the risk implications of the business plan and that the planning approach is based on sound hypotheses and assumptions.

Risk Management provides both input into, and risk oversight of the group planning process. It does so by reviewing the key hypotheses and assumptions supporting the plan. In conjunction with Finance, Risk Management also determines whether the plans are in line with the tolerance, capital and liquidity targets. Risk Management provides opinion on whether the plan is in line with Risk Appetite, and whether the limit framework and performance parameters support the implementation of the business strategy.

Risk identification

The goal of risk identification is to ensure that the risks to which the group is exposed to, either via active risk taking or passively through its business operations, are made transparent in order to make the risks more controllable and manageable.

In order to facilitate risk identification and promote a common risk terminology the group maintains a taxonomy of risk factors known as its Risk Classification which lists the major risk categories to which the group may potentially be exposed to. The group also identifies and manages other types of risk that are not explicitly treated under the main risk categories, but rather as perspectives on the entirety of risks that ReAssure Group is exposed to.

Risk measurement

Risk measurement consists of measuring the group's risk exposures and aggregating these risk exposures in an integrated measure of risk.

Risk exposure measurement

The goal of risk exposure measurement is to ensure that ReAssure understands the magnitude of its risk exposures and can set quantitative controls that limit its risk taking.

Risk exposures are potential changes in the value of the group's assets and obligations due to changes in risk factors. Risk exposure measurement, therefore, consists of developing models that describe this relationship and thus define the exposure.

Integrated risk measurement

The main goal of integrated risk measurement is to assess the potential for unexpected, negative impacts on the group's economic net worth. Specifically, the likelihood of significant economic losses over a one-year time horizon which enables the group to determine how much risk capital is needed to support its risk-taking activities.

Integrated risk measurement involves modelling the potential evolution of risk factors and valuing the impact that these potential changes in the risk factors would have on the group's net worth. The integrated risk measurement framework currently incorporates those risk factors associated with the group's active risk taking e.g. Life & Health, Financial and Operational risk factors.

Risk exposure control
The goal of risk exposure control is to ensure that the group carefully controls its risk-taking decisions as well as its total risk accumulations, including the passive risk it is exposed to through its operations. Risk exposures are controlled in all activities to ensure that the group operates within its Risk Appetite and Tolerances; and that its operational risks are managed to acceptable levels.

In accordance with the fundamental roles of risk delegation, the Risk Taker takes risk under the authority delegated by the Risk Owner, subject to controls set in conjunction with the Risk Controller. To make the delegated authorities and control responsibilities clear, the following risk taking controls govern all risk taking decisions:

- Capital and liquidity adequacy targets;
- Risk capacity limits; and
- Clearly established authorities and delegations governed by escalation triggers.

7 Risk control and reporting processes

Risk reporting
The principal goal of risk reporting is to create internal risk transparency so as to make informed risk decisions and meet external disclosure requirements. These goals translate into three objectives:

- Design reports from the perspective of recipients so that they optimally meet their needs;
- Provide stakeholders with accurate and timely information about material risk issues in such a way that the recipient can understand the message; and
- Facilitate informed decision making.

In general, risk report owners depend on input from various sources in order to produce a report. Individuals or functions that provide information to report owners are described as information providers.

Risk reports provide risk information in order to decide whether a risk should be accepted, rejected or mitigated, as well as informing Swiss Re Group and external stakeholders where ReAssure has a duty to disclose risk information (e.g. regulators) or an interest in creating risk transparency (e.g. analysts, shareholders and clients).

Monthly reporting
Monthly risk and solvency reporting is provided to the Risk Committee (RC), ReAssure Management Committee (RMC) and as part of the monthly Executive Information Pack (EIP) for consideration, review and challenge.

Quarterly ORSA reporting
Quarterly ORSA reporting is performed via the Risk & Solvency Update as part of the on-going ORSA process. This covers the majority of the areas included in the annual ORSA except for those identified below in the Annual ORSA reporting. Quarterly reporting is provided to the RC, RMC, Audit and Risk Committee (ARC) and the Boards.

Annual ORSA process and reporting
The Annual ORSA process and reporting is fulfilled via the year end ORSA Report. This covers all the areas of the quarterly Risk & Solvency Update noted above, as well as the following additional elements:

- Stress & scenario testing, including reverse stress testing;
- Material changes to reported Transitional Measures;
- Forward assessment of own risks, including ability to meet regulatory capital requirements across the business planning horizon (considering run-off and growth scenarios per the Admin Re Business Plan) via capital projections and stress & scenario testing;
- Suitability of Solvency II standard formula;
- Quality of capital/funding; and
- Governance responsibilities.

The ORSA process is integrated as an ongoing risk management process evidenced by monthly and quarterly risk reporting, as well as the full annual ORSA Report. Risk reporting is provided to, and reviewed by, the Risk Committee, Audit and Risk Committee and the Boards ensuring their ongoing engagement with the ORSA throughout the year.

The ORSA (including the report) allows senior management and the Boards to understand the risks facing the group and provides a forward looking assessment of the risk profile and solvency position across the business planning horizon.

8 Capital and liquidity adequacy targets

The goal of controlling capital and liquidity adequacy targets is to ensure that the capital and liquidity adequacy of the group remains within the risk tolerance criteria set by the Swiss Re Group Risk Policy and/or local boards if more onerous.

Capital and liquidity adequacy targets are set by the Boards based on proposals from the Swiss Re Group to ensure that both ReAssure and Swiss Re Group as a whole remains within the Risk Tolerance boundaries set within the Swiss Re Group Risk Policy. This monitoring includes checking against major planning exercises, changes to the regulatory and, or political landscape, large transactions as well as potential mergers and acquisitions.

Risk capacity limits

Risk capacity limits are established to limit risk exposure accumulations at different levels. The limits are sized by comparing the impact of a hypothetical scenario of full limit usage on the group's risk tolerance.

Risk capacity limits may be set at a group level or lower risk taking levels where deemed necessary. Breaches of risk capacity limits require escalation to the limit-approving body, including a plan for managing the consequence of the breach. Monitoring outputs are then checked against potential breaches of risk capacity limits and any potential breach has to be signed-off by the limit owner.

B4: Internal control system

1 Integrated assurance framework

The ReAssure Group board uses Swiss Re's integrated assurance framework to identify the principal risks to the organisation and the relevant key controls to manage them, as well as to demonstrate that a sufficient level of assurance is gained from the effectiveness of those controls. The framework comprises three lines of defence:

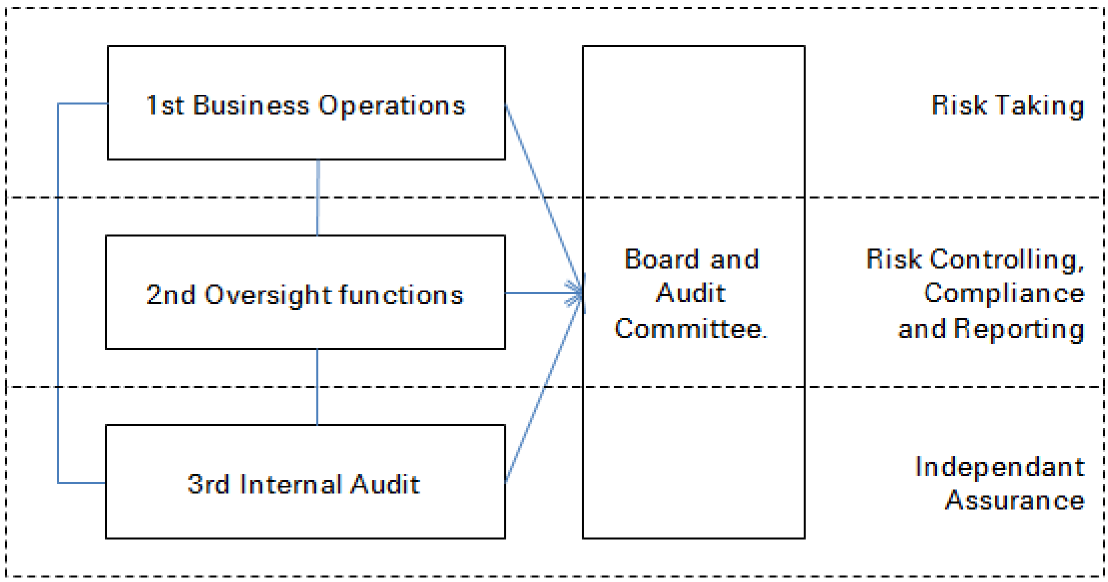


Figure 1: Internal control lines of defence

First line of defence

The first line of defence refers to those who carry out risk management at or close to the source of the risk. It comprises the risk owners and risk takers in the business and corporate units, recognising that these parties own the entire control environment. All employees have a responsibility to identify and flag risks to their team leaders or managers.

Second line of defence

The second line of defence refers to a layer of independent risk controlling. It comprises Risk Management which establishes and coordinates the risk management framework. Compliance function guides and advises the business on regulatory matters and conducts independent monitoring.

Third line of defence

The third line of defence comprises the independent review of processes and procedures by GIA on behalf of the Chairman and Audit Committee of the Group Board. The benefits of this approach include the ability to establish and enforce expected control related behaviour, set tolerance levels, minimise overlap and duplication between assurance functions and focus all lines of defence on the most critical risks.

2 Overview internal control system

A number of sub committees exist, including the Risk Committee, which cover a broad spectrum of business risks and issues through scheduled management reporting and/or ad hoc escalations (to the extent these are relevant). Outside of formal committee structures, management are accountable to the Boards for monitoring internal control systems on a day to day basis, and for providing assurance that this has taken place via regular reporting. The whistle blowing process also provides a formal procedure for all employees to report suspected improper conduct directly to Group Compliance and/or regional compliance heads. If a reasonable basis for an investigation exists, Compliance will manage or oversee the investigation and escalation of an issue.

ReAssure Group follows the risk management principles of controlled risk taking, clear accountability, an open risk culture and the presence of an independent risk controlling function. To support the implementation of its risk management principles, ReAssure Group uses a framework which is made up of five components which work together to build an effective internal control system. By operating an effective internal control system this allows the business to provide Management and the Boards of Directors with required assurance that the business operates within the defined risk appetites. The five components are risk assessment, control environment, control activities, information and communication and monitoring.

3 Compliance function

Implementation of the compliance function

ReAssure Group is committed to operating its business in compliance with all applicable legal and regulatory requirements, the highest professional and ethical standards, and its stated corporate values.

To ensure that the group's compliance objectives are consistent with the expectations of Swiss Re, the UK regulatory authorities, shareholders, clients and other stakeholders, the Boards of Directors mandate best compliance practices and an appropriately staffed and resourced Compliance function with clearly defined roles, responsibilities and authority to perform its duties.

Compliance serves in the dual capacity as (i) an enabling function supporting business activities regarding ethical and regulatory compliance; and (ii) a control and governance function providing independent assurance on Compliance Risk matters to management and the Audit Committee, Risk Committee of the Boards. Compliance is included within the Swiss Re Coordinated Assurance Framework and remains independent from the group's business units.

Chief Compliance Officer (CCO)

The Chief Compliance Officer of the Swiss Re Group leads the Global Compliance function and is accountable for the overall execution of the Compliance function’s responsibilities. The Chief Compliance Officer reports directly to the Swiss Re Group General Counsel and, to ensure the independence of the Compliance function, has a dotted reporting line to the Chair of the Swiss Re Group Audit Committee. In addition, the Chief Compliance Officer has reporting responsibilities to the Chair of any relevant legal entity Audit Committees which may be delegated to a qualified Senior Compliance Manager.

Regional and Business Unit Compliance Heads

In line with Swiss Re governance arrangements, the group has a Compliance Head with dual reporting lines to the local entity CEO and Swiss Re’s CCO. The group Head of Compliance is accountable for providing support to the relevant legal entity Audit Committees and Management within the scope of their respective business units and regions consistent. The group Head of Compliance is the approved person for compliance oversight and money laundering reporting for ReAssure Limited.

Compliance Assurance
Compliance Assurance form part of the Swiss Re's Coordinated Assurance Framework, in partnership with Group Internal Audit (GIA) and Risk Management. They are responsible for providing primary assurance to the Board of compliance with RAG's compliance risks (including identifying, assessing, control process design, monitoring, testing and reporting), and perform second line of defence oversight of all RAG entities. The Compliance Assurance function also assists Management in the design of remedial actions and oversees their implementation.

An annual risk based Compliance Monitoring Plan is developed based on Compliance's assessments of identified Compliance Risks and related controls, on-going work and dialogue with business and functional units. It also considers on-going integrated assurance work with Operational Risk Management and Group Internal Audit, Group Internal Audit findings and audit plans, and Management's own assessments of Compliance Risks and controls. The Annual Compliance Monitoring Plan is submitted to the Audit and Risk Committee for approval each year and is reviewed and modified as needed for changes in risks and priorities each quarter. Any significant deviation from the formally approved Annual Compliance Plan is communicated to the Audit Committee and the Risk Committee through progress reports.

The Compliance Assurance team do not provide operational support so as not to impair its objectivity.

The specific areas of the group's Compliance Risk within the scope of the Compliance function's core assurance responsibilities include:

- UK regulatory requirements;
- Anti-money laundering;
- Anti-trust and competition;
- Anti-bribery and anti-corruption;
- Anti-fraud;
- Data protection and privacy;
- Insider trading;
- International trade controls and economic sanctions;
- Investment management compliance oversight;
- Market conduct, including cross-border activities and conduct risk;
- Outsourcing oversight;
- Solvency II compliance oversight; and
- Whistleblowing.

B5: Internal audit function

1. Internal Audit function implementation

Swiss Re GIA assists the Board to protect the assets, reputation and sustainability of the group. GIA performs audit activities designed to assess the adequacy and effectiveness of the group's internal control systems, and to add value through improving the group's operations.

GIA provides written audit reports, identifying issues and management actions to the Board, senior management and external auditor on a regular basis. GIA monitors and verifies that management's actions have been effectively implemented. Significant issues, and issues that have not been effectively corrected, are highlighted to the Board.

The Swiss Re GIA charter undergoes an annual policy review process to update the charter and if required obtain Board approval.

2. Independence of the Internal Audit function

GIA performs its internal audit activities with independence and objectivity. Activities are coordinated with the other assurance functions. GIA has no direct operational responsibility or authority over any of the activities it reviews.

The Swiss Re Group Chairman, together with the Chairman of the Swiss Re Audit Committee, is responsible for the Swiss Re Group Internal Audit function ensuring independence of reporting line. The Head of Internal Audit for the Reassure Group reports to Group Internal Audit, ensuring independence from the Reassure Group executive management.

Authority is granted for full, free and unrestricted access to any and all of the group's property and personnel relevant to any function under review. All employees are required to assist GIA in fulfilling their duty.

GIA staff govern themselves by adherence to The Institute of Internal Auditors' "Code of Ethics." The Institute of Internal Auditors' "International Standards for the Professional Practice of Internal Auditing" constitutes the operating guidance for the department. In addition, GIA adheres to the Group's guidelines and procedures, and GIA's organisation and processes, manuals and guidelines.

B6: Actuarial function

1 Implementation of the Actuarial Function

The Actuarial Function (AF) is headed by the Chief Actuary, who is a Fellow of the Institute of Actuaries and is the holder of Controlled Function 12 under the PRA Approved Persons Regime.

The AF is organised into four main areas, each reporting to the Chief Actuary, as follows:

- Financial Reporting – production of all financial reporting submissions, including calculation of Technical Provisions and Solvency Capital Requirement;
- Governance – provision of support activities, including the management of the three with-profits funds, unit pricing services and administration of reinsurance arrangements;
- Projects and Systems – support to group projects and management of actuarial systems and infrastructure; and
- Capital Management – support to efficient management of the capital position of the group.

B7: Outsourcing

1 Information on material intra-group outsourcing arrangements

In the ReAssure Group there are intragroup outsourcing arrangements between ReAssure Limited and Ark Life and ReAssure UK Services Limited (RUKSL) and ReAssure Companies Services Limited (RCSL), who provides administration, advisory, compliance, business processing and business accounting services to ReAssure Limited and Ark Life.

RUKSL and RCSL provide the above services for all ReAssure policies predominately out of the Telford, Hitchin and Lytham offices. The group has in place an oversight model which is underpinned by a governance framework that feeds into meetings attended by the ReAssure Group CEO.

As well as the RUKSL and RCSL relationship there is also investment management performed by Swiss Re Asset Management (SRAM). SRAM is overseen as part of ReAssure's Supplier Management Framework which will include second and third line assurance activity. Regular governance meetings challenge risk management and the internal control environment and there is also an annual review undertaken.

2 Description of outsourcing policy

Swiss Re has an outsourcing framework in place that covers the group, its legal entities, locations, and business units. ReAssure Limited, ReAssure UK Services Limited, ReAssure Companies Services Limited, Ark Life and Namulas Pension Trustees Ltd (a subsidiary company of ReAssure) are included in this framework.

The contents of the legal entity annex are intended to complement the 'Swiss Re Group Outsourcing Policy' and operating model approved by ReAssure Board of Directors, by clarifying the roles and responsibilities for outsourcing governance at entity level. Special mention has been made of Solvency II and the need for the current policy and process to meet this and all other regulatory requirements for the management of material outsource.

3 Service providers to whom critical operational activities have been outsourced

ReAssure Group use a supplier categorisation tool to determine if an outsourcer is deemed a critical supplier which is underpinned by the FCA definition.

Below are details of critical or important operational functions that are outsourced by ReAssure Limited to entities outside the ReAssure Group:

Supplier	Service Supplied
HCL IBS	Supplies administration of circa 500k Life & Pension policies
LV=	LV provides the administration for circa 1,230 SIPP policies
BARCLAYS	Administration of mis-selling complaints on former Barclays Life book
HANNOVER RE	Administration of circa 30k annuities which Reassure acquired as part of the HSBC acquisition. As well as the administration, Hannover Re fully reinsures this block.
ABERDEEN ASSET MANAGEMENT	Provides investment management services to ReAssure for the Unit Linked and With Profit funds

Supplier	Service Supplied
SRAM	Investment management services
HGAM	Continuation of Asset Management services provided to HSBC Life for pensions business.
HSBC HSS	Investment Accounting and Unit Pricing services, including (but not limited to): asset servicing, fund valuation, asset liability matching, non-discretionary dealing, taxation and MI.
KAMES	Investment Accounting and Unit Pricing services, including (but not limited to): asset servicing, fund valuation, asset liability matching, non-discretionary dealing, taxation and MI.
CAPITA	Provider of policy administration services. Provides services for circa 102,000 annuity policies.
DILIGENTA	Provider of policy administration services. Provides services for circa 223,000 annuity policies.
IRISH LIFE FINANCIAL SERVICES	Provider of policy administration and financial accounting support for Ark Life
IRISH LIFE INVESTMENT MANAGEMENT	Provider of investment management services for Ark Life

4 Jurisdiction in which service providers of operational functions or activities are located

All service providers would fall under UK jurisdiction other than the following:

- HCL IBS – Outsources administration to Chennai in India to support overall HCL IBS servicing strategy;
- Hannover Re – All direct functions are based in the UK with overall Group policies driven out of Germany; and
- Irish Life – Irish Life operates in Ireland.

B8: Any other information

There is no other material information to disclose.

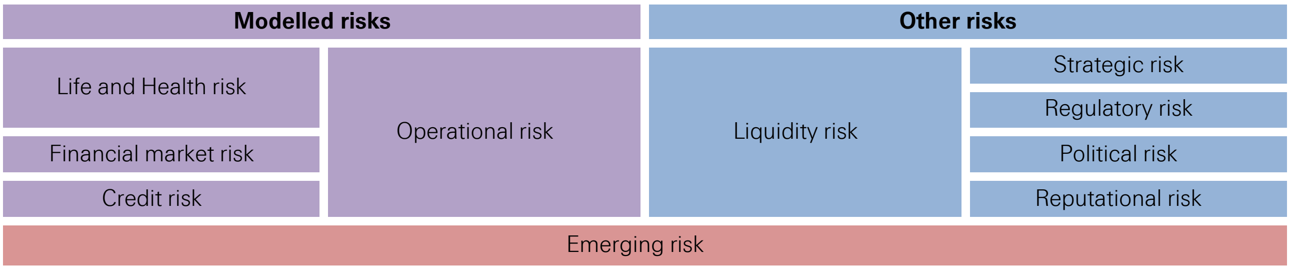
Section C: Risk profile

ReAssure Group is exposed to a broad landscape of risks which are shown in Figure 3 below. Due to the nature of its business activities the group actively takes on risks in insurance and financial markets actively managing these risks using risk selection as well as capital market instruments and insurance retrocessions. However, such risks should only be actively sought if:

- There is a thorough understanding of how the risks, including all associated financial and reputational risks, can be adequately assessed and managed; and
- The potential risk accumulations within the overall risk portfolio are fully understood and can be adequately controlled, both at the RAGL and at Swiss Re Group levels.

The group identifies, manages and accepts to a certain degree the operational risks inherent in these risk-taking activities. Operational risks are, where possible, avoided or where unavoidable mitigated to the extent that it is cost effective to do so, balancing the anticipated costs of the mitigation activities against the corresponding reduction in expected losses, capital costs, and any reputational risk that may crystallise.

Figure 3 – ReAssure Group key risk categories



Measures used to assess risks and material changes

The group currently uses the Solvency II Standard Formula approach to assess all modelled risk categories and derive the Solvency Capital Requirement. Risks not covered by the Solvency Capital Requirement shown as 'other risks' in Figure 3 above are qualitatively monitored, reviewed and reported through the Own Risk and Solvency Assessment (ORSA) process

In line with the definition of Solvency II, the Solvency Capital Requirement of the Company is based on a 99.5% Value-At-Risk over a 1-year time horizon, which is a measure of the one in two hundred year loss likely to be exceeded.

C1: Underwriting risk

Risk exposure

Underwriting risk, also referred to as Life and health risk, is defined as the unexpected economic impact from mortality, longevity or morbidity obligations as well as persistency rates deviating from the levels assumed at outset or subsequently in reserving.

The group does not actively market or seek to write any new business and RAGL is mainly exposed to underwriting risk through its acquisition of closed life insurance entities or portfolios of insurance business.

New acquisitions are managed under the Large Transactions Process. This requires detailed due diligence to be undertaken and independently reviewed by Risk Management to ensure all material risks are identified.

Material risk developments over the reporting period

Longevity risk

Longevity risk is the group's second largest risk exposure; second to credit spread risk detailed in Section C2. There has been a significant increase in the Solvency Capital Requirement (SCR) for longevity risk from 2015. This is mostly due to the acquisition of Guardian Assurance.

Lapse risk

Lapse risk arises primarily on unit-linked business. The group's concentration of lapse risk remains well within appetite. The lapse risk SCR has decreased significantly during the year. This is due to the reduction in the value of the unit-linked business caused by Annual Management Charge (AMC) cap which became effective from January 2016.

C2: Market risk

Risk exposure

The Group defines Financial Market (FM) risk as the risk of loss arising from holding a portfolio of positions and contracts, due to market changes impacting the economic value of the portfolio. FM risk therefore refers to the risk of loss from changes in financial market variables and may arise in several forms including:

- Regular or stressed movement in market observable parameters such as equity prices, or interest rate levels;
- Regular or stressed movement in parameters used for financial modelling such as volatility or correlation; and
- Regular or stressed movement in market observable credit variables such as credit spreads or recovery assumptions.

The group is exposed to FM risk through its assets and liabilities. Movements in financial market prices or rates, such as equity prices, interest rates, credit spreads, foreign exchange rates or real estate prices, affect the value of these assets and liabilities. The group is exposed from two main sources: through its investment activities and through the sensitivity of the economic value of liabilities to financial market fluctuations. Three forms of FM risk are currently material for the group: credit spread, equity and interest rate risks.

Credit spread risk

Credit spread is the group's largest risk. Following the Part VII transfer of the business of Guardian Assurance into ReAssure Limited the regulated insurance entity of the group, the credit spread concentration increased to 43% due to the transfer of Guardian's annuity business.

Equity risk

The group is exposed to equity risk through the charges in its unit-linked fund under management. There was an increase in equity prices during 2016 resulting in an increase of the equity risk SCR but it still remained well within the 50% concentration limit.

Interest rate risk

Interest rate risk makes up approximately 4% of the group's SCR. The level of risk held in the portfolio increased following the Part VII transfer. Interest rate risk arises under Standard Formula from the assets held to match the risk margin.

C3: Credit risk

Risk exposure

Credit risk reflects the risk of incurring a financial loss from the default of counterparties or of third parties. In addition, it takes account of the increase in risk represented by any deterioration in credit ratings of those counterparties. This risk arises directly from investment activities as well as from counterparty risk related to external credit risk and to intra-group counterparties

The group is therefore exposed to two classes of credit risk; credit default risk and credit migration risk.

Default basis: This considers the probability of obligor default and the loss given default; and

Migration basis: This considers the probability of deterioration in obligor credit quality which adversely impacts the economic value of underlying positions.

The credit risk inherent within all positions is broken down into the spread risk elements (Financial Market risk) and the default/migration risk elements (Credit risk). The group outsources credit risk management activities to Swiss Re Group Credit Risk Management and the Actuarial function monitors and reports on credit ratings; however, ultimate risk responsibilities for ReAssure credit risk rests with Risk Management.

The spread risk is considered "market induced" risk and incorporated into the Financial Market risk category, and managed at an aggregate level.

The group's key counterparty exposure is to its parent Swiss Re through intra-group retrocessions (IGRs). The group's risk tolerance for this exposure is managed through the capital management policy which applies a floor to the capital buffer based on our exposure to Swiss Re Group.

C4: Liquidity risk

Risk exposure

Liquidity risk is defined as the risk that the group or its entities will not be able to efficiently meet both expected and unexpected (i.e. stressed) future cash flows and collateral needs without affecting either daily operations or their financial condition.

Liquidity risk is measured by comparing the sources and uses of funding in stressed conditions.

This comparison is the basis of the Liquidity Coverage Ratio (LCR). The LCR is calculated as the ratio of the sources of liquidity under stress to the liquidity requirements under stress over a 12-month time horizon.

$$LCR = \frac{Sources\ of\ liquidity\ in\ stressed\ scenario}{Required\ liquidity\ in\ stressed\ scenario}$$

The Liquidity Coverage Ratio ("LCR") is the ratio of liquidity sources to liquidity requirements under stress. MA and non-MA business are measured separately. There are two distinct Matching Adjustment portfolios within the RAL Non-Profit Fund as follows, one relating to the RAL business that was within the fund prior to the Part VII transfer of Guardian (MA1); and, separately, one relating to the former Guardian business Matching Adjustment portfolio transferred in at the Part VII date (MA2).

At 31 December 2016, all funds remain within appetite.

Liquidity Stress Ratio	ReAssure NPF		
YE2016	Non-MA	MA1	MA2
Liquidity Coverage Ratio	**115%**	**122%**	**122%**

C5: Operational risk

Operational risk is defined as the potential economic, reputational or supervisory impact resulting from inadequate or failed internal processes, people and systems both internally and externally to the group. Operational risks include legal and compliance risks and the risk of a material misstatement in the ReAssure Group's financial reporting, but excludes strategic and business risks.

Overview

The group has in place a robust framework for reporting operational risk. Reports are gathered form all operational areas giving updates on the status of projects and risk areas, along with any projected economic impact. In addition a register of operational events is kept, including the potential economic impact and recording both the potential and actual exposure of the event. Reports are submitted to both the RMC and the Risk Committee allowing them to form a comprehensive picture of the operational risk in the Company and the trend by business area. Operational risks are reported under a red/amber/green framework allowing clear identification of high priority risks. This allows for early intervention should that be required and also reveals any patterns of interconnected risk between business areas. The risk committee have authority to raise any operational risk issues directly to the board, should they consider that to be necessary.

Key operational risks faced by the business

The key operational risks (by risk and potential impact) identified by the business during 2016 were as follows:

- Volume and complexity of change delivery, including preparation for the conversion of the administration system of GAL;
- Preparation for move of data centre and related IT change;
- Risk of cyber attack; and
- Risk of insufficient availability of skilled employees and key people.

These risks are mitigated my intensive monitoring by both the RMC and the (operational) Risk Committee, both of which have a range of options for ensuring that risk are kept within the risk appetite, including the authority to allocate resource to one or more business areas should that be required.

C6: Other material risks

There are no other material risks to disclose.

C7: Any other information

There is no other material information to report.

Section D: Valuation for solvency purpose

D1: Assets

1 Solvency II valuation for each material asset class

The Solvency II valuation for each material class of asset as at 31 December 2016 is as follows:

Investment Type	**Total Solvency II Value (£'000)**
Government bonds	6,252,204
Corporate bonds	14,139,156
Equity	464,019
Investment funds	1,657,694
Structured notes	348
Collateralised securities	909,798
Cash and deposits	233,814
Mortgages and loans	824,638
Property	404,280
Assets held for index and unit linked funds	22,426,379
Derivatives	125,585
Total	**47,437,915**

Included in the total investment assets above are the investments of Ark Life solo entity of £2,075 million. The remaining investments are assets of Reassure Limited, with the exception of £191 million cash and deposits held by the holding and service companies. Valuation methodologies described below are adopted at both a solo and a group level.

2 Valuation bases, methodologies and main assumptions for each material asset class

Valuation bases

ReAssure Group values its assets at fair value in line with IFRS accounting standards. In circumstances where the adoption of more than one valuation basis is permitted, the basis chosen is consistent with the economic valuation principles prescribed by Solvency II. The methodologies for ascertaining fair value are described in more detail below.

Valuation methodologies

The vast majority of ReAssure Group assets are priced using Quoted Market Prices (QMP) available from actively priced markets. For ReAssure Group assets that have a relatively low market liquidity, Alternative Valuation Method (AVM) is applied. AVM is typically used to determine a best estimate for certain assets where quoted market prices are unobtainable. AVM techniques rely on models that apply benchmarks, extrapolated or otherwise calculated, as far as possible, from available market inputs. Although the application of AVMs can be subjective, their use in ReAssure Group is consistent and carried out under a controlled environment with input from experienced professionals. Property valuations are free of mortgage, charge or other debt security and therefore no deductions are made for such charge or debt.

Valuation assumptions

Assets are valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. All assets are valued separately and on a going concern basis. The valuation information produced and retained is complete, accurate and reliable. The principle method for valuing ReAssure Group assets is the utilisation of quoted market prices (QMP). Where an exchange market is closed, due to national holiday or otherwise, the last available price from the preceding trading day is used.

Listed equities

All equities, including foreign equities, are valued on a closing bid price basis. Foreign equities are quoted in the currency of the country in which they are listed and subsequently converted to sterling using the exchange rate supplied from the valuation date.

Unit trusts and open ended investment company funds

UK authorised unit trusts are valued at bid price. Holdings in open ended investment company funds (OEICs) are valued at the single quoted price for such funds. Underlying assets to these funds use fair value prices.

Government bonds

Government bonds are valued on a closing bid price basis.

Corporate bonds

Corporate bonds are priced using a closing bid price basis. The majority of corporate bonds held are priced using QMP although a small and immaterial number of assets are priced using AVM due to lack of liquidity in the market.

Assets held for index and unit linked funds

Assets held for index and unit linked funds are valued at the bid price of the funds. Underlying assets to these funds use fair value prices.

Collateralised securities

Collateralised securities are generally valued at bid price using QMP. A small number of illiquid securities are valued using AVM.

Mortgages and loans

Commercial mortgages and loans (including infrastructure loans) will not usually be traded in an open market and hence will not have an observable price. These investments will be valued using AVM. The price for such investments is calculated by taking the projected cash flows for the investment and applying a suitable discount factor based with an allowance for illiquidity built in over the benchmark government rate. The valuation will take into account any expected impairment to the prospective cash flows

Cash and deposits

Certificates of deposit mainly comprise of money market instruments that have a duration term of 3 months or less. Under IFRS, these holdings are classed as cash equivalents and as such, QMP methodology is not applied. The carrying value of cash and cash equivalents is equal to their fair value. Access to cash is on demand and bank deposits are accessible on demand or within one business day.

Property

Investment property consists of land and buildings held for investment purposes to generate rental income and/or capital appreciation. All properties are priced monthly by professional advisers on an open market value basis as determined by the Royal Institution of Chartered Surveyors (RICS) using an Alternative Valuation Method. ReAssure apply a further 1% discount to individual property valuations representing estimated selling costs. A ReAssure Group subsidiary is also a limited partner in an Equity Release Investment Plan (ERIP) scheme that holds a reversionary interest in a portfolio of residential properties. These properties are individually valued every two years on a rolling basis by appointed professional advisers in accordance with RICS professional standards. In the interim period informal valuations are conducted monthly, applying the Nationwide Building Society regional index to the last available valuations. The market values of properties are then adjusted to reflect that ReAssure owns a reversionary rather than immediate interest in the property. This adjustment is calculated by estimating both the time until the transfer of the asset and the value of expected cash flows discounting to the valuation date.

Derivatives

Where derivative holdings are openly traded in an active market they are valued at open market price. That price taken would be the available bid price for the derivative contract. Certain derivative holdings do not have open market prices to reference. Where this is the case they are valued by an alternative valuation method, which would source price information from a suitable model. The substantial majority of derivatives held at end were valued using QMP.

Immaterial asset classes

Those asset classes remaining such as unlisted equities, private placements and unquoted bonds are low value in proportion to the overall asset portfolio and apply QMPS and/or AVM, where appropriate.

3 Material differences between Solvency II and financial statement values for each material asset class

For each material asset class, no significant differences exist between the bases used, methodologies adopted or assumptions applied for solvency valuation purposes and those used for the financial statements valuation in individual company financial statements. The group does not publish consolidated group financial statements. There are no differences between valuation bases adopted at a solo level and those adopted at a group level.

4 Criteria used to assess whether financial markets are inactive

Listed equities, unit trusts and OIECs are assumed to be traded in active markets, unless a listing is suspended or the fund manager advises of the existence of any trading restrictions. Certain corporate bond holdings are deemed not to be actively traded. This conclusion is made following advice from the fund manager who considers array of factors including the number of investors holding the asset, frequency of trades and units in issue. Where an asset is deemed not to be traded in an active market it is priced using an appropriate pricing model. Further details of models and approaches used in pricing illiquid assets are set out in section D4.

5 Deferred tax assets and liabilities

Deferred tax assets and liabilities on profit calculations

Deferred tax assets or liabilities are recognised in relation to timing differences in between the recognition of an item of profit or revenue in the Solvency II income statement account and the point at which the item of profit or loss is recognised for tax purposes.

Deferred tax assets and liabilities are also recognised for all deductible temporary differences, unrealised tax gains, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Changes to the mainstream corporation tax rate announced in the 2015 Government Budget, were enacted prior to the 2016 year-end, and have therefore been reflected in Solvency II valuation tax rate assumptions for year-end 2016. Under the Budget provisions, the rate of corporation tax will fall to 17% with effect from 1 April 2020. Accordingly, deferred tax balances have been measured at 17%. At 31 December 2016 the group had deferred tax assets of £403,746 and deferred tax liabilities of £220,629,357.

Non-profit business

Deferred tax liabilities and assets are calculated as follows for the non-profit business trading profits:

a) Solvency II technical provisions are compared to the corresponding IFRS amounts, to compute the deferred tax timing differences between the two bases;

b) Deferred tax assets are recognised for tax reliefs that are expected to be available in future periods, namely the 'transitional relief' granted following a change to the tax regime in 2013 and relief expected from expensing of the business acquisitions IFRS Value of in force;

c) Deferred tax assets are recognised in respect of the value of excess expenses, acquisition costs and capital losses that are available to reduce future life tax charges. This is justified by reference to realistic projections of future profits that predict the quantum of these assets that will be utilised against taxable profits within 15 years;

d) Deferred tax liabilities are provided in relation to unrealised chargeable gains that are expected to crystallise taxable profits in future periods.

With-profit business

Deferred tax in respect of trading profits for the three with-profits funds:

a) Deferred tax does not arise in relation to the trading profits of the National Mutual With Profit Fund (NMWPF) because this is a mutual fund with no shareholder surplus entitlement, so there are no differences between the Solvency II and IFRS balance sheets that could affect the shareholder profits.

b) A deferred tax liability is recognised in relation to the difference between the IFRS shareholder equity and Solvency II future shareholder funds.

c) Other deferred tax assets and liabilities in relation to items b) – d) described above for the non-profit business apply, as appropriate, to the with profit business.

Loss absorbing capacity of deferred tax (LACDT)

LACDT is calculated separately for non-profit fund and the three with-profit funds. In the case of the NMWPF, the nil shareholder participation in that fund means that no LACDT applies.

The calculation is carried out on both the trading profit calculations and an assessment of the impact of the valuation of the deferred tax assets relating to excess expenses and capital losses is computed.

The LACDT is limited to the lower of the deferred tax liability for trading profits and the corporation tax rate applied to the SCR.

The LACDT includes tax relief arising from the carry back of losses to the year preceding the valuation, capped at the lower of the actual tax paid and a normalised tax amount.

6 Holdings in related undertakings

All related undertakings are recorded on a fully consolidated basis with the Solvency II balance sheet reflecting the underlying assets and liabilities of those undertakings.

7 Changes made to recognition or valuation bases in the period

There were no changes made to the recognition or valuation bases in the period.

D2: Technical provisions

1 Value of Technical Provisions

A summary of the Technical Provisions is shown in the table below.

Technical Provisions £'000	RAL Solo	Ark Solo	Group Expenses	Total 2016
Gross BEL	40,126,560	2,014,437	57,998	42,198,995
Risk margin	1,395,173	43,261	-	1,438,434
Transitional deduction to Technical Provisions (unaudited)	(577,808)	-	-	(577,808)
Total Technical Provisions	**40,943,925**	**2,057,698**	**57,998**	**43,059,621**
Reinsurance Recoverable	(973,854)	(262,070)	-	(1,235,924)
Technical Provisions allowing for Reinsurance Recoverable	39,970,071	1,795,628	57,998	41,823,697

ReAssure Limited Technical Provisions split by line of business is as follows:

RAL Line of Business £'000	With Profits	Unit-linked	Other Life	Health
Gross BEL	3,310,145	19,583,617	16,873,139	359,659
Risk margin	49,577	255,609	1,074,727	15,260
Transitional deduction to Technical Provisions (unaudited)	(36,871)	(114,387)	(420,417)	(6,133)
Total Technical Provisions	**3,322,851**	**19,724,839**	**17,527,449**	**368,786**
Reinsurance Recoverable	(1,087)	-	(965,103)	(7,664)
Technical Provisions allowing for Reinsurance Recoverable	3,321,764	19,724,839	16,562,346	361,122

Ark Life Technical Provisions split by line of business is as follows:

Ark Line of Business £'000	With Profits	Unit-linked	Other Life	Health
Gross BEL	-	1,772,632	236,744	5,061
Risk margin	-	14,112	26,757	2,392
Transitional deduction to Technical Provisions (unaudited)	-	-	-	-
Total Technical Provisions	**-**	**1,786,744**	**263,501**	**7,453**
Reinsurance Recoverable	-	-	(245,651)	(16,419)
Technical Provisions allowing for Reinsurance Recoverable	-	1,786,744	17,850	(8,966)

The Technical Provisions consist of the Best Estimate Liabilities (BEL) and the Risk Margin, less any Transitional Deduction to Technical Provisions (TDTP).

Contributing to the Technical Provisions in ReAssure group are: the Technical Provisions from the solo ReAssure legal entity (RAL), the Technical Provisions for the Ark Life solo legal entity and some additional expense provisions that are allowed for at group level.

There are no material adjustments to individual Technical Provisions in the calculation of the group Technical Provisions.

2 Bases and methodology – BEL

Other Life and Health business

This comprises non-linked non-profit business. The BEL corresponds to the probability-weighted average of future policyholder cash-flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant risk-free interest rate term structure, with allowance for, where appropriate, a Matching Adjustment or Volatility Adjustment. The calculation is conducted at a per-policy level for all non-profits business.

The cash-flow projections include all the cash in- and out-flows required to settle the insurance and reinsurance obligations over the lifetime of the policy.

Unit-linked business

For unit-linked business, the BEL consists of the value of units less the discounted value of future profits. Future profits arise from the difference between income items such as premium margins, management charges on the internal linked funds, deductions for cost of mortality and morbidity benefits and policy fees, and outgo items such as claims in excess of unit value, expenses and cost of mortality and morbidity benefits.

With-profits business

For with-profits business, the BEL consists of the asset share plus an allowance for the cost of options and guarantees.

The asset shares represent the underlying value of a with-profit investment and it is calculated by accumulating historical premiums paid, return on assets backing asset shares and deductions made. With-profits policies may have minimum maturity or surrender value guarantees. Some policies have annuity guarantees, principally guaranteed minimum rates for conversion of maturity value to an annuity.

For the With-Profit Fund (WPF) and the National Mutual With-Profit Fund (NMWPF), the cost of guarantees is modelled stochastically. The cashflow projections use an Economic Scenario Generator (ESG). The projections use model points representing groups of similar policies (rather than individual policy data) for practical reasons.

The close matching approach in the Guardian Assurance With-Profit Fund (GAWPF) results in a deterministic valuation of guarantee costs.

3 Discount rates and inflation assumptions

Discount rates are determined by reference to basic risk-free interest rates prescribed by EIOPA. These have a term structure, so vary by time, for each currency. The basic risk-free interest rate curve may be adjusted upwards for illiquidity, via a Matching Adjustment or a Volatility Adjustment (but not both), with the result referred to as the relevant risk-free rate term structure.

A Matching Adjustment is applied to certain blocks of the group's annuity business. The calculation of this is prescribed by EIOPA, although the result depends on the actual spreads on the Matching Portfolios of assets, and the credit quality of those assets. The Matching Adjustment rate applied at 31 December 2016 is 1.00% in MA Fund 1 and 0.94% in MA Fund 2.

Where a Volatility Adjustment is included in the discount rate, the rate is prescribed by EIOPA, and is 0.3% per annum for the next 50 years reducing to 0.112% per annum over the following 100 years at 31 December 2016.

Ark Life does not apply a Matching Adjustment or a Volatility Adjustment to the discount rate used for Solvency II Technical Provisions.

An assumption is made about future rates of inflation to be applied, in particular to payments to policyholders and expenses which increase in line with the value of a specified index (for example, RPI).

4 Demographic and expense assumptions

Best estimate demographic and persistency assumptions are generally set with regard to recent company experience, but consideration may also be given to expert judgement, industry practice and market information.

Policy expenses are determined with reference to Management Service Agreements in place between the legal entities included in the group and a number of service companies (some of them external and some controlled by ReAssure Group) to provide policy administration and support services. In addition, assumptions are made about payments to investment firms in return for the management of investments.

An assessment of the future overall expenses expected to be incurred by ReAssure Group for the administration of insurance contracts (directly or through holding the service companies) and the expense allowances made at legal entity level is carried out at the valuation date. For the purposes of this assessment, the Group is assumed to transition to a closed run-off operation, with policy servicing outsourced and other functions scaled down accordingly. This transition is assumed to be complete within three years of the valuation date, and the one-off costs of making this transition are allowed for in the calculation of the Group's expenses.

5 Material changes in assumptions

Material changes to assumptions made since the last reporting period are listed below.

- Discount rates are based on the EIOPA risk-free term structure increased by the Matching Adjustment or Volatility Adjustment for certain blocks of business. The impact of changes in these rates results in an increase in Technical Provisions of £975,976,000.
- Changes to demographic assumptions resulting from updating the annuitant mortality bases for RAL have decreased the Technical Provisions by £225,823,000.
- There was a £139,500,000 increase in the provision set up to reflect the likely financial outcome of initiatives that the company has undertaken to comply with various regulatory changes.
- A revision of the group expenses during 2016 resulted in Technical Provisions decreasing by £162,002,000.

6 Bases and methodology – Risk Margin

The Risk Margin represents the cost of capital that would be added to the BEL to arrive at a fair value of the liabilities i.e. the price at which a notional purchaser (the "reference undertaking") would take on the liabilities assuming a rational market. The rate used in the determination of the cost of providing that amount of eligible Own Funds (cost of capital rate) is the same for all insurance undertakings and is defined in EIOPA regulations as 6% per annum.

7 Level of uncertainty within the Technical Provisions

The calculation of Technical Provisions involves predicting future cash flow payments (income and outgo). Some of these values are known amounts, but others have to be estimated using existing information and judgement about future conditions. There is a significant degree of uncertainty around the best estimate assumptions used to determine future cash flow payments. These assumptions contain uncertainties, as economic performance, timing of insured events such as policyholder deaths, and other factors cannot be known in advance, so the amount of cash-flows and their current values may be higher or lower than those calculated.

The assumptions that are subject to the greatest uncertainty are:

- Assumption for remaining life expectancy of annuitants – ReAssure Limited has a significant block of annuity business for which the Technical Provisions calculation requires an estimate for the length of time over which annuities will be paid, which could extend for many years into the future. Future mortality rates are inherently uncertain so actual annuity payments will differ from those assumed.
- Policyholder behaviour – Policyholders' decisions to terminate policies early are subject to a range of causes that cannot be predicted with confidence. Companies in ReAssure Group set persistency assumptions using recent years' experience of policyholder behaviour. Future developments, such as changes in regulation or economic outlook, can lead to actual persistency experience being higher or lower than that assumed.

8 Comparison to valuation for financial statements

At 31 December 2016, the gross Technical Provisions for the group calculated under IFRS basis used for financial statements purposes were £46,073,207,000 and the gross Technical Provisions for Solvency II were £43,059,622,000. Summary Technical Provisions are shown in the table below.

£'000	RAL Solo	Ark Solo	Group Expenses	Total
Technical provisions in financial statements	44,044,517	2,028,690	-	46,073,207
Valuation differences	(3,100,591)	29,008	57,998	(3,013,585)
Total Technical Provisions	40,943,926	2,057,698	57,998	43,059,622

A breakdown of Reassure Limited Technical Provisions by type of business is shown below.

£'000	With Profits	Unit liabilities and VIF	Non profit	RAL solo total
Technical provisions in financial statements	3,867,818	20,539,993	19,636,706	44,044,517
Valuation differences	(544,967)	(1,056,850)	(1,498,774)	(3,100,591)
Total Technical Provisions	3,322,851	19,483,143	18,137,932	40,943,926

The material items making up the difference of £3,013,448,000 are described below.

- Future distribution of the estate for the with-profit funds of £628,591,000 is included in the financial statements' technical provisions but excluded for Solvency II;
- Unit-linked value of in-force business (VIF) of £1,198,044,000 is not recognised in the financial statements, but is recognised under Solvency II;
- Prudential margins of £894,273,000 included in the IFRS basis;
- Solvency II Technical Provisions reduced by Transitional Measures of £577,808,000; and
- Group expenses of £57,998,000 not included under an IFRS basis.

The group does not publish IFRS consolidated financial statements.

9 Reinsurance recoverables

The legal entities within the group have entered into a number of reinsurance arrangements. The reinsurance ceded predominately relates to annuity business in the form of longevity swap. In the valuation of ceded reinsurance, the counterparty risk is considered.

10 Matching Adjustment

There are two distinct Matching Adjustment portfolios within the RAL Non-Profit Fund as follows, one relating to the RAL business that was within the fund prior to the Part VII transfer of Guardian (MA1); and, separately, one relating to the former Guardian business Matching Adjustment portfolio transferred in at the Part VII date (MA2).

Ark Life does not apply any Matching Adjustment.

The table below shows the effect of the Matching Adjustment on the group financial position.

Impact of Matching Adjustment £'000	With Matching Adjustment	Without Matching Adjustment	Difference
Technical Provisions	(43,059,622)	(44,416,774)	(1,357,152)
Solvency Capital Requirement	(2,764,213)	(3,365,417)	(601,204)
Minimum Capital Requirement	(694,385)	(844,686)	(150,301)
Basic Own Funds	3,327,595	2,201,159	(1,126,436)
Own Funds eligible to cover SCR	3,327,595	2,201,159	(1,126,436)
Own Funds eligible to cover MCR	3,327,191	2,176,180	(1,151,011)

The table above shows that in the scenario where the group is not able to take credit for the Matching Adjustment, it would not have sufficient resources to cover the Solvency Capital Requirements. In this event, the group would seek to implement the following actions in order to restore compliance:

- Restore its capital position through a capital injection from Swiss Re Group;
- Reduce its credit risk exposure through corporate bonds and other credit assets and match the liabilities with assets with a lower risk profile;
- Seek to hedge its equity and property risk; and
- Explore the opportunity to reduce longevity risk of their blocks of annuities through reinsurance arrangements.

11 Volatility Adjustment

The Volatility Adjustment is applied to certain annuities in the Reassure Limited Non-Profit Fund and guaranteed annuity rates, guaranteed annuity option and cash guarantees in the NMWPF and WPF.

The table below shows the effect of the Volatility Adjustment on the group financial position.

Impact of Volatility Adjustment £'000	With Volatility Adjustment	Without Volatility Adjustment	Difference
Technical Provisions	(43,059,622)	(43,269,688)	(210,066)
Solvency Capital Requirement	(2,764,213)	(2,806,714)	(42,501)
Minimum Capital Requirement	(694,385)	(705,010)	(10,625)
Basic Own Funds	3,327,595	3,171,052	(156,543)
Own Funds eligible to cover SCR	3,327,595	3,171,052	(156,543)
Own Funds eligible to cover MCR	3,327,191	3,170,648	(156,543)

Ark Life does not apply any volatility adjustment.

12 Transitional Deductions

No group company has applied the transitional risk-free interest rate structure allowed by regulations.

RAL has applied the transitional deduction to Technical Provisions (TDTP) as allowed by Article 308d.

Ark Life has not applied any transitional deduction to Technical Provisions.

The table below shows the effect of the TDTP on the group financial position.

Impact of Transitional Deduction to Technical Provisions (TDTP) £'000	With TDTP	Without TDTP	Difference
Technical Provisions	(43,059,622)	(43,637,430)	(577,808)
Solvency Capital Requirement	(2,764,213)	(2,852,464)	(88,251)
Minimum Capital Requirement	(694,385)	(716,448)	(22,063)
Basic Own Funds	3,327,595	2,879,881	(447,714)
Own Funds eligible to cover SCR	3,327,595	2,879,881	(447,714)
Own Funds eligible to cover MCR	3,327,191	2,879,477	(447,714)

The TDTP has been recalculated following the Part VII transfer of Guardian Assurance Limited to RAL.

There is no adjustment at group level to the Transitional Deduction used at individual level.

13 Simplifications

There are no significant simplifications used in the valuation of the Technical Provisions.

D3: Other liabilities

1 Valuation of other liabilities

Solvency II value for each material class of other liabilities for the group as at 31 December 2016 is as follows:

Other Liabilities £'000	Solvency II Value	Solvency II Value
Claims admitted but not yet paid	189,400	
Unallocated policyholder receipts, commission and insurance refunds due	30,578	
Insurance and intermediaries payables		**219,978**
Reinsurance payables		**100,378**
Due for investment purchases	9,126	
Corporation tax due	86,982	
Dividends due not yet paid	75,000	
Other trade payables	141,376	
Payables (trade not insurance)		**312,484**
Other Liabilities		**41,445**
Total		**674,285**

Included in the total above are the other liabilities of Ark Life of £29m.

Other liabilities for Reassure Limited as at 31 December 2016 are as follows:

Other Liabilities £'000	Solvency II Value	Solvency II Value
Claims admitted but not yet paid	189,351	
Unallocated policyholder receipts, commission and insurance refunds due	30,548	
Insurance and intermediaries payables		**219,899**
Reinsurance payables		**95,149**
Amounts due to Group companies	323,170	
Corporation tax due	86,982	
Due for investment purchases	9,126	
Other	56,937	
Payables (trade not insurance)		**476,215**
Other		**50,379**
Total		**841,642**

Inter-company balances in the Reassure Limited totals will be eliminated in the group balances shown above.

2 Valuation bases, methodologies and main assumptions for each material asset class

Other liabilities are valued at the transaction price on initial recognition. This is considered to be a fair economic value consistent with Solvency II principles. At the reporting date all amounts are payable within one year and liabilities are recorded at the undiscounted cash amount to be paid.

Claims amounts due are calculated based on the contractual amount payable under the policy at the date of the liability event plus any interest that is due to the policyholder for late payment. The group holds amounts for claims due where contact with the policyholder has been lost, although considerable efforts are made to contact any policyholders to whom amounts may be due.

Collateral posted held within other liabilities represents amounts received under a contract of reinsurance. Amounts received give ReAssure Group security over amounts that are expected to be due under the contract at a future date, given current conditions and assumptions.

Amounts due for corporation tax are based on estimated calculations of amounts due until the liability has been agreed with HMRC at which point provision is made for the actual amount payable. Estimated amounts due are based on internal calculations of liability based on understanding of the current legislative framework.

Other liabilities are valued in accordance with economic valuation principles and so the valuations are appropriate for Solvency II. Therefore, there are no differences between the values used in the financial statements and the valuation for solvency purposes.

3 Solvency II other provisions

There are no other material provisions outside of the technical provisions.

4 Employee benefits

ReAssure Group Limited is the sponsor of one defined benefit scheme, the Admin Re Staff Pension Scheme ('ARSPS'), which is closed to future accruals. The scheme had approximately 3,080 members at year end. The group also operates an unfunded unapproved retirement benefit scheme or private retirement trust for one deferred member.

In accordance with Solvency II regulations the company values its scheme assets and liabilities in accordance with International Accounting Standard 19. The net liability for the schemes in the Solvency II balance sheet at 31 December 2016 was £42.8 million.

The key assumptions used in the valuation of the scheme liabilities were as follows:

Assumptions	2016
Discount rate	2.6%
Inflation rate	3.5%
Rate of increase in salaries	3.5%
Rate of increase in pensions	3.5%
Rate of increase in deferred benefits in deferment	2.5%

Mortality	2016
Longevity at age 60 for current pensioners	
- Men	29.3
- Women	30.9
Longevity at age 60 for future pensioners currently aged 45	
- Men	30.9
- Women	32.6

The fair value of the scheme assets is set out below:

£'000	2016
Equities	139,509
Bonds	224,604
Gilts	27,146
Cash	2,271
Total assets	**393,530**

In addition the Group has made a contribution into an escrow account the funds of which will be made available to the pension scheme should the scheme not achieve certain funding levels over a ten year period. The value in the escrow account at 31 December 2016 was £28 million.

5 Changes made to recognition or valuation bases in the period

There were no changes made to the recognition or valuation bases in the period.

6 Material differences between Solvency II and financial statement values for each material liability class

For each material liability class, no significant differences exist between the bases used, methodologies adopted or assumptions applied for solvency valuation purposes and those used for the financial statements valuation in individual company financial statements. The group does not publish consolidated group financial statements.

D4: Alternative methods for valuation

1 Identification of assets subject to mark to model valuation techniques

All land and buildings held by ReAssure Group use a mark to model valuation technique. Illiquid investments such as commercial mortgages and infrastructure loans are valued using AVM. Other than properties and illiquid investments, an immaterial amount of assets, predominantly bonds, are valued using AVM. In addition, certain derivative positions are valued by alternative valuation techniques.

2 Justification for using mark to model techniques for valuing assets

Investment properties

Investment properties are subject to AVM due to the absence of a tradable financial market for which identical or similar properties are frequently exchanged to provide common and credible market prices. Investment properties are valued by specialists equipped with a wealth of available resources, wide-ranging expertise, access to a large array of market sensitive information and an up-to-date knowledge base.

Illiquid corporate bonds

The use of alternative valuation methods to price a small number of corporate bonds is justified because no actively traded market prices are available.

Mortgages and loans

The use of alternative valuation methods is necessary as these investments generally have no open market observable prices.

Derivatives

Certain derivative positions held by the company are more bespoke holdings often held to hedge very long term annuity liabilities. These may not have an active market and as a result there may be no open market price that can be used for valuation purposes. Where this is the case derivatives are valued on a mark to model basis.

3 Documentation of assumptions underlying the mark to model valuation

Changes in valuation model and inputs used

There have been no material changes during the period to valuation models or the inputs used.

Investment properties

ReAssure Group uses property valuation experts to support the valuation of all investment property held within the property fund.

The process for valuing investment properties encompasses a degree of subjectivity in estimating the probability of realising expected future rental income and future resale values. Property valuations are broadly made using two types of assumptions;

- Property-specific assumptions (e.g. opinions of market rent); and
- Valuation assumptions (outlined in the annual valuation report, the contract and general terms of business)

Property valuation experts and surveyors adhere to the professional reference known as the RICS 'Red Book' when making valuation assumptions. The Red Book contains mandatory rules, best practice guidance and related commentary for all members of RICS conducting property valuations. It also offers a useful reference resource for valuation users and other stakeholders.

Valuations are based on the assumption of vacant possession and properties are subject to regular inspection. Valuation estimates reflect usual deductions in respect of purchasers' costs, full liability for legal costs, agents' fees and stamp duty applicable at valuation date. No provisions are made in the asset valuation for expenses of realisation, potential capital gains tax or VAT chargeable on disposal. It is assumed that there is good and marketable title and properties are free of mortgage, charge or other debt security with no deductions for such charge or debt. Properties are assumed to be in good structural condition, meeting statutory requirements and complying with planning regulation. It is assumed that properties are not, nor are likely to be, affected by land contamination and that there are no ground conditions which would affect the present or future uses of the properties. The emergence of categorical evidence regarding property contamination will be reflected in a property valuation.

Corporate bonds
In pricing private placements, ReAssure Group outsources this task to its external fund managers. ReAssure's fund managers are more adept to analysing assets at a granular level, in conjunction with industry experience of micro and macro market data, ultimately contributing to a value considered accurate and appropriate.

The fund managers' models uses suitable gilts and bonds as a reference to derive an appropriate spread to apply. An additional spread is added to take account of any illiquidity and arrive at a suitable price. The illiquidity premium of the private placement corporate debt includes two components: market spread based on public corporate spreads having similar tenors; and an illiquidity spread determined by a reputable, market leading, vendor (based on the quality rating, average life and Treasury yields).

Accessibility to finance supported by a UK government backed sovereign guarantee is assumed for those local authority bonds with no market price modelled using alternative valuation models. The Public Works Loans body has the ability to grant loans to local authorities and therefore the main risk consideration is liquidity exposure. The multiple applied currently to the illiquidity premiums is two for calculating the spread over UK Gilts and deducing the price of the Local Authority Bond.

Mortgages and loans
When pricing illiquid investments the group uses suitable traded gilts and bonds as a reference to arrive at a suitable assumption for the illiquidity premium to use in the price modelling. The group will also use fund managers with experience in these investment types to benchmark assumptions and prices against their experience of observed prices for illiquid investments where they have traded at an open market valuation.

Derivatives
Where pricing models are used for derivatives, the group uses industry standard pricing models using the derivative contract specifics. These use market observable metrics such as currency exchange rates, index values, current (and forward) interest rate curves in a given currency and, for contracts with optionality, volatilities. Typically these metrics would be sourced from external data providers and fed into valuation models.

4 Assessment of valuation uncertainty surrounding mark to model techniques used

Investment properties

Commercial and residential properties are traded less frequently than assets such as listed equities and therefore a lack of liquidity increases the challenge to easily assess and attribute accurate prices. Inherent uncertainties prevail in any method of valuing property. There are different types of uncertainty which include:

- Property valuations based on opinion which cannot be quantified;
- Market conditions at the time of valuation (particularly in rapidly moving markets);
- Property-specific issues (e.g. will the tenant vacate at lease expiry or renew); and
- Investment Approach.

Valuation assessments are made on the basis of collation and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the respective properties. With the benefit of such transactions, valuation experts then apply these factors to individual properties, taking into account size, location, lease terms, covenant strength and other material applicable factors. Uncertainty is further reduced by harnessing multiple sources of quality information, including external benchmarks, in-house and industry-specific databases.

Other valuation uncertainties concern properties where few or no similar properties exist within close vicinity upon which to base a valuation opinion. A scarcity of comparable local properties places greater weighting on the surveyors' own opinion. While there is an element of subjectivity to a surveyor's assessment, each valuation should be reviewed and subject to sign-off. Further analysis may be undertaken by property analysts to independently review a valuation, discuss their findings with the surveyor and provide a report updating senior management or partners to secure a final decision.

Corporate bonds

All models are subject to limitations and uncertainties. For private placement bonds, the spreads applied can vary within a range of approximately 200 basis points. Private placement asset holdings are relatively small, therefore the margin of error is deemed immaterial in terms of the entire portfolio.

Models subject to liquidity premiums typically feature a higher frequency of uncertainty. Where a liquidity premium is applied, this factor is highly variable on a day-to-day basis although the liquidity multiple which the bonds are marketed at is reviewed once a month to reflect the buy and hold nature of the bonds. In addition to the size of the holdings, maturity is also given consideration versus the total portfolio size. Sizes are small with an aggregate of below 1% of the portfolio. When considering these factors, they equate to an insignificant contribution in terms of duration and market value to the overall portfolio.

Mortgages and loans

While these assets are not generally traded actively in an open market there is an active new issue market and assets are traded between willing buyers and sellers. Valuation uncertainly is reduced by taking valuation advice from fund management experts who deal frequently in these asset types, whether that is on the primary issue market or the secondary market. The residual valuation uncertainly inherent in these asset types is not considered to be material.

Derivatives

Valuation uncertainties are reduced by using market observable data in pricing models wherever this is possible. In addition, model results are subject to price verification review as part of the standard price verification process.

5 Comparison of the valuations against experience

Investments valued by alternative valuation methods are generally towards the more illiquid end of the scale and in some cases, particularly infrequently traded bonds, mortgages and infrastructure loans, they will often be held to maturity. In such cases the valuations used, which reflect cash flows at an appropriate discount rate, will be a close match to actual experience.

Property assets are also infrequently traded with disposals often reflecting a particular opportunity. That opportunity might be both positive (to realise as asset a premium to valuation) or negative (to dispose of a poorly performing property or one that no longer fits the strategic aim of the property portfolio). While this may mean that experience of property assets is that they can realise both a premium and a discount to valuation, overall property valuations would be supported by values realised from disposals. Over time, the group has not experienced material detriment from the realisation of property below the valuation attributed in the balance sheet.

In the derivatives market prices, are generally set using standard derivative models and the group would expect to be able to realise derivative assets at or close to balance sheet valuation if that was required.

D5: Any other information

There are no material differences between valuation methods applied at a group level and those applied at a solo level.

Section E: Capital management
E1: Own funds

1 Objectives, policies and processes employed for managing own funds

Own funds are managed in line with the documented capital management policy of the group. The capital management policy for ReAssure Group is an annex to the Swiss Re legal entity capitalisation policy and includes features specific to ReAssure Group UK legal entities. It is also consistent with the ReAssure Group business unit legal entity guidelines.

The minimum capitalisation is determined by the regulatory requirements of EIOPA delegated acts, applicable to life insurance companies. The summary objectives of the capital policy are as follows:

- At all times ensure that ReAssure Group and all subsidiary companies maintain capital resources consistent with regulatory requirements and adopted risk appetites;
- At all times ensure each operating entity maintains adequate liquidity within its total financial resources to ensure ability to discharge liabilities as and when they fall due;
- When entering into material new business transactions ensure access to and commitment of adequate levels of Swiss Re Group financial resources to support the underwriting of the new business transaction and no material change to the residual post transaction risk profile of the ReAssure Group operating companies;
- To utilise as appropriate intra-group financial instruments to manage the transfer of risk capital and emergent profit streams between Swiss Re Group corporate entities; and
- The capital management policy specific to the With-Profit funds, which is to be compliant with what is set out in the PPFM.

Own funds held must be sufficient to absorb shocks at the level set out in the company's risk appetite. The group's adopted risk appetite is an aggregate operating model such that it has sufficient operating capital to absorb the loss consistent with a 1 in 200 year risk event materialising within the following 12 month period and still have adequate resources to discharge in full its policyholder liabilities as they fall due. The risk appetite framework sets macro concentration limits to exercise control over the exposure to individual risk factors. Risk limits apply to each category within insurance risks, market, credit, and operational risk.

For Non-Profit funds, the primary capital management target of a ReAssure insurance company is to maintain a minimum excess Solvency II capital resources of 20% of Solvency II SCR, subject to the discretion of the Board and on the interaction of the buffer with any specific capital margins required by either Court Order or the PRA. There is an additional floor that the target capital should exceed 50% of the exposure to Swiss Re Group and its subsidiaries (where surplus own funds is defined as own funds less SCR). This is measured as 50% of the decrease in surplus Own Funds were Swiss Re to default on their obligations to ReAssure Group. This target will from time to time be reviewed by the Board. Excess capital should be managed to within a range of 90% to 110% of the target capital.

To the extent that a specific material risk event crystallises, or there is a fundamental change in the perception of the potential liability for a specific insurance risk category necessitating increased capital resources after applying a consistent risk appetite standard, ReAssure Group will seek additional financial resources from Swiss Re Group. The level of resources sought would be such as to maintain capital levels in excess of capital requirements at a level consistent with those applicable before the given change in perception or actual event. The precise form of those additional resources may utilise any form of acceptable intra-group financial instrument including effective risk transfer from Reassure Group to other Swiss Re Group entities as opposed to increasing absolute financial resources in Reassure Group.

The capital position of the ReAssure Group insurance companies is formally reported to management committees at least monthly, with full valuations at least six monthly. Projected positions are reported periodically as revised assessments are performed. Key drivers of the position are monitored more frequently with daily updates of the bond portfolio position. At the Board's discretion, an additional buffer may be held to ensure the solvency target capitalisation is maintained at all times. Any dividend calculation will maintain the buffer set by the Board, but it is possible that experience variations may temporarily cause resources to fall below that level. If the buffer is expected to be irrevocably breached then the same process for securing additional capital resources as noted above for a specific material risk event or change in reserving standard will apply.

The With-Profit funds are managed in accordance with the provisions of the relevant PPFM, run-off plan, and any prior Scheme of Transfer:

- For the Windsor With-Profit fund a run-off plan has been put into effect that evaluates the distributable surplus.

- A similar run-off plan has been implemented for the NM With-Profit fund. The run-off plan also takes into account certain principles established as part of the original demutualisation.

- For the Guardian With-Profit fund, subject to any minimum guaranteed amount, the long term aim is to pay 100% of asset shares on surrender, death and maturity.

Consistent with these requirements, the ability of the funds to meet their capital requirements will be assessed taking into account any additional Board approved management actions that are not already reflected in capital projections. In particular, recourse to past miscellaneous surplus to meet the SCR is permitted.

Swiss Re Group is a complex financial services business with multiple regulated constituent businesses operating in multiple regulatory jurisdictions. The precise form of capital support available to Reassure Group companies will depend on Swiss Re Group's preferred source of funding, taking into account the Reassure Group company's current capital and liquidity structure.

ReAssure Group capital funding may take the form of one or more of the following:

- Actual cash financing by way of formal shareholder capital contribution;
- Increased paid up share capital, ordinary or preference;
- Contingent loan financing;
- Ordinary loan finance;
- Partial or complete portfolio securitisation; and
- Reassurance – both intra-group and independent third party.

This list is illustrative and not exhaustive and all forms of capital funding can be considered. The actual form of capital funding selected will be influenced by the circumstances applying at the time the capital is required.

Reassurance, securitisation or repayment of specific existing financial instruments will be the mechanisms by which ReAssure Group companies may repay capital or transfer emerging profits to connected Swiss Re Group companies in addition to explicit dividend payments where these are permissible.

When intra-group reassurance is utilised between the ReAssure Group and other Swiss Re Group companies, Reassure Group's capital requirements will make appropriate allowance for intra-group financial exposure and the explicit risk of default consistent with the stated risk appetite. Detailed capital plans are prepared as projections for the current year and forecasts for the next three years.

Capital Management of the With-Profit Funds

With-Profit funds are managed in line with the PPFM. All With-profit funds are being managed with the aim of distributing the estate over the remaining term of the policies in the fund.

2 Business planning time horizon for own funds

Projections of own funds are made over the three year business planning period, including related stress and scenario tests. For items that are expected to cause major changes to own fund balances, such as acquisitions of closed blocks of business, the impact of the event on own funds is typically projected over the entire life of the block of business.

3 Structure, amount and quality of own funds for each tier at reporting end and previous reporting end dates

As at 31 December 2016, ReAssure Group had £3,328 million of capital resources on a Solvency II basis. A summary of the capital resources, at year end and at the prior year end, split by Tier is shown below:

Solvency II Capital & Reserves 31 December 2016 £'000	Tier 1	Tier 2	Tier 3	Total
Share capital	73,051	-	-	73,051
Share premium	83,911	-	-	83,911
Reconciliation reserve	2,546,096	-	-	2,546,096
Amount equal to value of deferred tax assets	-	-	404	404
Surplus funds	624,133	-	-	624,133
Total	3,327,191	-	404	3,327,595

Solvency II Capital & Reserves 31 December 2015 £'000 (unaudited)	Tier 1	Tier 2	Tier 3	Total
Share capital	73,051	-	-	73,051
Share premium	83,911	-	-	83,911
Surplus funds	175,474	-	-	175,474
Reconciliation reserve	1,502,455	-	-	1,502,455
Amount equal to value of deferred tax assets	-	-	2,804	2,804
Total	1,834,891	-	2,804	1,837,695

The group has no ancillary own funds. The group has no subordinated or other debt instruments.

4 Analysis of significant changes to own funds over the reporting period

Changes in own funds over the period are as follows:

Own fund item £'000	2015 (unaudited)	2016	Change
Share capital	73,051	73,051	-
Share premium	83,911	83,911	-
Surplus funds	175,474	624,133	448,659
Reconciliation reserve	1,502,455	2,546,096	1,043,641
Amount equal to value of deferred tax assets	2,804	404	(2,400)
Total	1,837,695	3,327,595	1,489,900

The share capital and share premium accounts are unchanged over the reporting period. The increase in surplus funds is substantially due to the inclusion on acquisition of the with profit fund of Guardian Assurance Limited which was purchased by the Group on 6 January 2016. The key reasons for the changes in the reconciliation reserve are set out in the table below:

Change in reconciliation reserve	£'000
Dividend paid (see note below)	(50,000)
Foreseeable dividend	(891,000)
Acquisition of Guardian Group	1,403,000
Increase in retained earnings in year	581,641
Total movement	1,043,641

Note that £296 million of the dividend paid in 2016 was foreseeable at 2015 so it was already deducted from the reconciliation reserve at the 2015 year end.

Aside from the regular emergence of surplus, the following items were the major contributors to the increase in retained earnings during the year:

- Changes in actuarial assumptions, most notably mortality assumptions;
- Extension of the number of policies subject to matching adjustment; and
- Reduction in future expense provisions resulting from efficiencies gained from the Part VII transfer of Guardian Assurance Limited into ReAssure.

5 Information for each type of basic own fund item

ReAssure Group's capital items have been reviewed separately and classified in accordance with the regulations. ReAssure Group's basic own funds are primarily categorised as Tier 1 which consists of share capital, share premium, surplus funds and the reconciliation reserve as it meets the following criteria:

- Ranks after all other claims in the event of winding-up proceedings;
- Does not include any features which may cause the insolvency of the insurance or reinsurance undertaking or may accelerate the process of the undertaking becoming insolvent;

- Is immediately available to absorb losses;
- Is not dated;
- is free from encumbrances; and
- ReAssure Group has full flexibility over the distributions on the basic own-fund items.

ReAssure Group has no tier 2 capital items.

ReAssure Group has a deferred tax asset in its Solvency II balance sheet. In accordance with the relevant guidance an amount representing the value of deferred tax assets is recorded as tier 3 capital in Own Funds.

6 Eligible amount of own funds to cover the MCR and SCR classified by tiers

All of the group's own funds are eligible to cover the MCR except the Tier 3 capital. There are no restrictions on the capital available to cover the SCR and the group does not exceed any of the test thresholds which would require restrictions to be placed on the availability of own funds. The following tables summarises the available capital. As set out above, apart from the Tier 3 capital all of the remaining own funds consists of Tier 1 capital.

Total available own funds to meet the MCR/SCR	£'000
Total own funds	3,327,595
Total eligible own funds to meet the SCR	3,327,595
An amount equal to the value of net deferred tax assets	(404)
Own funds available to meet the MCR	3,327,191

7 Solvency ratio, calculated as eligible own funds as a percentage of the SCR

The solvency ratio for the group as at the year-end was 120% (2015 – 123%).

8 Material differences between financial statements equity and excess assets over liabilities solvency value

ReAssure Group

The ReAssure Group is not required to produce published group financial statements and so does not have a published group financial statements equity. However the only differences between any IFRS valuation and excess assets on a Solvency II basis would be as a result of the valuation differences set out below.

The Technical Provisions under Solvency II would be lower than the Technical Provisions under IFRS. The basis for the calculation of the Solvency II Technical Provisions is set out in the Solvency II legislation and is based on the best estimate principle, with allowance for a risk margin. The Technical Provisions in any IFRS financial statements reflect the Solvency I regime where the Technical Provisions are calculated on a prudent basis with built in prudential margins, resulting in a higher total value than for Solvency II. Full details of the valuation of liabilities can be found in the valuation chapter D2.

Differences arise in the deferred tax provisions between Solvency II and IFRS due mainly to the technical provisions timing differences that arise due to the different methodologies for calculating technical provisions.

In accordance with the Solvency II legislation, PVIF, which is an intangible asset, would be ascribed a nil value in the Solvency II balance sheet and so would form a reconciling item between the two bases.

ReAssure Limited (solo entity)
ReAssure Limited publishes IFRS financial statements. The reconciliation between equity on an IFRS basis and the excess of assets over liabilities on a Solvency II basis is as follows:

	Total £'000
Financial statements equity	**2,546,566**
Replace IFRS reserves with Solvency II technical provisions	3,212,651
Include SII Risk Margin	(834,243)
Changes in deferred tax under SII	(230,252)
Valuation of participations	331
Intangible asset with nil value under SII	(103,718)
Other	452
Solvency II excess of assets over liabilities	**4,591,787**

Due to the different methodologies used the Technical Provisions will be lower on a Solvency II basis than on an IFRS basis. There is no risk margin on an IFRS basis. Differences arise in the deferred tax provisions between Solvency II and IFRS due mainly to the technical provisions timing differences that arise due to the different methodologies for calculating technical provisions.

In accordance with the Solvency II legislation, PVIF, which is an intangible asset, would be ascribed a nil value in the Solvency II balance sheet and so would form a reconciling item between the two bases.

9 Nature and amount of each basic own-fund item subject to transitional arrangements
No own funds items are subject to transitional arrangements.

10 Items deducted from own funds and significant restrictions affecting own funds availability & transferability
The Group has three ring fenced funds which contain with profit business. Under Solvency II regulations at a company level the business must restrict the available surplus funds of a ring fenced fund to the extent that those funds are not available to fully absorb losses arising outside that ring fenced fund. As a result, a restriction of £413 million has been applied in the reconciliation reserve to the surplus arising within the ring fenced with profit funds which reduces the overall company own funds.

11 Key elements of the reconciliation reserve

The following table shows the key items making up the reconciliation reserve as at 31 December 2016:

	Total £'000
Excess of assets over liabilities on the SII Balance Sheet	**4,631,726**
Other basic Own fund items:	
Share capital	(73,051)
Share premium	(83,911)
Surplus funds	(624,133)
Deferred tax	(404)
Restricted own funds due to ring fencing	(413,131)
Foreseeable dividend	(891,000)
Reconciliation reserve	**2,546,096**

The reconciliation reserve represents the excess of assets over liabilities on the Solvency II Balance Sheet, subject to the adjustments outlined above. If other basic own funds items are represented specifically within own funds they are removed from the reconciliation reserve. This is because otherwise they would be double counted in own funds. The items in this category are share capital, share premium, surplus funds and an amount representing the value of deferred tax assets.

The reconciliation reserve is also restricted by the value of any surplus above the capital requirements of the ring fenced funds. This restriction is applied as the surplus within the ring fenced funds is not available to support the liabilities of other funds.

12 Items reducing the reconciliation reserve including foreseeable dividends and own shares held

The reconciliation reserve has been reduced by £891million in respect of a foreseeable dividend. There are no own shares are held by the group.

13 Total excess assets over liabilities within ring-fenced funds

The company has three ring fenced with profit funds. Details of the ring fenced funds are as follows:

- Windsor with-profit fund (a 90:10 fund)
- National Mutual fund (a 100:0 fund)
- Guardian with-profit fund (a 90:10 fund)

All the with-profit funds are closed to new business and are in run off with a plan to distribute all the assets of the fund over the life of the remaining policies. The summary position of the With-Profit funds is as follows:

Ring Fenced Funds Assets over Liabilities £'000	Excess Assets	WP fund SCR
With profit fund	30,923	20,687
National Mutual fund	45,086	45,339
Guardian with profit fund	234,177	144,857

Assets in the ring fenced WP funds support the liabilities and capital requirements of that fund only. Any excess of assets over liabilities and SCR cannot be used to support the SCR of the remaining part as the assets of the ring fenced fund are not available to support that fund.

The group has two matching adjustment funds from which surplus can only be removed following a profit and loss attribution exercise that is completed at year end. The following table shows the assets and liabilities within the matching adjustment funds:

Matching Adjustment Assets over Liabilities £'000	MA Assets	MA Liabilities
Matching Adjustment Portfolio 1	5,529,355	5,347,561
Matching adjustment Portfolio 2	7,217,381	7,020,227
Total Matching Adjustment	12,746,736	12,367,788

Surplus in the matching adjustment funds is available to cover both the MCR and the SCR.

14 Extent and reasons for significant restrictions, deductions or encumbrances, including any relating to participations

There are no significant restrictions, deductions or encumbrances relating to own funds items. As the group QRTs are presented on a consolidated basis all participations have been eliminated and assets and liabilities of all participations are fully reflected in the individual line items of the balance sheet.

15 Calculation of Own Funds net of intra group transactions

The group balance sheet has been presented on a fully consolidated basis, with intra group loans and inter-company balances eliminated on consolidation.

E2: Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

1 Value of SCR and MCR
At 31 December 2016, the SCR for the ReAssure Group was £2,764,213,000 and the MCR was £694,385,000.

2 Value of SCR split by risk module
Each legal entity in the group applies the Standard Formula to calculate its SCR. The table below shows the components of the SCR, including the breakdown by risk module, together with the allowance for diversification and the loss absorbing capacity of deferred taxes.

Risk Module £'000	RAL solo	Ark Life Solo	Other	Total Group
Market Risks	2,454,104	39,103	21,039	2,514,246
Life Risks	1,216,263	82,830	608	1,299,701
Health Risks	34,775	6,945	(3,158)	38,562
Default Risk	22,805	12,080	(2,736)	32,149
Diversification	(710,972)	(34,163)	(11,821)	(756,956)
Adjustment due to aggregation	255,345		13,679	269,024
Operational Risk	111,725	3,792	4,813	120,330
Loss Absorbing Capacity of Technical Provisions	(525,110)		-	(525,110)
Loss Absorbing Capacity of Deferred Tax	(224,917)	(2,816)	-	(227,733)
Net SCR	**2,634,018**	**107,771**	**22,424**	**2,764,213**

3 Use of simplified calculations
There is no use of simplified calculations for any of the risk modules under the Standard Formula.

4 Use of undertaking-specific parameters
No undertaking-specific parameters are applied in the Standard Formula calculation.

5 Capital add-on
No capital add-on has been imposed by the regulator on any group company.

6 Inputs used to calculate the MCR
The group MCR is equal to 25% of the SCR plus 100% of the MCR of related undertaking Guardian Assurance.

7 Material changes to SCR and MCR since 1 January 2016
ReAssure Group's SCR at 1 January 2016 was £1,428,917,000 (unaudited) from which it increased by £1,335,296,000 over the year.

The acquisition of the former Guardian business on 31 December 2016 was by far the most significant reason for the increase in SCR, resulting in the SCR increasing by £1,259,030,000.

The remaining SCR increase of approximately £76,266,000 during 2016 is mainly attributable to the RAL Solo SCR including the fall in interest rates over the year that has increased the interest stress and the credit spread stress (£147,431,000) offset by fall in equity and lapse stresses (£46,416,000 and £47,729,000 respectively) due to a reduction in exposure to equity risk,
The MCR at 1 January 2016 was £357,229,000, which was 25% of the SCR at that date. The MCR has increased during 2016 in line with the increase in the SCR.

8 Group SCR calculation method

The group uses the accounting consolidation-based method to calculate the group SCR.

The capital requirement of the group is broken down into its component parts in the table below.

£'000s	SCR	MCR
ReAssure solo	2,634,019	658,505
Ark solo	107,772	26,943
Removing intercompany loan & Ark Life equity in ReAssure Group	(38,524)	(9,631)
Group diversification	(30,647)	(7,662)
Pension scheme	55,128	13,782
Group expenses	36,465	9,116
Related undertaking Guardian Assurance	-	3,332
Total ReAssure Group	**2,764,213**	**694,385**

The group SCR floor is £694,385,000.

The group diversification arises between ReAssure solo and Ark solo. The two main sources of this diversification benefit are Market Risk and Life Risk.

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

No legal entity in the group uses the duration-based equity risk sub-module.

E4: Difference between the standard formula and any internal model used

No legal entity in the group uses an internal model to calculate its SCR.

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

The group complied with the Solvency Capital Requirement and the Minimum Capital Requirement throughout 2016.

E6: Any other information

There is no other material information to be presented.

Glossary

F1: Appendix A1: Glossary

A glossary of terms used throughout the document is provided below for reference:

Acronym	Meaning
ALM	Asset Liability Modelling
AMC	Annual Management Charge
API	Annual Performance Incentive
Ark Life	Ark Life Assurance Company Limited
AVM	Alternative valuation method
BEL	Best Estimate Liability
BLAGAB	Basic Life Assurance and General Annuity Business
CBI	Central Bank of Ireland
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
ERIP	Equity Release Income Plan
FA 2012	Finance Act 2012
FCA	Financial Conduct Authority
GAL	Guardian Assurance Limited
GAO TUR	Guaranteed Annuity Option Take-Up Rate
GIA	Group Internal Audit
GAWPF	Guardian Assurance With-Profit Fund (a 90:10 with-profit fund of Reassure Limited)
ICA	Individual Capital Assessment
ICAS	Individual Capital Adequacy Standards
IGRs	Intra Group Retrocessions
IFRS	International Financial Reporting Standards
LACDT	Loss Absorbing Capacity of Deferred Tax
LP	Liquidity Premium
LPP	Leadership Performance Plan
MA	Matching Adjustment
MCR	Minimum Capital Requirement
NMWPF	National Mutual Fund (a 100:0 with-profit fund of Reassure Limited)
OIEC	Open Ended Investment Company
PPFM	Policy and practice of financial management
PRA	Prudential Regulatory Authority
PVIF	Present Value of In-Force
QMP	Quoted Market Price
QRT	Quantitative Reporting Template
ReAssure Group	The Solvency II Group headed by ReAssure Group Limited
RAGL	ReAssure Group Limited
RAL	ReAssure Limited
RFF	Ring Fenced Fund
RLL	ReAssure Life Limited (Note Guardian Assurance was renamed ReAssure Life before subsequently being renamed back to Guardian Assurance).
RSU	Restricted Share Units
RGA	RGA Global Reinsurance Company Limited
SCR	Solvency Capital Requirement
SI	Solvency I
SII	Solvency II
TP	Technical Provisions
UDS	Unallocated Divisible Surplus
UL	Unit-Linked
VA	Volatility Adjustment
VAI	Value Alignment Incentive

WP	With-Profit
WPF	With-Profit Fund (a 90:10 with-profit fund of Reassure Limited)
the group	The Solvency II Group headed by ReAssure Group Limited

F3: Appendix A2: SFCR QRT Templates
(Group - Reassure Group Limited, Solo – Reassure Limited and Guardian Life Assurance Limited)

Reassure Group Limited

Balance sheet (S.02.01.02)

		£000s
		Solvency II value
Assets		**C0010**
Goodwill	**R0010**	
Deferred acquisition costs	**R0020**	
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	404
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	13,045
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	23,968,718
Property (other than for own use)	**R0080**	404,280
Holdings in related undertakings, including participations	**R0090**	0
Equities	**R0100**	464,019
Equities - listed	**R0110**	464,019
Equities - unlisted	**R0120**	0
Bonds	**R0130**	21,301,505
Government Bonds	**R0140**	6,252,204
Corporate Bonds	**R0150**	14,139,156
Structured notes	**R0160**	348
Collateralised securities	**R0170**	909,798
Collective Investments Undertakings	**R0180**	1,657,694
Derivatives	**R0190**	125,585
Deposits other than cash equivalents	**R0200**	15,634
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	22,426,379
Loans and mortgages	**R0230**	824,638
Loans on policies	**R0240**	6,373
Loans and mortgages to individuals	**R0250**	486
Other loans and mortgages	**R0260**	817,779
Reinsurance recoverables from:	**R0270**	1,235,925
Non-life and health similar to non-life	**R0280**	0
Non-life excluding health	**R0290**	0
Health similar to non-life	**R0300**	0
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	1,235,925
Health similar to life	**R0320**	24,084
Life excluding health and index-linked and unit-linked	**R0330**	1,211,840
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	17,537
Reinsurance receivables	**R0370**	73,275
Receivables (trade, not insurance)	**R0380**	211,785
Own shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0
Cash and cash equivalents	**R0410**	218,181
Any other assets, not elsewhere shown	**R0420**	20,777
Total assets	**R0500**	49,010,663

Reassure Group Limited

Balance sheet (S.02.01.02)

£000s

Liabilities		**Solvency II value**
		C0010
Technical provisions – non-life	**R0510**	
Technical provisions – non-life (excluding health)	**R0520**	
Technical provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	
Risk margin	**R0550**	
Technical provisions - health (similar to non-life)	**R0560**	
Technical provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	
Risk margin	**R0590**	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	21,524,190
Technical provisions - health (similar to life)	**R0610**	377,927
Technical provisions calculated as a whole	**R0620**	0
Best Estimate	**R0630**	366,407
Risk margin	**R0640**	11,520
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	21,146,263
Technical provisions calculated as a whole	**R0660**	0
Best Estimate	**R0670**	20,436,065
Risk margin	**R0680**	710,198
Technical provisions – index-linked and unit-linked	**R0690**	21,535,432
Technical provisions calculated as a whole	**R0700**	1,804,611
Best Estimate	**R0710**	19,575,488
Risk margin	**R0720**	155,333
Other technical provisions	**R0730**	
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	19,753
Pension benefit obligations	**R0760**	42,917
Deposits from reinsurers	**R0770**	138,354
Deferred tax liabilities	**R0780**	220,629
Derivatives	**R0790**	219,453
Debts owed to credit institutions	**R0800**	3,924
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance & intermediaries payables	**R0820**	219,978
Reinsurance payables	**R0830**	100,378
Payables (trade, not insurance)	**R0840**	312,484
Subordinated liabilities	**R0850**	0
Subordinated liabilities not in Basic Own Funds	**R0860**	0
Subordinated liabilities in Basic Own Funds	**R0870**	0
Any other liabilities, not elsewhere shown	**R0880**	41,445
Total liabilities	**R0900**	44,378,937
Excess of assets over liabilities	**R1000**	4,631,726

Reassure Group Limited
Premiums, claims and expenses by line of business (S.05.01.02) (Life business only as no non-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		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Gross	**R1410**	46,360	8,037	147,599	249,025	0	0	33	-20	451,035
Reinsurers' share	**R1420**	5,112	-3	99	424,570	0	0	0	0	429,779
Net	**R1500**	41,248	8,040	147,500	-175,545	0	0	33	-20	21,256
Premiums earned										
Gross	**R1510**	46,360	8,037	147,599	249,025	0	0	33	-20	451,035
Reinsurers' share	**R1520**	5,112	-3	99	424,570	0	0	0	0	429,779
Net	**R1600**	41,248	8,040	147,500	-175,545	0	0	33	-20	21,256
Claims incurred										
Gross	**R1610**	59,721	277,624	1,134,380	1,307,123	0	0	85	163,664	2,942,597
Reinsurers' share	**R1620**	16,043	49	409	475,110	0	0	0	0	491,611
Net	**R1700**	43,678	277,575	1,133,971	832,013	0	0	85	163,664	2,450,986
Changes in other technical provisions										
Gross	**R1710**	0	0	0	0	0	0	0	0	0
Reinsurers' share	**R1720**	0	0	0	0	0	0	0	0	0
Net	**R1800**	0	0	0	0	0	0	0	0	0
Expenses incurred	**R1900**	2,431	4,715	64,500	60,578	0	0	0	3,266	135,489
Other expenses	**R2500**									72,813
Total expenses	**R2600**									208,302

Reassure Group Limited
Premiums, claims and expenses by country (S.05.02.01) (Life business only as no non-life)

		Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - life obligations				
	R1400							
		C0220	C0280	C0230	C0230	C0230	C0230	C0230
Premiums written		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Gross	R1410	393,959	451,035	57,076				
Reinsurers' share	R1420	389,238	429,779	40,541				
Net	R1500	4,721	21,256	16,535				
Premiums earned								
Gross	R1510	393,959	451,035	57,076				
Reinsurers' share	R1520	389,238	429,779	40,541				
Net	R1600	4,721	21,256	16,535				
Claims incurred								
Gross	R1610	2,391,926	2,942,597	550,671				
Reinsurers' share	R1620	465,482	491,611	26,129				
Net	R1700	1,926,444	2,450,986	524,542				
Changes in other technical provisions								
Gross	R1710	0	0	0				
Reinsurers' share	R1720	0	0	0				
Net	R1800	0	0	0				
Expenses incurred	R1900	120,833	135,489	14,656				
Other expenses	R2500		72,813					
Total expenses	R2600		208,302					

Reassure Group Limited

Impact of long term guarantees and transitional measures (S.22.01.22)

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	**C0030**	**C0050**	**C0070**	**C0090**
		£000s	£000s	£000s	£000s	£000s
Technical provisions	**R0100**	43,059,622	577,808	0	210,065	1,357,152
Basic own funds	**R0110**	3,327,595	(447,714)	0	(156,543)	(1,233,425)
Eligible own funds to meet Solvency Capital Requirement	**R0120**	3,327,595	(447,714)	0	(156,543)	(1,233,425)
Solvency Capital Requirement	**R0210**	2,764,213	88,252	0	42,501	480,982

Reassure Group Limited
Own funds (S.23.01.22)

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector		C0010	C0020	C0030	C0040	C0050
		£000s	£000s	£000s	£000s	£000s
Ordinary share capital (gross of own shares)	R0010	73,051	73,051			
Non-available called but not paid in ordinary share capital at group level	R0020					
Share premium account related to ordinary share capital	R0030	83,911	83,911			
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Non-available subordinated mutual member accounts at group level	R0060					
Surplus funds	R0070	624,133	624,133			
Non-available surplus funds at group level	R0080					
Preference shares	R0090					
Non-available preference shares at group level	R0100					
Share premium account related to preference shares	R0110					
Non-available share premium account related to preference shares at group level	R0120					
Reconciliation reserve	R0130	2,546,096	2,546,096			
Subordinated liabilities	R0140					
Non-available subordinated liabilities at group level	R0150					
An amount equal to the value of net deferred tax assets	R0160	404				404
The amount equal to the value of net deferred tax assets not available at the group level	R0170					
Other items approved by supervisory authority as basic own funds not specified above	R0180					
Non available own funds related to other own funds items approved by supervisory authority	R0190					
Minority interests (if not reported as part of a specific own fund item)	R0200					
Non-available minority interests at group level	R0210					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230					
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240					
Deductions for participations where there is non-availability of information (Article 229)	R0250					
Deduction for participations included by using D&A when a combination of methods is used	R0260					
Total of non-available own fund items	R0270					
Total deductions	R0280					
Total basic own funds after deductions	R0290	3,327,595	3,327,191	0	0	404
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Non available ancillary own funds at group level	R0380					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Own funds of other financial sectors						
Reconciliation reserve	R0410					
Institutions for occupational retirement provision	R0420					
Non regulated entities carrying out financial activities	R0430					
Total own funds of other financial sectors	R0440					
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	R0450					
Own funds aggregated when using the D&A and combination of method net of IGT	R0460					
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0520	3,327,595	3,327,191	0	0	404
Total available own funds to meet the minimum consolidated group SCR	R0530	3,327,191	3,327,191			
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0560	3,327,595	3,327,191	0	0	404
Total eligible own funds to meet the minimum consolidated group SCR	R0570	3,327,191	3,327,191	0	0	
Minimum consolidated Group SCR	R0610	694,385				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	5				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	R0660	3,327,595	3,327,191			
Group SCR	R0680	2,764,213				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	1				

Reconciliation reserve		
Excess of assets over liabilities	R0700	4,631,726
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	891,000
Other basic own fund items	R0730	781,499
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	413,131
Other non available own funds	R0750	
Reconciliation reserve before deduction for participations in other financial sector	R0760	2,546,096
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	(171,173)
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	0
Total Expected profits included in future premiums (EPIFP)	R0790	(171,173)

Reassure Group Limited
Solvency Capital Requirement - for groups on Standard Formula (S.25.01.22)

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
		£000s	£000s	£000s
Market risk	R0010	2,514,247		
Counterparty default risk	R0020	32,150		
Life underwriting risk	R0030	1,299,701		
Health underwriting risk	R0040	38,561		
Non-life underwriting risk	R0050	0		
Diversification	R0060	(756,955)		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	3,127,703		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	120,328
Loss-absorbing capacity of technical provisions	R0140	(525,110)
Loss-absorbing capacity of deferred taxes	R0150	(227,733)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement, excluding capital add-on	R0200	2,764,213
Capital add-on already set	R0210	0
Solvency Capital Requirement	R0220	2,764,213
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	1,329,838
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	210,884
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	1,223,491
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0
Minimum consolidated group solvency capital requirement	R0470	694,385
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	0
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	0
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	0
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non-regulated entities carrying out financial activities	R0530	0
Capital requirement for non-controlled participation requirements	R0540	0
Capital requirement for residual undertakings	R0550	0
Overall SCR		
SCR for undertakings included via D and A	R0560	0
Solvency Capital Requirement	R0570	2,764,213

Reassure Group Limited
Undertakings in the scope of the group (S.32.01.22)

Country	Identification code of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	Criteria of Influence: % capital share	% used for the establishment of consolidated accounts	% voting rights	Criteria of influence: Other criteria	Level of influence	Proportional share used for group solvency calculation	Inclusion in the scope of group supervision: YES/NO	Date of decision if art. 214 is applied	Group solvency calculation: Method used and under method 1, treatment of the undertaking
C0010	C0020	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
(GB) United Kingdom	LEI/213800288SWHO9SYPM36	G Financial Services Ltd	(16) 99 - Other	Limited by shares	(0) 2 - Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/2138003URY7NYBK77767	G Trustees Limited	(16) 99 - Other	Limited by shares	(0) 2 - Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/2138006XCBKUGVOLOT84	ReAssure Trustees Ltd	(16) 99 - Other	Limited by shares	(0) 2 - Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/2138008XWGP2LK6Z9532	ReAssure Pension Trustees Limited	(16) 99 - Other	Limited by shares	(0) 2 - Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/2138009JDIENFDLD9M78	Namulas Pension Trustees Limited	(16) 99 - Other	Limited by shares	(0) 2 - Non-mutual	Financial Conduct Authority (FCA)	1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/2138009SCXYSOTLSXH75	NM Life Trustees Limited	(16) 99 - Other	Limited by shares	(0) 2 - Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800BOL8WLP4I7SA44	ReAssure Nominees Limited	(16) 99 - Other	Limited by shares	(0) 2 - Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800G91QLDIYA2Y189	National Mutual Life Assurance Society	(1) Life insurance undertaking	Unlimited	(1) 1 - Mutual	Prudential regulation authority (PRA)	1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800G9IQ6CXE31Y637	ReAssure FS Limited	(16) 99 - Other	Limited by shares	(0) 2 - Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800GYRULRXGODMH68	ReAssure UK Life Assurance Company Limited	(16) 99 - Other	Limited by shares	(0) 2 - Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800JRB5W4GNWQU717	ReAssure Group Limited	(6) Mixed-activity insurance holding company as defined in Article 212(1) (g) of Directive 2009/138/EC	Limited by shares	(0) 2 - Non-mutual								(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800JSKEG8KHZF9G80	BL Telford Limited	(16) 99 - Other	Limited by shares	(0) 2 - Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800L9MD2TYUF2M658	G Assurance & Pensions Services Ltd	(16) 99 - Other	Limited by shares	(0) 2 - Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800LU36TP1TUUMI19	G Life H Limited	(16) 99 - Other	Limited by shares	(0) 2 - Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800MTFCWA4G695463	NM Pensions Limited	(16) 99 - Other	Limited by shares	(0) 2 - Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800RKSNN1SLFPXO64	ERIP Limited Partnership	(16) 99 - Other	Limited by partnership	(0) 2 - Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800TVW97G2S3WAH16	ReAssure Life Limited	(16) 99 - Other	Limited by shares	(0) 2 - Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800UW8CON9XG6EY13	ReAssure FSH UK Limited	(5) Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Limited by shares	(0) 2 - Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800UZNVRPALQEDZ61	ReAssure PM Limited	(16) 99 - Other	Limited by shares	(0) 2 - Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800V2138XI4IYEZ47	ReAssure UK Services Limited	(10) Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Limited by Shares	(0) 2 - Non-mutual	Financial Conduct Authority (FCA)	1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800VIZR6LE8R1QG07	C Financial Management Limited	(16) 99 - Other	Limited by shares	(0) 2 - Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800WOC9UMRNV45O46	ReAssure Companies Service Limited	(10) Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Limited by shares	(0) 2 - Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800WYM9VABFBW4H22	ReAssure LL Limited	(16) 99 - Other	Limited by shares	(0) 2 - Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800YAVM5FU68NYG63	Guardian Assurance Limited	(1) Life insurance undertaking	Limited by shares	(0) 2 - Non-mutual	Prudential Regulation authority (PRA)	1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800ZFL26XQ7UIFU39	Gresham Life Assurance Society Limited	(16) 99 - Other	Limited by shares	(0) 2 - Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/5493004S4OGUNITLEY46	ERIP General Partner Limited	(16) 99 - Other	Limited by shares	(0) 2 - Non-mutual		0.800000	1.000000	0.800000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/BQYCTFWOEM1JRDE6F109	ReAssure Limited	(1) Life insurance undertaking	Limited by Shares	(0) 2 - Non-mutual	Prudential regulation authority (PRA)	1.000000	1.000000	1.000000	None	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation
(IE) Ireland	LEI/Q88N5RCPNGIJG1ZE0765	Ark Life Assurance Company dac* (Ireland)	(1) Life insurance undertaking	Limited by shares	(0) 2 - Non-mutual	Central Bank of Ireland (CBI)	1.000000	1.000000	1.000000	Centalised risk management	(0) 1 - Dominant	1.000000	(0) 1 - Included in the scope		(1) Method 1: Full consolidation

Solo - Reassure Limited

Balance sheet (S.02.01.02)

£000s

Assets		**Solvency II value**
		C0010
Goodwill	**R0010**	
Deferred acquisition costs	**R0020**	
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	0
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	3,000
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	24,041,780
Property (other than for own use)	**R0080**	263,147
Holdings in related undertakings, including participations	**R0090**	638,071
Equities	**R0100**	464,019
Equities - listed	**R0110**	464,019
Equities - unlisted	**R0120**	0
Bonds	**R0130**	20,941,755
Government Bonds	**R0140**	5,892,555
Corporate Bonds	**R0150**	14,139,156
Structured notes	**R0160**	246
Collateralised securities	**R0170**	909,798
Collective Investments Undertakings	**R0180**	1,609,202
Derivatives	**R0190**	125,585
Deposits other than cash equivalents	**R0200**	0
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	20,597,412
Loans and mortgages	**R0230**	824,638
Loans on policies	**R0240**	6,373
Loans and mortgages to individuals	**R0250**	486
Other loans and mortgages	**R0260**	817,779
Reinsurance recoverables from:	**R0270**	973,854
Non-life and health similar to non-life	**R0280**	0
Non-life excluding health	**R0290**	0
Health similar to non-life	**R0300**	0
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	973,854
Health similar to life	**R0320**	7,665
Life excluding health and index-linked and unit-linked	**R0330**	966,189
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	17,414
Reinsurance receivables	**R0370**	69,748
Receivables (trade, not insurance)	**R0380**	153,653
Own shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0
Cash and cash equivalents	**R0410**	103,118
Any other assets, not elsewhere shown	**R0420**	46,574
Total assets	**R0500**	46,831,190

Solo - Reassure Limited

Balance sheet (S.02.01.02)		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	
Technical provisions – non-life (excluding health)	**R0520**	
Technical provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	
Risk margin	**R0550**	
Technical provisions - health (similar to non-life)	**R0560**	
Technical provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	
Risk margin	**R0590**	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	21,219,087
Technical provisions - health (similar to life)	**R0610**	368,787
Technical provisions calculated as a whole	**R0620**	0
Best Estimate	**R0630**	359,659
Risk margin	**R0640**	9,127
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	20,850,300
Technical provisions calculated as a whole	**R0660**	0
Best Estimate	**R0670**	20,166,859
Risk margin	**R0680**	683,441
Technical provisions – index-linked and unit-linked	**R0690**	19,724,839
Technical provisions calculated as a whole	**R0700**	0
Best Estimate	**R0710**	19,583,617
Risk margin	**R0720**	141,222
Other technical provisions	**R0730**	
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	6,115
Pension benefit obligations	**R0760**	0
Deposits from reinsurers	**R0770**	138,354
Deferred tax liabilities	**R0780**	217,410
Derivatives	**R0790**	93,110
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance & intermediaries payables	**R0820**	219,899
Reinsurance payables	**R0830**	95,149
Payables (trade, not insurance)	**R0840**	476,215
Subordinated liabilities	**R0850**	0
Subordinated liabilities not in Basic Own Funds	**R0860**	0
Subordinated liabilities in Basic Own Funds	**R0870**	0
Any other liabilities, not elsewhere shown	**R0880**	50,379
Total liabilities	**R0900**	42,240,557
Excess of assets over liabilities	**R1000**	4,590,633

Solo - Reassure Limited

Premiums, claims and expenses by line of business (LIFE ONLY) (S.05.01.02)

		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**	38,680	1,989	127,156	194,372	0	0	0	0	362,197
Reinsurers' share	**R1420**	690	0	0	382,487	0	0	0	0	383,178
Net	**R1500**	37,989	1,989	127,156	(188,115)	0	0	0	0	(20,981)
Premiums earned										
Gross	**R1510**	38,680	1,989	127,156	194,372	0	0	0	0	362,197
Reinsurers' share	**R1520**	690	0	0	382,487	0	0	0	0	383,178
Net	**R1600**	37,989	1,989	127,156	(188,115)	0	0	0	0	(20,981)
Claims incurred										
Gross	**R1610**	47,862	82,545	450,702	786,035	0	0	0	0	1,367,144
Reinsurers' share	**R1620**	1,950	0	0	386,798	0	0	0	0	388,748
Net	**R1700**	45,912	82,545	450,702	399,237	0	0	0	0	978,397
Changes in other technical provisions										
Gross	**R1710**	0	0	0	0	0	0	0	0	0
Reinsurers' share	**R1720**	0	0	0	0	0	0	0	0	0
Net	**R1800**	0	0	0	0	0	0	0	0	0
Expenses incurred	**R1900**	1,358	1,729	51,183	35,020	0	0	0	0	89,290
Other expenses	**R2500**									43,272
Total expenses	**R2600**									132,562

Premiums, claims and expenses by country (LIFE ONLY) (S.05.02.01)		£000s Home Country	£000s Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - life obligations				
	R1400							
		C0220	C0280	C0230	C0230	C0230	C0230	C0230
Premiums written								
Gross	R1410	362,197	362,197					
Reinsurers' share	R1420	383,178	383,178					
Net	R1500	-20,981	-20,981					
Premiums earned								
Gross	R1510	362,197	362,197					
Reinsurers' share	R1520	383,178	383,178					
Net	R1600	-20,981	-20,981					
Claims incurred								
Gross	R1610	1,367,144	1,367,144					
Reinsurers' share	R1620	388,748	388,748					
Net	R1700	978,397	978,397					
Changes in other technical provisions								
Gross	R1710	0	0					
Reinsurers' share	R1720	0	0					
Net	R1800	0	0					
Expenses incurred	R1900	89,290	89,290					
Other expenses	R2500		43,272					
Total expenses	R2600		132,562					

Solo - Reassure Limited

Life and Health SLT Technical Provisions (S.12.01.02)

		Insurance with profit participation	Index-linked and unit-linked insurance	Index-linked and unit-linked insurance: Contracts without options and guarantees	Index-linked and unit-linked insurance: Contracts with options or guarantees	Other life insurance	Other life insurance: Contracts without options and guarantees	Other life insurance: Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**	Health insurance (direct business)	Health insurance (direct business): Contracts without options and guarantees	Health insurance (direct business): Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**	0	0			0			0	0	0	0			0	0	0
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	**R0020**	0	0			0			0	0	0	0			0	0	0
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	**R0030**	3,271,594		19,438,534	58,670		15,777,229	1,094,867	0	126,007	39,766,901		359,225	0	0	434	359,659
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**	1,087		0	0		965,103	0	0	0	966,189		7,665	0	0	0	7,665
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**	3,270,507		19,438,534	58,670		14,812,126	1,094,867	0	126,007	38,800,712		351,560	0	0	434	351,994
Risk margin	**R0100**	49,440	255,609			1,074,727			0	137	1,379,913	15,260			0	0	15,260
Amount of the transitional on Technical Provisions																	
Technical provisions calculated as a whole	**R0110**	0	0			0			0	0	0	0			0	0	0
Best Estimate	**R0120**	(14,249)		0	0		(1,689)	(392)	0	(95)	(16,424)		0	0	0	0	0
Risk margin	**R0130**	(22,391)	(114,387)			(418,335)			0	(137)	(555,251)	(6,132)			0	0	(6,132)
Technical provisions - total	**R0200**	3,284,394	19,638,425			17,526,407			0	125,913	40,575,139	368,353			0	434	368,787

Solo - Reassure Limited

Impact of long term guarantees and transitional measures (S.22.01.21)

		£000s	£000s	£000s	£000s	£000s
		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	40,943,926	577,808	0	210,065	1,357,152
Basic own funds	R0020	4,208,149	(447,714)	0	(156,543)	(1,233,425)
Eligible own funds to meet Solvency Capital Requirement	R0050	4,208,149	(447,714)	0	(156,543)	(1,233,425)
Solvency Capital Requirement	R0090	2,634,018	88,252	0	42,501	480,982
Eligible own funds to meet Minimum Capital Requirement	R0100	4,208,149	(447,714)	0	(156,543)	(1,271,234)
Minimum Capital Requirement	R0110	658,505	22,063	0	10,625	120,245

Solo - Reassure Limited

Own funds (S.23.01.01)

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		£000s	£000s	£000s	£000s	£000s
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35		C0010	C0020	C0030	C0040	C0050
Ordinary share capital (gross of own shares)	R0010	288,977	288,977			
Share premium account related to ordinary share capital	R0030	133,966	133,966		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070	624,133	624,133			
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	3,161,072	3,161,072			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	4,208,149	4,208,149	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	4,208,149	4,208,149	0	0	0
Total available own funds to meet the MCR	R0510	4,208,149	4,208,149	0	0	
Total eligible own funds to meet the SCR	R0540	4,208,149	4,208,149	0	0	0
Total eligible own funds to meet the MCR	R0550	4,208,149	4,208,149	0	0	
SCR	R0580	2,634,018				
MCR	R0600	658,505				
Ratio of Eligible own funds to SCR	R0620	1.597616				
Ratio of Eligible own funds to MCR	R0640	6.390462				

Reconciliation reserve		C0060
Excess of assets over liabilities	R0700	4,590,633
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	1,047,076
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	382,484
Reconciliation reserve	R0760	3,161,072
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	(171,173)
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	(171,173)

Solo - Reassure Limited

Solvency Capital Requirement - for undertakings on Standard Formula (S.25.01.21)

		£000s	£000s	£000s
		Gross solvency capital requirement	**USP**	**Simplifications**
		C0110	**C0090**	**C0100**
Market risk	**R0010**	2,454,104		
Counterparty default risk	**R0020**	22,805		
Life underwriting risk	**R0030**	1,216,263		
Health underwriting risk	**R0040**	34,775		
Non-life underwriting risk	**R0050**	0		
Diversification	**R0060**	(710,972)		
Intangible asset risk	**R0070**	0		
Basic Solvency Capital Requirement	**R0100**	3,016,975		

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	111,725
Loss-absorbing capacity of technical provisions	**R0140**	(525,110)
Loss-absorbing capacity of deferred taxes	**R0150**	(224,917)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	0
Solvency capital requirement, excluding capital add-on	**R0200**	2,634,018
Capital add-ons already set	**R0210**	0
Solvency Capital Requirement	**R0220**	2,634,018
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	0
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	1,199,643
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	210,884
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	**R0430**	1,223,491
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	0

Solo - Reassure Limited

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity (S.28.01.01)

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	0

		£000s	£000s
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	0	0
General liability insurance and proportional reinsurance	R0090	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	0
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	461,971

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	1,659,012	
Obligations with profit participation - future discretionary benefits	R0220	1,635,703	
Index-linked and unit-linked insurance obligations	R0230	19,583,617	
Other life (re)insurance and health (re)insurance obligations	R0240	16,257,949	
Total capital at risk for all life (re)insurance obligations	R0250		10,202,548

Overall MCR calculation		C0070
Linear MCR	R0300	461,971
SCR	R0310	2,634,018
MCR cap	R0320	1,185,308
MCR floor	R0330	658,505
Combined MCR	R0340	658,505
Absolute floor of the MCR	R0350	3,332
Minimum Capital Requirement	R0400	658,505

Solo - Guardian Assurance Limited

Balance sheet (S.02.01.02)

		£000s
		Solvency II value
Assets		**C0010**
Goodwill	**R0010**	
Deferred acquisition costs	**R0020**	
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	
Government Bonds	**R0140**	
Corporate Bonds	**R0150**	
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	
Non-life and health similar to non-life	**R0280**	
Non-life excluding health	**R0290**	
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	4,000
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	
Any other assets, not elsewhere shown	**R0420**	
Total assets	**R0500**	4,000

Solo - Guardian Assurance Limited

Balance sheet (S.02.01.02)		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	
Technical provisions – non-life (excluding health)	**R0520**	
Technical provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	
Risk margin	**R0550**	
Technical provisions - health (similar to non-life)	**R0560**	
Technical provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	
Risk margin	**R0590**	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
Technical provisions calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	
Technical provisions calculated as a whole	**R0660**	
Best Estimate	**R0670**	
Risk margin	**R0680**	
Technical provisions – index-linked and unit-linked	**R0690**	
Technical provisions calculated as a whole	**R0700**	
Best Estimate	**R0710**	
Risk margin	**R0720**	
Other technical provisions	**R0730**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	
Reinsurance payables	**R0830**	
Payables (trade, not insurance)	**R0840**	
Subordinated liabilities	**R0850**	
Subordinated liabilities not in Basic Own Funds	**R0860**	
Subordinated liabilities in Basic Own Funds	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	
Total liabilities	**R0900**	
Excess of assets over liabilities	**R1000**	4,000

Solo - Guardian Assurance Limited

Premiums, claims and expenses by line of business (LIFE ONLY) (S.05.01.02)

		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	345	6,049	17,277	7,551	0	0	33	(20)	31,234
Reinsurers' share	R1420	42	(3)	(72)	5,745	0	0	0	0	5,712
Net	R1500	302	6,051	17,349	1,806	0	0	33	(20)	25,522
Premiums earned										
Gross	R1510	345	6,049	17,277	7,551	0	0	33	(20)	31,234
Reinsurers' share	R1520	42	(3)	(72)	5,745	0	0	0	0	5,712
Net	R1600	302	6,051	17,349	1,806	0	0	33	(20)	25,522
Claims incurred										
Gross	R1610	5,392	195,079	160,163	499,907	0	0	85	163,664	1,024,290
Reinsurers' share	R1620	8,268	49	161	67,764	0	0	0	0	76,242
Net	R1700	(2,876)	195,030	160,002	432,143	0	0	85	163,664	948,047
Changes in other technical provisions										
Gross	R1710	0	0	0	0	0	0	0	0	0
Reinsurers' share	R1720	0	0	0	0	0	0	0	0	0
Net	R1800	0	0	0	0	0	0	0	0	0
Expenses incurred	R1900	133	3,145	6,348	19,815	0	0	0	3,266	32,706
Other expenses	R2500									
Total expenses	R2600									32,706

Premiums, claims and expenses by country (LIFE ONLY) (S.05.02.01)		Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - life obligations				
	R1400							
		C0220	C0280	C0230	C0230	C0230	C0230	C0230
Premiums written								
Gross	R1410	31,234	31,234					
Reinsurers' share	R1420	5,712	5,712					
Net	R1500	25,522	25,522					
Premiums earned								
Gross	R1510	31,234	31,234					
Reinsurers' share	R1520	5,712	5,712					
Net	R1600	25,522	25,522					
Claims incurred								
Gross	R1610	1,024,290	1,024,290					
Reinsurers' share	R1620	76,242	76,242					
Net	R1700	948,047	948,047					
Changes in other technical provisions								
Gross	R1710	0	0					
Reinsurers' share	R1720	0	0					
Net	R1800	0	0					
Expenses incurred	R1900	32,706	32,706					
Other expenses	R2500		0					
Total expenses	R2600		32,706					

Solo - Guardian Assurance Limited

Own funds (S.23.01.01)

		£000s	£000s	£000s	£000s	£000s
		Total	**Tier 1 - unrestricted**	**Tier 1 - restricted**	**Tier 2**	**Tier 3**
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35		**C0010**	**C0020**	**C0030**	**C0040**	**C0050**
Ordinary share capital (gross of own shares)	**R0010**	430,578	430,578			
Share premium account related to ordinary share capital	**R0030**	16,221	16,221		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**	132,225	132,225			
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**					
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	(575,024)	(575,024)			
Subordinated liabilities	**R0140**	0		0	0	0
An amount equal to the value of net deferred tax assets	**R0160**	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					
Deductions						
Deductions for participations in financial and credit institutions	**R0230**					
Total basic own funds after deductions	**R0290**	4,000	4,000	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**					
Unpaid and uncalled preference shares callable on demand	**R0320**					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**					
Other ancillary own funds	**R0390**					
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	4,000	4,000	0	0	0
Total available own funds to meet the MCR	**R0510**	4,000	4,000	0	0	
Total eligible own funds to meet the SCR	**R0540**	4,000	4,000	0	0	0
Total eligible own funds to meet the MCR	**R0550**	4,000	4,000	0	0	
SCR	**R0580**	0				
MCR	**R0600**	3,332				
Ratio of Eligible own funds to SCR	**R0620**	0.000000				
Ratio of Eligible own funds to MCR	**R0640**	1.200534				

Reconciliation reserve		**C0060**
Excess of assets over liabilities	**R0700**	4,000
Own shares (held directly and indirectly)	**R0710**	
Foreseeable dividends, distributions and charges	**R0720**	
Other basic own fund items	**R0730**	579,024
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	
Reconciliation reserve	**R0760**	(575,024)
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	
Expected profits included in future premiums (EPIFP) - Non-life business	**R0780**	
Total Expected profits included in future premiums (EPIFP)	**R0790**	

Solo - Guardian Assurance Limited

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity (S.28.01.01)

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	0

		£000s	£000s
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	0	0
General liability insurance and proportional reinsurance	R0090	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	0
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	

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

Overall MCR calculation		C0070
Linear MCR	R0300	0
SCR	R0310	0
MCR cap	R0320	0
MCR floor	R0330	0
Combined MCR	R0340	0
Absolute floor of the MCR	R0350	3,332
Minimum Capital Requirement	R0400	3,332