Solvency and Financial Condition Report

ReAssure Group

Year Ended 31 December 2017

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Summary

Business and performance

ReAssure Group ('the group') has continued its strategy of administering closed blocks of long term insurance business in the interests of policyholders and shareholders. The group continues to support the acquisition strategy of its intermediate parent company, Swiss Re Life Capital ('SRLC'), in acquiring further blocks of long term assurance business as suitable opportunities arise. The group comprises four main elements: ReAssure Group Limited (a holding company), ReAssure Limited (RAL) (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).

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 the group would typically expect to make a loss at the underwriting level, which it did in both 2017 and 2016. The underwriting loss in 2017 was £1,964,149 thousand (2016: £5,336,281 thousand). However the underwriting result does not include investment income. 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 offsets the loss at the underwriting level. So a loss at an underwriting level does not mean that the business is loss making overall. In both 2017 and 2016 the business made a profit on an IFRS basis.

For the year ended 31 December 2017, ReAssure Limited, the main operating entity in the group, made an IFRS profit of £1,048 million (2016: £1,475 million). The following were the key drivers of the positive IFRS result:

- Profit emerging from the group's unit linked business which was supported by the positive performance of investment markets during the year;
- The adoption of heavier mortality base assumptions and reduced future mortality improvements for annuity business. This has reduced the amount ReAssure Limited has to hold for future annuity claims;
- The extension of the Solvency II matching adjustment portfolio which allows the recognition of an illiquidity premium for the affected annuity portfolio. This has also allowed the group to reduce the amount it holds for future annuity claims; and
- An increase in investment in commercial mortgage and infrastructure assets which has increased the overall yield on the companies' investment portfolio. These assets will typically yield more than holdings in government bonds.

As part of the wider business strategy to secure capital to fund new acquisitions, in October 2017 it was announced that MS&AD, a conglomerate insurer based in Japan, had agreed to acquire 5% of the ordinary share capital of ReAssure Jersey One Limited ("RJOL"), an intermediate holding company above ReAssure Group Limited in the wider Swiss Re group. This agreement to purchase 5% was part of a commitment to invest up to £800m in RJOL. Regulatory approval for the deal was received in January 2018, and on 23 January 2018 MS&AD completed the acquisition of the initial 5% for £175m and on the same date a further 8.2% of RJOL for £330m, as funding for the Legal & General deal. On 28 February 2018, MS&AD acquired a further 1.8% for £82m, bringing their total stake to 15% and their total investment to £587m.

This injection of capital has enabled the group to pursue its principal acquisition activities, and in December 2017 ReAssure Limited agreed to purchase a block of business of approximately 1.1

million policies from Legal & General for £650m. The policies contain a mix of with-profits, unit-linked and savings products and comprise approximately £33 billion of funds under management. The transaction has further enhanced ReAssure Group's position as a leading closed life book consolidator in the UK, with over 3 million policies in force. The reinsurance deal effecting the transaction was completed in January 2018, with a Part VII transfer expected during 2019, subject to regulatory approval.

System of governance

The ReAssure Group board of directors ('the board') is responsible for the strategic direction of ReAssure Group. The ReAssure Limited board is responsible for managing the overall direction and performance of ReAssure Limited.

There have been no material changes to the group's system of governance during the year. The group continued to operate its comprehensive three lines of defence governance model as follows:

- The first line of control is represented by risk control activities performed by front-line employees such as the use of authority limits and risk taking. In the context of managing operational risks, first line of control tasks are performed by any employee, no matter whether belonging to a front, middle or back-office.
- The second line of control is independent risk oversight. This is principally provided by Risk Management, although independent risk oversight and control tasks are also performed by Compliance.
- The third line of control is held by Group Internal Audit (GIA). The main task of the third line of defense is to provide independent assurance to the Board regarding the effectiveness of the first and second lines of defence.

The group operates a stand-alone system of governance. The Boards have Operating Manuals which set out the governance arrangements and these Manuals form part of the Governance Framework. They outline key responsibilities, those powers which the Boards wish to exercise themselves (or through formally constituted committees of the Boards) and delegation of authorities and other powers, such as the delegation of day to day management of the business to the Chief Executive Officer of ReAssure Limited. Risk Management, Compliance and GIA closely coordinate their second and third line of control activities related to the operation of the Risk Control Framework ("Coordinated Assurance").

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 faced by the group are investment risk (on its sizable investment portfolio) and longevity risk (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 and uncertainties in the markets and wider UK economy regarding 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 is intended to ensure that the group is well placed for risk mitigation actions to be taken in a timely manner should they be required.

The major change in the risk profile during the year was as a result of acquisition of the block of long term business from Legal & General. The acquisition has had a positive impact on risk appetite as the equity and lapse risk acquired diversifies well against credit and longevity risks. The acquisition brings with it increased operational risk which the group will seek to mitigate by integrating the acquired business into the existing governance framework of the group.

Valuation for solvency purposes

The group's Technical Provisions as at 31 December 2017 were £40,188 million (2016: £41,824 million). They were comprised of the following components:

2017 £'000	**RAL Solo**	**Ark Solo**	**Group Expenses**	**Total**
Technical Provisions calculated as a whole	20,978,663	1,713,724	-	22,692,386
Gross BEL	17,319,870	272,430	183,019	17,775,320
Risk margin	1,204,825	40,158	-	1,244,983
Transitional on Technical Provisions	(481,023)	-	-	(481,023)
Total Technical Provisions	39,022,335	2,026,312	183,019	41,231,666
Reinsurance Recoverable	(736,579)	(307,086)	-	(1,043,665)
Technical Provisions allowing for Reinsurance Recoverable	38,285,756	1,719,226	183,019	40,188,001

2016 £'000	**RAL Solo**	**Ark Solo**	**Group Expenses**	**Total**
Technical Provisions calculated as a whole	20,539,964	1,804,611	-	22,344,575
Gross BEL	19,586,596	209,827	57,998	19,854,421
Risk margin	1,395,173	43,261	-	1,438,434
Transitional on Technical Provisions	(577,808)	-	-	(577,808)
Total Technical Provisions	40,943,925	2,057,699	57,998	43,059,622
Reinsurance Recoverable	(973,854)	(262,070)	-	(1,235,924)
Technical Provisions allowing for Reinsurance Recoverable	39,970,071	1,795,629	57,998	41,823,698

The results above show the Technical Provisions under Solvency II calculated as at 31 December 2017 and 31 December 2016. The 2017 figures include the Technical Provisions relating to the reinsurance arrangement with Legal & General following the acquisition of its mature savings business on 6 December 2017. These are included as the contract was agreed prior to year-end even though it is only effective from 1 January 2018.

The total Technical Provisions consist of Technical Provisions calculated as a whole, which is the value of the unit funds for all unit-linked policies, the Best Estimate Liabilities ('BEL'), the Risk Margin of the group, and any transitional on Technical Provisions. The transitional on Technical Provisions is applied as a deduction to the Technical Provisions and is referred to throughout this document as Transitional Measures on Technical Provisions ('TMTP').

The calculation of the BEL 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 this Volatility Adjustment (also prescribed by EIOPA) for certain annuities in the ReAssure Limited Non-Profit Fund and guaranteed annuity rates, guaranteed annuity option and cash guarantees in the National Mutual With-Profit Fund (NMWPF) and With-Profit Fund (WPF).

Capital management

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

Solvency II Capital & Reserves	2017 £'000	2016 £'000
Share Capital	73,051	73,051
Share Premium	83,911	83,911
Reconciliation Reserve	3,036,145	2,546,096
Surplus Funds	672,204	624,133
Amounts equal to value of deferred tax assets	-	404
Total	3,865,311	3,327,595

There has been no change in the share capital or share premium of the group during the period. The increase in the reconciliation reserve arises from the increase in retained earnings during the period. This was driven by profit arising in ReAssure Limited during the year the main drivers of which are outlined in the business and performance section above. All capital held at the end of 2017 is Tier 1 capital fully available for absorbing losses without restrictions. The group's assets and liabilities have been valued on a market consistent basis in accordance with the SII valuation guidance.

During the year the group retained surplus in excess of its capital requirements at all times. In addition to holding the Solvency II SCR the group also holds a 20% buffer on its non-profit fund capital requirements as part of its capital management policy. The total available own funds at year end was as follows:

Total available own funds	2017 £'000	2016 £'000
Total own funds	3,865,311	3,327,595
Solvency Capital Requirement	3,122,523	2,764,213
Excess own funds	742,788	563,382

The group had a solvency ratio of 124% (2016: 120%) at the year end. The solvency ratio includes the impact of using a matching adjustment and the group has applied a transitional deduction to technical provisions. Without use of the matching adjustment the solvency ratio is 78% (2016: 65%). Without the application of a transitional deduction the solvency ratio is 109% (2016: 101%).

The Own Funds of £3,865,311 thousand are fully available to cover the Minimum Capital Requirement (MCR). The group MCR is £783,881 thousand. The company held own funds in excess of the MCR at all times during the year.

The group paid a dividend of £891 million during the year. The group has deducted from its Own Funds a foreseeable dividend of £921 million.

Audit Opinion

Report of the external independent auditors to the Directors of ReAssure Group Limited ('the Company') 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 Company as at 31 December 2017:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2017, ('**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 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 Company as at 31 December 2017 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) (ISAs (UK)) including ISA (UK) 800 and ISA (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. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Single Group-Wide Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the Single Group-Wide Solvency and Financial Condition Report is not appropriate; or
- the directors have not disclosed in the Single Group-Wide Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Single Group-Wide Solvency and Financial Condition Report is authorised for issue.

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' 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.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Single Group-Wide Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Single Group-Wide Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other

Information is materially inconsistent with the relevant elements of the Single Group-Wide Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report or a material misstatement of the Other Information. 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.

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 and determinations 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 Single Group-Wide SFCR;
- Approval to use the matching adjustment in 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 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.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Single Group-Wide Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Single Group-Wide Solvency and Financial Condition Report.

A further description of our responsibilities for the audit is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

This report, including the opinion, has been prepared for the Directors of the Company 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

Other Information

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit 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

13 June 2018

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.

We are satisfied that:

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 13 June 2018 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), the Financial Conduct Authority (FCA) and the Central Bank of Ireland (CBI) are the supervisory authorities responsible for the regulation and financial supervision of the regulated entities in the group. The contact details are:

Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA
UK

Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Central Bank of Ireland
New Wapping Street
North Wall Quay
Dublin 1

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

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

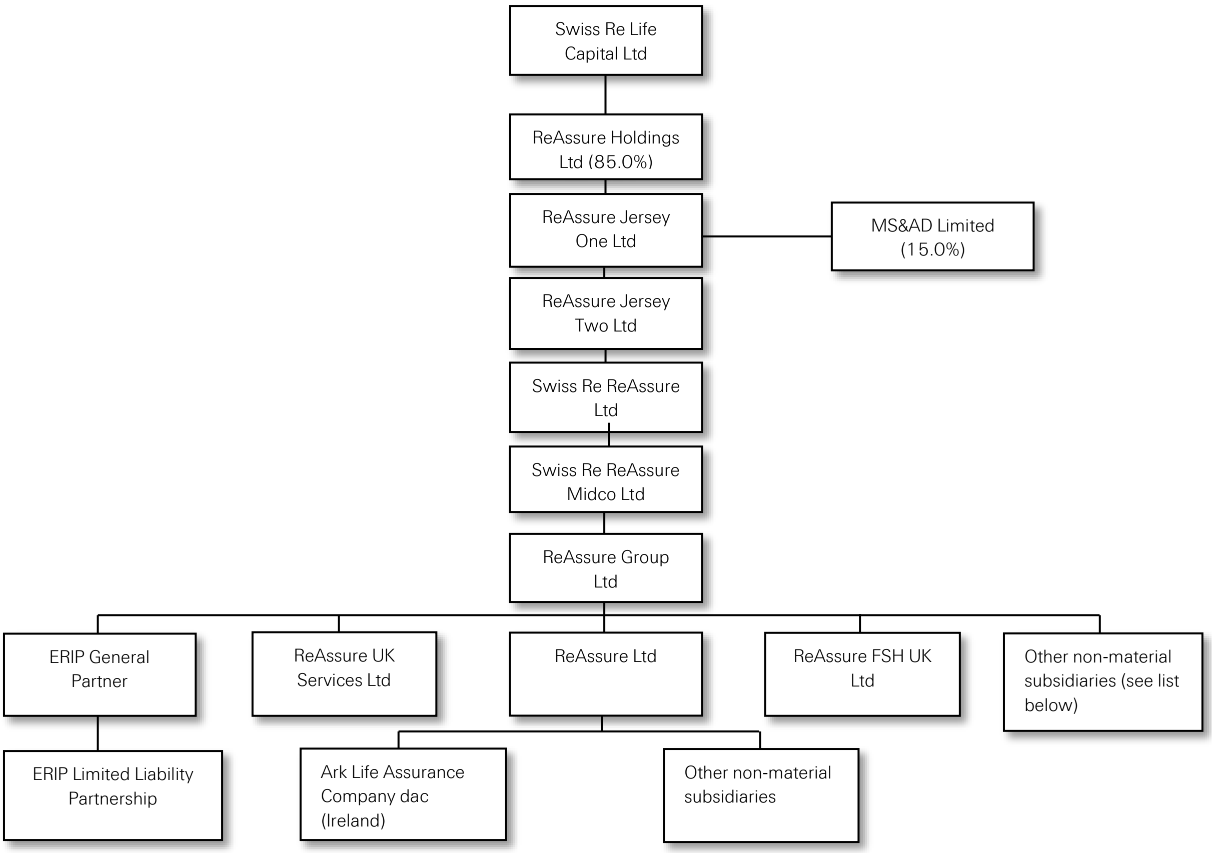
ReAssure Group Limited is owned 100% by Swiss Re ReAssure Midco Limited. As all voting rights are proportionate to the ordinary share capital held, Swiss Re ReAssure Midco Limited also holds 100% of the voting rights in ReAssure Group. The controlling divisional entity is Swiss Re Life Capital, a company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

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

The ownership structure of ReAssure Limited is shown below. All holdings are 100% unless shown.



The above chart represents the position post the acquisition of 15% of ReAssure Jersey One Limited by MS&AD, a Japanese life insurance company. During the 2017 ReAssure Holdings reached agreement to sell up to 15% of ReAssure Jersey One Limited to MS&AD, a Japanese Life Insurance Company. An initial agreement was reached for MS&AD to acquire a 5% holding with the agreement closing in 2018. Subsequent to that initial agreement it was further agreed that MA&AD would acquire a further 8.2% and the sale closed in January 2018. This took the total holding of MS&AD to 13.2%. In February 2018 MS&AD acquired another 1.8% which took its total holding to 15%.

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

As part of the wider business strategy to secure capital to fund new acquisitions, in October 2017 it was announced that MS&AD, a conglomerate insurer based in Japan, had agreed to acquire an initial 5% stake in ReAssure Jersey One Limited ("RJOL"), an intermediate holding company above ReAssure Group in the group. This agreement to purchase 5% was accompanied by a commitment to invest up to £800m in RJOL. Regulatory approval for the deal was received in January 2018, and on 23 January 2018 MS&AD completed the acquisition of the initial 5% for £175m and on the same date a further 8.2% of RJOL for £330m, as funding for the Legal & General deal. On 28 February 2018, MS&AD acquired a further 1.8% for £82m, bringing their total stake to 15% and its total investment to £587m.

This injection of capital has enabled the group to pursue its principal acquisition activities, and in December 2017 ReAssure Limited agreed to purchase approximately 1.1 million policies from Legal & General for £650m. The policies contain a mix of with-profits, unit-linked and savings products and comprise approximately £33 billion of funds under management. The transaction has further enhanced ReAssure Group's position as a leading closed life book consolidator in the UK, with over 3 million owned policies in force. The reinsurance deal effecting the transaction was completed in January 2018, with a Part VII transfer expected during 2019, subject to regulatory approval.

At 31 December 2017, one of the Matching Adjustment portfolios (MA2) was extended with the addition of annuities from the ex-Guardian portfolio, with a best-estimate liability of about £1.6 billion. This business was previously discounted using the Volatility Adjustment. The impact was a reduction in Technical Provisions of £155m.

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 £46 billion compared to total group assets of £49 billion. 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 2017 was as follows:

£'000	ReAssure Limited 2017	Guardian Assurance Limited 2017	Ark Life Assurance Company 2017	Underwriting performance 2017
Life and Pension	536,601	-	(586)	536,015
Participating Business	(336,151)	-	-	(336,151)
Unit and Index Linked	(2,036,529)	-	(123,881)	(2,160,410)
Health	(5,027)	-	1,424	(3,603)
Total	**(1,841,106)**	**-**	**(123,043)**	**(1,964,149)**

£'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)**

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. On 31 December 2016 the business of Guardian Assurance Limited transferred to ReAssure Limited. As a result there is no underwriting result for Guardian Assurance in 2017.

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 the Group would typically expect to make a loss at the underwriting level. It can be seen above that the group made an underwriting loss in both 2017 and 2016. 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 offsets the loss at the underwriting level. So a loss at an underwriting level does not mean that the business is loss making overall. In both 2017 and 2016 the business made a profit on an IFRS basis.

In 2017 the business did make a profit at an underwriting level on its non-profit life and pension business. The main contributors to this profit was the ability to release reserves previously held for future claims on annuity business. The reserve releases were driven by a revision of mortality forecasts which reduced the value of future claims and the extension of the amount of annuity business subject to the Solvency II matching adjustment regime, which also had the impact of reducing future annuity liabilities.

A3: Investment Performance

1 Income and expenses arising from investments

Investment income and expenses by investment asset category, as at 31 December 2017, were as follows:

£'000	2017	2016
Income from government and corporate bonds	816,387	862,458
Income from equities and collective investment schemes	604,966	592,932
Income from property	36,905	50,711
Other investment income	29,512	100,853
Net realised and unrealised gains on government and corporate bonds	101,874	1,545,038
Net realised and unrealised gains on equities and collective investment schemes	1,730,524	2,846,291
Net realised and unrealised gains/(losses) on property	58,567	(405)
Net realised and unrealised (losses)/gains on derivatives	(49,067)	409,992
Total investment income	**3,329,668**	**6,407,870**
Investment management charges	(49,895)	(58,065)
Total investment charges	**(49,895)**	**(58,065)**

The group had a strong investment performance in 2017, driven primarily by increases in equity values. Equity and collective investment scheme performance was driven by strong UK and worldwide market performance in the year, although their performance was not as strong as in 2016.

The investment environment was not as positive for bonds in 2017. Gilt yields edged higher during the year reducing capital values although the impact of this was offset to some extent by tightening credit spreads on corporate bonds. The net effect of this was that the gains seen in 2016 were not repeated accounting for the substantial reduction in gains on government and corporate bonds shown in the table above.

Investment income in both 2016 and 2017 now contains a full year contribution from both Ark and the Ex-Guardian business which was transferred into ReAssure Limited.

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 2017.

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 reserves certain matters and decisions to members and also delegates 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 its own head reporting directly to the CEO:

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

Ark Life Assurance Company dac

The governance and organisational structure of Ark Life is set out in the Company's Terms of Reference and charters. These define the responsibilities and authority of the members of the Board and Committees. The following chart outlines the Company's structure at both the Board and Management levels:

Ark Life board		
Board Committees	Audit Committee	Risk Committee
Management Committees	Ark Life Management Group	

The Board are fully engaged and actively involved in the oversight of the business. The business is compliant with the requirements of the CBI Corporate Governance Code and the governance requirements of Solvency II.

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 Risk 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 the 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.

Ark Life Committees

Ark has its own stand alone committee structure. The following table provides a brief outline of the role of each committee and where it falls within the three lines of defence model:

Structure Group	Board / Committee / Forum / Group	Committee Role Overview	Line of Defence		
			1st	2nd	3rd
Board	Board	Ark Life is a regulated entity and is a subsidiary of ReAssure Limited. The Board is comprised of two Executive Directors and four Non-Executive directors, three of which are independent. The Board's role includes defining the Company's business strategy, risk appetite, right compliance, policies, capital adequacy and solvency frameworks and to ensure that all policies and functions take full account of Irish law and regulations and the supervisory requirements of the CBI.	✔	✔	✔

Structure Group	Board / Committee / Forum / Group	Committee Role Overview	Line of Defence		
			1st	2nd	3rd
Committee	Risk Committee	The Risk Committee provides oversight, advice and assurance across the Company's business. The Risk Committee is comprised of three Non-Executive Directors and its meetings are attended by the relevant executive team members. Its duties include the setting of risk appetite and future risk strategy, assessing risk tolerance and exposure, overseeing the risk management framework, reviewing whistleblowing, fraud prevention and detection procedures and assessing the adequacy of the compliance function.	✕	✓	✕
	Audit Committee	The Audit Committee performs oversight and independent assurance over the effectiveness of systems of internal control. The Audit Committee is comprised of three Non-Executive Directors and its meetings are attended by the relevant executive team and internal audit and external audit representatives. Its duties include reviewing the internal audit remit and effectiveness, reviewing and challenging Ark Life's financial statements and regulatory returns and assessing the effectiveness of the external audit process. The Committee is also responsible for overseeing the relationship with the external auditor.	✕	✕	✓

Ark Life's system of governance meets all regulatory requirements and is the subject of periodic reviews, therefore it is management's view that it is appropriate taking into account the nature, scale and complexity of the risks inherent in the business.

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;
- Customer Committee (CC) 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 Technical 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 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 approves 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 Standard on Compensation which captures Swiss Re's compensation framework and governance, outlines the compensation processes across the Group and provides key guidelines for the execution of individual compensation actions.

Swiss Re aims for total compensation that is competitive in the market and also seeks to ensure that total compensation is well-balanced in terms of fixed versus variable compensation and in terms of short-term versus long-term incentives. This is to encourage sustainable performance and appropriate risk-taking in line with the business and risk strategy.

Swiss Re has several incentive programmes that 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. These programmes support closer alignment of the interests of shareholders and employees.

In formulating its remuneration policy the group has given due consideration to the PRA's Supervisory Statement on Solvency II Remuneration, Policy Statement 22/16.

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

Fixed compensation

Base salary

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

- scope and responsibilities of the role, and 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.

Benefits

Swiss Re aims to provide a competitive package of employee benefits. Benefits are designed and implemented under a global framework, while appropriately reflecting local employment market conditions.

Variable compensation
Annual Performance Incentive
The API is a performance-based, 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 a deferred API (VAI).

Value Alignment Incentive
The VAI is a mandatory deferral of a portion of the API and introduces a time component to this performance-based, 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 sustainable company performance over the long-term. The vesting and performance measurement period is three years with no additional holding requirement. For LPP awards granted to Group Executive Committee members and other key executives, the duration of the LPP is five years comprising a three-year vesting and performance measurement period and an additional two-year holding requirement.

10 Participation plans
Incentive Share Plan
The Incentive Share Plan (ISP) provides employees with an opportunity to purchase Swiss Re Ltd shares with some or all of their immediate cash API. Shares are offered with a 10% discount on the fair market value and are subject to a one-year blocking period. Full shareholder rights apply during this blocking period. The ISP encourages alignment with shareholder interests. At the end of the one-year period, the employee assumes full ownership of the shares.

Global Share Participation Plan
The Global Share Participation Plan (GSPP) provides employees with an opportunity to directly participate in the long-term success of the Group by purchasing Swiss Re shares (up to a maximum of CHF 7 000 per year of a plan cycle and capped at 10% of base salary). Swiss Re 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 in case of termination of employment before the end of the plan cycle. The GSPP has the same core design in all locations.

Compensation framework for the Board
Compensation structure for non-executive directors
The non-executive members of the subsidiary Boards receive their fees 100% in cash. The payments are made on a quarterly basis. The fees are determined in advance at the start of the year and are approved at the Swiss Re Group level.

Compensation structure for executive directors
Executive directors do not receive any additional fees for their services as members of the Boards at the subsidiary level.

11 Performance criteria

Annual Performance Incentive

Swiss Re operates a Target API (TAPI) system along with a performance management framework that provides equal weighting to results-oriented and behavioural-related performance criteria for all employees. API is awarded for both objectives achieved and the demonstration of desired behaviours.

A TAPI is set for each eligible employee based on multiple factors, but primarily on the role being performed and market benchmarks. The actual API pay out is based on Swiss Re´s financial results and other qualitative criteria as well as the achievement of individual objectives and the demonstration of desired behaviours.

Value Alignment Incentive

The performance factors of the VAI are calculated based on the three-year average of the published Economic Value Management (EVM) previous years' business profit margin. EVM is Swiss Re's proprietary integrated economic valuation and accounting framework for planning, pricing, reserving and steering the business. The EVM previous years´ business profit margin is the ratio of EVM previous years´ business profit to EVM capital allocated to previous years´ business in the current year.

Leadership Performance Plan

At the grant date, the award amount is split into two underlying components: Restricted Share Units (RSUs) and Performance Share Units (PSUs). A fair market value methodology executed by a third party determines the number of RSUs and PSUs granted.

Restricted Share Units

The performance condition for RSUs is return on equity (ROE) with a linear vesting line. Vesting is at 0% for an ROE at the risk free rate and at 100% for ROE at a predefined premium above the risk-free rate. The premium is set at the beginning of the plan period and for LPP 2017, this premium has been set at 900 basis points above the annual risk-free rate which is determined as the average of 12 monthly rates for ten-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 of 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%[1]).

Performance Share Units

The performance condition for PSUs is relative Total Shareholder Return (TSR) measured over three years. The PSUs vest within a range of 0% to 200%. Vesting starts at the 50th percentile of TSR relative to peers with 50% vesting and is capped at 200%[1] vesting at the 75th percentile relative to peers. In case of a negative TSR over three years, the Company retains the discretion to reduce the level of vesting. Swiss Re's TSR performance is assessed relative to the TSR of a pre-defined peer group. This peer group consists of companies that are similar in scale, have a global footprint or a similar business mix as Swiss Re.

12 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.

[1] Maximum vesting percentage excludes share price fluctuation until vesting.

13 Material transactions

During 2017, 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 Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) (the Regulators) require regulated firms to act with integrity and ensure that individuals who effectively run the business are competent to fulfil their role as a Regulated Person. These individuals are accountable and responsible for their acts and omissions.

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 the FCA Conduct Rules, which are consistent with the behavioural standards expected within 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 PRA Conduct Standards and FCA Conduct 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 and a Fit and Proper Standard.

The Fit and Proper Framework Policy sets out the requirements of the Fit and Proper Framework and roles and responsibilities. The Fit and Proper Standard provides guidance on how Regulated Persons can demonstrate and meet the Fit and Proper requirements set out in the framework.

The Group Chief Executive Officer is responsible for 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 Ltd, with support from the Head of Compliance and the Head of Human Resources.

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 to maintain the framework with support from Human Resources and Company Secretarial

The 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.

Human Resources own and maintain the process flows that have been established to ensure regulated persons are fit and proper.

HR will maintain records of breaches of any PRA Conduct Standards or FCA Conduct 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 PRA Conduct Standards and/or FCA 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).

All line managers of Regulated Persons are responsible for adopting and implementing the requirements of the Fit and Proper framework.

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

The ReAssure Group Risk Management function also referred to as 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 CRO and comprises of Operational, Financial and Insurance and Investment Oversight teams, who oversee all ReAssure Group risk-taking activities supported by the ReAssure CRO office.

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

Risk Management oversees the effective operation of the risk, control and governance frameworks. It sets risk standards (policies) and monitors the risk profile and aggregated view on risk exposures across ReAssure Group in line with the approved appetite and risk limits within the RAGL Risk Appetite Framework ("RAF").

Independence

The Swiss Group Risk Policy confirms the role and independence requirements of the risk function as follows:

"To avoid conflicts of interest, dedicated specialised units monitor risk origination activities. The Group Risk Management function is responsible for providing independent assurance that all of the Swiss Re Groups risks are being appropriately modelled managed and that adequate control instruments are in place. In order to discharge these responsibilities, Group Risk Management is given unrestricted access to all information deemed relevant." This same approach to independence of the Risk Management function is adopted in ReAssure Group.

More granular ReAssure Group specific risk management roles and responsibilities are further defined within this Standard, the ReAssure Group Governance Framework and the individual ReAssure Group Risk Category Standards.

The role of the Risk Management function in terms of its reporting to line 2 committees is also covered in the relevant ReAssure Group committee's terms of reference and the ReAssure Group Board Governance Framework.

Three lines of control

Risk-taking activities are typically subject to three lines of control, which are also referred to as the three lines of defence:

- The first line of control is represented by risk control activities performed by front-line employees such as the use of authority limits and risk taking. In the context of managing operational risks, first line of control tasks are performed by any employee, no matter whether belonging to a front, middle or back-office.
- The second line of control is independent risk oversight. This is principally provided by Risk Management, although independent risk oversight and control tasks are also performed by Compliance.
- The third line of control is held by Group Internal Audit (GIA). The main task of the third line of defense is to provide independent assurance to a Board.

Risk Management, Compliance and GIA closely coordinate their second and third line of control activities related to the operation of the Risk Control Framework ("Coordinated Assurance").

Risk Management Activities
Risk Management supports and provides monthly risk and solvency reporting and risk assurance findings to the Risk Committee ("RC"), a line 2 management committee that is chaired by the ReAssure Group CRO and supports, and has certain delegated authority through its terms of reference to the ReAssure Group Board Risk Committee.

Risk Management also provides quarterly risk and solvency reporting across all risks to the BRC, which is chaired by an independent non-executive Board member. The BRC is attended by the SRLC CRO and ReAssure Group CRO who serve the BRC in all matters relating to risk and solvency.

The ReAssure Group Risk Management System supports regular risk and solvency reporting against defined exposure, tolerance, appetite limits and risk concentrations against the key risks faced by the business. The risk profile of the business is monitored through regular risk and control self-assessments completed by risk originating functions supported by risk partners from the risk management.

Risk assurance is provided to the RC and BRC through the integrated assurance framework, which is reviewed and approved by the BRC to ensure that key risks are being effectively controlled across the business.

Risk Management also provides line 2 oversight in all potential acquisitions, mergers, projects and investments. The function also provides risk input in to the strategic business, recovery and resolution planning, ensuring that all risks are fully understood, and that the business plan operates within the defined levels of risk appetite defined by the Boards.

The Risk Management Function is responsible for supporting the Emerging Risk Panel ("ERP") and overseeing the Emerging Risk Process in order to capture and evaluate new or changing risks, which may have a material direct impact on the ReAssure Group business model, or indirectly through impacts to society, industry or commerce.

ReAssure Group Risk Management System

Elements
The ReAssure Group Risk Management System comprises of the following elements:

- Risk Strategy
- Risk Culture
- Risk Management Principles
- Risk Management Framework and Governance
- Risk Management Process
- Partial Internal Model Governance Framework and Use Test

Risk Strategy
Risk Strategy is the term used to describe the circumstances under which ReAssure 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 ReAssure 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 Reassure Group and at Swiss Re Group levels.

  ReAssure 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.

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

The central goal of risk transparency is to create a culture of mutual trust, and to reduce the likelihood of surprises regarding the source and potential magnitude of losses. This goal is achieved through regular dialogue and by establishing timely and appropriate risk reports, which document the risk landscape and loss potential. 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 these decisions to be potentially challenged and ultimately improved.

Risk Management Principles
There are four guiding principles in relation to how risks are managed:

- Controlled risk taking
- Clear accountability
- Independent risk controlling function
- 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.

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

The major elements of the RMF are:

- The Swiss Re Group Risk Policy;
- Risk Appetite Framework establishing ReAssure Group's risk preferences, appetite statements and risk limits;
- The ReAssure Group Risk Management Standards outlining the fundamental risk governance and risk roles and responsibilities for the delegation of risk taking; and
- 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 RAF establishes ReAssure Group's preference and practices in terms of 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, or avoid.

The group's risk limits outlines the maximum extent to which the Board has authorised senior management to assume risk given its financial resources.

ReAssure Group's risk appetite is defined and documented in the ReAssure Group Risk Appetite Framework, which also includes Swiss Re Life Capital appetite limits applicable to ReAssure Group.

The business, led by the RMC, is expected to implement the RAF via its Business Plan and to ensure that all delegated risk taking is subject to proper risk controls. In particular, the RMC must install a limit framework that allows them to control adherence to the appetite statements and limits set by the Board.

The CRO is responsible for monitoring those limits and communicating them to the Board, its Committees and the RMC.

Risk reporting

Goal

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

- Design risk 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.

Approach

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 RAGL 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 RMC, RC and as part of the monthly Executive Information Pack (EIP) for consideration, review and challenge.

Quarterly ORSA reporting

Quarterly reporting is provided to the RMC, RC, Audit and Board Risk Committee and the Boards. 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 process and reporting.

Annual ORSA process and reporting

The Annual ORSA process and reporting 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 ReAssure Business Plan) via capital projections and stress & scenario testing;
- Suitability of Solvency II standard formula;
- Quality of capital/funding; and
- Governance responsibilities.

Integration of the ORSA process into the organisational structure is defined in the ORSA Policy, which lists the processes and procedures for conducting the ORSA as well as roles and responsibilities of the organisation, including the Boards, Committees and key functions.

The ORSA 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 timeline. The ORSA also considers the future risk and solvency position of RAGL under stressed conditions and assumed growth and run-off scenarios, informing senior management and the Boards with respect to decision-making and capital planning. Risk reports produced throughout the year may also include an assessment of upcoming transactions on RAGL risk profile, risk limits and solvency to facilitate decision making in advance of any transactional activity.

Risk Management responsibilities:

- The CRO is responsible for delivering the Quarterly Risk & Solvency Update to the RMC, the RC, BRC and the Boards;
- In case of significant regulatory, business, economic or demographic change, the CRO will determine if an interim ORSA should be produced; and
- Risk Management produces the Quarterly Risk & Solvency Update and ORSA Reporting.

Business and Corporate functions responsibilities:

- Ensure qualitative and quantitative information submitted for the ORSA is accurate, complete and timely

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:

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. Operating an effective internal control system 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 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 and Risk Committee of the Boards. Compliance is a member of the Swiss Re Coordinated Assurance Framework and remains independent from the ReAssure Group's business units. The authority and responsibilities of the Compliance function are established by the Boards and the ReAssure Management Committee and are recorded in the ReAssure Group Compliance Charter.

Compliance's responsibilities cover the following specific areas: Compliance Oversight and Regulatory Guidance, support for day to day Data Protection queries, Compliance Assurance and Financial Crime.

The specific areas of the ReAssure Group's Compliance Risk within the scope of the Compliance function's core 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.

Solvency II Compliance Oversight function

Pursuant to Article 46(2) of the Solvency II Directive, the responsibilities arising as part of the Solvency II Compliance Oversight function are apportioned on the basis described in more detail within the ReAssure Group Governance Map.

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 Chief Legal Officer 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 Officer in a location.

Operating Unit, Group Functions and Compliance Heads
In line with Swiss Re governance arrangements, the Reassure Group has a Compliance Head with dual reporting lines to the ReAssure Group Chief Executive Officer and the Swiss Re Life Capital Chief Compliance Officer. The ReAssure 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 with the responsibilities of the ReAssure Group Compliance function. The ReAssure Group Head of Compliance is the Regulated Person for compliance oversight and also the Money Laundering Reporting Officer 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 independent assurance to the Board of compliance with ReAssure Group's compliance risks (including identifying, assessing, control process design, monitoring, testing and reporting), and perform second line of defence oversight of all ReAssure Group 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 Committee and the 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 does not provide operational support so as not to impair its objectivity.

Compliance Oversight and Regulatory Guidance
The Compliance Oversight and Regulatory Guidance team is responsible for advising the internal management on compliance with applicable laws and regulations, including providing assessments of the possible impact of any changes in the legal and regulatory environment on the operations of the ReAssure Group, and the identification and assessment of related Compliance Risk. In particular, Compliance principally is responsible for providing compliance-related guidance regarding policies and standards, including the Code of Conduct and local regulatory requirements. Compliance also has oversight of the Outsourced Service Providers.

Financial Crime

The Financial Crime Team maintains the Financial Crime Framework in line with the corporate risk appetite, evolving and increasing regulatory expectations and industry practice. The team forms part of the Compliance Department and provides second line support to all business areas.

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 adhere 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 three main areas, each reporting to the Chief Actuary, as follows:

- Financial Reporting and Capital – production of all financial reporting submissions, including calculation of Technical Provisions and Solvency Capital Requirement and supporting efficient management of the capital position of the group;
- 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.

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), which 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 and Hitchin 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 the risk management and internal control environment and there is also an annual review of the service delivery undertaken. SRAM is also subject to internal and external audit procedures.

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 Limited) are all included in this framework.

The outsource policy legal entity annex is 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 outsourcing arrangements.

3 Service providers to whom critical operational activities have been outsourced

ReAssure Group uses 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	Administration for circa 460k Life & Pension policies
LV=	Administration for circa 1k SIPP policies
BARCLAYS	Administration of mis-selling complaints on former Barclays Life book
HANNOVER RE	Administration of circa 26k annuities which ReAssure acquired as part of the HSBC acquisition. As well as the administration, Hannover Re fully reinsures this block.
STANDARD LIFE ABERDEEN	Investment management services

Supplier	Service Supplied
SRAM	Investment management services
HGAM	Investment management services
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	Storage services (previously provided administration activities).
DILIGENTA	Storage services (previously provided administration services).
IRISH LIFE FINANCIAL SERVICES	Policy administration and financial accounting support for Ark Life
IRISH LIFE INVESTMENT MANAGEMENT	Investment management services for Ark Life
FCS	Printing and postage facilities for ReAssure correspondence
EQUINITI PAYMASTER	Payroll and tax reporting facilities to ReAssure policyholders
IRON MOUNTAIN	Storage facilities
JLT	Administration services to 12 Occupational Service Schemes
MIDLAND HR	HR function services
NTT	Managed IT infrastructure services
RESTORE	Storage facilities

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

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

- HCL IBS – Outsources administration to Chennai and Lucknow in India to support overall HCL IBS servicing strategy;
- HSBC HSS – Provides services out of India and Sri Lanka offices to support overall HSBC 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.

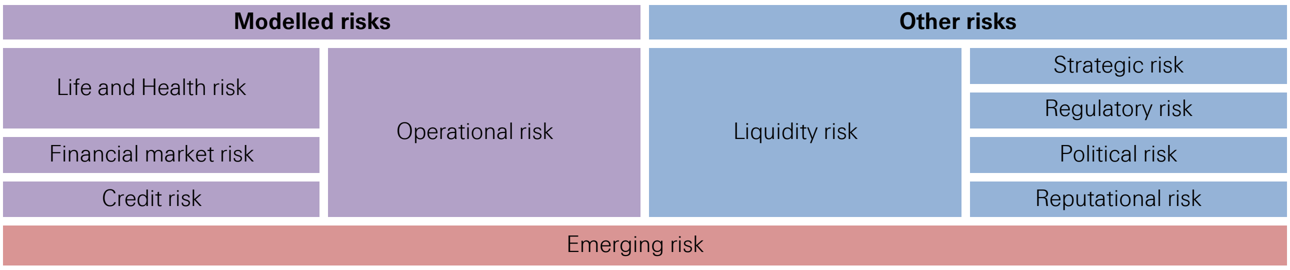
Section C: Risk profile

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 are only 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 ReAssure Group 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

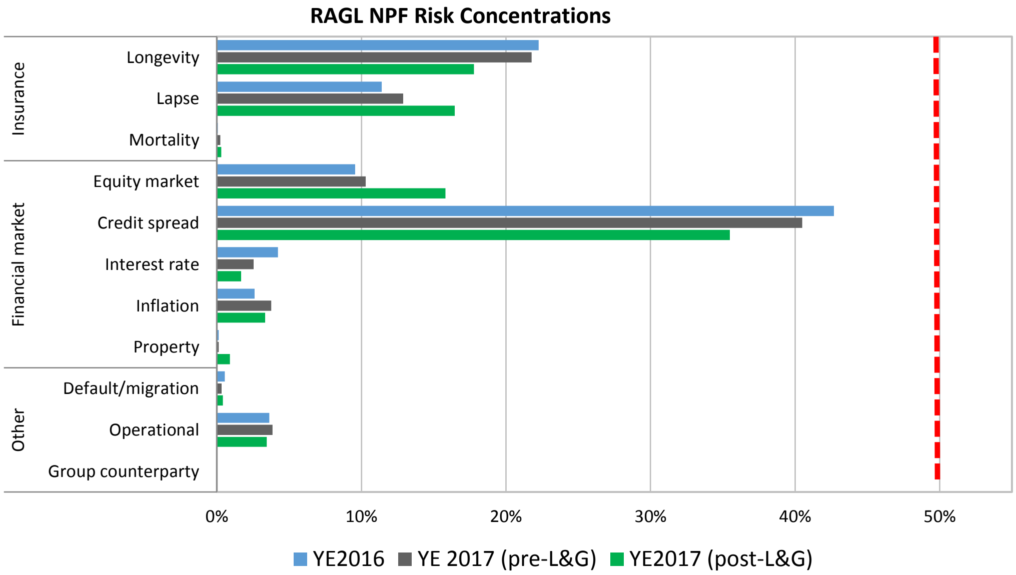
The group currently uses the Solvency II Standard Formula approach to assess all modelled risk categories and derive the Solvency Capital Requirement. Risks not covered by the Solvency Capital Requirement shown as ‘other risks’ in Figure 3 above are qualitatively monitored, reviewed and reported through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

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

Material risk developments over the reporting period

The concentration of risks for ReAssure Group under the Standard Formula (SF) is shown below. As can be seen all risks remain within the 50% appetite limit with the largest single risk (credit spread) within 15% of the limit.

The key impact over 2017 was the acquisition of Legal & General Mature Savings Business, where the additional equity and lapse risk diversified well against the existing credit and longevity risk. This has given ReAssure Group a more balanced portfolio of risks as shown in the green post-Legal & General bars in the graphs below.



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.

Longevity risk

Longevity risk is the group's largest Life and Health risk exposure; second overall to credit spread risk detailed in Section C2. The SCR has decreased over 2017, mainly due to the change in longevity assumptions.

Lapse risk

Lapse risk is the other large Life and Health risk and it arises primarily on unit-linked business. The lapse risk increased over 2017 mainly due to the acquisition of the Legal & General portfolio which has a material unit-linked portfolio. ReAssure Group's concentration of lapse risk is well within appetite post-Legal & General.

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 to FM risks from two main sources: through its investment activities and through the sensitivity of the economic value of liabilities to financial market fluctuations. Three types of FM risk are currently material for the group: credit spread, equity and interest rate risks.

Credit spread risk

Credit spread is ReAssure Group's largest single risk. Credit spread risk concentration decreased over 2017 due to the matching adjustment extension and the addition of the Legal & General portfolio which diversifies well against ReAssure Group's credit spread risk. The concentration of credit spread risk was 35% post-Legal & General at the end of Q4, which is well within the 50% limit and lower than the previous year.

Equity risk

ReAssure Group is exposed to equity risk through the charges in its unit-linked funds under management. Although, equity performance over 2017 was strong, equity risk also increased significantly due to the addition of the Legal & General portfolio which consists of unit-linked and with-profit funds. Despite this, the equity risk concentration continues to be well within the 50% limit.

Interest rate risk

Interest rate risk arises under SF from the assets held to match the risk margin. In the SF calculation, these assets are revalued under an interest rate stress, but only the BEL and not the risk margin is recalculated. This gives rise to a mismatch, which in turn gives rise to the capital requirement, though this capital requirement is not reflective of the true interest risk exposure of the balance sheet.

Sensitivities

Market movement sensitivities are calculated on a regular basis and are used to monitor the sensitivity of the Solvency II balance sheet. The table below shows the sensitivity of the SII Solvency Ratio under a range of market conditions.

Solvency II basis (post dividend)	2017	2017
Solvency ratios	**no TMTP re-calculation**	**with TMTP re-calculation**
Absolute change in the solvency ratio from the best estimate position		
25% equity fall	+1%	-6%
25% property fall	-	-
100bps rise in risk free rate (parallel shift)	+11%	+6%
100bps fall in risk free rate (parallel shift)	-13%	-8%
50 bps change in gilt-swap spread (gilts rise)	-6%	-
100 bps widening in credit spreads	+3%	-
50 bps rise in inflation	-1%	-2%
25% fall in GBP exchange rates	+3%	+4%

The main market movements that are expected to have adverse solvency consequences are a fall in risk free rates and gilt-swap spreads widening. Allowing for TMTP recalculation tends to dampen the solvency ratio movements. However the SCR would not be breached under any of the scenarios outlined.

Stress & Scenario Testing

In addition to sensitivity testing, the group also undertakes scenario testing where the impact of a range of adverse market and other credit risk and Life & Health movements are quantified via the construction of a number consistent scenarios. Each of these scenarios is designed to test the impact of a number of adverse factors occurring at the same time. The stress scenarios are determined after having regard to the scenarios developed by Swiss Re Group, the stress scenarios developed by EIOPA and additional factors that are specific to the group's business.

This testing shows that the scenarios that have the most adverse impact on the balance sheet typically involve adverse financial market movements (interest rates, equity markets and credit events) and improvements in longevity. The financial structure of the group means that it is capital generative and the adverse impact of the stress scenarios considered is gradually recovered through the surplus delivered by the portfolio of in force policies.

The results of the stress & scenario testing are used for a variety of purposes, including the development of potential management actions that could be used in the event of an actual stress situation. The results of the stress & scenario testing are also reported to the Board in the Own Risk Self-Assessment (ORSA) document, which is produced annually.

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 a 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, the ultimate risk responsibilities for ReAssure credit risk rests with Risk Management.

The spread risk is considered as a "market induced" risk and is 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.

Credit Default Exposures The group also monitors its largest credit exposures to other entities, including the UK government and private corporations. Investment concentration limits serve to limit the group's exposure to individual counterparties.

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 in the context of the matching adjustment portfolios is defined as the risk that the group will not have sufficient liquid resources, either within or outside the matching adjustment portfolios, to meet matching adjustment liability outgoings, in both normal and stressed circumstances, without recourse to selling matching adjustment assets that are matched against liabilities.

The group Funding and Liquidity Risk Management Standards state that funding liquidity risk is measured by comparing the sources and uses of funding in stressed conditions over a 12 month period. The position of the MA and non-MA funds is measured separately.

The Liquidity Coverage Ratio (LCR) is the ratio of liquidity sources to liquidity requirements under stress. The liquidity stress is based on the 12 month liquidity requirements under the 1-in-200 Standard Formula stresses. At 31 December 2017, all funds remain within the risk appetite.

Liquidity Stress Ratio		ReAssure NPF	
YE2017	Non-MA	MA1	MA2
Liquidity Coverage Ratio	110%	114%	113%

The group has reported Expected Profit in Future Premiums of £697,204,532. The nature of the asset means that it is illiquid and would not be available for conversion to cash in a stressed scenario.

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 group and the trend by business area. Operational risks are reported under a red/amber/green framework allowing the 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 has 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 2017 were as follows:

- Volume and complexity of change delivery, including preparation for the conversion of the administration system of Legal & General;
- Risks from the site closure programme;
- Risk of cyber attack; and
- Risk of insufficient availability of skilled employees and key people.

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

Emerging Risks

The group continues to keep under review emerging risks. The key emerging risks currently being monitored are outlined below.

Large-scale cyber warfare

With the increasing global political tensions, a large-scale cyber-attack on infrastructure is judged to be a key emerging risk. The cyber-attack could disrupt public/private sectors including industry, commerce, governments, transport, emergency services and defence. Risk Management keep under review the potential market volatility on the balance sheet resulting from a large scale cyber event.

Interest rate and inflation uncertainty

Interest and inflation rate risk is a key financial risk for ReAssure as it influences the amount of risk capital ReAssure must hold. Interest rate and inflation rate risk will continue to be monitored by Risk Management.

Consequences of adverse Brexit agreement

With continued uncertainty surrounding the trade agreement between the UK and the EU, this is an emerging risk which has crystallised and, until terms are finally agreed, continues to influence the financial markets. Risk Management continues to model the economic volatility effecting the balance sheet in order to assess the impact of uncertainty arising from the Brexit process.

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 2017 is as follows:

Investment Type	Total Solvency II Value 2017 (£'000)	Total Solvency II Value 2016 (£'000)
Government bonds	6,622,314	6,252,204
Corporate bonds	14,105,266	14,139,156
Equity	487,022	464,019
Investment funds	1,410,971	1,657,694
Structured notes	51,813	348
Collateralised securities	39,642	909,798
Cash and deposits	85,565	233,814
Mortgages and loans	1,061,904	824,638
Property	368,025	404,280
Assets held for index and unit linked funds	22,790,076	22,426,379
Derivatives	15,858	125,585
Total	**47,038,456**	**47,437,915**

Included in the total investment assets above are the investments of Ark Life solo entity of £1,938 million (2016: £2,075 million). The remaining investments are assets of ReAssure Limited, with the exception of £241 million (2016: £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.

In addition to the investment assets listed above the group has trade receivables of £267,304 thousand, which includes accrued income due on investments of £91,972 thousand.

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. An 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 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-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 publicly available prices 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 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 fair value of cash and cash equivalents is equal to their carrying

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 AVM. ReAssure applies 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 mid, trade or settle 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 AVM, which would source price information from a suitable model. The substantial majority of derivatives held at year end were valued using QMP.

Present Value of In Force

In accordance with the Solvency II regulations no value is ascribed to the Present Value of In Force asset in the IFRS balance sheet.

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.

Trade receivables

Trade receivables are recorded in the balance sheet at their valuation as in the IFRS financial statements, provided that is considered an economic valuation consistent with Solvency II valuation principles.

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, except where specific Solvency II valuation methodologies are mandated. Solvency II requires the provision for the amount due to Legal & General of £650m to be provided for as the contract is bound (i.e. signed). However under IFRS the amount payable is not recognised until the date the contract becomes effective in 2018. 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 an 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 first announced in the 2015 Government Budget, were enacted in 2016, and have therefore been reflected in Solvency II valuation tax rate assumptions. 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%.

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-profit 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.

Deferred tax balances

The group has recognised a deferred tax liability of £247,290 thousand at 31 December 2017. The balance is made up of the following items:

Deferred tax	£'000
Deferred tax on liability differences	(236,816)
Transitional adjustments	18,420
Deferred acquisition costs	15,028
Management expenses	2,431
Acquisition expenses	941
Pension losses utilised	36,733
Unrealised chargeable gains	(75,027)
Ark life	(2,000)
Group pension scheme	(7,000)
Deferred tax liability	(247,290)

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 calculated as at 31 December 2017 and 31 December 2016 is shown in the tables below. The 2017 table includes the Technical Provisions of the reinsurance arrangement with Legal & General following the acquisition of its mature savings business on 6 December 2017.

Technical Provisions 2017 £'000	**RAL Solo**	**Ark Solo**	**Group Expenses**	**Total**
Technical Provisions calculated as a whole	20,978,663	1,713,724	-	22,692,386
Gross BEL	17,319,870	272,430	183,019	17,775,320
Risk margin	1,204,825	40,158	-	1,244,983
Transitional on Technical Provisions	(481,023)	-	-	(481,023)
Total Technical Provisions	39,022,335	2,026,312	183,019	41,231,666
Reinsurance Recoverable	(736,579)	(307,086)	-	(1,043,665)
Technical Provisions allowing for Reinsurance Recoverable	38,285,756	1,719,226	183,019	40,188,001

Technical Provisions 2016 £'000	**RAL Solo**	**Ark Solo**	**Group Expenses**	**Total 2016**
Technical Provisions calculated as a whole	20,539,964	1,804,611	-	22,344,575
Gross BEL	19,586,596	209,827	57,998	19,854,421
Risk margin	1,395,173	43,261	-	1,438,434
Transitional on Technical Provisions	(577,808)	-	-	(577,808)
Total Technical Provisions	**40,943,925**	**2,057,699**	**57,998**	**43,059,622**
Reinsurance Recoverable	(973,854)	(262,070)	-	(1,235,924)
Technical Provisions allowing for Reinsurance Recoverable	39,970,071	1,795,629	57,998	41,823,698

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

RAL Line of Business 2017 £'000	**With Profit**	**Unit-linked**	**Other Life**	**Health**
Technical Provisions calculated as a whole	-	20,961,489	-	17,174
Gross BEL	2,969,310	(1,456,358)	15,534,855	272,063
Risk margin	58,561	189,953	943,963	12,348
Transitional on Technical Provisions	(27,760)	(74,856)	(373,541)	(4,866)
Total Technical Provisions	**3,000,111**	**19,620,228**	**16,105,277**	**296,719**
Reinsurance Recoverable	(2,497)	354	(730,836)	(3,600)
Technical Provisions allowing for Reinsurance Recoverable	2,997,614	19,620,582	15,374,441	293,119

RAL Line of Business 2016 £'000	With Profit	Unit-linked	Other Life	Health
Technical Provisions calculated as a whole	-	20,522,508	-	17,457
Gross BEL	3,310,145	(938,891)	16,873,139	342,202
Risk margin	49,577	255,609	1,074,727	15,260
Transitional on Technical Provisions	(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 are as follows:

Ark Line of Business 2017 £'000	With Profit	Unit-linked	Other Life	Health
Technical Provisions calculated as a whole	-	1,713,725	-	-
Gross BEL	-	(39,328)	297,360	14,396
Risk margin	-	15,114	22,767	2,278
Transitional on Technical Provisions	-	-	-	-
Total Technical Provisions	**-**	**1,689,511**	**320,127**	**16,674**
Reinsurance Recoverable	-	-	(285,375)	(21,711)
Technical Provisions allowing for Reinsurance Recoverable	-	1,689,511	34,752	(5,037)

Ark Line of Business 2016 £'000	With Profit	Unit-linked	Other Life	Health
Technical Provisions calculated as a whole	-	1,804,611	-	-
Gross BEL	-	(31,979)	236,744	5,062
Risk margin	-	14,112	26,757	2,392
Transitional on Technical Provisions	-	-	-	-
Total Technical Provisions	**-**	**1,786,744**	**263,501**	**7,454**
Reinsurance Recoverable	-	-	(245,651)	(16,419)
Technical Provisions allowing for Reinsurance Recoverable	-	1,786,744	17,850	(8,965)

The total Technical Provisions consist of Technical Provisions calculated as a whole, which is the value of the unit funds for all unit-linked policies, the BEL, the Risk Margin, and any Transitional Measures on Technical Provisions (TMTP).

Contributing to the Technical Provisions in ReAssure Group are: the Technical Provisions for 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 –Technical Provisions calculated as a whole and 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-linked non-profit 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 value of the units is included in Technical Provisions calculated as a whole. The discounted value of future profits arising from unit-linked business is shown in the BEL (where it is negative being an asset to the company). 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. The calculation is conducted at a per-policy level for unit-linked business.

With-profit business

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

The asset share represents the underlying value of a with-profit investment and is calculated by accumulating historical premiums paid, return on assets backing asset shares and deductions made. With-profit 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 cash flow 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 2017 is 0.79% in MA Fund 1 (2016: 1.00%) and 0.81% in MA Fund 2 (2016: 0.94%).

Where a Volatility Adjustment is included in the discount rate, the rate is prescribed by EIOPA, and at 31 December 2017 is 0.18% per annum for the next 50 years reducing to 0.067% per annum over the following 100 years (2016: 0.3% per annum for the next 50 year reducing to 0.112% per annum over the following 100 years).

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, an RPI assumption which is set based on information published by the Bank of England).

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. ReAssure uses a bottom up, operating model-based approach to calculate the Solvency II expense provision. This year, ReAssure has produced an alternative model in parallel to the current model, which uses an allocation approach to determining the expense provision. Both models have produced materially similar results. ReAssure has decided to move to the allocation model as its primary method of calculation, as the directors believe it to be a more appropriate method.

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 resulted in an increase in Technical Provisions of £318,336,000 (2016: £975,976,000).
- Changes to demographic assumptions resulting from updating the annuitant mortality bases for ReAssure Limited have decreased the Technical Provisions by £526,767,000 (2016: £225,823,000).
- The revision of the group expenses model during 2017, as described in section 4, resulted in Technical Provisions increasing by £125,021,000 (2016: decrease of £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.
- Economic assumptions – There is considerable uncertainty around future economic conditions, which can lead to investment performance being materially different to that assumed.

8 Comparison to valuation for financial statements

At 31 December 2017, the gross Technical Provisions for the group calculated under the IFRS basis were £44,601,069,000 (2016: £46,073,207,000) and the gross Technical Provisions for Solvency II were £41,231,666,000 (2016: £43,059,622,000). Summary Technical Provisions are shown in the tables below.

2017 £'000	**RAL Solo**	**Ark Solo**	**Group Expenses**	**Total**
Technical provisions in financial statements	42,587,186	2,013,883	-	44,601,069
Valuation differences	(3,564,851)	12,429	183,019	(3,369,403)
Total Technical Provisions	39,022,335	2,026,312	183,019	41,231,666

2016 £'000	RAL Solo	Ark Solo	Group Expenses	Total
Technical provisions in financial statements	44,044,517	2,028,690	-	46,073,207
Valuation differences	(3,100,592)	29,009	57,998	(3,013,585)
Total Technical Provisions	40,943,925	2,057,699	57,998	43,059,622

A breakdown of ReAssure Limited Technical Provisions by type of business are shown below.

2017 £'000	With Profits	Unit liabilities and VIF	Non profit	RAL solo total
Technical provisions in financial statements	3,861,568	20,979,404	17,746,215	42,587,186
Valuation differences	(861,456)	(1,546,869)	(1,156,527)	(3,564,851)
Total Technical Provisions	3,000,112	19,432,535	16,589,688	39,022,335

2016 £'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)	(3,100,592)
Total Technical Provisions	3,322,851	19,483,143	18,137,932	40,943,925

The material items making up the difference of £3,369,403,000 between the IFRS Technical Provisions and the Technical Provisions for Solvency II at 31 December 2017 are described below.

- Future distribution of the estate for the with-profit funds of £634,236,000 is included in the IFRS Technical Provisions but excluded for Solvency II;
- Unit-linked value of in-force business (VIF) of £1,172,608,000 is not recognised in the financial statements, but is recognised under Solvency II;
- Prudential margins of £646,650,000 are included under IFRS but not under Solvency II;
- Solvency II Technical Provisions are reduced by Transitional Measures of £481,023,000;
- Legal & General acquisition impact of £789,166,000 not included under IFRS; and
- Group expenses of £183,019,000 are included under Solvency II but not under IFRS.

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 swaps. In the valuation of ceded reinsurance, the counterparty risk is considered.

A number of small reinsurance arrangements were recaptured during 2017 to reduce operational complexity. There was no material impact on the risk profile of the group.

10 Matching Adjustment

There are two distinct Matching Adjustment portfolios within the ReAssure Limited Non-Profit Fund as follows, one relating to the ReAssure Limited 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 transfer date (MA2).

At 31 December 2017, one of the matching adjustment funds (MA2) was extended with the addition of annuities from the ex-Guardian portfolio, with a best-estimate liability of about £1.6 billion. This business was previously discounted using the Volatility Adjustment. The impact was a reduction in technical provisions of £155 million.

Ark Life does not apply any Matching Adjustment.

The table below shows the effect of the Matching Adjustment on the group financial position as at 31 December 2017.

Impact of Matching Adjustment £'000	With Matching Adjustment	Without Matching Adjustment	Difference
Technical Provisions	(41,231,666)	(42,306,737)	(1,075,071)
Solvency Capital Requirement	(3,122,523)	(3,802,336)	(679,814)
Minimum Capital Requirement	(783,881)	(953,835)	(169,954)
Basic Own Funds	3,865,311	2,965,373	(899,938)
Own Funds eligible to cover SCR	3,865,311	2,965,373	(899,938)
Own Funds eligible to cover MCR	3,865,311	2,965,373	(899,938)

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 one or more of 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 at 31 December 2017.

Impact of Volatility Adjustment £'000	With Volatility Adjustment	Without Volatility Adjustment	Difference
Technical Provisions	(41,231,666)	(41,304,937)	(73,271)
Solvency Capital Requirement	(3,122,523)	(3,140,086)	(17,563)
Minimum Capital Requirement	(783,881)	(788,272)	(4,391)
Basic Own Funds	3,865,311	3,810,940	(54,371)
Own Funds eligible to cover SCR	3,865,311	3,810,940	(54,371)
Own Funds eligible to cover MCR	3,865,311	3,810,940	(54,371)

Ark Life does not apply any Volatility Adjustment.

12 Transitional Measures (unaudited)

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

RAL has applied the TMTP as a deduction to Technical Provisions as allowed by Article 308d. Ark Life has not applied any TMTP.

The table below shows the effect of the TMTP on the group financial position at 31 December 2017.

Impact of Transitional Measures on Technical Provisions (TMTP) £'000	With TMTP	Without TMTP	Difference
Technical Provisions	(41,231,666)	(41,712,689)	(481,023)
Solvency Capital Requirement	(3,122,523)	(3,198,380)	(75,858)
Minimum Capital Requirement	(783,881)	(802,846)	(18,965)
Basic Own Funds	3,865,311	3,480,596	(384,716)
Own Funds eligible to cover SCR	3,865,311	3,480,596	(384,716)
Own Funds eligible to cover MCR	3,865,311	3,480,596	(384,716)

The TMTP has been recalculated at 31 December 2017. This was necessary following the acquisition of business from Legal & General, as this entailed a significant change in the risk profile of the business. In any case, the PRA would require a recalculation of the TMTP every two years from the inception of Solvency II on 1 January 2016.

There is no adjustment at group level to the TMTP 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 2017 is as follows:

2017 Other Liabilities £'000	Solvency II Value	Solvency II Value
Claims admitted but not yet paid	217,719	
Unallocated policyholder receipts, commission and insurance refunds due	24,579	
Due to Legal & General	650,000	
Insurance and intermediaries payables		**892,298**
Reinsurance payables		**92,635**
Due for investment purchases	120,846	
Corporation tax due	225,302	
Dividends due not yet paid	-	
Other trade payables	143,470	
Payables (trade not insurance)		**489,618**
Other Liabilities		**9,937**
Total		**1,484,488**

Included in the total above are the other liabilities of Ark Life of £18 million.

2016 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 £29 million.

Other liabilities for ReAssure Limited as at 31 December 2017 are as follows:

2017 Other Liabilities £'000	Solvency II Value	Solvency II Value
Claims admitted but not yet paid	217,719	
Unallocated policyholder receipts, commission and insurance refunds due	24,440	
Due to Legal & General	650,000	
Insurance and intermediaries payables		**892,159**
Reinsurance payables		**87,485**
Amounts due to Group companies	303,370	
Corporation tax due	226,002	
Due for investment purchases	120,846	
Other trade payables	30,851	
Payables (trade not insurance)		**681,069**
Other liabilities		**9,937**
Total		**1,670,650**

2016 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 trade payables	56,937	
Payables (trade not insurance)		**476,215**
Other liabilities		**50,379**
Total		**841,642**

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

The group held provisions of £20m at the year end. The group has made provision for the closure of one of its offices and the related restructuring costs. In addition it holds a number of other non-material provisions for expected future project and other costs. Amounts are expected to be paid in the 2018 financial year and to be sufficient to cover the liabilities arising.

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 just over 3,000 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 the group 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 2017 was £10.5 million (2016: £42.8 million).

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

Assumptions	**2017**	**2016**
Discount rate	2.6%	2.6%
Inflation rate (RPI)	3.4%	3.5%
Inflation rate (CPI)	2.4%	2.5%
Rate of increase in salaries	3.4%	3.5%
Rate of increase in pensions	3.4%	3.5%
Rate of increase in deferred benefits in deferment	2.4%	2.5%

Mortality	**2017**	**2016**
Longevity at age 60 for current pensioners		
- Men	28.9	29.3
- Women	30.4	30.9
Longevity at age 60 for future pensioners currently aged 45		
- Men	30.3	30.9
- Women	31.8	32.6

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

£'000	2017	2016
Equities	148,962	139,509
Bonds	131,365	224,604
Gilts	91,260	27,146
Secure income	31,102	-
Cash	6,548	2,271
Total assets	**409,237**	**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 2017 was £42 million. (2016: £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, except where specific Solvency II valuation methodologies are mandated. Solvency II requires the provision for the amount due to Legal & General of £650m to be provided for as the contract is bound (i.e. signed). However under IFRS the amount payable is not recognised until the date the contract becomes effective in 2018. The group does not publish consolidated group financial statements.

D4: Alternative methods for valuation (AVM)

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 AVM.

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 AVM to price a small number of corporate bonds is justified because no actively traded market prices are available.

Mortgages and loans

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

Derivatives

Certain derivative positions held by the group 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 bonds acquired in 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 level 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 uncertainty 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 with respect to the overall size of the portfolio.

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 AVM 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 an asset at 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
- To document the capital management policy specific to the with-profit funds, which is to be compliant with what is set out in the Principles and Practices of Financial Management (PPFM).

Own funds held must be sufficient to absorb shocks at the level set out in the group'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 Group 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 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 NMWPF. The run-off plan also takes into account certain principles established as part of the original demutualisation.

- For the Guardian Assurance 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
- Reinsurance – 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 (including consideration of the relevant provisions of EIOPA guideline 36).

Reinsurance, 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 reinsurance 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
All with-profit funds are being managed with the aim of distributing the estate over the remaining term of the policies in the fund. With-profit plans are managed in accordance with the provisions of the relevant PPFM, run-off plan and any prior scheme of transfer.

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 2017, ReAssure Group had £3,865 million (2016: £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 2017 £'000	Tier 1	Tier 2	Tier 3	Total
Share capital	73,051	-	-	73,051
Share premium	83,911	-	-	83,911
Reconciliation reserve	3,036,145			3,036,145
Amount equal to value of deferred tax assets	-	-	-	-
Surplus funds	672,204	-	-	672,204
Total	3,865,311	-	-	3,865,311

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

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	2017	2016	Change
Share capital	73,051	73,051	-
Share premium	83,911	83,911	-
Surplus funds	672,204	624,133	48,071
Reconciliation reserve	3,036,145	2,546,096	490,049
Amount equal to value of deferred tax assets	-	404	404
Total	3,865,311	3,327,595	537,716

The share capital and share premium accounts are unchanged over the reporting period. The increase in surplus funds arises from the increase in the with-profit fund surplus assets which reflects the positive environment for investment returns during the year. The key reasons for the changes in the reconciliation reserve are set out in the table below:

Change in reconciliation reserve	£'000
Foreseeable dividend	(921,000)
Increase in retained earnings in year	685,667
Legal & General acquisition	823,000
With-profit fund restrictions applied	(98,022)
Change in deferred tax asset	404
Total movement	490,049

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; and
- Extension of the number of policies subject to matching adjustment.

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.

Surplus funds arise from the three with-profit funds that the group owns. With-profit funds are legally segregated funds held for the benefit of with-profit policyholders. The group is entitled to take into account as own funds the excess of assets over liabilities of the with-profit funds, although this is restricted to a maximum of the value of the SCR for that fund.

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. 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 all of the remaining own funds consists of Tier 1 capital.

	2017	2016
Total available own funds to meet the MCR/SCR	**£'000**	**£'000**
Total own funds	3,865,311	3,327,595
Total eligible own funds to meet the SCR	3,865,311	3,327,595
An amount equal to the value of net deferred tax assets	-	(404)
Own funds available to meet the MCR	3,865,311	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 124% (2016: 120%).

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 Solvency II 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 except for annuity technical provisions for which Solvency II valuations (excluding any volatility adjustment) are used. 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.

Under Solvency II the rules regarding contract boundaries are different from those for IFRS. For Solvency II contracts are included when they are bound (i.e. signed) and accordingly the results presented include the impact of the purchase of business from Legal & General which was signed in 2017. The impact is not shown under IFRS as the contract is not effective until 2018.

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:

Reconciliation of Solvency II excess assets to IFRS equity	Total £'000
Financial statements equity	3,200,858
Replace IFRS reserves with Solvency II technical provisions	3,559,783
Unallocated policyholder allocation	172,654
Include Solvency II Risk Margin	(727,806)
Changes in deferred tax under Solvency II	(232,033)
Intangible asset with nil value under Solvency II	(100,518)
SII contract boundary (see note 1 below)	(650,000)
Solvency II excess of assets over liabilities	5,222,938

Note 1 on contract boundary differences between Solvency II and IFRS – Solvency II requires the provision for the amount due to Legal & General of £650m to be provided for in Solvency II as the contract is bound (i.e. signed). However under IFRS the amount payable is not recognised until the date the contract becomes effective in 2018.

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, other than for Annuity business which is valued using a Solvency II reserving methodology. 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 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 £464 million (2016: £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 2017:

Own Funds Reconciliation Reserve	2017 Total £'000
Excess of assets over liabilities on the SII Balance Sheet	**5,249,393**
Other basic Own fund items:	
Share capital	(73,051)
Share premium	(83,911)
Surplus funds	(672,204)
Deferred tax	-
Restricted own funds due to ring fencing	(463,082)
Foreseeable dividend	(921,000)
Reconciliation reserve	**3,036,145**

Own Funds Reconciliation Reserve	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.

The significant sources of volatility in the reconciliation reserve arise from the sensitivity of Own Funds to market risks and revisions to best estimate demographic assumptions.

The asset investment strategy is to match Technical Provisions, which reduces but does not eliminate sensitivity to interest rate movements. The most significant areas of market sensitivity are equity, currency and credit spreads. Additionally, if a large market movement were to occur, this would trigger the recalculation of the transitional measures on technical provisions (TMTP). In the event of large interest rate movements, this recalculation would be expected to reduce the sensitivity of Own Funds. In the event of severe equity falls or spread rises, recalculation would increase sensitivity (although the fall in Own Funds would be partly mitigated by a fall in the SCR).

The most material demographic assumptions that have an impact on Own Funds are annuitant mortality rates and lapse rates. These are generally reviewed annually and any revisions (in the light of experience) can result in material changes in liabilities and the risk margin, which will directly affect Own Funds.

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

The reconciliation reserve has been reduced by £921million 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:

- With-Profit Fund (a 90:10 fund)
- National Mutual Fund With-Profit Fund (a 100:0 fund)
- Guardian Assurance 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	24,027	13,765
National Mutual With-Profit Fund	28,473	28,473
Guardian Assurance With-Profit Fund	238,466	146,978

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	5,146,000	4,886,249
Matching adjustment Portfolio 2	8,540,159	8,166,836
Total Matching Adjustment	13,686,159	13,053,085

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 2017, the SCR for the ReAssure Group was £3,122,523,000 (2016: £2,764,213,000) and the MCR was £783,881,000 (2016: £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 2017 £'000	RAL solo	Ark Life Solo	Other	Total Group
Market Risks	2,734,521	53,532	15,709	2,803,762
Life Risks	1,278,466	70,944	38,694	1,388,104
Health Risks	33,215	5,308	(2,380)	36,143
Default Risk	21,425	6,339	(6,339)	21,425
Diversification	(755,282)	(33,129)	(17,670)	(806,081)
Adjustment due to aggregation	364,275	-	24,102	388,377
Operational Risk	115,696	4,257	4,324	124,277
Loss Absorbing Capacity of Technical Provisions	(629,841)	-	-	(629,841)
Loss Absorbing Capacity of Deferred Tax	(195,939)	(1,528)	(6,176)	(203,643)
Net SCR	**2,966,536**	**105,723**	**50,264**	**3,122,523**

Risk Module 2016 £'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 31 December 2016

ReAssure Group's SCR at 31 December 2016 was £2,764,213,000 from which it increased by £358,310,000 over the year.

The acquisition of the Legal & General mature savings business on 6 December 2017 has resulted in an increase in SCR of £499,680,000, mainly arising from equity and lapse risk.

The remaining change during 2017 is a decrease of £141,370,000, which is mainly attributable to reduced exposure to interest rate risk (£47,092,000), credit spread risk (£103,833,000) and longevity risk (£45,165,000) in the RAL Solo SCR.

The MCR at 31 December 2016 was £694,385,000, which was 25% of the SCR at that date plus 100% of the MCR of related undertaking Guardian Assurance. The MCR has increased during 2017 in line with the increase in the SCR.

8 Loss absorbing capacity of deferred taxes (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.

9 Group SCR calculation method

The group uses the accounting consolidation-based method to calculate the group SCR. The group SCR broken down into its component parts at 31 December 2017 and 31 December 2016 is shown in the tables below:

2017 £'000s	SCR	MCR
ReAssure solo	2,966,536	741,634
Ark solo	105,722	26,431
Removing intercompany loan & Ark Life equity in ReAssure Group	(43,492)	(10,874)
Group diversification	(19,821)	(4,955)
Pension scheme	59,722	14,930
Group expenses	53,856	13,464
Related undertaking Guardian Assurance		3,251
Total ReAssure Group	**3,122,523**	**783,881**

2016 £'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 £783,881,000 at 31 December 2017 (2016: £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 2017.

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 With-Profit Fund (a 100:0 with-profit fund of ReAssure Limited)
OEIC	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
TMTP	Transitional Measures on Technical Provisions
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**	0
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	10,920
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	23,104,091
Property (other than for own use)	**R0080**	368,025
Holdings in related undertakings, including participations	**R0090**	3,181
Equities	**R0100**	487,022
Equities - listed	**R0110**	487,022
Equities - unlisted	**R0120**	0
Bonds	**R0130**	20,819,035
Government Bonds	**R0140**	6,622,314
Corporate Bonds	**R0150**	14,105,266
Structured notes	**R0160**	51,813
Collateralised securities	**R0170**	39,642
Collective Investments Undertakings	**R0180**	1,410,971
Derivatives	**R0190**	15,858
Deposits other than cash equivalents	**R0200**	0
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	22,790,076
Loans and mortgages	**R0230**	1,061,904
Loans on policies	**R0240**	5,093
Loans and mortgages to individuals	**R0250**	477
Other loans and mortgages	**R0260**	1,056,334
Reinsurance recoverables from:	**R0270**	1,043,665
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**	1,044,019
Health similar to life	**R0320**	25,311
Life excluding health and index-linked and unit-linked	**R0330**	1,018,708
Life index-linked and unit-linked	**R0340**	-354
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	21,502
Reinsurance receivables	**R0370**	70,547
Receivables (trade, not insurance)	**R0380**	270,838
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**	85,565
Any other assets, not elsewhere shown	**R0420**	53,089
Total assets	**R0500**	48,512,197

Reassure Group Limited
Balance sheet (S.02.01.02)

Liabilities		**£000s 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**	19,826,570
Technical provisions - health (similar to life)	**R0610**	314,759
Technical provisions calculated as a whole	**R0620**	17,174
Best Estimate	**R0630**	287,826
Risk margin	**R0640**	9,759
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	19,511,811
Technical provisions calculated as a whole	**R0660**	0
Best Estimate	**R0670**	18,883,816
Risk margin	**R0680**	627,994
Technical provisions – index-linked and unit-linked	**R0690**	21,405,096
Technical provisions calculated as a whole	**R0700**	22,675,212
Best Estimate	**R0710**	-1,400,327
Risk margin	**R0720**	130,210
Other technical provisions	**R0730**	
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	23,640
Pension benefit obligations	**R0760**	10,399
Deposits from reinsurers	**R0770**	124,868
Deferred tax liabilities	**R0780**	247,290
Derivatives	**R0790**	130,763
Debts owed to credit institutions	**R0800**	9,690
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance & intermediaries payables	**R0820**	892,298
Reinsurance payables	**R0830**	92,635
Payables (trade, not insurance)	**R0840**	489,619
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**	9,937
Total liabilities	**R0900**	43,262,803
Excess of assets over liabilities	**R1000**	5,249,393

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		
		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		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Gross	**R1410**	44,052	10,440	445,175	239,285	0	0	33	1,632	740,617
Reinsurers' share	**R1420**	4,274	1,114	2,476	407,818	0	0	0	0	415,682
Net	**R1500**	39,778	9,327	442,699	-168,533	0	0	33	1,632	324,935
Premiums earned										
Gross	**R1510**	44,052	10,440	445,175	239,285	0	0	33	1,632	740,617
Reinsurers' share	**R1520**	4,274	1,114	2,476	407,818	0	0	0	0	415,682
Net	**R1600**	39,778	9,327	442,699	-168,533	0	0	33	1,632	324,935
Claims incurred										
Gross	**R1610**	73,791	333,244	2,023,880	1,396,760	0	0	97	33,351	3,861,123
Reinsurers' share	**R1620**	5,421	1,367	1,313	473,110	0	0	0	0	481,212
Net	**R1700**	68,370	331,876	2,022,567	923,649	0	0	97	33,351	3,379,911
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**	2,324	6,983	55,488	705,855	0	0	0	0	770,650
Other expenses	**R2500**									76,248
Total expenses	**R2600**									846,898

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			(IE) Ireland				
		C0220	C0280	C0230	C0230	C0230	C0230	C0230
Premiums written		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Gross	R1410	646,822	740,617	93,795				
Reinsurers' share	R1420	374,474	415,682	41,209				
Net	R1500	272,349	324,935	52,586				
Premiums earned								
Gross	R1510	646,822	740,617	93,795				
Reinsurers' share	R1520	374,474	415,682	41,209				
Net	R1600	272,349	324,935	52,586				
Claims incurred								
Gross	R1610	3,548,023	3,861,123	313,099				
Reinsurers' share	R1620	444,825	481,212	36,387				
Net	R1700	3,103,198	3,379,911	276,713				
Changes in other technical provisions								
Gross	R1710	0	0	0				
Reinsurers' share	R1720	0	0	0				
Net	R1800	0	0	0				
Expenses incurred	R1900	754,885	770,650	15,765				
Other expenses	R2500		76,248					
Total expenses	R2600		846,898					

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	41,231,666	481,023	0	73,271	1,075,071
Basic own funds	R0110	3,865,311	(384,716)	0	(45,900)	(920,473)
Eligible own funds to meet Solvency Capital Requirement	R0120	3,865,311	(384,716)	0	(45,900)	(920,473)
Solvency Capital Requirement	R0210	3,122,523	75,858	0	17,563	617,048

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	672,204	672,204			
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	3,036,145	3,036,145			
Subordinated liabilities	R0140					
Non-available subordinated liabilities at group level	R0150					
An amount equal to the value of net deferred tax assets	R0160					
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	3,865,311	3,865,311	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					
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	3,865,311	3,865,311	0	0	404
Total available own funds to meet the minimum consolidated group SCR	R0530	3,865,311	3,865,311			
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	3,865,311	3,865,311	0	0	404
Total eligible own funds to meet the minimum consolidated group SCR	R0570	3,865,311	3,865,311	0	0	
Minimum consolidated Group SCR	R0610	783,881				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	4.9310				
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	3,865,311	3,865,311			
Group SCR	R0680	3,122,523				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	1.2379				

Reconciliation reserve		
Excess of assets over liabilities	R0700	5,249,393
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	921,000
Other basic own fund items	R0730	829,166
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	463,082
Other non available own funds	R0750	
Reconciliation reserve before deduction for participations in other financial sector	R0760	3,036,145
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	697,205
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	0
Total Expected profits included in future premiums (EPIFP)	R0790	697,205

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	2,937,124		
Counterparty default risk	R0020	31,651		
Life underwriting risk	R0030	1,672,187		
Health underwriting risk	R0040	36,914		
Non-life underwriting risk	R0050	0		
Diversification	R0060	(846,147)		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	3,831,730		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	124,277
Loss-absorbing capacity of technical provisions	R0140	(629,841)
Loss-absorbing capacity of deferred taxes	R0150	(203,643)
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	3,122,523
Capital add-on already set	R0210	0
Solvency Capital Requirement	R0220	3,122,523
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	1,516,830
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	189,216
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	1,416,476
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0
Minimum consolidated group solvency capital requirement	R0470	783,881
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	3,122,523

Reassure Group Limited

Undertakings in the scope of the group (S.32.01.22)

							Criteria of Influence			Criteria of influence			Inclusion in the scope of group supervision		Group solvency calculation
Country	**Identification code of the undertaking**	**Legal name of the undertaking**	**Type of undertaking**	**Legal form**	**Category (mutual/non mutual)**	**Supervisory Authority**	**% capital share**	**% used for the establishment of consolidated accounts**	**% voting rights**	**Other criteria**	**Level of influence**	**Proportional share used for group solvency calculation**	**YES/NO**	**Date of decision if art. 214 is applied**	**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	(99) Other	Limited by shares	(2) Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/2138003URY7NYBK77767	G Trustees Limited	(99) Other	Limited by shares	(2) Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/2138006XCBKUGVOLOT84	ReAssure Trustees Ltd	(99) Other	Limited by shares	(2) Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/2138008XWGP2LK6Z9532	ReAssure Pension Trustees Limited	(99) Other	Limited by shares	(2) Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/2138009JDIENFDLD9M78	Namulas Pension Trustees Limited	(99) Other	Limited by shares	(2) Non-mutual	Financial Conduct Authority (FCA)	1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/2138009SCXYSOTLSXH75	NM Life Trustees Limited	(99) Other	Limited by shares	(2) Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/213800BOL8WLP4I7SA44	ReAssure Nominees Limited	(99) Other	Limited by shares	(2) Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/213800G9IQ6CXE31Y637	ReAssure FS Limited	(99) Other	Limited by shares	(2) Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/213800GYRULRXGODMH68	ReAssure UK Life Assurance Company Limited	(99) Other	Limited by shares	(2) Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(3) Method 1: Adjusted equity method
(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	(2) Non-mutual								(1) Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800JSKEG8KHZF9G80	BL Telford Limited	(99) Other	Limited by shares	(2) Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/213800L9MD2TYUF2M658	G Assurance & Pensions Services Ltd	(99) Other	Limited by shares	(2) Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/213800LU36TP1TUUMI19	G Life H Limited	(99) Other	Limited by shares	(2) Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/213800MTFCWA4G695463	NM Pensions Limited	(99) Other	Limited by shares	(2) Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/213800RKSNN1SLFPXO64	ERIP Limited Partnership	(99) Other	Limited by partnership	(2) Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800TVW97G2S3WAH16	ReAssure Life Limited	(99) Other	Limited by shares	(2) Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(3) Method 1: Adjusted equity method
(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	(2) Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800UZNVRPALQEDZ61	ReAssure PM Limited	(99) Other	Limited by shares	(2) Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(3) Method 1: Adjusted equity method
(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	(2) Non-mutual	Financial Conduct Authority (FCA)	1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800VIZR6LE8R1QG07	C Financial Management Limited	(99) Other	Limited by shares	(2) Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(3) Method 1: Adjusted equity method
(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	(2) Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800WYM9VABFBW4H22	ReAssure LL Limited	(99) Other	Limited by shares	(2) Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/213800YAVM5FU68NYG63	Guardian Assurance Limited	(1) Life insurance undertaking	Limited by shares	(2) Non-mutual	Prudential Regulation authority (PRA)	1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/213800ZFL26XQ7UIFU39	Gresham Life Assurance Society Limited	(99) Other	Limited by shares	(2) Non-mutual		1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/5493004S4OGUNITLEY46	ERIP General Partner Limited	(99) Other	Limited by shares	(2) Non-mutual		0.800000	1.000000	0.800000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/BQYCTFWOEM1JRDE6F109	ReAssure Limited	(1) Life insurance undertaking	Limited by shares	(2) Non-mutual	Prudential regulation authority (PRA)	1.000000	1.000000	1.000000	None	(1) Dominant	1.000000	(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	(2) Non-mutual	Central Bank of Ireland (CBI)	1.000000	1.000000	1.000000	Centalised risk management	(1) Dominant	1.000000	(1) Included in the scope		(1) Method 1: Full consolidation

Solo - Reassure 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**	0
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	3,425
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	23,024,530
Property (other than for own use)	**R0080**	240,211
Holdings in related undertakings, including participations	**R0090**	463,456
Equities	**R0100**	487,022
Equities - listed	**R0110**	487,022
Equities - unlisted	**R0120**	0
Bonds	**R0130**	20,481,612
Government Bonds	**R0140**	6,284,892
Corporate Bonds	**R0150**	14,105,266
Structured notes	**R0160**	51,813
Collateralised securities	**R0170**	39,642
Collective Investments Undertakings	**R0180**	1,336,371
Derivatives	**R0190**	15,858
Deposits other than cash equivalents	**R0200**	0
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	21,050,596
Loans and mortgages	**R0230**	1,061,904
Loans on policies	**R0240**	5,093
Loans and mortgages to individuals	**R0250**	477
Other loans and mortgages	**R0260**	1,056,334
Reinsurance recoverables from:	**R0270**	736,579
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**	736,934
Health similar to life	**R0320**	3,600
Life excluding health and index-linked and unit-linked	**R0330**	733,334
Life index-linked and unit-linked	**R0340**	-354
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	21,385
Reinsurance receivables	**R0370**	66,375
Receivables (trade, not insurance)	**R0380**	249,750
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**	33,419
Any other assets, not elsewhere shown	**R0420**	53,072
Total assets	**R0500**	46,301,035

Solo - Reassure Limited

Balance Sheet (S.02.01.02)

Liabilities		Solvency II value
		£000s
		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	19,402,108
Technical provisions - health (similar to life)	R0610	296,718
Technical provisions calculated as a whole	R0620	17,174
Best Estimate	R0630	272,063
Risk margin	R0640	7,482
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	19,105,389
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	18,500,162
Risk margin	R0680	605,228
Technical provisions – index-linked and unit-linked	R0690	19,620,227
Technical provisions calculated as a whole	R0700	20,961,489
Best Estimate	R0710	-1,456,358
Risk margin	R0720	115,096
Other technical provisions	R0730	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	1,641
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	124,868
Deferred tax liabilities	R0780	238,978
Derivatives	R0790	19,626
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	892,158
Reinsurance payables	R0830	87,485
Payables (trade, not insurance)	R0840	681,069
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	9,937
Total liabilities	R0900	41,078,097
Excess of assets over liabilities	R1000	5,222,938

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**	36,536	10,440	406,046	191,687	0	0	33	1,632	646,374
Reinsurers' share	**R1420**	(272)	1,114	2,301	371,036	0	0	0	0	374,179
Net	**R1500**	36,808	9,327	403,745	(179,349)	0	0	33	1,632	272,195
Premiums earned										
Gross	**R1510**	36,536	10,440	406,046	191,687	0	0	33	1,632	646,374
Reinsurers' share	**R1520**	(272)	1,114	2,301	371,036	0	0	0	0	374,179
Net	**R1600**	36,808	9,327	403,745	(179,349)	0	0	33	1,632	272,195
Claims incurred										
Gross	**R1610**	66,876	333,244	1,748,533	1,365,085	0	0	97	33,351	3,547,186
Reinsurers' share	**R1620**	(829)	1,367	1,300	442,154	0	0	0	0	443,992
Net	**R1700**	67,705	331,876	1,747,234	922,931	0	0	97	33,351	3,103,194
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**	1,290	6,983	47,507	699,099	0	0	0	0	754,879
Other expenses	**R2500**									52,894
Total expenses	**R2600**									807,773

Solo - Reassure Limited

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				
		£000s	£000s					
	R1400							
		C0220	**C0280**	**C0230**	**C0230**	**C0230**	**C0230**	**C0230**
Premiums written								
Gross	**R1410**	646,374	646,374					
Reinsurers' share	**R1420**	374,179	374,179					
Net	**R1500**	272,195	272,195					
Premiums earned								
Gross	**R1510**	646,374	646,374					
Reinsurers' share	**R1520**	374,179	374,179					
Net	**R1600**	272,195	272,195					
Claims incurred								
Gross	**R1610**	3,547,186	3,547,186					
Reinsurers' share	**R1620**	443,992	443,992					
Net	**R1700**	3,103,194	3,103,194					
Changes in other technical provisions								
Gross	**R1710**	0	0					
Reinsurers' share	**R1720**	0	0					
Net	**R1800**	0	0					
Expenses incurred	**R1900**	754,879	754,879					
Other expenses	**R2500**		52,894					
Total expenses	**R2600**		807,773					

Solo - Reassure Limited

Life and Health SLT Technical Provisions (S12.01.02)

		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
			Index-linked and unit-linked insurance			Other life insurance						Health insurance (direct business)					
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**	0	20,897,465			0			0	64,023	20,961,489	17,174			0	0	17,174
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**	3,233,005		(983,235)	15,492		14,573,089	961,167	0	(751,711)	17,047,808		271,673	0	0	390	272,063
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**	2,715		0	0		730,837	0	0	(573)	732,979		3,600	0	0	0	3,600
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**	3,230,290		(983,235)	15,492		13,842,252	961,167	0	(751,139)	16,314,829		268,073	0	0	390	268,463
Risk margin	**R0100**	34,091	150,405			943,963			0	64,018	1,192,477	12,348			0	0	12,348
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**	(3,585)		0	0		(334)	(63)	0	(22)	(4,004)		0	0	0	0	0
Risk margin	**R0130**	(14,449)	(59,271)			(373,145)			0	(25,287)	(472,153)	(4,866)			0	0	(4,866)
Technical provisions - total	**R0200**	3,249,062	20,020,857			16,104,678			0	(648,980)	38,725,617	296,328			0	390	296,718

Solo - Reassure Limited

Impact of long term guarantees and transitional measures (S22.01.21)

		£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**	39,022,335	481,023	0	73,271	1,075,071
Basic own funds	**R0020**	4,780,285	(384,716)	0	(45,900)	(920,473)
Eligible own funds to meet Solvency Capital Requirement	**R0050**	4,780,285	(384,716)	0	(45,900)	(920,473)
Solvency Capital Requirement	**R0090**	2,966,536	75,858	0	17,563	617,048
Eligible own funds to meet Minimum Capital Requirement	**R0100**	4,780,285	(384,716)	0	(45,900)	(954,612)
Minimum Capital Requirement	**R0110**	741,634	18,964	0	4,391	154,262

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	672,204	672,204			
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	3,685,138	3,685,138			
Subordinated liabilities	R0140			0	0	0
An amount equal to the value of net deferred tax assets	R0160					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 shall 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 shall 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	4,780,285	4,780,285	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	4,780,285	4,780,285	0	0	0
Total available own funds to meet the MCR	R0510	4,780,285	4,780,285	0	0	
Total eligible own funds to meet the SCR	R0540	4,780,285	4,780,285	0	0	0
Total eligible own funds to meet the MCR	R0550	4,780,285	4,780,285	0	0	
SCR	R0580	2,966,536				
MCR	R0600	741,634				
Ratio of Eligible own funds to SCR	R0620	1.611403				
Ratio of Eligible own funds to MCR	R0640	6.445613				

Reconciliation reserve		
Excess of assets over liabilities	R0700	5,222,938
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	0
Other basic own fund items	R0730	1,095,147
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	442,653
Reconciliation reserve	R0760	3,685,138
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	697,205
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
Total EPIFP	R0790	697,205

Solo - Reassure Limited

Solvency Capital Requirement - for undertakings on Standard Formula (S25.01.21)

£000s

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	2,873,597		
Counterparty default risk	R0020	25,312		
Life underwriting risk	R0030	1,537,760		
Health underwriting risk	R0040	33,215		
Non-life underwriting risk	R0050	0		
Diversification	R0060	(793,264)		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	3,676,620		

Calculation of Solvency Capital Requirement		
Operational risk	R0130	115,696
Loss-absorbing capacity of technical provisions	R0140	(629,841)
Loss-absorbing capacity of deferred taxes	R0150	(195,939)
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	2,966,536
Capital add-ons already set	R0210	0
Solvency Capital Requirement	R0220	2,966,536
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	1,360,843
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	189,216
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	1,416,476
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

		£000s
		C0010
MCRNL Result	R0010	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		£000s	£000s
		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	425,597

		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	1,465,315	
Obligations with profit participation - future discretionary benefits	R0220	1,764,976	
Index-linked and unit-linked insurance obligations	R0230	19,993,746	
Other life (re)insurance and health (re)insurance obligations	R0240	15,089,656	
Total capital at risk for all life (re)insurance obligations	R0250		9,561,562

Overall MCR calculation		C0070
Linear MCR	R0300	425,957
SCR	R0310	2,966,536
MCR cap	R0320	1,334,941
MCR floor	R0330	741,634
Combined MCR	R0340	741,634
Absolute floor of the MCR	R0350	3,251
Minimum Capital Requirement	R0400	741,634

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**	0
Deferred tax assets	**R0040**	0
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	0
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	0
Property (other than for own use)	**R0080**	0
Holdings in related undertakings, including participations	**R0090**	0
Equities	**R0100**	0
Equities - listed	**R0110**	0
Equities - unlisted	**R0120**	0
Bonds	**R0130**	0
Government Bonds	**R0140**	0
Corporate Bonds	**R0150**	0
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	0
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	0
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	0
Loans and mortgages	**R0230**	0
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	0
Reinsurance recoverables from:	**R0270**	0
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**	0
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	0
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	0
Reinsurance receivables	**R0370**	0
Receivables (trade, not insurance)	**R0380**	0
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**	4,000
Any other assets, not elsewhere shown	**R0420**	0
Total assets	**R0500**	4,000

Solo - Guardian Assurance 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**	
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**	0
Excess of assets over liabilities	**R1000**	4,000

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	433,578			
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
An amount equal to the value of net deferred tax assets	**R0160**					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 shall 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 shall 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**	3,251				
MCR	**R0600**	3,251				
Ratio of Eligible own funds to SCR	**R0620**	1.230480				
Ratio of Eligible own funds to MCR	**R0640**	1.230480				

Reconciliation reserve		
Excess of assets over liabilities	**R0700**	4,000
Own shares (held directly and indirectly)	**R0710**	0
Foreseeable dividends, distributions and charges	**R0720**	0
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**	0
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 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

		£000s
		C0010
MCRNL Result	R0010	

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

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	426
SCR	R0310	3,251
MCR cap	R0320	1,463
MCR floor	R0330	813
Combined MCR	R0340	813
Absolute floor of the MCR	R0350	3,251
Minimum Capital Requirement	R0400	3,251