



ARCA VITA INTERNATIONAL DAC

SOLVENCY AND FINANCIAL CONDITION REPORT ("SFCR")

For the financial year ended 31 December 2016

Summary

Arca Vita International DAC ("AVI or the Company") is owned entirely by Arca Vita SpA, which is in turn controlled by Unipol Group Finanziario, both located in Italy. Arca Vita International is subject to supervisory regulation of the Central Bank of Ireland. Its direct parent and group are subject the supervisory regulatory authority of Istituto per la Vigilanza Sulle Assicurazioni ("IVASS") in Italy.

Arca Vita International provides unit-linked life assurance products via a network of banks throughout Italy. The Company conducts its business effectively to ensure the solvency position of the Company and the security of policyholders' liabilities. As a unit linked life assurance provider, the Company undertakes to match its policyholder liabilities with assets at all times.

January 1, 2016 saw the commencement into force of Solvency II, the harmonised regulatory regime for insurance companies throughout the European Union. Solvency II entails a new reporting and public disclosure regime as part of the overall management of insurance companies with the purpose to enhance risk assessment and management, corporate governance as well as solvency and reserving. This SFCR is part of that public disclosure requirement.

This report addresses the business and performance of the Company, system of governance, risk profile, valuation for solvency purposes and capital management. The board of directors has responsibility for all of these matters and has put in place the required control functions to monitor and manage the business accordingly.

The Company manages the risks facing its business in a continuous manner to ensure that its capital requirements are sufficiently met by the capital allocated to the Company, given the business and profile of the Company. The Company continues to write new business.

The solvency position of the Company remains strong. During the course of the reporting period the risk profile and system of governance of the Company has not changed in any significant manner.

The financial reporting period end to which this report relates is the year ended 31 December 2016.

A. Business and Performance

A.1 Business and External Environment

Company information

Arca Vita International DAC (the "Company"), is a regulated life assurance company limited by shares. The Company is resident in Ireland and provides services into Italy only.

The Company has its registered office at:

33 Sir John Rogersons Quay
Dublin 2
Ireland

The Company's operating address is at:

4-5 Dawson Street
Dublin 2
Ireland.

The Central Bank of Ireland ("CBI") is the supervisory authority responsible for the supervision of the Company. The CBI's address is:

Central Bank of Ireland
PO Box 559
New Wapping Street
North Wall Quay
Dublin 1
Ireland

The Company's external auditor is PricewaterhouseCoopers, Chartered Accountants and Statutory Audit Firm. The address of PricewaterhouseCoopers is;

One Spencer Dock
North Wall Quay
Dublin 1
Ireland.

The Company has issued 1,634,570 Ordinary shares of €1 each. All the issued shares in the Company are held by Arca Vita S.p.A.

The registered address of Arca Vita S.p.A. is as follows:

Via del Fante 21
37122 Verona
Italy

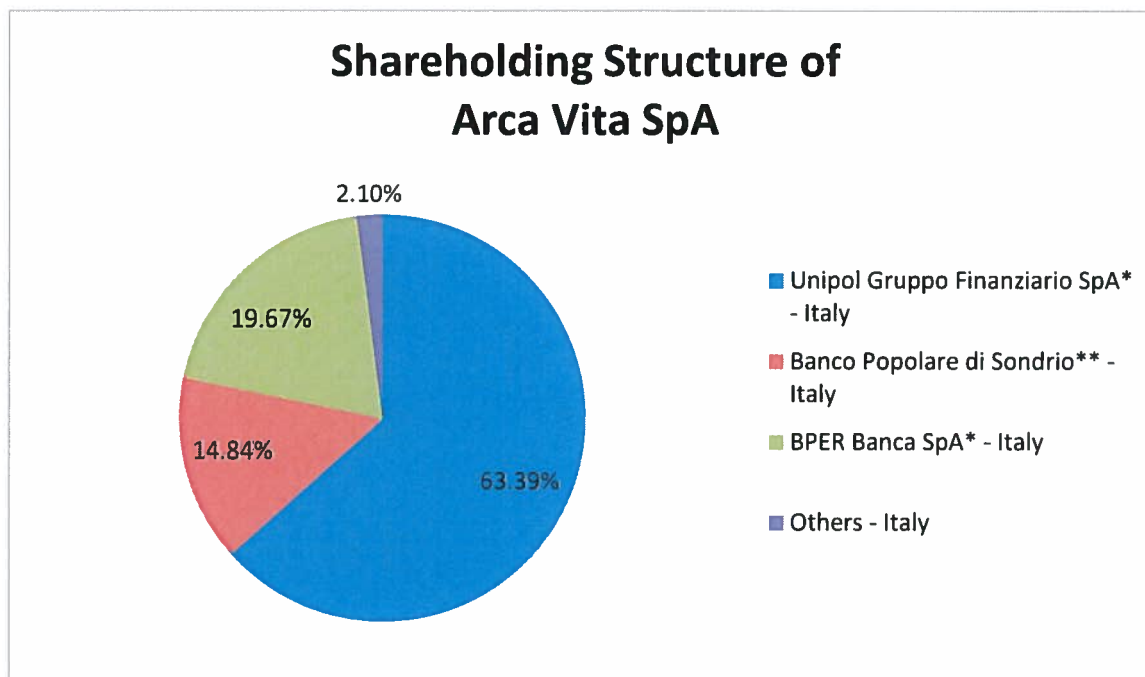
Arca Vita S.p.A. is a life assurance company subject to the supervision of IVASS in Italy.

The Company and its parent are part of the Unipol Gruppo Finanziario S.p.A., listed in the Italian Register of Insurance Companies and reinsurance Sec. I at no. 1.00006, part of the Unipol Insurance Group with its headquarters at Via Stalingrado 45, 40128 Bologna, Italy and listed in the Italian Register of Insurance Groups at no. 046.

The Italian Group is subject to supervision by IVASS with its registered office in Rome, 00198 - Via del Quirinale, 21, Italy, which is responsible for the supervision of the Group to which the Company belongs.

Illustration 1 below indicates the shareholding structure of Arca Vita S.p.A, which holds 100% of the shares issued in Arca Vita international DAC.

Illustration 1.



The Other (minority) shareholders in Arca Vita SpA listed above are:

- Banca Agricola Popolare di Ragusa** (Italy)
- Banca Popolare del Lazio** (Italy)
- Banca Popolare di Fondi** (Italy)

*A company that is designated "S.p.A." in Italy is a limited liability company whose capital is divided into shares.

**A company that is designated "Banca Popolare" in Italy is a limited liability cooperative bank whose capital is divided into shares.

The shareholding structure of Arca Vita S.p.A. does not apportion different voting rights to shares held.

Areas of Activity

The Company carries out life insurance activities. It operates in the following Area of Activity (Line of Business or "LOB") as defined in Annex I of the Commission Delegated Regulation (EU) 2015/35:

LIFE

D	Life insurance obligations	
31	Index-linked and unit-linked insurance	Insurance obligations with index-linked benefit

The Company operates solely in the territory of the Republic of Italy under the EU rules providing for the provision of services.

The Company provides unit-linked life insurance products via a network of distributing banks throughout Italy. There have been no significant events in the reporting period (2016) that have had a material impact on the Company.

A.2 Underwriting results

New premiums received during the year are generated by a combination of new policies and top-ups to existing policies.

The accounting standards adopted by the Company are the "International Financial Reporting Standards" ("IFRS"). Under IFRS, unit-linked contracts are classed as Investment Linked Contracts thus premiums received for new business and similarly claims incurred are not recognised in the Income Statement of the Company's financial statements. Premiums received and claims incurred are instead recognised in the Company's Balance Sheet as Investment Contract Liabilities.

The following table (Table 1) summarises the movement in investment linked liabilities under life assurance policies issued as at the year-end 31 December 2016:

Table 1. Investment Linked Liabilities	2016
	€'000's
Premiums received as investment linked liabilities	29,033
Claims made from investment linked liabilities	(89,078)
Change in provisions for investment linked liabilities	17,239
Movement in year	(42,806)
Investment linked liabilities at start of year	679,226
Investment linked liabilities at year end	636,420

“Changes in provision for investment linked liabilities” include all realised and unrealised gains, attributable income including underlying fund management rebates and the Company’s management fee.

All investment linked liabilities are payable on request of the policyholder without penalty.

A.3 Investment Performance

Investment linked liabilities are matched by a portfolio of assets consisting of a portfolio of collective investment schemes (“CIS”) known as “Undertakings for Collective Investments in Transferable Securities” (“UCITS”). Each UCIT is selected by the policyholder from a panel of funds provided by the Company. The Company does not provide investment advice. The assets, in this instance UCITS, are owned by the Company. The Company only invests in UCITS that do not distribute income, therefore each investment retains its net income resulting in a roll up of net income in the UCIT net asset value, where such net income is positive.

The absolute size of investment linked liabilities is primarily impacted by the market performance of the underlying assets within the collective investment schemes and the level of “Net New Assets” (“NNA”) gathered during the year. NNA is equal to the level of Premiums received minus Claims incurred. Table 2 below, illustrates the movement in the Portfolio of Assets that provide the technical provisions to match the Investment Linked Liabilities.

Table 2. Portfolio of Linked Assets	2016
	€'000's
Investment in CIS	609,759
Deposits & Money Market Funds	32,759
Total Assets	642,518
Other payables	(6,098)
Financial Assets to cover Investment Linked Liabilities	636,420

Gains or losses arising from market movement in the underlying UCITS are attributable in full to the benefit of policyholders, which is equal to the value of “Financial Assets to cover Investment Linked Liabilities”, as above. The investment income deriving for the benefit of policyholders is supplemented by the crediting of all management fee rebates received by the Company from the fund managers of the underlying UCITS. Table 3 below illustrates the performance of “Investment Income attributable to Investment Linked Liabilities” (for the benefit of policyholders).

Table 3. Investment Income attributable to Investment Linked Liabilities 2016

	€'000's
Realised Gains / (Losses)	4,743
Unrealised Gains / (Losses)	21,176
Investment Return	25,919
Management Fee Rebated	2,105
Investment Income	28,024

The value of the underlying assets is linked directly to the unit-linked insurance policies issued by the Company.

The Company holds a portfolio of Government bonds, in adherence to its own strategic investment policy. Table 4 below provides an illustration of the Company's Government Bond Portfolio, referred to as "Investment Income attributable to non-Linked Assets" performance.

Table 4. Investment Income attributable to non-Linked Assets 2016

	€'000's
Realised Gains / (Losses)	0
Unrealised Gains / (Losses)*	(48)
Investment Return	(48)
Interest Income	68
Investment Income	20

The Company has not undertaken any investments in securitisation.

A.4 Results of other activities

As stated above, the accounting policy adopted by the Company is IFRS, this is in adherence to the requirements of the (Irish) Company Act 2014. Under IFRS, the Company underwrites investment linked contracts, hence Company income is recognised as management fees earned in respect of the management of investment linked contracts, payment of benefits arising and other related activities.

Table 5 below shows the Income Statement of the Company for 2016.

Table 5. Income Statement**2016
€'000's**

Fee Income from Investment Contracts	10,909
Interest	68
Total Income	10,977
Commission Expense	5,360
Other Expenses	2,644
Total Expenses	8,004
Profit before Tax	2,973
Taxation	(372)
Profit after Tax	2,601

"Fee Income from Investment Contracts" arose solely from policyholders located in Italy.

"Profit after Tax" was €2.60m for the year ended 31 December 2016. It has been impacted due to a number of factors including reduced yield of Company deposits, increase in "Other Expenses" arising from increased staffing and costs attributed to the implementation of Solvency II.

The "Commission Expense" figure relates to payment of commission payable to the distributing banks for the introduction of business to the Company. The Company does not pay introductory commission, but rather ongoing commission based upon assets under management.

The entry "*Other expenses*" amount to €2.644m and is mainly composed of:

- the third parties' expenses include expenses to the third party administrator €1.08m
- Employee Benefits of €0.641m; and
- Professional Services of €0.369m.

The Company has not paid a dividend for the year ended 31 December 2016.

Use of leasing contracts

The Company's offices at 4-5 Dawson Street are secured under a five year lease term, expiring in February 2020.

As at 31 December 2016 the Company has not entered into any finance lease arrangements.

A.5 Other information

In the year to 31 December 2016, the Company was required to change its name to “Arca Vita International Designated Activity Company” from “Arca Vita International Limited” in order to comply with the requirements of the (Irish) Company Act, 2014.

B Governance System

B.1 General Information on the Governance System

The Board consists of one executive Director (CEO), three Group non-executive Directors and two independent non-executive Directors.

The Company complies with the Corporate Governance Requirements for Insurance Undertakings 2015, issued by the Central Bank of Ireland. The Company has a derogation from these Requirements which allows the Board to sit as the Risk Committee. The Board also sits as the Audit Committee, under a different Chairman.

The role of Company Secretary is outsourced to Tudor Trust Limited.

No management or executive committees have been established by the Company.

There were no changes to the governance structure outlined above during 2016.

B.1.1 Role and Responsibilities of the Board and Board Committees

The role and responsibilities of the Board are detailed in the Terms of Reference of the Board, which is reviewed by the Board annually.

The Board of Directors is responsible for providing oversight of the business, approving key business decisions, setting the Company's strategy and associated risk appetite.

The Board has established one Board Committee, the Audit Committee. The Audit Committee has its own Terms of Reference and is chaired by an independent non-executive Director. The Terms of Reference of the Board are reviewed by the Board annually.

The main responsibilities of the Audit Committee are:

- Ensuring the integrity of the Company's financial statements;
- Ensuring the effectiveness of the Company's internal control system;
- Oversight of the Company's Internal Audit Function; and
- Monitoring the effectiveness, independence and objectivity of the internal and external auditors.

B.1.2 Transactions with related parties

In 2016, the Company did not enter into any material transactions with its shareholder, with persons who exercise a significant influence on the Company or with any members of the Board of Directors.

B.1.3 Role and responsibilities of the key functions

The following key control functions have been established by the Company, as required by SII:

- Internal Audit;
 - Compliance;
 - Risk Management; and
 - Actuarial.
- The Internal Audit Function is responsible for assessing the completeness, functionality, reliability and adequacy of the internal control system and the risk management system. Each year it outlines its priorities in an annual plan, which is presented to the Audit Committee for approval. The Company has outsourced its Internal Audit Function to the Group Internal Audit Function, which is covered by a written agreement between the two parties. The Internal Audit Function reports directly to the Audit Committee.
- The Risk Management Function is responsible for ensuring the effectiveness of the Company's risk management system. It ensures that processes are in place to identify measure, assess and monitor, the risks to which the Company is, or could be exposed. The Head of Risk reports on these risks to the Board quarterly. The HEAD OF RISK has access to the Chairman to report any issues of concern.
- The Compliance Function is responsible for ensuring that the Company is compliant with all legal and regulatory requirements. The Compliance Function is also responsible for anti-money laundering. The Head of Compliance is the main point of contact with the Central Bank of Ireland. The Head of Compliance reports to the Board quarterly on compliance matters.
- The Actuarial Function is responsible for verifying the adequacy of technical reserves, assessing the reliability and sufficiency of the data used for the calculation of the technical reserves and providing the various Reports and Opinions required by the Central Bank of Ireland on the Company's "Own Risk Solvency Assessment" ("ORSA"), technical provisions, underwriting and reinsurance arrangements under the Domestic Actuarial regime. The Company has outsourced its Actuarial Function and the Head of Actuarial Function role (HoAF) to the consultancy firm, WillisTowersWatson. The HoAF attends each Board meeting of the Company and reports directly to the Board on actuarial matters.

In order to carry out their activities effectively, staff of the key control functions have unrestricted access to the staff of the business units, the relevant business data and other relevant information held by the Company, thus ensuring their independence. Their independence is also ensured by the fact that, as stated above, the heads of the key control functions attend all Board meetings of the Company and report directly to the Board in relation to their functions at these meetings.

B.1.4 Remuneration Policy

The Company has adopted a Remuneration Policy with complies with the requirements of SII.

The primary objective of the Remuneration Policy is to ensure fair remuneration of the Company's employees, taking into consideration the following factors: the seniority of the role; the responsibility of the role, the level of qualifications held and the local market. The Company's Remuneration Policy aims to ensure consistency between the remuneration of the recipient and the performance of their role and the financial performance of the Company. The Company's Remuneration Policy is not based exclusively or predominantly on short-term results, therefore deterring excessive risk taking by the employees.

On the basis of these principles, the fixed component of remuneration compensates the skills, capabilities and, in particular, the responsibilities related to the role, providing a fixed economic basis, determined as a function of the level of responsibility attached to the particular role.

The variable remuneration aims to reward the results achieved in the short and medium to long term, as determined by the financial results of the Company.

In view of the above, staff remuneration takes into account the following principles:

- appropriate balance between fixed and variable components; establishment of limits for the variable component of the remuneration; and
- sustainability, by having a balance between the short-efficiency criteria and long term to which the remuneration is subject, either through the deferred payment and diversified of the variable component, as well as reserving the right not to provide the variable component in the presence of certain adverse conditions.

The variable remuneration to employees can consist of the payment of a monetary bonus.

The payment of the monetary bonus to employees is dependent upon the following factors:

- the results of the Company, expressed in terms of achieving Gross profit objectives and sufficient capital; and
- individual performance, measured in terms of both qualitative and quantitative objectives, related to the specific role of the employee.

B. 1. 5 Pension Scheme

The Company has established a defined contribution pension scheme for employees.

There are no supplementary pension schemes or early retirement schemes in place for the members of the Board or key function holders.

B.2 Fit and proper requirements

The Company is required to comply with the Fitness and Probity Standards of the Central Bank of Ireland, in relation to pre-approved control functions (PCFs) and control functions (CF's). Under these standards, PCF and CF role holders are required to be:

- fit and proper;
- competent and capable; and
- financially sound.

The Company has adopted the Group's Fitness and Probity Policy, which outlines how the Company ensures compliance with the fit and proper requirements of SII.

The recruitment process for the Company normally involves the following steps:

- creation of a written job description for the role;
- engagement of an agency to source potential candidates; and
- formal interviews with a number of potential candidates.

When a suitable candidate has been identified, the Company undertakes due diligence before appointing them to a PCF or CF role. This involves:

- the provision of copies of qualifications to the Company;
- the provision of two referees; and
- background checks on the candidate.

For PCF roles, the candidate will be required to complete an Individual Questionnaire, which must be submitted to the Central Bank for approval. An IQ will not be submitted to the Central Bank until the proposed appointment has been approved by the Board.

A candidate will not be formally appointed to a PCF role until a "letter of no objection" to the proposed appointment has been received from the Central Bank.

All PCF and CF role holder are required to declare their compliance/non-compliance with the Fitness and Probity Standards on an annual basis.

B.3 Risk management system, including internal assessment of risk and solvency

B.3.1 Risk Management System

The risk management system is the set of processes and tools used to support the risk management strategy of the Unipol Group and allows an adequate understanding of the nature and significance of the risks to which the Group and individual companies, including AVI, are exposed. The risk management process is divided into the following phases:

- identification of risks, which is the identification of significant risks, for instance those risks whose consequences may threaten the solvency or reputation of AVI or constitute a serious obstacle to achieving its strategic objectives;

- Current and prospective evaluation of exposure to risks (Own Risk and Solvency Assessment, or “ORSA”), monitoring of the Company’s exposure to risks and reporting on same in order to ensure an early and continuous monitoring of the evolution of the risk profile and compliance with the defined Risk Appetite; and
- mitigation of risks, which consists in identifying and proposing actions and interventions necessary and / or useful to mitigate the risk levels present.

The processes of identification, evaluation and monitoring of risks are carried out on an ongoing basis, considering both the changes in the nature and size of the business and the market environment, which includes the emergence of any new risks or changes to existing risks.

The risk management system is based on Enterprise Risk Management, which is based on an integrated perspective of all current and future risks to which the Group is exposed; assessing the impact these risks may have on the achievement of the strategic objectives of both the Group and the individual companies in the Group.

In particular, the risk management system is designed to reflect:

- the need to safeguard the Company’s net worth and reputation; and
- the need to meet the Company’s solvency requirements.

The risk management system is based on a fundamental element: the Risk Appetite. The Risk Appetite is formalized through the Risk Appetite Statement, indicating the risk that the Company intends to take or avoid, setting the limits in terms of quantity and also the criteria to be considered for the management of non-quantifiable risks.

The Risk Appetite can be fixed as a single measure (target) or as a range of possible values (range) and is divided into quantitative and qualitative elements.

The determination of the risk appetite is divided, in quantitative terms, according to the following elements:

- risk capital;
- capital adequacy;
- Liquidity / ALM (asset liability management) indicators.

The Risk Appetite fits within a frame of reference, the Risk Appetite Framework (“RAF”). The RAF is defined strictly in line, and in a timely connection with the business model, the strategic plan, the ORSA process called ORSA, the budget and the internal control system. The RAF defines the Risk Appetite and other components that allow the management of risks, both in normal conditions and under stressed conditions. These components are:

- the Risk Capacity;
- the Risk Tolerance;
- the Risk Limit (or risk operating limits);
- Risk Profile.

The Risk Management System is described in the Company's Risk Management Policy. In the Risk Management System, the Risk Management Function is responsible for the processes to identify, measure, assess and monitor, on an ongoing basis, the current and future risks to which the Company is or could be exposed. The Risk Management Function also contributes to the spread of a risk culture throughout the Company.

B.4 Own Assessment of Risk and Solvency (ORSA)

The Company is part of the Unipol Group, which has opted to prepare an own risk and solvency assessment, at Group level, or a Group ORSA. The Company has contributed to this process by identifying its material risks and performing suitable scenario analysis to assess the impact of adverse conditions on the Company's solvency position. The Group ORSA is conducted on an annual basis, unless there are changes in the risk profile of the Group or an individual undertaking in the Group that would warrant undertaking an ad-hoc ORSA.

The Company has adopted the Group ORSA Policy, which describes how the ORSA process is conducted within the Group.

Through internal assessment of risk and solvency, the Group intends to pursue the following objectives:

- highlight the link between the business strategy, the process of capital allocation and risk profile;
- a general overview of all the risks facing the Group and its companies, including those risks they might be exposed in the future, and the solvency position, current and future;
- provide the Board of Directors and top management with feedback on the design and effectiveness of the risk management system, highlighting any shortcomings and suggesting remedial action.
- In particular, with reference to the current evaluation, the achievement of these objectives is through:
 - the measurement of capital required according to current regulations and based on the requirements of Solvency II, in the latter case with the use of both internal model and the Standard Formula as appropriate;
 - assessment of the capital adequacy of the Group and of the individual companies, based on the results obtained above.

When establishing the Group ORSA process, the Group was guided by the following principles:

- the evaluation of the risks for the Group includes the risks resulting from all the companies in the Group and takes into account the interdependencies between them;
- the ORSA, in addition to being a regulatory requirement, constitutes an internal evaluation element to support operational and strategic decisions; the ORSA and strategic planning processes are closely linked;
- the estimates taken as reference for the development of the Strategic Plan are on the basis of ORSA evaluation;
- the same ORSA evaluation is a support to the preparation of the revised Strategic Plan;
- the ORSA process takes into account all the risks that can lead to a significant reduction in the Own Funds at the Group level and for each individual company, or which could have impact on the ability to meet commitments towards the policyholders, in line with the Risk Management Policy. For risks not included in the calculation of capital requirements under Pillar 1 of Solvency II, the Group provides a qualitative assessment. the ORSA process is carried out in compliance with the standards detailed in the Data Quality Management Policy.

The Boards of each insurance company included in the Group ORSA, including AVI, approve the criteria and methodologies - including the types of stress tests - to be used for the preparation of the ORSA report. At the start of the process, the Boards of each company approves the chapter of the ORSA report related to them and when the entire Group ORSA is finalised, it is approved by the Board of each Company.

The current and prospective evaluation of the Company's risks is an integral part of the risk management system and decision-making processes of the Group and the individual companies and therefore has points of contact with other core business processes such as:

- strategic planning and capital allocation;
- definition of Risk Appetite;
- monitoring and mitigation of risks.

In particular, as described above, the present evaluation, carried out on a quarterly basis at least, provides for the monitoring of the defined limits in the Risk Appetite Statement.

The prospective assessment, however, is developed in accordance with the timing and the elements contained in the Group's Strategic Plan and Annual Budget, through which an economic capital for each company and for each type of risk is allocated. The process of capital allocation plans for each year of the Strategic Plan a projection of the Own Funds and an estimate, using the Internal Model, and / or Standard Formula, the capital required under the assumptions of the Strategic Plan.

B.5 Internal Control System

The system of internal control is a key element of the Company's corporate governance system; it consists of procedures and organizational structures which aim to ensure:

- the effectiveness and efficiency of business processes;
- the proper containment of current and future risks;
- prevention of the risk that the Company is involved, even unintentionally, in illegal activities, especially those related to money laundering and the financing of terrorism;
- prevention and proper management of potential conflicts of interest with Related Parties and Connected Persons;
- verifying the implementation of corporate strategies and policies;
- safeguarding the Company's assets, even in the medium to long term, and the good management of those held on behalf of customers;
- the reliability and integrity of its IT systems and the information provided to third parties;
- the adequacy and timeliness of its financial reporting systems;
- the compliance of the Company with the law, supervisory regulations, Company policies and internal procedures.

The Company implements an efficient internal control system, taking into account the different applicable regulations and of the various fields of activity, consistent with the guidelines provided by the Group, with the aim of ensuring that the main risks relating to its activities are properly identified, measured, managed and controlled.

The system of internal control is an integral part of the Company and permeates all its business units and activities, so as to ensure ongoing and effective risk management.

The Board of Directors is responsible of the internal control system. Accordingly, it is responsible for reviewing and approving the Company's policies, ensuring that the main business risks are identified, evaluated - also prospectively - and adequately controlled, as well as approving an organizational structure that ensures, the separation of operational duties from the associated controls and the transparency of the decision-making processes in the Company.

The internal control system is designed in accordance with the guidelines outlined below:

- separation of duties and responsibilities: the duties and responsibilities are clearly allocated among the business units, in order to avoid gaps or overlaps that may affect the business functionality;
- formalization: the work of the business units should always be documented in order to provide evidence of the actions and the decisions taken;
- integrity, completeness and correctness of the data stored: the data recording system and the related reporting procedures must ensure that they have adequate information about the elements that can affect the risk profile of the company and its solvency;
- independence of the controls: the necessary independence of the control functions from the business units must be ensured.

The system of internal controls is subject to evaluation by the Internal Audit Function.

The internal control system are divided up into several levels:

- i. line controls (so called "first level controls"), aimed at ensuring the proper conduct of operations. They are carried out by the business units and are incorporated into the relevant procedures. The business units are the first line of defence in the risk management process and must ensure compliance with the procedures adopted and compliance with the tolerance level established for particular risks;
- ii. risk and compliance (so-called "second-level controls"), which have the aim of ensuring the correct implementation of the risk management process, the implementation of activities entrusted to them, and that the operational limits for the various functions and compliance with the Company's policies is maintained. The responsibilities assigned to these functions are distinct from operational ones; they contribute to the development of risk management policies and of the risk management process;
- iii. internal audit (so-called "third-level controls"), checks on completeness, functionality and adequacy of the internal control system (including the first and second level) as well as the consistency of the Company's processes and compliance with its procedures.

The Compliance Function

The Compliance Function is a key control function and an integral part of the internal control system. The task of assessing that the Company's operations internal procedures are adequate to prevent the risk of non-compliance – i.e. the risk of incurring in legal or administrative sanctions, financial losses and reputational damage as a result of the violations of laws or regulatory requirements, is attributed to the AVI Compliance Function.

The Compliance function is headed by a Head of Compliance. The Head of Compliance reports to the Board quarterly on the activities of the Compliance Function and the level of compliance risk to which the Company is exposed.

In relation to compliance with requirements of the Italian regulator (IVASS), the Compliance function is supported by the Group Compliance Function.

The Compliance function is subject to review by the Internal Audit Function.

B.6 Internal Audit Function

The Internal Audit Function of AVI is outsourced to Group Internal Audit. The Internal Audit Function is responsible for assessing the completeness, functionality and adequacy of the internal control system and risk management system, in relation to the nature and level of risks assumed by the Company. The Head of the Internal Audit Function has specific expertise and professionalism in carrying out the role and has the authority necessary to ensure its independence. The Internal Audit Function has appropriate personnel and technological resources. During the course of an audit, the Function has access to all employees and documentation of the Company required for the purposes of an audit.

The activities carried out by the Internal Audit Function are comprised of the following:

- the checks on the management and organizational processes and procedures, to assess the functionality of the overall system of internal controls as well as to identify anomalous trends, violations of procedures and regulations;
- the checks on compliance in the various operating segments of the limits of the delegated powers (where delegated) and the full and proper use of the information available in the various activities;
- the checks on the adequacy of information systems and their reliability to ensure that this does not impair the quality of information on which management and the Board, bases its decisions;
- verification regarding the compliance of the administrative and accounting processes on fairness and proper bookkeeping;
- the checks on the effectiveness of the checks performed on outsourced activities;
- verification of the regularity and functionality of information flows between business units;
- the reporting to the Audit Committee and Board;
- the necessary co-operation with the Audit Committee and the external auditors. The Audit Department operates in accordance with international standards issued by the Institute of Internal Auditors (IIA) and also best practice in the industry.

The Internal Audit Reports are prepared on the basis of a standard model which consists of:

- a cover page in which is detailed: recipients of the report and date; Company name, title and registration number of the Audit Report, the subject of audit, an evaluation of the related controls, and a list of companies to which the activities being audited have been outsourced;
- an Executive Summary in which is detailed the purpose of the audit, the significant findings and corrective actions to be undertaken by management;
- a body of the report that includes, in addition to the purpose of the audit already outlined in the Executive Summary, a premise (if any), an indication of any intervention limits, the description of the work, the areas of improvement identified, the proposed corrective actions (each accompanied by a brief assessment of the urgency of accommodation in graphic form), the risks associated with, the responses of the management, the individual responsible and the deadlines, the time when the audit was carried out and the staff involved.

Each audit activity that highlights areas for improvement is the subject of a follow-up audit, in order to ensure that corrections proposed by the management have been implemented and are effective.

The Internal Audit Function attends the Audit Committee of AVI and provides a copy of each AVI internal audit report to the Audit Committee.

The independence and objectivity of the AVI Internal Audit Function is maintained as the function is outsourced to the Group Internal Audit Function in Italy, and is not involved in any way in the business of the Company. It also reports directly to the AVI Audit Committee, thus ensuring its independence.

B.7 Actuarial Function

The Actuarial Function of AVI and the role of Head of Actuarial Function is outsourced to a professional consultancy firm, Willis Towers Watson (Ireland) Limited (WillisTowersWatson). The Actuarial Function performs the following tasks:

- co-ordinates the calculation of Technical Reserves, as well as the evaluation and validation of the data to be used in the evaluation procedure of the sufficiency of the same technical Reserves;
- ensures the appropriateness of the methodologies and underlying models used, as well as the assumptions on which the calculation of technical reserves is based, also in terms of the methodologies of proportionality with respect to the nature, scope and complexity of the underlying risks ;
- to assess the sufficiency and quality of the data used in the calculation of Technical Reserves;
- compares best estimates with data derived from experience;
- informs the Board of Directors on the reliability and adequacy of the calculation of Technical Reserves;
- issues an opinion on the overall underwriting policy;
- issues an opinion on the adequacy of reinsurance arrangements; and
- supports the implementation of the risk management system.

B.8 Outsourcing

The guidelines for outsourcing are defined in the policy on outsourcing (“Outsourcing Policy”) of the Group, which has been adopted by AVI. This Policy outlines the decision making, responsibilities, tasks and controls expected in terms of outsourcing of activities and business functions within the Unipol Group, as well as to third parties, thus strengthening the supervision of the risks arising from outsourcing choices.

The Policy specifically states:

- criteria for the identification of activities to outsource;
- criteria for the qualification of activities as essential or important and important operational functions;
- constraints for outsourcing;
- the decision-making process to outsource functions or operations;
- the minimum content of the outsourcing contracts and the logical definition of expected service levels of outsourced activities;
- internal reporting mechanisms to ensure that the various corporate bodies and control functions have full knowledge and governance of risk factors related to the outsourced functions;

- guidelines to be followed in case of inadequate execution of the outsourced functions by the service provider, including those relating to contingency plans and exit strategies in case of outsourcing of functions and activities essential or important;
- notification obligations to the Supervisory Authority.

AVI considers, in keeping with the provisions of Solvency II, as essential or important functions or activities, those that meet at least one of the following conditions:

- i) an anomaly in their execution or their failed execution can seriously affect:
 - a. the financial results of the Company or the continuity and/or quality of the services provided; or
 - b. the Company's ability to maintain its regulatory authorisation or its ability to comply with applicable legislative or regulatory provisions;
- ii) they concern operational processes of the Corporate Supervisory Functions, or have a significant impact on the management of the Company's risks.

AVI may enter into outsourcing arrangements, provided that the nature and amount of activities to be outsourced, do not result in the Company becoming a mechanism for absenting the implementation of a controlled environment. In particular, through the use of outsourcing, AVI cannot:

- delegate their responsibilities to a third party;
- affect the quality of the internal control system and the Company's governance;
- outsource control functions outside the Unipol Group;
- alter the relationship and obligations towards customers;
- jeopardize its ability to fulfil its regulatory obligations;
- hinder supervision;
- outsource the underwriting of risks.

The table below, Table 5, details the critical or important functions and activities outsourced by AVI and the jurisdiction of the outsourced providers;

Table 5.

Critical or Important Function/Activity	Name of Outsourced Provider	Location
Policy Administration	IFDS Percana International Managed Services Limited ("IFDS Percana")	Ireland
General Ledger	IFDS Percana	Ireland
Certain Risk Management Activities	Group Risk Management	Italy
Actuarial Function	WillisTowers Watson	Ireland
Internal Audit Function	Group Internal Audit	Italy

B.9 Assessment of Governance

The Company is of the view that its system of governance adequately provides for the effective management of the Company's business and is appropriate to the nature, scale and complexity of the risks inherent in the business.

B.10 Other Information

There is no other material information to report in this Section.

C Risk Profile

The risk profile of the Company is determined mainly by the following factors:

- the Company only provides unit-linked products, where the market risk is borne by the policyholder;
- the Company invests its non-linked assets in relatively short-dated Government bonds and cash deposits with credit institutions, in accordance with the Prudent Person Principle; and
- The Company is not exposed to additional risks via SPV's or off-balance sheet items, as these are not used by the Company.

C.1 Underwriting Risk

Life Underwriting Risk (Technical Life Insurance Risk)

The underwriting risk for life insurance reflects the risk arising from life insurance obligations, taking into consideration the covered risks and the processes used in the activity.

The Company provides only unit-linked products. In relation to underwriting risk, it should be noted that the Company does not use SPV's.

The following table provides details of the composition of the Company's portfolio in terms of Best Estimate of life liabilities.

Table 7 – Details of Best Estimate Liability

Life Portfolio (BEL) on 31 December 2016

BEL	Value at 31/12/2016
Unit-linked Products	624,666

The Company's portfolio is exposed to the following risk factors:

- **Mortality risk:** linked to an unfavourable deviation of demographic bases resulting from experience (extra-mortality) compared to those used in the determination of the tariff;
- **Lapse/Redemption risk:** linked to adverse changes in the level or volatility of redemption frequency of early repayments;
- **Expense risk:** linked to adverse changes in the value of the expenses linked to policies with respect to the values used in the determination of the tariff;

- **Catastrophe risk:** resulting from an unforeseeable event which has the consequence of affecting a large number of people simultaneously, producing a number of lapses significantly higher than expected.

The Company calculates its Solvency Capital Requirement (SCR) using the Standard Formula. The table below contains the details relating to the individual sub-module components of the SCR of the Insurance technical risk as at 31/12/2016.

Table 8 - SCR Standard Formula – Contribution of Life sub-risk modules

Risk sub-modules	Life SCR
<i>Mortality</i>	<i>286</i>
<i>Longevity</i>	<i>0</i>
<i>Invalidity</i>	<i>0</i>
<i>Lapse/Redemption</i>	<i>7,994</i>
<i>Expenses</i>	<i>1,491</i>
<i>Revision</i>	<i>0</i>
<i>Catastrophic</i>	<i>24</i>
<i>Total sub-modules</i>	<i>9,795</i>
<i>Diversification effect</i>	<i>938</i>
<i>Total Life SCR</i>	<i>8,858</i>

The data reveals that the main source of risk is represented by lapses/redemptions.

Risk concentration

With reference to underwriting risk concentrations to which the Company is most exposed, particular attention is given to redemption and mortality risks.

The approach taken by the Company to mitigate its exposure to concentrations of lapse/redemption risk is to distribute its products through a number of distributing banks operating throughout Italy and by designing products that are suitable to customers with excess funds to invest.

In terms of mortality risk, the life cover on the products offered by the Company is limited, with an option at point of sale for the client to take out additional mortality cover. The majority of policyholders choose not to avail of the additional cover available. Accordingly, the Company's risk concentration in terms of

mortality risk is not considered significant. The Company also reinsures its exposure to its optional mortality risk product feature, thereby reducing this exposure.

It should be pointed out that in the determination of Risk Appetite levels for all companies in the Unipol Group, the risk appetite for life underwriting risk (life insurance technical risk) is measured in terms of Capital at Risk. In particular, the capital exposed to the life underwriting risk takes into account all the risks and all exposures relating to the life portfolio, including those exposures classified as concentration risk.

Risk mitigation techniques

. As stated above, reinsurance is the main instrument used by the Company to mitigate its exposure to mortality risk.

C.2 Market Risk

Market risk refers to all the risks which result in impairment of financial investments or real estate, as a result of adverse developments of the relevant market variables outlined below:

- Interest rate risk, or the risk of a loss in value of a financial asset in the portfolio in relation to movements in market interest rates;
- Equity risk, namely the risk linked to losses due to movements in share prices;
- Exchange rate risk, namely the risk of possible losses on foreign currency positions in the portfolio due to changes in exchange rates;
- Spread Risk, namely the risk associated to a possible increase of spreads required by the market to a debtor;
- Real estate risk, namely the risk linked to losses due to movements in property prices;
- Concentration risk, namely the additional risk due to limited diversification of the financial asset portfolio or from high exposure to the risk of default by a single issuer/credit institution/counterparty.

The Company's non-linked financial portfolio at 31 December 2016 is comprised 99.8% of Government bonds.

Table 9 – Non unit-linked Financial portfolio composition

Type	Solvency II Value	% Total exposure
Property, plant & equipment held for own use	19	0.2%
Property (other than for own use)	-	0%
Participations and related undertakings	-	0%
Bonds	10.931	99.8%
Government bonds	10.931	99.8%
Corporate bonds	-	0%
	-	0%
Equities	-	0%
Equities - listed	-	0%
Structured Notes	-	0%
Collateralised securities	-	0%
Derivatives	-	0%
Deposits other than cash equivalents	-	0%
Total	10.950	100%

All assets, in particular those covering the Minimum Capital Requirement and the Solvency Capital Requirement, shall be invested so as to ensure the security, quality, liquidity and profitability of the non unit-linked portfolio.

The following table shows the calculated result for the market risk sub-module using the Standard Formula on 31 December 2016:

Table 10 – Standard Formula SCR – Market Risk sub-modules contribution

Risk Sub-Module	Market SCR
Interest Rate	78
Equity	5,375
Real Estate	0
Spread	266
Currency	3,980
Concentration	0
Sum of Sub-Modules	
Diversification Effect	2,061
Total Market SCR	7,638

The market risk is determined primarily by the impact of unit-linked policies and unit-linked portfolios.

Risk concentration

As the Company only provides unit-linked products, where the market risk is borne by the policyholder the Company's exposure to market risk is secondary, in that the market performance influences policyholder behaviour, which in turn impacts on the management fees earned by the Company.

The Company's non-linked assets are mainly held in short-dated Government bonds and in cash on deposit with a number of credit institutions, in accordance with the Prudent Person Principle.

Accordingly, the Company's exposure to risk concentration related to market risk, is not significant.

Mitigation risk techniques

The Company does not adopt any specific risk mitigation techniques in relation to market risk. The Company has limited exposure to market risk as it provides only unit-linked products where market risk is borne by the policyholders.

However, the Company's Investment Policy sets out concentration limits in terms of a single issuer and limits by investment category. Performance against these limits is reported to the Board in the quarterly Investment Report.

C.3 Credit Risk

Credit Risk (Counterparty Default Risk) is the risk that a debtor or guarantor from which payment is sought fails to comply, fully or partially, to its financial obligation accrued to the Company. Credit risk

thus reflects the potential loss due to an unexpected default of the counterparties and debtors of insurance and reinsurance companies in the next 12 months.

The methodology adopted to assess the Company's exposure to credit risk is the Standard Formula. The portfolio exposed to Credit Risk (Counterparty Default Risk) at 31/12/2016 consists almost exclusively of cash deposited with banks.

Below is the Solvency Capital Requirement relating to Credit Risk related to the period ended as at 31/12/2016:

Table 11 - SCR Standard Formula – Credit Risk

Exposure	Exposure	% Total	SCR
Type 1	7.807	100%	2.87
Type 2	0	0%	0
Total	7.807		2.87

The Standard Formula integrates the risk of Type 1 counterparties (essentially Banks) valued on the basis of public parameters, such as the rating or Solvency II Ratio and the risk related to Type 2 counterparties (i.e. all counterparties Not included in Type 1), valued according to standard weightings. The Company's total requirement is determined by adding the two SCR components determined separately by providing a fixed diversification factor.

Risk concentration

As for the credit risk management, the Company's Investment Policy contains limits on the following:

- Limits related to sectors;
- Limits related to equity markets;
- Limits related to the counterparties' creditworthiness and issuers;
- Limits related to the currencies used;
- Limits by investment category and
- Limits on alternative investments or other investments.

These limits aim to contain the Company's counterparties or groups of third parties. Performance against these limits is reported to the Board quarterly in the Investment Report.

Risk mitigation techniques

Other than the limits referred to above, no additional specific mitigation techniques are employed to cover the credit risk exposure of the Company.

C.4 Liquidity risk

Liquidity risk is the risk of not having the cash resources necessary to meet the Company's commitments, without having to suffer economic losses, resulting from the forced sale of assets, in the event that adverse scenarios occur.

As the Company's products are unit-linked, the units in the underlying funds are encashed to generate the funds due to the policyholder on redemption of the policy. Accordingly, lapse/redemption activity does not contribute to liquidity risk, under normal conditions. AVI has illiquid assets in the form of the deferred Italian tax asset and the PVFP, which arise due to the nature of its business.

The Company manages its liquidity risk by:

- (i) Maintaining sufficient amounts of cash on deposit with a number of credit institutions and holding short-dated Government bonds; and
- (ii) It has a line of credit in place with a third party bank, which would only be accessed in a stressed situation.

Gains expected in future premiums

This is not applicable to AVI.

C.5 Operational risk

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events such as fraud or the activities of service providers. Also included in the Group definition of Operational Risk are legal risk, compliance risk and IT risk, while strategic risk and reputational risk are not included.

The following table shows the calculated result for the sub-module using the Standard Formula on 31 December 2016:

Table 12 - Operational Standard Formula SCR

Risk module	Operational SCR
Operational SCR	2.001

The identification of operational risk is based on the collection of information on potential events or actual events from the business units and other relevant sources of information. The occurrence of risk

events and near misses are identified, investigated, recorded and reported to the Board quarterly by the Risk Function.

The identification activity consists in gathering as much information as possible about the risk event, its causes, effects and whether there was a failure of a control. The aim of this process is to increase knowledge and awareness of the Company's exposure to that risk, in the different business units. Furthermore, this activity also involves assessing the adequacy of the controls in place and managing any effects arising from the occurrence of the risk event.

As part of the operational risk, the risk of business continuity is significant, i.e. the evaluation of the impacts resulting from the interruption of business processes, following the occurrence of a disastrous event.

For this purpose the Group has a Business Continuity Management Policy, which AVI has adopted, which lays down the guidelines for business continuity, with the aim of minimizing the impact of disastrous events on the Company, whether they are caused by internal or external events.

C.6 Other Risks

As for other risks, the Company identifies the following non-quantifiable risks:

- Reputational risk: the current or prospective risk to earnings or capital arising from a negative perception of the Company by its major stakeholders. The Unipol Group has developed a system of management of corporate reputation with the aim of integrating this asset firmly in the business planning process.
- Strategic risk: the current or future risk of a decline in profits or capital due to external factors, such as changes in the operating environment and/or lack of responsiveness to changes in the competitive environment, or internal factors such as adverse business decisions and/or inadequate decisions. At Group level the Observatory on Reputational & Emerging Risk was established, which monitors emerging and merging and reputational risks with a strategic and pro-active approach to anticipate the trend to prevent emerging risks and take advantage of future business opportunities.
- Risk of belonging to a group: the risk related to belonging to the Group or risk of "contagion" is the risk that as a result of the inter-linked nature of the Group's other entities, difficult situations that arise in an entity of the same group can spread with negative effects on other entities; it also includes the risk of conflict of interest. This risk is managed at Group level through the policies and procedures governing the carrying out of transactions with "connected" entities.
- Risk of non-compliance: the risk of incurring legal or regulatory sanctions, material financial losses or reputational damage as a result of violations of mandatory rules (laws, regulations) or

self-regulations (i.e. statutes, codes of conduct, codes of self-regulation); It may also derive from unfavorable changes in the regulatory framework or legal guidelines. The Compliance Function evaluates the adequacy of the organization and internal procedures for the prevention of such risk and determines their level.

C.7 Sensitivity analysis

In order to monitor the Company's sensitivity to risks, the Group Risk Management Function carries out sensitivity analysis on behalf of the Company. The analysis of sensitivities on the main economic and financial variables is carried out at least annually (as part of the ORSA process). It is used to assess the impact of variations in the main risks to which the Company is exposed on the Solvency Ratio of the Company.

Below is the list of sensitivities analysis carried out and their descriptions.

Sensitivities				
Code	Description	Shock hypothesis	Shock Type	% Impact on baseline scenario
SE01_IRUP	Stress up rate curve	A factor	Financial	SE01_IRUP impact %
SE02_IRDOWN	Stress down rate curve	A factor	Financial	SE02_IRDOWN impact %
SE03_SPREAD	Credit spread	A factor	Financial	SE03_SPREAD impact %
SE04_EQ	Equity	A factor	Financial	SE04_EQ impact %
SE05_IMMO	Real Estate	A factor	Economic/Financial	SE05_IMMO impact%

Sensitivities on the curve of interest rates

To assess the impact of a shock on the interest rate curve, (stress up rate curve and stress down rate curve), two sensitivity analysis on the change of the interest rate curve were conducted, in particular two analyzes of the single financial factor where it was assessed a parallel shift up and a shift down of all yield curves (Euro, Serbia, and the rest of the world), shifts of respectively +50 bps and -10 bps.

Sensitivity on bond yield

To assess the impact of a shock on bond yields (a joint analysis was carried out, which assessed the impact of an increase in interest rates by + 25bps and an increase of all government credit spreads, financial and corporate, for all rating classes, for all issuers in the portfolio, and for all the ranking (senior and sub), equal to +50 bps.

Sensitivity on the stock market

To assess the impact of a shock on the value of the stock market, an analysis was made of a single financial factor which is rated one stress down of the value of shares, equal to -20%.

Sensitivity on the housing market

To assess the impact of a shock on the value of the real estate market, analysis was made of a single economic / financial factor which is rated one stress down of the value of real estate and real estate funds, amounting to - 15%.

Results of Sensitivity Tests

The results of the sensitivity tests confirm the Company has sufficient resources to withstand the shocks as identified above.

D Valuation for solvency purposes

The calculation of the solvency requirement laid down in the Directive is determined as economic capital that insurance and reinsurance undertakings must hold, to ensure it can withstand events that occur more than once in 200 cases or, alternatively, that the undertakings in question will still be able, with a probability of at least 99.5%, to meet their obligations towards policyholders and beneficiaries over the following twelve months.

The capital that AVI is required to hold is estimated, based on a balance sheet prepared on “*Market Consistent*” criteria. These criteria are generally based on the *fair value* evaluation as defined by international accounting standards (IFRS 13), using quoted prices in active markets for assets and liabilities.

Consequently, the preparation of the Market Consistent Balance Sheet (MCBS) of the Company was made through the following phases:

- re-statement of the individual assets and liabilities of the Company, based on the classification criteria for compiling the QRT S.02.01 (*Balance Sheet*);
- evaluation of individual assets and liabilities, in accordance, , with the assessments set out in the financial statements prepared in accordance with IAS/IFRS principles.

Below is the content of the QRT S.02.01.02 (MCBS), Table 14, prepared with reference to 31 December 2016, which contains a valuation of the assets and liabilities of the Company to market consistent values (*Solvency II Value*) and a consistent evaluation with that adopted by the Company to prepare its financial statements (*Statutory Account value*).

Table 14

Market Consistent Balance Sheet (MCBS)**Assets**

<i>In thousands of Euro</i>	Solvency II Value	Statutory Account Value
Property, plant and equipment held for own use	19	19
Investments (other than assets held for contracts index-linked and unit-linked)	10,931	10,931
Bonds Government bonds	10,931	10,931
Assets held for contracts index-linked and unit-linked	638,743	638,743
Cash and equivalent to cash	7,807	7,807
All other assets not mentioned elsewhere	9,916	9,916
Total assets	667,416	667,416

Liabilities

<i>In thousands of Euro</i>	Solvency II Value	Statutory account Value
Technical reserves - Linked to an index linked to shares	628,583	641,227
Technical reserves calculated as a single element		641,227
<i>Best estimate</i>	624,666	
<i>Risk Margin</i>	3,917	
Deferred tax liabilities	1,593	13
Insurance payables and to intermediaries	909	909
Payables (commercial, non-insurance)	2,680	2,680
All other liabilities not reported elsewhere	168	168
Total liabilities	633,933	644,997
Surplus of assets over liabilities	33,483	22,419

Please see below comments on the differences between the two valuations.

D.1 Assets

D.1.1 Valuation criteria

This section sets out the criteria, methods and models used by the Company for the valuation of assets in the MCBS.

Intangible Assets

The SII Directive set out that intangible assets must be assigned a value equal to zero. Exceptions are intangible assets that can be sold separately from the rest of the Company and for which a quotation is available in an active market for similar assets.

No assets of this type are held by AVI.

Financial assets and liabilities (excluding equity investment) and properties

The financial assets and liabilities are measured at fair value within the hierarchy set out the Directive. The valuation principles of fair value as adopted by the Companies which are part of the Unipol Group, in accordance with IFRS 13, are set out below.

Table 15 below summarises the methods for determining the fair value for the different macro categories of financial instruments, loans and properties; these methods are identified and co-ordinated within the Companies belonging to the Group (the “Group” or the “Unipol Group”).

Table 15

		Mark to Market	Mark to Model and others
Financial Instruments	Bonds	Contributor “CBBT” Bloomberg	Mark to Model Counterpart Valuation
	Shares and quotable Participations, ETF	Market Reference	
	Shares and Non quotable Participations		DCF DDM Multiple
	Quoted Derivatives	Market Reference	
	OTC Derivatives		Mark to Model
	CIS	Net Asset Value	
Deposits			Customer Deposits (Mark to Model) Other Credits (Balance Value)
Property			Professional Valuation

In accordance with IFRS 13, to determine the fair value of financial instruments, instruments traded in an “active and liquid market”, a market price is used (Mark to Market).

“Active and liquid market” means:

- the regulated market where the instrument being valued is regularly quoted and traded;
- The multilateral trading facility (MTF) where the instrument being valued is regularly traded or quoted;

- quotes and transactions performed on a regular basis, or with high-frequency transactions and with low bid/offer spread, by an authorised intermediary (the “contributor”).

In the absence of the availability of prices on a liquid and active market, valuation methodologies that maximize the use of observable parameters and minimize the use of non-observable parameters, are used. These methods could be summarised as Mark to Model evaluations, evaluations by the counterparty or evaluation to the book value, in respect of certain categories of non-financial assets.

Mark to Market evaluation

In relation to listed equities, the *Mark to Market* evaluation corresponds to the official price of the market valuation.

In relation to bonds, the source used for the *Mark to Market* valuation of financial assets and liabilities are as follows:

- the primary source is the CBBT price provided by Bloomberg data providers;

In relation to collective investment schemes, the source used is the *Net Asset Value*.

Equity Investments

The Company does not have any investments in related companies or subsidiaries.

Deferred Taxes

The calculation of deferred taxes recognised in the MCBS was made by applying the criteria identified by the International Accounting Standards (IAS 12). The Deferred Tax Asset is the difference between the current value of an asset and its future best estimated value. The difference being a gain or loss and the notional tax charge applying is equal to the Deferred Tax amount. The Deferred Tax rate is based upon the Corporation Tax rate currently in force in Ireland of 12.5%.

Other Assets

For all other assets not included in the categories set out above, in view of its characteristics, the book value in the MCBS is consistent with the value in the Company’s financial statements prepared in accordance with IAS/IFRS accounting standards.

D.1.2 Quantitative information on the valuation of assets

Intangible assets

The Company, in line with the requirements of the Directive, for solvency purposes, does not attribute value to goodwill or other intangible assets.

Table 16 Intangible Assets

<i>In thousands of Euro</i>	Solvency II Value	Financial statements Value	Difference
Goodwill			
Deferred acquisition costs			
Intangible assets	0	0	0
Total	0	0	0

Property and other tangible assets

The Company does not hold any property.

Table 17 Tangible Assets

<i>In thousands of Euro</i>	Solvency II Value	Financial statements Value	Difference
Property, plant and equipment held for own use	19	19	0
Properties (other than for own use)			
Total	19	19	0

Note that, in respect of other tangible assets (e.g. equipment, plant, machinery, cars, etc.), the book value in the MCBS is consistent with the carrying value in the financial statements, which, given the nature and significance of those assets, has been considered to satisfactorily represent the fair value.

Financial assets for which the investment risk is borne by policyholders

In the MCBS, "Assets held for index-linked and unit-linked funds" includes all financial assets listed in class D of the statutory balance sheet, corresponding to the financial assets for which the investment risk is borne by policyholders.

Table 18, Financial assets with investment risk borne by policyholders

<i>In thousands of Euro</i>	Solvency II Value	Financial statements Value	Difference
Assets held for contracts on an index-linked and unit-linked	638,743	638,743	0

The assets are valued at fair value in the financial statements of AVI; consequently there is no difference in the values recorded in the MCBS.

Other investments (other than equity investments)

As a general principle, all investments are stated at fair value, as required by the Directive.

In relation to government bonds, they are held at fair value in the financial statements; & consequently there is no difference in the values recorded in the MCBS.

Table 19, Other financial investments

<i>In thousands of Euro</i>	Solvency II Value	Financial statements Value	Difference
Equities			
Equities – Listed			
Equities – Unlisted			
Bonds	10,931	10,931	0
Government bonds	10,931	10,931	0
UCITS			
Deposits other than in cash equivalents			
Other investments			
Total	10,931	10,931	0

Equity Investments

It should be noted that AVI does not have any shares or voting rights in any other company and does not have any subsidiaries.

Deferred Taxes

The deferred taxes recognised in MCBS was calculated by applying the criteria identified by the International Accounting Standards (IAS 12).

Deferred tax is provided on temporary differences between the carrying value of assets and liabilities in the MCBS and their value for tax purposes.

Table 20, Deferred tax assets and liabilities

<i>In thousands of Euro</i>	Solvency II Value	Financial statements Value	Difference
Deferred tax assets	0	0	0
Deferred tax liabilities	(1,593)	(13)	(1,580)
Net total	(1,593)	(13)	(1,580)

The differences compared to the figure recorded in the financial statements, are related to the deferred tax effect of temporary differences arising from adjustments of assets and liabilities valuations discussed in paragraphs D.1, D.2 and D.3.

Above is a table summarising the composition of assets and liabilities for deferred taxes recorded in the MCBS.

At the reference date, there are no tax losses or unused tax credits for which the corresponding deferred tax asset were not recognized.

Other Assets

The following table shows the balances recorded among Other Assets described in MCBS and the corresponding evaluations of the same, in the Company's balance sheet.

Table 21 Other assets

<i>In thousands of Euro</i>	Solvency II Value	Financial statements Value	Difference
Cash and equivalent to cash	7,807	7,807	0
All other assets	9,916	9,916	0

Total	17,723	17,723	0
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In relation to the other assets listed in the table above, the carrying value in the MCBS is consistent with the carrying value in the financial statements. "All other assets" is entirely made up of the advance substitution tax forwarded by the Company to the Italian tax authorities that is reclaimed over time from policyholders on exit and the Italian tax authorities.

AVI has not entered into any leasing contracts.

D.2 Technical Reserves

D.2.1 Valuation criteria

Table 22 Technical Reserves

<i>In thousands of Euro</i>	Solvency II Value	Financial statements Value	Difference
Unit Liabilities	0	641,227	-641,227
BEL per Unit Plus Claims Reported	624,666	0	624,666
Risk Margin	3,917	0	3,917
Net total	628,583	641,227	(12,644)

Technical reserves Life

In accordance with what is defined in the Directive, the Technical Reserves are determined as the sum of a best estimate (Best Estimate of Liability or BEL) and a margin of risk (Risk Margin).

The BEL corresponds to the sum of the policyholder's value of BEL (unit liability), the expected present value of future profits and a provision of claims reported to the Company prior to 31 December 2016 that had not yet been paid at that date.

The value of the unit liability is calculated as the product of the number of units deemed allocated at the valuation date to each policy and associated valuation price per units of each fund (Net Asset Value per unit) in which the policy is invested.

The expected present value of future profits is calculated by projecting forward the unit liability for the lifetime of each policy allowing for lapses, mortality, investment return and unit linked charges. The present value of future profits is then calculated as the present value of future shareholder income less outgoings.

Under the Solvency II methodology and assumptions, the in-force business is projected to be profitable in aggregate and therefore the non-unit liability at 31 December 2016 had a negative value leading the BEL being lower than the unit liability.

The Risk Margin is calculated as the net present value of the cost of holding sufficient capital to cover the SCR necessary to support the Company's insurance obligations over their future lifetime.

Methodology for evaluation of the Risk Margin

The Risk Margin is calculated based on the following input data:

- SCR for operational risk;
- SCR relative to credit risks;
- SCR relative to Technical Life Insurance risks quantified per the different methods of risk assessment;

The SCR at each future time step is multiplied by the prescribed cost of capital being 6% per annum to derive the future annual capital charge and the Risk Margin is equal to the present value of these future capital charges.

D.2.2 Quantitative information on the valuation of assets

Technical Reserves Life

The value recorded in the MCBS of the life technical reserves corresponds to their *fair value* determined on the basis of the described methods.

Below are the values of the technical reserves Life.

Table 23 Segmentation of reserves relative to Life business

<i>In thousands of Euro</i>		Technical reserves calculated as a single element	Best Gross Estimate	Risk Margin	Amounts recoverable from reinsurance	Total
	Direct Business		624,666	3,917		628,583
3	Insurance linked to indices and shares		624,666	3,917		628,583
	Total		624,666	3,917		628,583

The table below summarizes the differences found between the value measured in accordance with Solvency II and the evaluation for the purposes of the financial statements of the Company for the technical reserves Life (gross of reinsurance).

Table 24 Technical Reserves Life

<i>In thousands of Euro</i>	Solvency II Value	Financial statements Value	Difference
Technical reserves - Life(excluded index linked and shares linked)			
Technical reserves – Index linked and shares linked	628,583	641,227	(12,644)
Amounts recoverable from reinsurance: Life and life-like illness, excluded illness, linked to an index and attached to shares			
Amounts recoverable from reinsurance from: Life linked to an index and attached to shares			
Total	628,583	641,227	(12,644)

Please refer to paragraph D.2.1 for comments on the differences between the techniques for determining the -life technical reserves for the Solvency II balance sheet and that recorded in the financial statements.

It should be noted that AVI is not using the volatility adjustment or the matching adjustment.

D.3 Other Liabilities

D.3.1 Evaluation Criteria

Financial Liabilities

The valuation of other financial liabilities (non-technical) at their *fair value* is determined by considering the amounts due at the time of issue (*at inception*) and without any subsequent changes in value of the amount due. The Company has no “Financial Liabilities”.

Other liabilities

For all other liabilities not included in the categories set out in the previous paragraphs, the entry value in the MCBS is consistent with the value of the same determined for the purposes of the Company's financial statements prepared in accordance with the accounting standards IAS/IFRS.

D.3.2 Quantitative information on the valuation of liabilities other than technical reserves

It should be noted that AVI has not entered into any leasing arrangements and does not have a defined benefit occupational pension scheme in place.

The following table shows the differences recorded among Other Liabilities reported in the MCBS and the corresponding evaluations of the same in the balance sheet.

Table 25 Other liabilities

<i>In thousands of Euro</i>	Solvency II Value	Financial statements Value	Difference
Insurance payables and intermediaries	909	909	0
Creditors (trade non-insurance)	2,680	2,680	0
All other liabilities not reported elsewhere	168	168	0
Total	3,757	3,757	0

There are no differences recognised in in regard to "Other Liabilities".

Leasing Contracts

It should be noted that AVI has not entered any financing leasing contracts.

As of 31 December 2016 a single operating lease in respect of the Company offices is active:

Operating lease contracts do not entail the transfer to the lessee of most of the risks and benefits inherent to the goods which are the object of it. Charges incurred in 2016 amounted to Euro 57,281.10

Obligations arising from lease contracts consist of the payment of future lease payments, amounting to €178,662.48 with respect to operating leases in respect of the Companies rented offices.

D.4 Alternative evaluation methods

AVI does not use alternative investment methods to value its assets and liabilities.

D.5 Other Information

There is no other relevant information on the valuation of assets and liabilities by AVI.

E Capital Management

E.1 Own funds

E.1.1 Scope

The company is 100% owned by its parent company, Arca Vita SpA, both companies being part of the Unipol Group.

All of the Company's issued share capital is fully paid up. The Company received a capital contribution from its parent a number of years ago, which forms part of the Company's Own Funds.

The Company's own funds are comprised of:

- Fully paid up ordinary share capital;
- Capital Contribution;
- Retained earnings; and
- A reconciliation reserve.

The Company has no plans to raise debt or to issue new shares, or to otherwise change the composition of Own Funds in the short or medium term.

It should be noted that:

- AVI does not have any ancillary own funds;
- AVI does not have any own fund items subject to transitional arrangements
- No deductions are applied to Own Funds; and
- There are no material restrictions affecting their availability and transferability.

The eligible amount of Own Funds to cover the Company's Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) is comprised entirely of Tier 1 Basic Own Funds.

E.1.2 Capital Management Plan

The Company aim to hold Own Funds to meet its capital requirements on an ongoing basis. Should additional capital be required for any reason the Company would seek additional such support from its parent group. There have been no distributions, including the payment of dividends, from own funds during the period.

As a result of the evaluations carried out for solvency purposes, in the following diagram are represented the structure and the amount of OF to cover the SCR and the MCR determined for 2016. The quality of the OF is expressed by means of the detail for each Tier.

E.1.3 Information on own funds and eligible own funds of the Company

Table 26 Annual Movements of own funds of the Company

The table below shows the situation of the basic own funds and eligible own funds in the Company, according to the tier level, between the date of first application of Solvency II regime (01/01/2016) and the situation at 31/12/2016.

In thousands of Euro

	Situation at 1/1/2016	Issues	Refunds	Adjustments for valuation movements	Adjustments for regulatory interventions	Situation at 31/12/2016
Total own funds	6,079					6,079
Of which tier 1 unrestricted	6,079					6,079
Of which tier 1 restricted						
Of which tier 2						
Of which tier 3						
Adjustments for eligibility limits						
Of which tier 1 unrestricted						
Of which tier 1 restricted						
Of which tier 2						
Of which tier 3						
Total eligible own funds to cover the SCR	30,825			2,658		33,483
Of which tier 1 unrestricted	30,825			2,658		33,483
Of which tier 1 restricted						
Of which tier 2						
Of which tier 3						

The following table, Table 27, shows in detail the annual changes/movement of the core capital of the Company by type:

Table 27 Annual changes to Core Capital

<i>In thousands of Euro</i>	Situation at 1/1/2016	Issues	Refunds	Adjustments for valuation movements	Adjustments for regulatory interventions	Situation at 31/12/2016
ordinary share capital paid	1,635					1,635
Share premium on common shares						
Reconciliation Reserve	24,746			2,658		27,404
Other elements of own funds approved by the supervisory authority	4,444					4,444
Total "Tier 1 unrestricted"						
ordinary share capital called but not yet paid						
subordinated liabilities						
Total "Tier 1 restricted"						
subordinated liabilities						
Total "Tier 2"						
subordinated liabilities						
Amount net deferred tax assets						
Total "Tier 3"						
Total own funds	30,825			2,658		33,483

Composition and characteristics of the Company's own funds

The following are the substantive conditions underlying the individual elements of the own funds of the Company.

The ordinary share capital corresponds to the amount paid by the shareholders of the Company which, in the right level of stability of the same and the capacity to absorb losses, qualify as equity-type "Tier 1 unrestricted".

The reconciliation reserve, see Table 28, is the residual amount of Own Funds of the Company that qualifies as an element of own funds Type "Tier 1 unrestricted", which is determined by making some deductions to the amount of the difference between assets and liabilities, resulting from the MCBS. The table below shows the detail of the calculation of the reconciliation reserve.

Table 28 Reconciliation Reserve

<i>In thousands of Euro</i>	Tier 1 unrestricted
Surplus of assets over liabilities (A)	27,404
Treasury shares (held directly and indirectly) (B)	0
Dividends, distributions and predictable costs (C)	0
Other elements of core capital (D)	0
Adjustments for items of their limited funds in relation to portfolios subject to adjustment of fairness and equity separated (E)	0
Reconciliation reserve (A-B-C-D-E)	27,404

Eligible Own Funds

The SII Directive describes how eligible own funds should be calculated.

In the following table, Table 29 & 30, illustrate the breakdown of the Own Funds (to cover the SCR and the MCR, for 2016:

Table 29 Own funds available and eligible for coverage of the SCR

<i>In thousand of euros</i>	Own funds available ("available")	Adjustments eligibility	for	Own funds eligible ("eligible")
Tier 1 unrestricted	33,483			33,483
Tier 1 restricted				
Tier 2				
Tier 3				
Total OF	33,483			33,483
Total SCR	14,653			14,653
Surplus / (deficiency)	18,830			18,830

Table 30 Own funds available and eligible for coverage of the MCR

<i>In thousands of Euro</i>	Own funds available ("available")	Adjustments eligibility	for	Own funds eligible ("eligible")
Tier 1 unrestricted	33,483			33,483
Tier 1 restricted				
Tier 2				
Total OF	33,483			33,483
Total MCR	4,339			4,339
Surplus / (deficiency)	29,144			29,144

Reconciliation with the equity from financial statements

The MCBS as of 31/12/2016 closed with a surplus of assets over liabilities, amounting to €33,483,000 compared to shareholders' equity outlined in the financial statements of the Company on that date (the "Financial Statements") of €22,420,000. This difference is due to the different valuation of the equity components, as evidenced by the following statement of reconciliation:

Table 31 Reconciliation of equity as financial statements and MCBS as at 31 December 2016

A	Equity from financial statements	22,420
	Adjustments for type assets or liabilities	
<i>1</i>	intangible assets	
<i>2</i>	Properties and active materials for its own use and for investment	
<i>3</i>	Other financial investments	
<i>4</i>	Reinsurance Reserves Damage	
<i>5</i>	Non-Life Reserves	
<i>6</i>	Life Reserves	12,644
<i>7</i>	Reinsurance Reserves Life	
<i>8</i>	Financial liabilities	
<i>9</i>	Other activities	
<i>10</i>	Provisions	

11	Other liabilities	
12	Deferred taxes	(1,581)
	Total adjustments	
B	Equity from MCBS	33,483

In the previous section D, the valuation criteria adopted for the purposes of preparing the MCBS were outlined, as well as quantitative information with greater detail about the comparison with the balance of values.

E.2 Solvency Capital Requirement and the Minimum Capital Requirement

The amount of the SCR at the end of the reference period is €14,652,000

The amount of the MCR at the end of the reporting period is €4,338,000

The amount of SCR for each risk module is as follows;

Table 32 SCR Estimate - Standard Formula

Risk Modules	
Non-Life Insurance Risks	
Life Underwriting Risks	8,858
Market Risks	7,638
Counterparty Risk	2,871
Benefit of diversification	(5,135)
BSCR	14,232
Operational Risk	2,001
Ring Fenced Funds	
ALAC TP	
ALAC DT	(1,580)
SCR Estimate - Standard Formula	14,653
MCR Estimate – Standard Formula	4,338

The Company uses EIOPA's Solvency II Standard Formula. It has not used simplified calculations or undertaking specific parameters in the application of the Standard Formula.

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

The company is not using the sub module on equity risk for the calculation of the SCR.

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

The company calculates its Solvency Capital Requirement in accordance with the Standard Formula only.

E.5 Non-compliance with the minimum capital requirements and non-compliance with the Solvency Capital Requirement

During the year, there were no periods in which the Company had not covered its Solvency Capital Requirement, or its Minimum Capital Requirement.

E. 6 Other information

There is no additional material information on the Company's capital management.

E. 7 Attachments

- Balance Sheet (S.02.01.02)
- Premiums, claims and expenses for LOB (S.05.01.02)
- Technical Provisions (S.12.01.01)
- Own funds (S.23.01.01)
- SCR - Undertakings for using the Standard formula (S.25.01.21 standard)]
- MCR - Only life or only non-life insurance or reinsurance activity (S.28.01.01)

S.02.01.2
Balance sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	18,953.09
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	10,931,228.51
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	10,931,228.51
Government Bonds	R0140	10,931,228.51
Corporate Bonds	R0150	
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	638,742,629.80
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	

Insurance and intermediaries receivables	R0360	
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	7,807,273.14
Any other assets, not elsewhere shown	R0420	9,915,923.41
Total assets	R0500	667,416,007.95
Liabilities		
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	628,583,437.11
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	624,666,391.60
Risk margin	R0720	3,917,045.51
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	1,593,208.45
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Debts owed to credit institutions resident domestically	ER0801	
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	
Debts owed to credit institutions resident in rest of the world	ER0803	
Financial liabilities other than debts owed to credit institutions	R0810	

Debts owed to non-credit institutions	ER0811	
Debts owed to non-credit institutions resident domestically	ER0812	
Debts owed to non-credit institutions resident in the euro area other than domestic	ER0813	
Debts owed to non-credit institutions resident in rest of the world	ER0814	
Other financial liabilities (debt securities issued)	ER0815	
Insurance & intermediaries payables	R0820	908,812.71
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	2,679,991.55
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	168,025.62
Total liabilities	R0900	633,933,475.44
Excess of assets over liabilities	R1000	33,482,532.51

QRT S.05.01.02 – Premiums, Claims and expenses by line of business

	Line of Business for: life insurance obligations						Life reinsurance obligations		Total
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
Premiums written									
Gross			29,033,175.50						29,033,175.50
Reinsurers' share									
Net			29,033,175.50						29,033,175.50
Premiums earned									
Gross			29,033,175.50						29,033,175.50
Reinsurers' share									
Net			29,033,175.50						29,033,175.50
Claims incurred									
Gross			-89,091,711.37						-89,091,711.37
Reinsurers' share									
Net			-89,091,711.37						-89,091,711.37
Changes in other technical provisions									
Gross			25,216,902.23						25,216,902.23
Reinsurers' share									
Net			25,216,902.23						25,216,902.23
Expenses incurred	0.00	0.00	-8,004,117.00	0.00	0.00	0.00	0.00	0.00	-8,004,117.00
Other expenses									
Total expenses									-8,004,117.00

S.05.02.01
Premiums, claims and expenses by country

	Home Country	Country (by amount of gross premiums written) - life obligations	Total for top 5 countries and home country (by amount of gross premiums written) - life obligations
		ITALY	
Premiums written			
Gross		29,033,175.50	29,033,175.50
Reinsurers' share			
Net		29,033,175.50	29,033,175.50
Premiums earned			
Gross		29,033,175.50	29,033,175.50
Reinsurers' share			
Net		29,033,175.50	29,033,175.50
Claims incurred			
Gross		-89,091,711.37	-89,091,711.37
Reinsurers' share			
Net		-89,091,711.37	-89,091,711.37
Changes in other technical provisions			
Gross		25,216,902.23	25,216,902.23
Reinsurers' share			
Net		25,216,902.23	25,216,902.23
Expenses incurred	-2,644,478.20	-5,359,638.95	-8,004,117.15
Other expenses			
Total expenses			-8,004,117.15

S.12.01.01
Life and Health SLT Technical Provisions

	Insurance with profit participation	Index-linked and unit-linked insurance				Other life insurance				Amounts transferring from non life insurance contracts and relating to insurance obligation other	Insurance with profit participation on Accepted insurance (Gross)	Accepted insurance with unit-linked insurance on Accepted insurance (Gross)
		C70030	C70039	C70040	C70050	C70060	C70070	C70080				
R0010	0.00	0.00				0.00				0.00	0.00	0.00
R0020	0.00	0.00				0.00				0.00	0.00	0.00
R0030	0.00											
R0040	0.00											
R0050	0.00											
R0060	0.00											
R0070	0.00											
R0080	0.00											
R0090	0.00											
R0100	0.00	3,917,045.51				0.00				0.00	0.00	0.00
R0110	0.00	0.00				0.00				0.00	0.00	0.00
R0120	0.00	0.00				0.00				0.00	0.00	0.00
R0130	0.00	0.00				0.00				0.00	0.00	0.00
R0200	0.00	628,583,437.09				0.00				0.00	0.00	0.00
R0210	0.00	628,583,437.09				0.00				0.00	0.00	0.00
R0220	0.00	619,859,000.00				0.00				0.00	0.00	0.00
R0230												
R0240	0.00	582,521,989.54				0.00				0.00	0.00	0.00
R0250	0.00									0.00	0.00	0.00
R0260	0.00	42,144,402.04				0.00				0.00	0.00	0.00
R0270	0.00	0.00				0.00				0.00	0.00	0.00
R0280	0.00	0.00				0.00				0.00	0.00	0.00
R0290	0.00%	0.00%				0.00%				0.00%	0.00%	0.00%
R0300	0.00	641,237,291.33				0.00				0.00	0.00	0.00
R0310	0.00	0.00				0.00				0.00	0.00	0.00
R0320	0.00	0.00				0.00				0.00	0.00	0.00
R0330	0.00	0.00				0.00				0.00	0.00	0.00
R0340	0.00	0.00				0.00				0.00	0.00	0.00
R0350	0.00	0.00				0.00				0.00	0.00	0.00
R0360	0.00	0.00				0.00				0.00	0.00	0.00

Technical provisions calculated as a whole	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	
Technical provisions calculated as a sum of IE and RM	
Best Estimate	
Gross Best Estimate	
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	
Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses	
Recoverables from SPV before adjustment for expected losses	
Recoverables from Finite Re before adjustment for expected losses	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	
Best estimate minus recoverables from reinsurance/SPV and Finite Re	
Risk Margin	
Amount of the Transitional on Technical Provisions	
Technical Provisions calculated as a whole	
Best estimate	
Risk margin	
Technical provisions - total	
Technical problems minus recoverables from reinsurance/SPV and Finite Re - total	
Best Estimate of products with a surrender option	
Gross RE for Cash flow	
Cash out-flows	
Future guaranteed and discretionary benefits	
Future guaranteed benefits	
Future discretionary benefits	
Future expenses and other cash out-flows	
Cash in-flows	
Future premiums	
Other cash in-flows	
Percentage of gross TP calculated using approximations	
Surrender value	
Best estimate subject to transitional of the interest rate	
Technical provisions without transitional on interest rate	
Best estimate subject to volatility adjustment	
Technical provisions without volatility adjustment and without others transitional measures	
Best estimate subject to matching adjustment	
Technical provisions without matching adjustment and without all the others	

Technical provisions calculated as a whole
Total Recoverables from reinsurances/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole
Technical provisions calculated as a sum of RE and RM
Best Estimate
Gross Best Estimate
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default
Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses
Recoverables from SPV before adjustment for expected losses
Recoverables from Finite Re before adjustment for expected losses
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default
Best estimate minus recoverables from reinsurance/SPV and Finite Re
Risk Margin
Amount of the Transitional on Technical Provisions
Technical Provisions calculated as a whole
Best estimate
Risk margin
Technical provisions - total
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total
Best Estimate of products with a surrender option
Gross RE for Cash flow
Cash out-flows
Future guaranteed and discretionary benefits
Future guaranteed benefits
Future discretionary benefits
Future expenses and other cash out-flows
Cash in-flows
Future premiums
Other cash in-flows
Percentage of gross TP calculated using approximations
Surrender value
Best estimate subject to transitional of the interest rate
Technical provisions without transitional on interest rate
Best estimate subject to volatility adjustment
Technical provisions without volatility adjustment and without other transitional measures
Best estimate subject to matching adjustment
Technical provisions without matching adjustment and without all the others

5,1201.01

Life und Health S.L.T. Technical Provisions

	Reserves		Total (Life other than health insurance, Incl. Unit-Linked)	Health insurance (direct business)			Liabilities increasing from non life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health insurance similar to life insurance)
	(Other life insurance in Acceptance) (gross)	(Reserves starting from non life accepted insurance contracts and relating to contracts)		Contracts without options and guarantees	Contracts with options and guarantees				
	C9130	C9140	C9150	C9160	C9170	C9180	C9190	C9200	C9210
R0010	0.00		0.00						
R0020	0.00		0.00						
R0030									
R0040			624,666,391.58						
R0050			0.00						
R0060			0.00						
R0070			0.00						
R0080	0.00		0.00						
R0090			624,666,391.58						
R0100	0.00		7,917,045.51						
R0110			0.00						
R0120			0.00						
R0130			0.00						
R0200			628,583,437.09						
R0210	0.00		628,583,437.09						
R0220			619,859,000.00						
R0230									
R0240									
R0250									
R0260			42,144,402.04						
R0270			0.00						
R0280			0.00						
R0290									
R0300			0.00						
R0310			0.00						
R0320			628,583,437.09						
R0330			0.00						
R0340			0.00						
R0350			0.00						
R0360			0.00						
	Technical provisions calculated as a whole								
	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole								
	Technical provisions calculated as a sum of BE and RM								
	Best Estimate								
	Gross Best Estimate								
	Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default								
	Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses								
	Recoverables from SPV before adjustment for expected losses								
	Recoverables from Finite Re before adjustment for expected losses								
	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default								
	Best estimate minus recoverables from reinsurance/SPV and Finite Re								
	Risk Margin								
	Amount of the transitional on Technical Provisions								
	Technical Provisions calculated as a whole								
	Best estimate								
	Risk margin								
	Technical provisions - total								
	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total								
	Best Estimate of products with a surrender option								
	Gross BE for Cash flow								
	Cash out-flows								
	Future guaranteed and discretionary benefits								
	Future guaranteed benefits								
	Future discretionary benefits								
	Future expenses and other cash out-flows								
	Cash in-flows								
	Future premiums								
	(Other cash in-flows)								
	Percentage of gross TP calculated using approximations								
	Surrender value								
	Best estimate subject to transitional of the interest rate								
	Technical provisions without transitional on interest rate								
	Best estimate subject to volatility adjustment								
	Technical provisions without volatility adjustment and without other transitional measures								
	Best estimate subject to matching adjustment								
	Technical provisions without matching adjustment and without all the others								

S.23.01.01
Own funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
Ordinary share capital (gross of own shares)	1,634,869.00	1,634,869.00		0.00	
Share premium account related to ordinary share capital					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings					
Subordinated mutual member accounts					
Surplus funds					
Preference shares					
Share premium account related to preference shares					
Reconciliation reserve	27,403,579.51	27,403,579.51			
Subordinated liabilities					
An amount equal to the value of net deferred tax assets					
Other own fund items approved by the supervisory authority as basic own funds not specified above	4,444,084.00	4,444,084.00	0.00	0.00	0.00
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					
Deductions					
Deductions for participations in financial and credit institutions					
Total basic own funds after deductions	33,482,532.51	33,482,532.51	0.00	0.00	0.00
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand					
Unpaid and uncalled preference shares callable on demand					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
Other ancillary own funds					

Total ancillary own funds**Available and eligible own funds**

Total available own funds to meet the SCR

Total available own funds to meet the MCR

Total eligible own funds to meet the SCR

Total eligible own funds to meet the MCR

SCR**MCR****Ratio of Eligible own funds to SCR****Ratio of Eligible own funds to MCR**

Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
33,482,532.51	33,482,532.51	0.00	0.00	0.00
33,482,532.51	33,482,532.51	0.00	0.00	
33,482,532.51	33,482,532.51	0.00	0.00	0.00
33,482,532.51	33,482,532.51	0.00	0.00	
14,652,513.00				
4,338,988.00				
2.29				
7.72				

Reconciliation reserve

Excess of assets over liabilities

Own shares (held directly and indirectly)

Foreseeable dividends, distributions and charges

Other basic own fund items

Adjustment for restricted own fund items in respect of matching
adjustment portfolios and ring fenced funds**Reconciliation reserve****Expected profits**Expected profits included in future premiums (EPIFP) - Life
businessExpected profits included in future premiums (EPIFP) - Non- life
business**Total Expected profits included in future premiums (EPIFP)**

33,482,532.51	-
	-
	-
6,078,953.00	-
	-
27,403,579.51	-
	-
	-
	-
	-

S.25.01.01
**Solvency Capital Requirement -
for undertakings on Standard
Formula**

Article 112

Z0010

No

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
Market risk	R0010	7,637,606.07	7,637,606.07	0.00
Counterparty default risk	R0020	2,870,722.66	2,870,722.66	0.00
Life underwriting risk	R0030	8,858,057.79	8,858,057.79	0.00
Health underwriting risk	R0040	.	.	.
Non-life underwriting risk	R0050	.	.	.
Diversification	R0060	-5,134,602.41	-5,134,602.41	-
Intangible asset risk	R0070	.	.	-
Basic Solvency Capital Requirement	R0100	14,231,784.11	14,231,784.11	-

Calculation of Solvency Capital Requirement

C0100

Adjustment due to RFF/MAP nSCR aggregation	R0120	0.00
Operational risk	R0130	2,001,029.29
Loss-absorbing capacity of technical provisions	R0140	0.00
Loss-absorbing capacity of deferred taxes	R0150	-1,580,300.40
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	.
Solvency Capital Requirement excluding capital add-on	R0200	14,652,513.00
Capital add-on already set	R0210	.
Solvency capital requirement	R0220	14,652,513.00
Other information on SCR		-
Capital requirement for duration-based equity risk sub-module	R0400	.
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	.
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	0.00
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0.00
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0.00
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	No adjustment
Net future discretionary benefits	R0460	0.00

S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity
Linear formula component for non-life insurance and reinsurance obligations

	C0010		
MCR _{NI} Result	.	Net (of reinsurance/SPV) best estimate and TP calculated as a whole provisions	Net (of reinsurance) written premiums in the last 12 months
Medical expenses and proportional reinsurance	.	.	.
Income protection insurance and proportional reinsurance	.	.	.
Workers' compensation insurance and proportional reinsurance	.	.	.
Motor vehicle liability insurance and proportional reinsurance	.	.	.
Other motor insurance and proportional reinsurance	.	.	.
Marine, aviation and transport insurance and proportional reinsurance	.	.	.
Fire and other damage to property insurance and proportional reinsurance	.	.	.
General liability insurance and proportional reinsurance	.	.	.
Credit and suretyship insurance and proportional reinsurance	.	.	.
Legal expenses insurance and proportional reinsurance	.	.	.
Assistance and proportional reinsurance	.	.	.
Miscellaneous financial loss insurance and proportional reinsurance	.	.	.
Non-proportional health reinsurance	.	.	.
Non-proportional casualty reinsurance	.	.	.
Non-proportional marine, aviation and transport reinsurance	.	.	.
Non-proportional property reinsurance	.	.	.

Linear formula component for life insurance and reinsurance obligations

MCR _L Result	4,338,988	Net (of reinsurance/SPV) best estimate and TP calculated as a whole provisions	Net (of reinsurance/SPV) total capital at risk
Obligations with profit participation - guaranteed benefits	0.00		
Obligations with profit participation - future discretionary benefits	0.00		
Index-linked and unit-linked insurance obligations	624,666,391.58		
Other life (re)insurance and health (re)insurance obligations	0.00		
Total capital at risk for all life (re)insurance obligations			1,316,168.00

Linear MCR	4,338,988.00
SCR	14,652,513.00
MCR cap	6,593,630.85
MCR floor	3,663,128.25
Combined MCR	4,338,988.00
Absolute floor of the MCR	3,700,000.00

Minimum Capital Requirement	4,338,988.00
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