Allianz p.l.c.

Solvency and Financial Condition Report

For the year ended 31 December 2016

Registered number: 143108

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Executive Summary

Allianz plc (hereinafter referred to as "AZI" or the "Company"), has prepared this Solvency Financial Condition Report (hereafer SFCR) to satisfy the public disclosure requirements under the Commission Delegated Regulation (EU) 2015/35 (hereafter 'Delegated Regulation') of the European Parliament supplementing Directive 2009/138/EC, known as Solvency II, which came into effect from 1 January 2016. This report covers the business and performance, system of governance, risk profile, valuation for solvency purposes and capital management process of the Company as set out in the Delegated Regulation. The ultimate administrative body that has responsibility for all these matters is the Company's Board of Directors, who use the assistance of various governance and control functions that it has put in place to monitor risk and manage the business.

In accordance with Article 303 "Transitional arrangements on comparative information" of the Delegated Regulation, no comparison information for periods prior to Solvency II application have been presented.

A. Business and Performance

The Company is a wholly owned subsidiary of Allianz Irish Life Holdings (AILH) and is ultimately owned by Allianz SE, who offers non-life insurance, life/health insurance, reinsurance and asset management products and services in over 70 countries, with the largest of its operations in Europe. Allianz SE, the parent company of the Allianz Group, has its headquarters in Munich, Germany and holds the legal form of a European company or Societas Europaea (SE).

The Company is regulated by the Central Bank of Ireland and complies with the "Corporate Governance Requirements for Insurance Undertakings 2015". The principal activity of the Company is the transaction of property, motor, liability and marine insurance business within the Island of Ireland. The Company offers a wide range of non-life insurance products to both individual and corporate customers. The Company is one of the leading non-life insurers in Ireland. The key performance indicators for 2016 are noted below:

	2016	**2015**
Gross premium written	**€588.6m**	€495.8m
Underwriting result	**€21.8m**	(€19.7m)
Underwriting result (excluding one off items noted Section A)	**(€44.7m)**	(€19.7m)
Operating result	**€42.9m**	(€1.1m)
Profit after taxation	**€43.4m**	€8.9m
Shareholders' funds	**€348.5m**	€352.5m

2016 was a challenging trading period, although reported profits above appear positive, they include some one off benefits which offset the impact of the difficult underlying insurance trading conditions. The Company remains committed in its efforts to restore sustainable positive underwriting returns in the short term. Our capital and solvency position remains strong, with the latter having been further strengthened through an increase in cession of business through a quota

share reinsurance arrangement entered into pre year-end which comes into effect from 1 January 2017.

B. System of Governance

The Company's Board of Directors (hereafter 'the Board') is responsible for the overall management and oversight of the Company. The Board strives to keep the current corporate governance framework up to date with new legislation and to identify best practice. The Board is composed of a majority of non-executive directors and performs its duties with the support of Committees. Four Committees have been established: Audit Committee, Risk Committee, Remuneration Committee, and Nomination Committee. The general operational management and control of the company is delegated to the Chief Executive Officer.

The Company complies with the Fitness and Probity requirements of the Central Bank of Ireland, Allianz SE Group Fit and Proper Policy, and its own internal 'Minimum Competency Code & Fit and Proper Person Policy' which sets out principles, criteria and processes to ensure the fitness and probity of those persons who manage the undertaking or work within key functions.

The Company is committed to having an Internal Control System (ICS) that fulfils its organisational needs and all relevant regulatory requirements. The Company's ICS is embedded into the operational and organisational set up throughout the Company and is articulated along the three-lines of defence model. According to the model, the first line of defence covers business operations, assurance functions (risk management, actuarial and compliance) represent the second line, while internal audit provides the third line of defence.

C. Risk Profile

The company uses the Allianz Internal Model to calculate the capital requirement. For all material risks, a compressive quantitative and qualitative risk management process is in place that incorporates (i) risk identification, (ii) risk assessment, (iii) risk response and control activities, (iv) risk monitoring, and (v) risk reporting. The section on the risk management system also includes a description of the risk management strategies and processes for each risk category.

D. Valuation for Solvency Purposes

This SFCR provides information on the Market Value Balance Sheet (hereafter 'MVBS') and a comparison of MVBS and statutory figures, which are based on FRS 101 Reduced Disclosure Framework. Therefore, a quantitative and qualitative explanation for material differences in the valuation of assets, technical provisions and other liabilities is included.

E. Capital Management

The Company uses the Allianz internal model for the calculation of the Solvency Capital Requirement (SCR). The company was sufficiently capitalised at year end 2016 with own funds exceeding the SCR by €102m resulting in a solvency coverage ratio of 146%.

A. Business and Performance

A.1 Business and external environment

A.1.1 Financial Supervision, group membership and legal structure

Allianz plc is a non-life insurance company located at Allianz House, Elmpark, Merrion Road, Dublin 4, Republic of Ireland. The Company has a branch in Belfast located at 3 Cromac Quay, The Gasworks, Ormeau Road, Belfast, Northern Ireland.

Ownership structure as at 31 December 2016 - the Company is a subsidiary of Allianz Irish Life Holdings plc (AILH), mainly owned by Allianz SE. Allianz Europe BV (Dutch co, Amsterdam) owns 66.49% of AILH who is owned by Allianz SE. The directors regard Allianz SE (registered in Germany) as the ultimate parent Company, its headquarters in Koeniginstrasse 28, 80802 Munich, Germany and holds the legal form of a European company (Societas Europaea). 33.51% of AILH is owned by minority shareholders. Irish Life Irish Holdings own 30.43% of the shares who in turn are owned by Canada Life Ltd (UK co), a member of the Great West LifeCo Group based in Canada. The remaining 3.08% of AILH is owned by other minorities made up of both individual and corporate shareholders. The ownership percentages are equal to the voting shares.

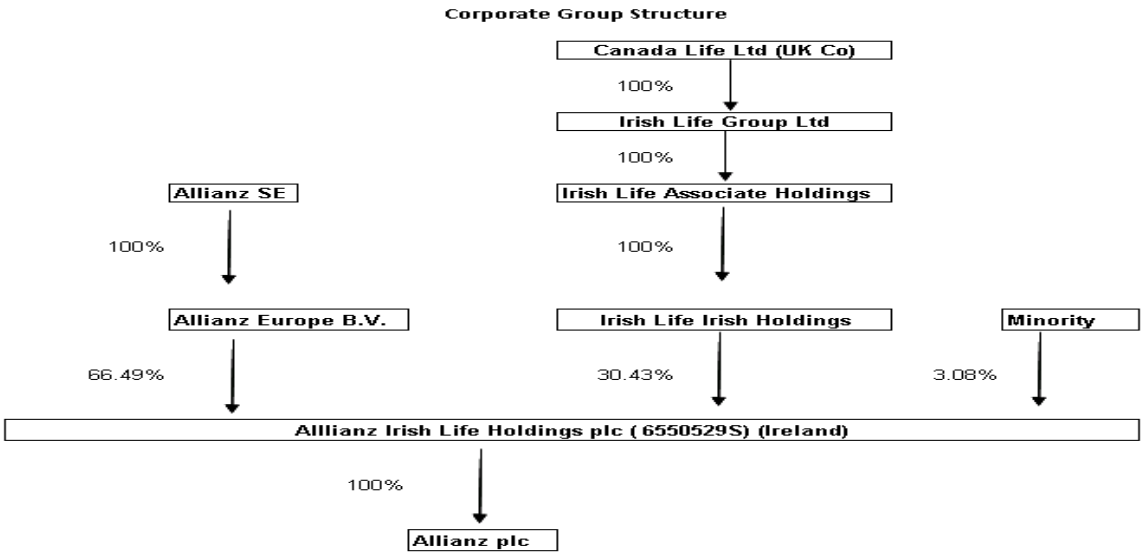

Figure 1: Corporate Group Structure Allianz plc as at 31 December 2016

Ownership changes since year end 2016 – The Company is now a wholly owned subsidiary of Allianz Europe B.V. as the Allianz SE Group entity purchased the remaining AILH shares not already owned by it on 23rd March 2017 by means of High Court approval of a scheme of arrangement under Chapter 1 of Part 9 of the Companies Act 2014. The structure is now as follows:

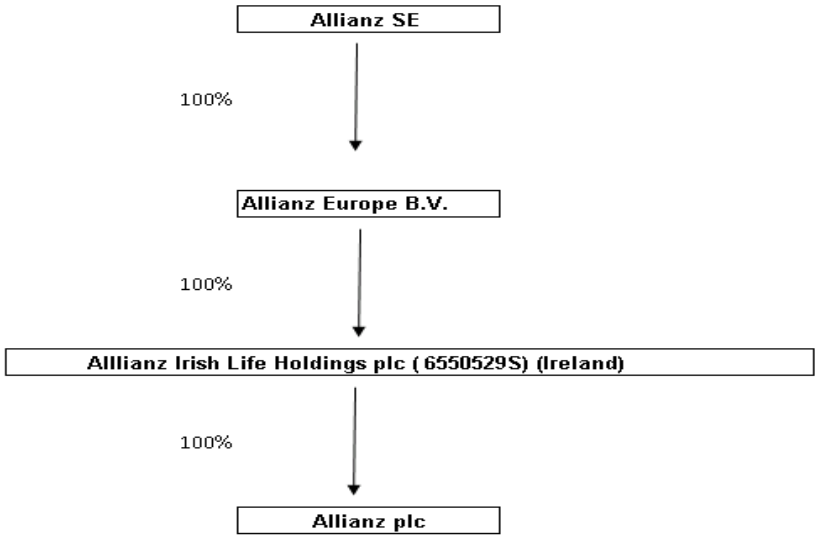

Figure 2: Current Corporate Group Structure Allianz plc

A.1.2 External Auditor

KPMG Ireland audited the financial statements of the Company and issued an unmodified opinion. They are located at 1 Harbourmaster Place, IFSC, Dublin 1, Ireland.

A.1.3 Supervisor

The Company is regulated by the Central Bank of Ireland (CBI), PO Box 559, New Wapping Street, North Wall Quay, Dublin 1, Ireland.

The German Federal Financial Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht" or "BaFin"), Dreizehnmorgenweg 13-15, 53175 Bonn is responsible for the overall supervision of the Allianz SE Group.

A.1.4 Principal activities

The principal activity of the Company is the transaction of property, motor, liability and marine insurance business within the Island of Ireland. The Company offers a wide range of non-life insurance products to both retail and corporate customers. The Company is one of the leading non-life insurers in Ireland.

A.1.5 Significant business and other events

Insurance activity

The Company entered two reinsurance net quota share contracts with Allianz Re Dublin dac and London Life & Casualty (Barbados) for the calendar year 2016 in December 2015, with an effective date, 1 January 2016 ceding 35% of its insurance business in total in respect of whole account for all accident years. These agreements were superseded, with effect from 1 January 2017, by a single 50% net quota share reinsurance contract signed with Allianz Re Dublin dac. The quota share reinsurance arrangement strengthens the Company's solvency coverage position under the Solvency II regime. The Company uses the Allianz Internal Model for the calculation of the Solvency Capital Requirement.

A gain of €37m was recognised following a successful enhanced transfer value (ETV) pension offering during the period. This allowed defined benefit pension scheme members to transfer any past service pension entitlements to a defined contribution arrangement.

Regulatory Developments
The Solvency II directive came into effect on 1 January 2016. This followed a preparatory phase during which the management and Board of Directors focused on ensuring all requirements of the directive would be met.

Appointments and resignations
The following director appointments and resignations took place during the year:
Sean McGrath - Chief Executive (appointed as Chief Executive Officer 1st April 2016)
Brendan Murphy – Executive (resigned as Director and Chief Executive Officer 31st March 2016)
Roderick Ryan - Independent Non Executive (appointed as Director 1st January 2016)

A.2 Performance from underwriting activities

The Company defines underwriting performance for all qualitative and quantitative information provided in this section, in line with QRTs S.05.01 and S.05.02, and its financial statements as:

(Net earned) premiums - claims incurred (including changes in other technical provisions) - expenses incurred = underwriting result

A.2.1 Underwriting Performance

Premium

The Company primarily writes business in the Republic of Ireland (ROI) and Northern Ireland (NI). In 2016 the non-life gross written premiums of the Company increased strongly to €589m. Motor and liability lines were the key growth areas with other lines being largely stable year on year. The motor growth was mainly concentrated in our ROI account and reflected policy count growth and increases in average premiums following significant market premium rate increases. Motor premium in NI also grew, primarily due to volume gains and to a lesser extent premium rate changes. Liability business benefitted from increases in exposure following economic growth effects and also rate increases being applied throughout the year on a sector by sector basis. The market for property business remains competitive as claims conditions remained relatively benign in 2016.

Underwriting result

Net Underwriting Result – total	
€'m	**2016**
Net Earned Premiums	330
Net Claims Incurred	(227)
Net expenses incurred	(81)
Underwriting Result (pre one off items)	**(44.7)**
ETV	37.0
Margin	29.5
Underwriting Result (post one off items)	**21.8**

Table 1: Non-life - Underwriting performance

2016 was a challenging period from a profitability perspective and the underwriting result above included the impact of some one off gains recorded during the year. A gain of €37m was recognised

following a successful ETV pension offering described above. Results also reflected a €29.5m management claims reserve release, a claims reserve over and above the actuarial best estimate to cover reasonably foreseeable liabilities, as a number of future uncertainties identified at 2015 year-end came through in case estimates and IBNR during 2016. This was mainly driven by ongoing uncertainty and volatility in the ROI injury claims environment and increased claims inflation was the significant feature across attritional claims in 2016. The underwriting result excluding these one off movements was a loss of €44.7m for the year. This included an additional €6.5m claims charge (net of reinsurance) booked in the 2016 results relating to the Company's NI exposure where changes to 'Ogden' tables or discount rates used in calculating lump sum compensation payments to claimants in the UK were made post year end.

A.2.2 Underwriting Performance by material line of business

Net Underwriting Result - by solvency II line of business	
	2016 €'m
*Motor	(14.8)
Fire and other damage to property insurance	7.5
General liability insurance	(38.3)
Marine, aviation and transport insurance	2.0
Other	(1.1)
Total (pre one off items)	**(44.7)**
ETV	37.0
Margin	29.5
Total (post one off items)	**21.8**

Table 2: Non-life - Underwriting performance by material line of business

*Includes Motor vehicle liability and Other Motor

Motor vehicle liability insurance is Allianz Ireland's biggest line of business in terms of Net Earned Premium. Continued uncertainty about the claims environment influenced rating action across the market in 2016. The unfavourable underwriting performance in this line in 2016 was primarily due to a greater number of large motor claims in the period and prior year large loss deterioration.

The positive underwriting performance of the Fire and other damage to property insurance portfolio resulted from another successive year without any catastrophic weather events.

The U/W loss on our General liability insurance portfolio resulted from worse than expected deterioration in reserves in years 2014 and 2015 arising from a more adverse personal injury claims environment.

The Marine, aviation and transport insurance portfolio showed little premium growth in 2016. However a benign claims environment contributed to a net positive underwriting result.

A.2.3 Underwriting Performance by geographical area

Net U/W Result	
€'m	**2016**
Ireland	(40.0)
United Kingdom	(5.2)
Other	0.5
Total	(44.7)
ETV	37.0
Margin	29.5
Net U/W Result	21.8

Table 3: Non-life - Underwriting performance by material geographical area

The Company operates primarily in the Republic of Ireland. The overall underwriting performance in this area resulted mainly from the one off gains mentioned above. The Company also underwrites in the UK by virtue of its presence in the Northern Ireland market, which is material to the company. The overall result in this area is reflective of a particularly competitive marketplace and one in which rate increases are challenging to secure.

A.3 Performance from investment activities

The Company assets held for investment purposes mainly used to match our insurance liabilities and shareholders' funds. The vast majority of assets are invested in bonds.

A.3.1 Information on income and expenses arising from Investments

In 2016, our total investment return in the profit and loss account amounted to €28.2m. The two components were investment income and realised gains. Our investment returns in 2016 benefitted from higher funds under management as business has grown and was also positively influenced from realised gains in the year. The balance sheet investment valuations continue to benefit from reducing bond yields, reflecting continued volatility in the markets, given the portfolio allocations being heavily weighted towards bonds. However, these reducing yields are putting increasing pressure on levels of investment income that can be expected for return purposes into the future. An analysis of our investment result by type of asset is shown overleaf:

2016 in €'m	Debt instruments	Equities	Real estate, cash & other assets	Total
Interest and similar income	9.3	-	6.2	15.5
Realised gains and losses	6.5	-	13.6	20.1
Impairments (net)	-	-	-	-
Subtotal	**15.8**	**-**	**19.8**	**35.6**
Income from Fair Value Option (FVO), trading & FX	-			(3.7)
Investment expenses	-			(3.7)
Total income (net of expenses) arising from investments				**28.2**

Table 4: Analysis of the investment result in the profit and loss account

A.3.2 Gains/Losses recognised directly in equity

The following amounts were recorded in the statement of other comprehensive income where the largest component was capital losses from market movements in available for sale bonds:

2016 in €'m	Total
Available-for-sale investments – change in fair value (net of tax)	(6.3)
Re-measurements of defined benefit pension liability (net of tax)	(1.1)
Total other comprehensive income	**(7.4)**

Table 5: Composition of the other comprehensive income

A.3.3 Information about investments in securitisation

In relation to the Solvency II Market Value Balance Sheet items, we define securitisation as the sum of investments in 'structured notes' and 'collateralised securities'. As of 31 December 2016, our exposure to collateralised securities related solely to one Mortgage Backed Securities (MBS) investment which totalled to €0.2m and had a rating of AA+. Collateralised securities primarily comprise Asset Backed Securities (ABS) and MBS according to the Solvency II classification rules. Covered bonds are not categorised as investments in securitisation as those are assigned to the corporate bonds exposure.

A.4 Other operating income and expenses

The Company occupies property under various operating leases. At 31 December 2016, the future minimum lease payments under non-cancellable operating leases were as follows:

€'m	**2016**
Not later than one year	4.2
Later than one year and not later than five years	16.0
Later than five years	7.9
Subtotal	**28.1**
Subleases	(1.8)
Total	**26.3**

Table 6: Operating leases

For the year ended 31 December 2016, rental expenses totalled €3.5m, net of sublease rental income received of €0.8m. None of the above leases contain terms which would be considered restrictive or onerous for the Company.

A.5 Any other disclosures

All material information has been provided in the previous sections.

B. System of Governance

B.1 General governance arrangements

B.1.1 General Information

Responsibility for corporate governance in terms of the overall management and oversight of the Company lies with the Board of Directors (Board). The Board is committed to high standards of corporate governance. This section describes the corporate governance framework and how the principles of good governance are applied. The framework is subject to ongoing review to help ensure best practice and compliance with applicable existing and new Irish and European legislation. The Board is supported in satisfying its responsibilities by the Board of Management (BoM) who oversee the day to day operations of the Company.

A key component of the systems of governance is the independence and work of the control functions within the Company. Section B.2 describes the fit and proper requirements implemented by the Company to ensure that the control functions have the ability to carry out their duties. In addition the Company carries out regular internal assessments of the effectiveness of each function to ensure their current and ongoing appropriateness.

The internal control system is described in Section B.4 and specifically includes the risk governance structure of the Company based on the three lines of defence model. This includes the key responsibilities of the control functions, how they achieve independence in carrying out their roles and their reporting responsibilities to the Board.

There have been no material changes to the Systems of Governance during 2016. The only change of note is the appointment of a new CEO in April 2016, which has given rise to some additional personnel changes at Director and Executive Manager level. The new personnel have been with the company for many years and the transition to the new roles was seamless. These changes did not have a material impact on the risk profile or systems of governance of the company. The company strategy, corporate plan and governance structure have not changed and the annual review of strategy and corporate plan will follow the same robust governance processes as in previous years.

The key elements of the corporate governance framework currently in place are detailed below.

B.1.2 Board oversight

The 2016 board comprised eight non-executive directors and two executive directors. The roles of the chairman and chief executive are separate. The Board members were as follows:

Jan Carendi [Swedish], Chairman - Non Executive

Dr. Brigitte Bovermann [German] - Non Executive

Marie Corry - Executive

Robert Dix - Independent Non Executive

Richard Hudson [British] - Independent Non Executive

Arshil Jamal [Canadian] - Non Executive

David McCarthy - Non Executive

Sean McGrath - Chief Executive (appointed as Chief Executive Officer on 1st April 2016)

Brendan Murphy – Executive (resigned as Director and Chief Executive Officer on 31st March 2016)

Roderick Ryan - Independent Non Executive (appointed as Director on 1st January 2016)

Dr. Axel Theis [German] – Non Executive

The board meets regularly and also operates an effective committee structure with defined terms of reference to assist it in its governance of the Company. There are defined matters specifically reserved for board decision. Six board meetings were held during 2016 where some of the key responsibilities include approving the annual risk appetite of the business, monitoring adherence to the risk appetite through review of corporate plans and operations supported by a full system of financial reporting, planning and budgetary control, regular management accounts reporting against budget and key performance indicators.

There are separate audit, remuneration, nomination and risk committees. The audit, remuneration and nomination committees are comprised exclusively of non-executive directors. The risk committee is comprised of a majority of non-executive directors.

The composition and nature of these committees is outlined below:

Board Committees	
Risk Committee	4 Members - Chairperson: Dr. Brigitte Bovermann - Executive: Marie Corry - Non Executive Director - David McCarthy - Independent Non Executive - Richard Hudson
Audit Committee	3 Members - Chairman: Robert Dix - Non Executive Director - Dr. Brigitte Bovermann - Independent Non Executive - Rodrick Ryan
Nomination Committee	3 Members - Chairperson: Dr. Brigitte Bovermann - Independent Non Executive - Robert Dix, Richard Hudson
Remuneration Committee	3 Members - Chairperson: Dr. Brigitte Bovermann - Independent Non Executive - Robert Dix, Richard Hudson

Table 7: Allianz plc Committees

B.1.3 Internal control

The directors have overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Company implements a three-level internal controls framework known as the three lines of defence model. Based on this framework, operational controls constitute the first line of defence (operational controls embedded within processes and performed in a structured, diligent and timely manner). Assurance and oversight functions constitute the second level of defence (such as compliance, actuarial, risk). Internal audit constitutes the third line of

defence. Further detail can be found in B.4 below. Responsibility for implementation of the internal control system is delegated to executive management. Any system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and compliance. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Company's systems are designed to provide the directors with reasonable assurance on management of business objectives and compliance, and that physical and financial assets are safeguarded, transactions are authorised and recorded properly and material errors and irregularities are either prevented or detected with minimum delay.

An effective Internal Control Framework is a critical component in the effective management of the Company. Internal control is not a procedure or policy performed at a certain point in time, but rather a set of continually operating processes involving all employees and directors of the Company. The Internal Control Framework of the Company comprises five interrelated components:

- Control Environment;
- Risk Assessment;
- Control Activities;
- Monitoring; and
- Information, Communication and Reporting.

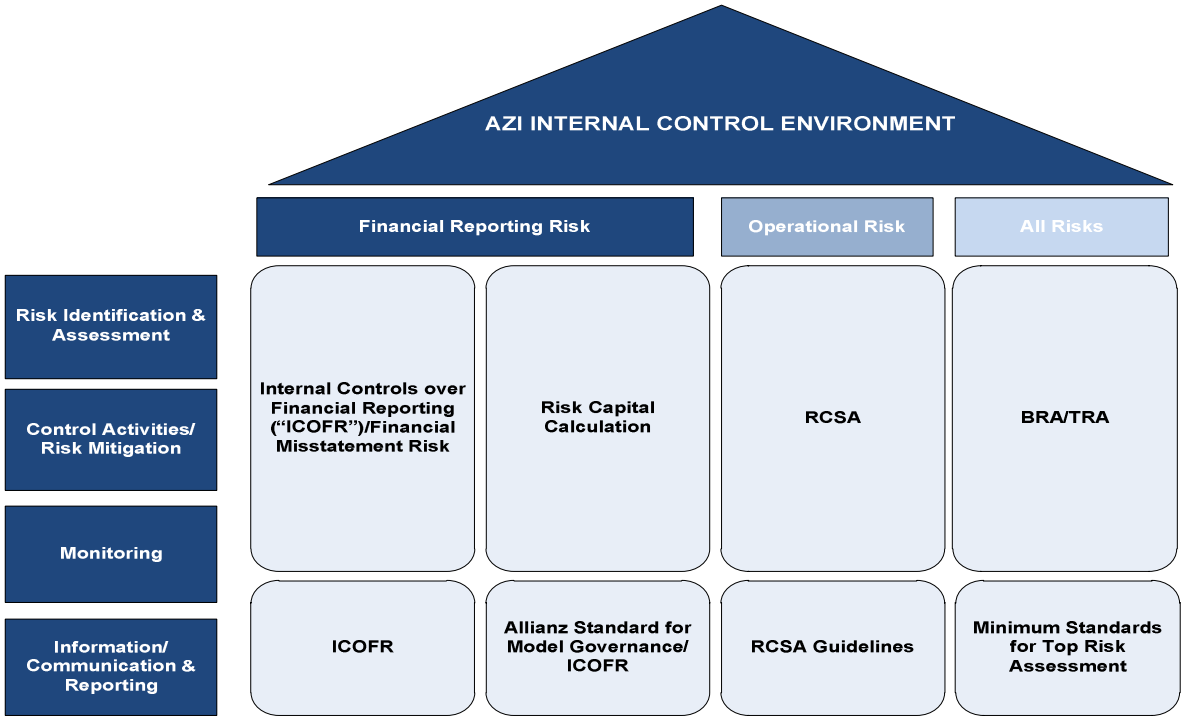

Figure 3: Internal Control Framework

Steering and controlling the Company is further supported by a set of corporate rules. At Group level, Allianz SE has defined a policy framework that outlines the relevant criteria for creating and updating corporate rules including the underlying rule-setting process which each component of the Allianz Group, including the Company, must apply. The policy framework comprises four levels (from top to bottom):

- Allianz Code of Conduct

- Allianz Policies
- Allianz Standards and
- Allianz Functional Rules

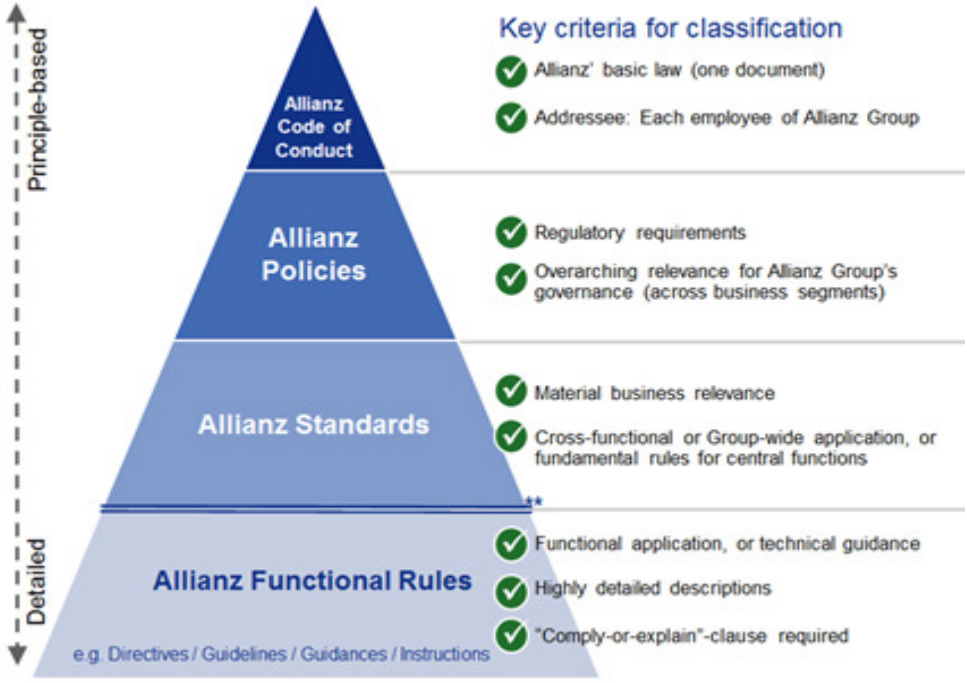

Figure 4: Policy framework of Allianz plc

The Company has developed a suite of local policies in order to ensure that these Group rules are applied as well as all other local regulatory requirements. The adoption of these rules has been approved by the Board or its Risk Committee as required. The most material of these policies from a Risk Management perspective are outlined below:

Policy	Owner	Department
AZI Internal Control Policy	Chief Risk Officer	Risk Management
AZI Internal Audit Policy	Head of Internal Audit	Internal Audit
AZI Risk Management Policy	Chief Risk Officer	Risk Management
AZI Compliance Policy	Head of Compliance	Compliance
AZI Actuarial Policy	Head of Actuarial Function	Actuarial
AZI Fit and Proper Policy	Head of Compliance	Compliance
AZI Outsourcing Policy	Outsourcing Committee	Outsourcing Committee
AZI Capital Management Policy	Chief Risk Officer	Finance
AZI Finacial Reporting Policy	Chief Financial Officer	Finance
AZI Remuneration Policy	Human Resources Director	Human Resources

Table 8: Allianz plc policies

Besides the general elements related to any control activities as shown above and in addition to the risk management framework, specific controls are implemented around entity level controls, financial reporting, IT, risk capital calculation, underwriting and investments. All of these are supplemented by an appropriate suite of management reports.

B.1.4 Risk management

Effective risk management is established through the risk management system. This includes the risk management system policy documentation, risk governance embedded in the organisational structure, regular risk reporting, risk management processes and systems. The Internal Model is fully integrated into the risk management system and is the key tool used by management to aid decision making. The risk management strategy articulates the Company's attitude to the recognition and management of risk. The risk management principles and objectives are set down in the risk management strategy and are inter-related with the Company's corporate strategy and risk appetite.

The board is ultimately responsible for risk management and carries out this function in conjunction with its risk sub-committee, through delegation of authority to the chief executive and through the defined reserved powers of the board structure. The risk committee carries out its duties by regular review of the risk profile of the Company. This is achieved via appropriate internal model and other capital model output, reviews of the top risks in the risk register across all risk categories to which the Company is exposed and other risk assessments as required. The risk committee provides regular updates to the board on the risk profile of the Company and adherence to the approved risk appetite.

An internal management risk committee, the own risk and solvency assessment committee, chaired by the chief risk officer, assists the board risk sub-committee in the running of the risk management activities. The chief risk officer leads the risk management function and is responsible for the internal model, risk management documentation, processes and risk reporting. Risk reporting includes regular and continuing analysis of trading operations and performance, monitoring of adherence to the board approved policies including risk appetite, monitoring of capital and reserving adequacy and updates to the Company's risk register to include operational and emerging risks. The internal model and Standard & Poors' model are key components of the Company's risk management system.

Other key procedures which the directors have established to provide effective risk management and internal control are:

- the Company internal audit function reports to the audit committee which reviews the reports and plans of internal audit and reports from the independent external auditor to monitor and provide reasonable assurance of internal control;
- the Company has an established organisational structure with clearly defined lines of responsibility and reporting. Key risks are controlled through defined authorisation levels and appropriate control procedures. Experienced and suitably qualified staff are responsible for important business functions;

B.1.5 Consumer protection

The board has appointed a compliance officer in accordance with the requirements of the Central Bank of Ireland in the Republic of Ireland and the Financial Conduct Authority in Northern Ireland. The role is to supplement, not supplant, compliance within Allianz and the Company ethos is one of compliance built from the ground up. The compliance officer monitors the implementation of compliance within the Company including the quarterly sign-off process for all relevant activities by

members of the board of management. The compliance officer reports to the BOM monthly and to the risk committee quarterly. The annual compliance plan is approved and overseen by the risk committee as set out in the compliance policy which is approved by the board of directors. The compliance team provides guidance on compliance issues and acts as a focal point for contact with regulators. The team monitors compliance adherence and understanding throughout the Company and this is supported by training and monitoring programs and evaluation of staff awareness.

B.1.6 Directors' Compliance Statement

The directors, in accordance with Section 225(2) of the Companies Act 2014, acknowledge that they are responsible for securing the Company's compliance with certain obligations specified in that section arising from the Companies Act 2014 and Tax laws ('relevant obligations'). The directors confirm that:

- a compliance policy statement has been drawn up setting out the Company's policies that, in their opinion, are appropriate with regard to such compliance;
- appropriate arrangements and structures have been put in place that, in their opinion, are designed to provide reasonable assurance of compliance in all material respects with those relevant obligations; and
- a review of the Company's compliance arrangements and structures has been conducted during the period.

B.1.7 Board of Management

The BOM manages the Company on a day to day basis under the supervision of the Board. Its responsibilities include, inter alia, setting the business objectives and the strategic direction, establishing a sound business organisation and implementing an efficient risk management system. Certain management tasks are delegated to individual members of the BoM. These responsibilities comprise responsibilities for business segments as well as functional responsibilities. The organisational structure at year end 2016 was as follows:

Figure 3: Organisational Structure

A part of the BoM's work is assigned to Committees as part of the first line of defence. These committees comprise members of the BoM with other members of senior management. The following first line management committees operated throughout 2016:

- Underwriting Policy Committee

- Reserving Committee
- Reinsurance Committee
- Investment Committee
- Financial Reporting and Disclosure Committee

Details of the allocation of responsibilities and relevant procedures are outlined in the documented terms of reference for each committee. Key decisions in the Company are discussed and approved in the respective committees. The second and third line functions are appropriately represented on these committees and there are clear policies and procedures in place to ensure that any input from these functions required for a decision is included in the relevant documentation.

B.1.8 Declaration of Conformity with the Corporate Governance Code for Insurance Undertakings issued by the CBI

The Company complied with the "Corporate Governance Requirements for Insurance Undertakings 2015" (the Code) in 2016. The Code imposes minimum corporate governance standards for insurance undertakings including provisions on the membership of the Board of Directors, the role and responsibilities of the Chairman and other directors and the role and operation of various Board committees. The Company has been designated under the Code as a "High Impact designated Institution" and complies with the requirements for same.

B.1.9 EU Solvency II Directive

The Company meets the requirements of the EU Solvency II Directive (Directive). The objective of the Directive is to implement solvency requirements that better reflect the risks that insurers and reinsurers face. The Company has adopted the Allianz SE Group developed internal capital model into which our business details are fed and from which an appropriate risk capital charge is calculated. The governance structure of the Company has been reviewed to ensure that formal risk management processes are fully embedded in line with the Code and the Solvency II Directive. The Allianz Group received approval for use of an internal model from Bafin, the German Regulator, in advance of the Solvency II go live date of 1 January 2016. Allianz p.l.c. formed part of the Allianz Group application and received notification of its approval from the Central Bank of Ireland and Allianz Group in November 2015.

B.1.10 Remuneration policy and practices

B.1.10.1 Remuneration Principles

The Compnay's Remuneration Policy sets the framework for the system and facilitates the implementation of regulatory requirements. The implementation of the Remuneration Policy is guided by the principle of proportionality, taking into account the nature of the business, size, complexity and regulation of the business and is consistent with the framework operated throughout the Allianz Group.

B.1.10.2 Principles of Remuneration Policy including any fixed or variable proportions

Remuneration structures and incentives are designed to encourage sustainable value creating activities for the Company. The Remuneration Policy and practices are set relative to the following principles:

- Remuneration policy and practices support the Company's business objectives, risk strategy and values.
- The remuneration policy applies to all Company staff and takes into account the respective roles of administration, customer service, key functions and senior management.
- The policy includes both fixed and variable components and these will be appropriately balanced.
- When defining an individual's performance both financial and non-financial performance will be considered. Non financial performance includes adherence to all compliance policies which includes the Code of Conduct, business ethics, project delivery and personal development.
- The policy is transparent, clearly documented and appropriately communicated. The Company is committed to providing competitive compensation and benefits to all employees based on merit and equality. The objectives of the remuneration policy are to promote transparency, fairness and performance expectations for each staff member. The policy is designed to ensure unauthorised or unwarranted risk taking does not take place within the organisation.

B.1.10.3 Remuneration Components – General principles for employees

The model provides for a balance between fixed and variable remuneration components. The Company's employees are entitled to join the company pension scheme which is a defined contribution scheme. The following components set the remuneration structure for senior executives to comply with applicable regulations with some individual variations in the mix of components:

- Base salary:

Base salary is the fixed remuneration component. Annual adjustments also take account of sustained performance in the position, the performance of the company, general economic and compensation market conditions. The proportion of the fixed component within total remuneration is designed to balance performance incentives and to avoid excessive risk-taking. Base salary is expressed as an annual cash amount which is paid in monthly instalments and subject to the appropriate deductions. Base pay is reviewed annually and approved by the Remuneration Committee of the Board in the Company and as appropriate by Allianz SE.

- Variable remuneration

Variable remuneration is designed to encourage and reward achievement of both annual performance goals and the sustainable success of the Group and local companies. It is structured to align with Allianz's overall risk positioning strategy and to reward personal contributions. Annual targets, both quantitative and qualitative are set and communicated in advance of the performance period and generally conform with SMART (specific, measurable, attainable, relevant and time-bound) principles. In the case of breaches of the Allianz's Code of Conduct, compliance or other relevant criteria, the pay-out can be either reduced partially or in full. The Remuneration Committee in the Company also approves variable compensation in respect of Executives and as appropriate there is Allianz SE oversight and approval. Members of the Board of Management and other executives participate in the Allianz Group Equity Incentive scheme. The scheme comprises of Restricted Stock Units (RSU's) that are administered and managed by the ultimate parent Company, Allianz SE. RSU's constitute the right to receive the value of an Allianz SE share equivalent to the stock market price at the time of exercise. The variable

remuneration of second and third line control functions is based on personal objectives only with no influence from the Company's financial results.

B.1.11 Material Transactions

The Company paid a dividend of €40m to its sole shareholder Allianz Irish Life Holdings p.l.c. in January 2016. All other material transactions of the Company with other Allianz Group entities were conducted on an arm's length basis. These transactions primarily relate to reinsurance business ceded by the Company to Group companies and to payments for services provided by the parent and other Group companies along with the provision of an intergroup loan by the Company to Allianz SE, the provision of IT infrastructure by Allianz Managed Operations and Services (AMOS) and Investment Management services with PIMCO.

There were no transactions with directors or others with significant influence in the period.

B.2 Fit and proper requirements

The Company complies with the Fitness and Probity requirements of the Central Bank of Ireland. In addition, the Company also complies with the Allianz SE Group Fit and Proper Policy (GFPP). In order to facilitate compliance with both of these policies, the Company has also adopted its own internal 'Minimum Competency Code & Fit and Proper Person Policy'.

The GFPP sets out principles, criteria and processes which ensure the fitness and propriety of the Board members, the Senior Management and Key Functions holders (as defined in the policy). The Central Bank of Ireland has designated certain functions as being Pre-Approval Controlled Functions (PCF). The Company will not appoint a person to a PCF role without the prior written approval of the CBI. In addition to the foregoing, and in advance of making any offer to appoint a person to a PCF role, the company carries out a full and thorough due diligence exercise on all proposed appointments at PCF level in order to determine that the person is;

i. Competent and capable
ii. Honest and ethical and acts with integrity
iii. Financially sound

The GFPP contains a definition of fitness and propriety and the fitness and propriety requirements for the various relevant positions and describes the processes necessary to ensure the fitness and propriety of the persons holding these positions. Those processes are:

- At recruitment:
  - The specific fitness requirements for the position must be determined,
  - A curriculum vitae must be available (except for internal candidates with a long tenure),
  - Several interviews, one of which with an HR professional, are to be conducted, and
  - A background check (for external candidates to Senior Management of Key Function Holders positions) or a compliance check and global assessment (for internal candidates to Global Executive positions) must be undertaken. Background checks include the submission of copies of the relevant qualifications, proof of good repute and no previous bankruptcy by the candidate and the conduction of a reference check and public media search.

- Regular reviews through performance reviews (for all persons in the scope of the GFPP) and career development conferences (for the Senior Management and Key Function Members) take place on an annual basis.
- Ad-hoc reviews of a person's fitness and propriety take place in certain extraordinary situations giving rise to questions regarding a person's fitness or propriety.

On an ongoing basis, professional training ensures that the fitness requirements are constantly met and training on ethical business behaviour, anti-fraud and anti-corruption is offered to provide employees with clear rules for proper behaviour.

Controlled functions, which relate to having significant influence and compliance responsibilities, are included in the Prescribed and Significant Control Function Policy. Responsibility for the Prescribed & Significant Control Function Policy lies with the Company Secretary in conjunction with the HR Director.

Human Resources conduct an annual audit of employees performing Control Functions by confirming with employees whether there are any material developments in relation to their compliance with the Fitness and Probity standards.

The Company submits an Annual PCF Confirmation Return to the CBI and maintains appropriate information and records in order to demonstrate its compliance with the CBI Fitness & Probity Standards. In respect of Key Function holders, the directors and any person performing a pre-approval controlled function within the Company are subject to the Fitness and Probity standards; the Code issued under Section 50 of the Central Bank Reform Act 2010.

All persons performing pre-approval controlled functions have declared that they meet the Fitness and Probity standards, that they are competent and capable, act honestly, ethically and with integrity, and are financially sound.

The Company does not outsource any of its key functions to an external undertaking. This narrative relates mainly to the CBI's Fitness and Probity requirements from a prudential regulatory perspective.

The Company's key function holders have been identified as follows:

Key function	**Key Function Holder**
Risk Management Function	Chief Risk Officer
Compliance Function	Head of Compliance
Internal Audit Function	Head of Internal Audit
Actuarial Function	Head of Actuarial Function
Accounting and Reporting Function	Chief Financial Officer
Legal Function	Company Secretary and in-house Legal Counsel

Table 9: Company key function holders

B.3 Risk management system

B.3.1 Risk management Framework

The Company considers risk management to be one of its core competencies. It is therefore an integral part of our business process. The Company's risk management framework covers, on a risk-based approach, all operations including IT, processes, products, and departments/subsidiaries within the Company. The key elements of the Company's risk management framework are:

- Promotion of a strong risk management culture, supported by a robust risk governance structure.
- Consistent application of an integrated risk capital framework across the Company to protect our capital base and support effective capital management.
- Integration of risk considerations and capital needs into management and decision-making processes through the attribution of risk and allocation of capital to the various business segments.

This comprehensive framework ensures that risks are identified, analysed, assessed, and managed in a consistent manner across the Company. Our risk appetite is defined by a clear risk strategy and limit structure. Close risk monitoring and reporting allows us to detect potential deviations from our risk tolerance at an early stage.

For the benefit of shareholders and policyholders alike, our risk management framework adds value to the Company through the following four primary components:

Risk strategy and risk appetite: Our risk strategy clearly defines our risk appetite. It ensures that rewards are appropriate for the risks taken and that the delegated authorities are in line with our overall risk-bearing capacity. The risk-return profile is improved through the integration of risk considerations and capital needs into decision-making processes. This also keeps risk strategy and business objectives consistent with each other and allows us to take opportunities within our risk tolerance.

Risk underwriting and identification: A sound risk underwriting and identification framework forms the foundation for adequate risk-taking and management decisions such as individual transaction approvals, new product approvals, and strategic asset allocations. The framework includes risk assessments, risk standards, valuation methods, and clear minimum standards for underwriting.

Risk reporting and monitoring: Our comprehensive qualitative and quantitative risk reporting and monitoring framework provides senior management with the transparency and risk indicators to help them decide on our overall risk profile and whether it falls within delegated limits and authorities. For example internal risk allocation, and limit consumption reports are regularly prepared, communicated and monitored.

Communication and transparency: Finally, transparent and robust risk disclosure provides the basis for communicating this strategy to our internal and external stakeholders, ensuring a sustainable positive impact on valuation and financing. It also strengthens the risk awareness and risk culture throughout the Company.

B.3.1.1 Strategy and objectives

The risk strategy is a core element of the the Company's risk management framework that defines a strategy for the management of risks that the company faces during the pursuit of its broader business strategy. With the risk strategy, the Company aims to:

- Protect the Allianz brand and reputation,
- Remain solvent even in the event of extreme, worst case scenarios,
- Maintain sufficient liquidity to always meet its obligations, and
- Provide resilient profitability.

The Corporate Strategy, the Risk Management Strategy and the Risk Appetite are all set by the Board and are dependent upon, and inter-related with, one another. At the centre of the Company's corporate planning and risk management activity are the 'Corporate Objectives'. These Corporate Objectives are largely static objectives that guide the Corporate Strategy and underpin the Risk Management Strategy and Risk Appetite. Broadly speaking they represent the long term desires of the shareholders.

Figure 5: Illustration of the interdependencies involved in the strategy development

The Corporate Strategy, pursuant to the Corporate Objectives, is set on an annual basis and follows the Corporate Planning process. The process consists of the following stages:

1. Strategic Dialogue: The annual strategic dialogue takes place mid-year and agrees the key strategic objectives for the business over the following three years through discussion between the Company and Allianz SE Board of Management.
2. Corporate Plan: The annual corporate plan is prepared following the strategic dialogue and represents the detailed planning phase of the process. The key performance targets and capital position, for the current forecast year and three following years, form the basis for discussions at the planning dialogue.
3. Planning Dialogue: The planning dialogue takes place in the fourth quarter of each year and challenges the outcome of the corporate plan preparation in terms of performance and risk appetite. It ensures the outcome is aligned with both the strategic dialogue and Allianz Group's strategic direction. It is attended by members of the BOM, the relevant Allianz SE Business Division and other Allianz SE senior management representatives. The agreed plan is then recommended to the Board for approval.

The Corporate Strategy is informed by the amount of risk the company is willing and able to accept.

Implementation of the risk strategy is supported through the risk appetite, which establishes in more concrete terms the risk tolerance level of the Company with respect to all material qualitative and quantitative risks.

The Company's risk appetite inherently contains the following five core elements:

- Setting target ratings for top risks,
- Allocating capital and defining minimum (target) capital ratios,
- Managing liquidity to ensure flexibility,
- Defining quantitative financial limits, and
- Defining local policies

The risk strategy and corresponding risk appetite are transferred into standardised limit management processes covering all quantified risks throughout the Company and taking into account the effects of risk diversification and risk concentration.

B.3.1.2 Risk Governance Structure

As a key element of our risk management framework, the Company's approach to risk governance enables an integrated management of local and global risks and ensures the risk profile remains consistent with the Company's risk strategy and capacity to bear risks.

B.3.1.2.1 Overall risk organisation and roles in risk management

The Corporate Strategy, the Risk Management Strategy and the Risk Appetite are all set by the Board and are dependent upon, and inter-related with, one another. The Risk Management Strategy and Risk Appetite are reviewed and approved by the Board on an annual basis in line with the corporate planning process. Responsibility for update of the documents rests with the Chief Risk Officer (CRO). Specific risk types are managed at a more detailed strategy and policy level. Strategy and policy documentation is in place for the following risk areas:

- Insurance Risk
- Market Risk
- Liquidity Risk
- Credit Risk and Operational Risk

Risk area strategy and policy documents are updated upon material change to the Risk Management Strategy, the Risk Management Policy, Risk Appetite, relevant Allianz Group Minimum Standards, and/or at least annually. Documents will be reviewed and recommended for approval by the business areas to which they relate to the ORSA Committee and the Board Risk Committee. Ultimate responsibility for approval rests with the Board.
The Company has developed a comprehensive Risk Universe in line with the Allianz Group Risk methodology. Each of the risk categories and sub categories from the Company's Risk Universe are mapped to the risk area strategy and policies.

In addition to the above the protection of the reputation of the Company is a key risk management objective as set down in the Company Risk Management Strategy. The Compnay has a Reputational Risk and Issues Management Policy that defines standards for the management of reputational risk and issues.

The CRO is responsible for providing comprehensive, understandable and well interpreted information on the risk types documented above, enabling management to understand the company's overall risk profile. The CRO is responsible for management of the Risk Management Function and its responsibilities. The roles and responsibilities of the Risk Management Function are documented in its Terms of Reference, which is reviewed and approved on annual basis.

The Company has an integrated structure in place to oversee the operation of the Risk Management Framework and in turn the Risk Management Function operating within the Company. The Board has overall responsibility for ensuring an effective risk management system is in place throughout Allianz Ireland. The Board is responsible for ensuring it (collectively) has an adequate understanding of each of the components of the risk management system and, also, of the technical aspects underpinning risk management including the Internal Model and the calculation of technical provisions. The Board is responsible for the approval of several important risk management documents including strategies, policies and regulatory disclosures. The Risk Committee assists the Board in fulfilling its responsibilities regarding risk management. This includes the advance review of information and documentation prior to Board review. The RiCo has responsibility to escalate matters and breaches to the Board as appropriate. The RiCo Terms of Reference are reviewed and approved by the Board on an annual basis. The ORSA Committee is a risk oversight committee made up of senior members of management. The committee, which is chaired by the CRO, reports directly to the RiCo. The ORSA committee is responsible for oversight and challenge of the risk management structures in place and outlined in this policy. The ORSA committee Terms of Reference are reviewed and approved by the RiCo annually.

B.3.1.3 Risk management Process

B.3.1.3.1 Adequacy of internal risk capital model to business profile and model governance

The Company uses the Allianz Group Internal Model for the purposes of calculating the Company SCR. The Company works within the Group model governance framework covering both Group managed and locally managed model components. The use of the internal Model is subject to approval by the Board of Directors of the Company. In line with Solvency II requirements a set of compulsory model governance and control principles are applied to the whole life cycle of the internal risk capital model, covering, for instance, the model change process. The Allianz Internal Model Governance Framework encompasses the governance rules and principles to ensure the initial and ongoing appropriateness of the internal model. The framework covers the whole life cycle of the internal model from model development to model implementation and use. Specifically, key topics covered include: model changes, model updates, validation, approval, implementation and operational use and the monitoring of the ongoing appropriateness for use. The following standards and documents constitute the main model governance building blocks:

- Allianz Standard for Model Governance
- Annual Internal Model Validation Report
- Allianz Standard for Model Change

The Parameters and Assumptions Approval Committee (PAAC), chaired by the CRO, has been set up to oversee the model governance framework and activity of the Company. The PAAC reports to the ORSA committee, RiCo and ultimately the Board. The PAAC oversees a well defined calendar of activities including model production and model validation. Specifically the model governance

framework requires a regular re-validation of model components with appropriate success criteria and escalation in case of an issue. Ultimately the Board approves the Internal Model annually via the annual validation report. This report details all relevant model validation results to assess the appropriateness of the Internal Model. There were no material changes to the model governance framework during 2016.

There were a number of major model changes during the period ending 31 December 2016. These changes were approved by Bafin via the model change application process and subject to stringent local and Group governance processes. The changes were also reviewed by the Central Bank of Ireland.

B.3.1.3.2 Top Risk Assessment and other specific risk management processes

The Group's top risk assessment (TRA) is the Company's process focusing on the identification, assessment, mitigation and monitoring of both quantifiable and non-quantifiable risks (including concentration and emerging risks) with potential to significantly threaten the achievement of company objectives. The process follows a standard qualitative assessment methodology whereby local experts assign ratings for risks that reflect their materiality to the Company and management enacts mitigation plans in the event an assessed risk exceeds the risk tolerance level. Requirements for the TRA are defined in the Allianz Standard for Top Risk Assessment (ASTRA).

The TRA process requires an annual risk assessment to identify risks that may merit inclusion in the TRA. The risk function initiates and facilitates the TRA process by performing a preliminary analysis of potential top risk candidates based on consideration of existing TRA results and results from other risk assessment and management processes, as well as consideration of changes in internal and external business and control environments upon which new top risks may have materialised. These are discussed, challenged and finalised with the responsible risk experts and/or risk owners throughout the company with actions to mitigate any risks where the risk is above target level.

Although the end-to-end TRA process occurs on an annual cycle, quarterly monitoring activities are also in place. In the event that, due to the emergence of new potential top risks during the year, an extraordinary out-of-cycle update to the set of in scope top risks is required the general TRA process applies.

In addition to the TRA and the processes outlined in Section C, the Company has some additional specific risk management processes. The Company identifies, assesses, manages and monitors operational risks and control weaknesses via a structured Risk and Control Self-Assessment (RCSA) process. The RCSA is a risk management process by which the Company must ensure, through performance of a qualitative based analysis that effective controls or other risk mitigation activities are in place for all potentially large impact operational risks. Business experts are required to consider results from previous RCSA activities, and Operational Risk Events, when carrying out the scenario analysis.

The management of legal and compliance and the outsourcing risk is covered as part of the broader operational risk management framework.

In general, liquidity risk in the Company is a secondary risk following external events, such as natural disasters, that are generally reflected in the internal risk capital model. The liquidity position of the

Company is monitored on a regular basis by the Finance department and reported to the Risk Department regularly in order to ensure that the Company is always able to meet short-term current or future payment obligations.

The management of strategic risks is implicitly embedded into the execution of the annual Strategic Dialogue process, including the establishment of strategic priorities and execution of the steps towards their fulfilment.

B.3.2 Own Risk and Solvency Assessment

The Company performs an Own Risk and Solvency Assessment (ORSA) on at least an annual basis known as a regular ORSA, as well as following any internal or external events or transactions with potential to materially alter the Company's risk profile termed an ad-hoc ORSA. The ORSA is a comprehensive assessment of all risks inherent to the business in order to determine whether current and future capital will be sufficient to ensure ongoing solvency against these risks. It goes beyond the determination of capital needs provided solely through application of risk capital models by additionally considering stress scenarios, model limitations and other non-quantifiable risks and how these risks translate into capital needs or are otherwise mitigated. The ORSA process and the ORSA report are integral to the decision making process in the Company. Capital management is a key use of the ORSA and the production of the ORSA report is aligned with our planning process to ensure that it is used in the decision in relation to the capital adequacy of the company. Another key use of the ORSA is in the development of key management actions that are designed to aid the company in achieving its strategic and corporate objectives. These actions are documented in the ORSA report and tracked quarterly by the Risk Committee of the Board. The Risk Committee and Board provide regular guidance and challenge of ORSA activity during process, for example, in nominating additional scenarios to be reviewed as to impacts.

B.3.2.1 ORSA Process

The main elements and associated timing of the ORSA process is outlined in the diagram below:

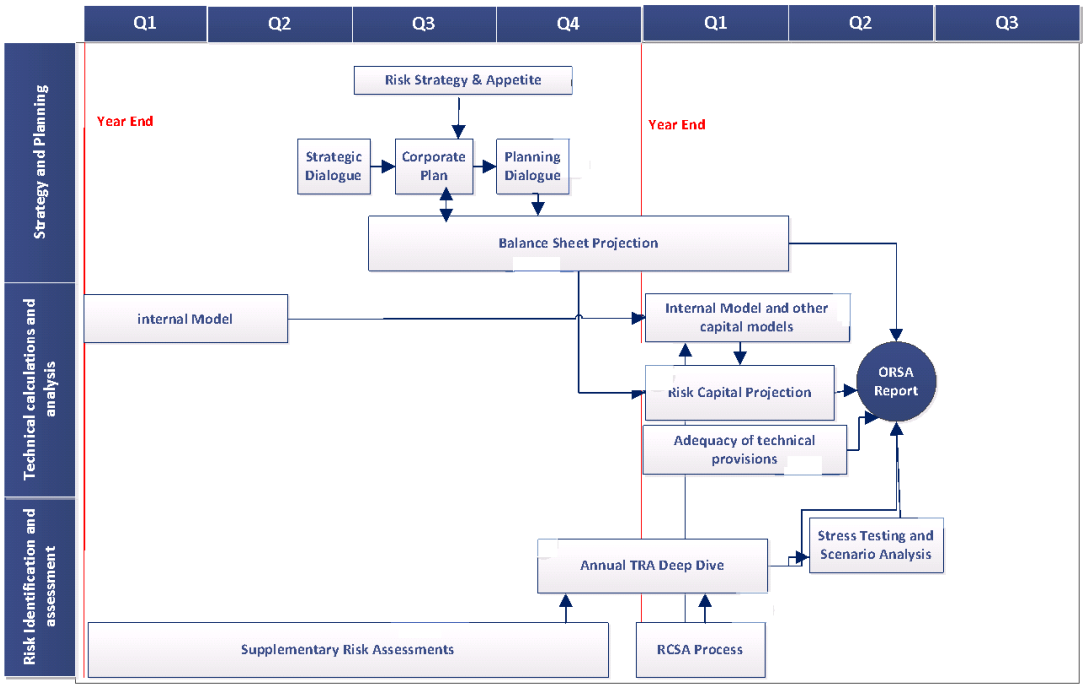

Figure 6: ORSA process

The outcome of each ORSA is documented in an ORSA results report, which contains all risk related information that is relevant for the overall ORSA conclusion. Preparation of the ORSA report is coordinated by the risk management function (RMF). The ORSA Committee discusses the outcome of the ORSA, challenging the results where necessary, and comes to a decision of whether they should recommend approval of the ORSA conclusion and corresponding ORSA results report to the Board Risk Committee for review, challenge and/or recommendation to the Board for approval. The Board has overall responsibility for reviewing the ORSA results report and challenging, either directly or through delegates, as appropriate, the completeness of the assessment and its conclusions and its ultimate approval. The conclusion reached assesses whether current and projected capitalisation is sufficient, even under consideration of (i) severe but reasonably frequent and therefore tangible outcomes of risk situations and (ii) scenarios that emphasise the relevant risk exposures and critical modelling assumptions against the background of the Company's specific risk business profile. It also assess if all material risks have been identified and sufficiently managed to within risk appetite, including model limitations and risks not reflected in the risk capital model, taking into account the effectiveness of the system of governance and internal control. The approved report is provided to the CBI and to Allianz Group.

B.4 Internal control system

The Company is committed to having an Internal Control System (ICS) that fulfils its organisational needs and all relevant regulatory requirements. The Company's Internal Control System is based on a strong control culture which emphasises and demonstrates to all employees the importance of internal controls in the Company. As part of this, the Company seeks to avoid policies and practices that may provide incentives for inappropriate activities.

The Company operates a 'Three Lines of Defence Model' consisting of multiple committees, control functions and individuals with specified responsibilities and authority. To ensure an effective Internal Control System, all functions within the three lines of defence are obliged to co-operate and to exchange necessary information and advice.

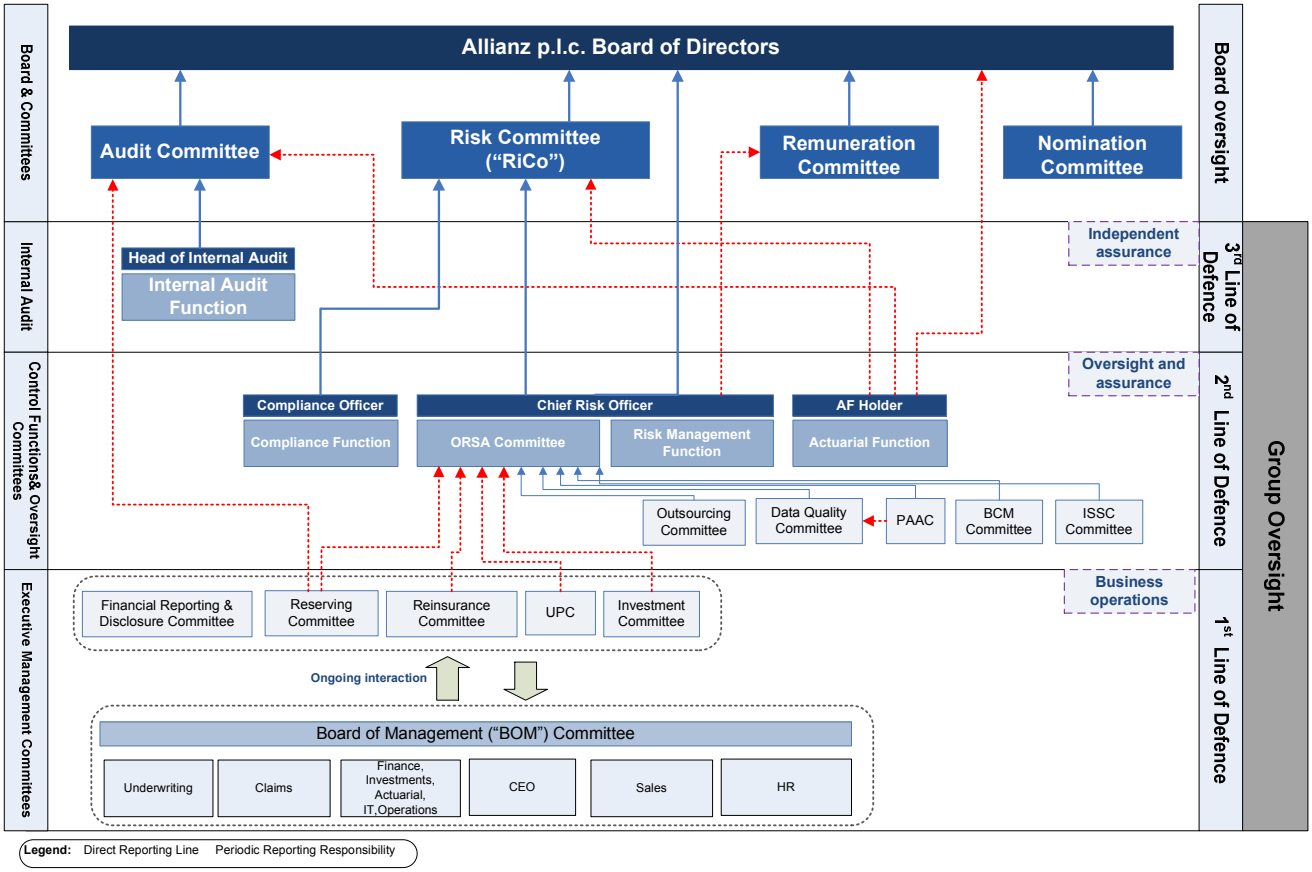

Figure 7: Three lines of defence

B.4.1 Three lines of defence model

The Company applies a "three lines of defence"-model with graduated control responsibilities.

- **"First line of defence"**: is performed in the business through the management of day-to-day activities, risk management and controls. Key activities include:
  - Operational management of risks and returns by taking or directly influencing the origination, pricing and acceptance of risks,
  - Designing and implementing methodologies, models, management reports or other control standards to support the optimisation of risks and returns, and
  - Participating in business decisions based on an equal vote.

  Any function not deemed as second or third line perform first line controls.

- **"Second line of defence"**: provides independent oversight and challenge of the day-to-day risk taking and controls by the first line. It is performed by the assurance functions Risk Management, Actuarial, and Legal and Compliance.
  Its key activities include:
  - Defining the overarching control frameworks,
  - Performing controlling activities,
  - Providing assurance on the design and operation of the control environment, and
  - Advising on risk mitigation strategies and control activities.

Its competencies include:

- Independence in terms of reporting lines, objectives, target setting and compensation towards the first line responsibility,
- A direct reporting line to the relevant member of the BoM,
- The right to veto business decisions on sound reasons, and
- The right to request all relevant information necessary for the application of professional judgment.

- **"Third line of defence"**: provides independent assurance across the first and second lines. Its activities include particularly:
  - An independent assessment of the effectiveness and efficiency of the ICS, and

Relationship between control functions within the "three lines of defence"-model

To ensure an effective ICS, all functions are obliged to cooperate and to exchange necessary information and advice. Given that control activities may be exercised by staff in different organisational units, appropriate mechanisms are in place between the control functions to allow fully informed and educated decision making.

Relationship between second line functions and Internal Audit Function

The Actuarial, Legal and Compliance and Risk Management Functions are separated from the Internal Audit Function with no instruction right or reporting of one function into the other. The Actuarial, Legal and Compliance and Risk Management Functions are included in the Audit program and methodology of the Internal Audit Function, including a periodic assessment of the adequacy and effectiveness of these functions. The head of Internal Audit keeps the heads of Actuarial, Legal and Compliance and Risk Management informed of any Audit findings in their area of responsibilities. For further details on the description on the Internal Audit function, please see section "Internal Audit function".

Joint responsibilities of second and third line functions

The Risk Management, Actuarial, Legal and Compliance, and Internal Audit Functions jointly ensure and assess, at least once per year, that clear and consistent responsibilities and processes regarding the control framework are in place and executed (e.g. via an annual top risk assessment (TRA) dialogue). These functions closely cooperate, maintain reciprocal oversight and are aware of the concrete tasks and competencies of each sister function. The responsibility of the Internal Audit Function to independently assess the effectiveness and efficiency of the Group's ICS remains unaffected.

The distinction between the different lines of defence is principle-based and determined by activities. Independent oversight of any "first line of defence"-function is exercised by the following second line functions:

- Compliance (organisationally: Legal and Compliance/ Compliance),
- Legal (Legal),
- Risk Management (Risk), and
- Actuarial (Actuarial).

B.4.2 Compliance Activity

The Head of Compliance is the Key Function Holder as regards the independent Compliance Function of the Company and is part of the second line of defence. The objectives of the compliance function are:

- Support and monitor compliance with applicable law, regulations and administrative provisions to protect the Company against compliance risks. This includes the identification, assessment and mitigation of these risks.

- Advise senior management and supervisory bodies on compliance with laws, regulations and administrative provisions adopted pursuant to the Solvency II Directive, assess the possible impact of any of these changes of the legal environment on the Company's operations.

The role is a pre-approved controlled function and the Head of Compliance has a direct reporting line to the Company's Risk Committee and a functional reporting line to the CFO and Compliance of the operating entity Allianz Group.

The Compliance Policy is approved by the Board and the Compliance Plan is reviewed and approved annually by the Risk Committee of the Board. The risk areas assigned to the Compliance Function (Compliance Risk Areas) include:

- Sales Compliance,
- Data Protection,
- Regulatory referrals, inspections & regulatory reporting,
- Code of Conduct,
- Anti-Fraud,
- Whistleblowing,
- Compliance training and monitoring,
- Minimum Competency oversight,
- Anti-corruption,
- Anti-money laundering and prevention of terrorism financing,
- Economic sanctions,
- Customer protection,
- Regulatory compliance under Solvency II and
- Anti-trust compliance.
- Foreign Account and Tax Compliance Act (FATCA)

On a regular basis, the Compliance Function identifies, documents and assesses the compliance risk associated with Allianz' business activities. This helps to ensure that the overall compliance framework reflects the risk exposure. The Compliance Function supports the Risk Management Function in the TRA and in the RCSA at a Company level. The results are reviewed and used for steering of compliance programs as well as for the overall compliance planning process. The Compliance Policy details organisational safeguards and powers. As specified in the Compliance Policy, the Compliance Function has the general oversight regarding all areas of applicable laws, rules and regulations pertaining to the topics listed above. This includes the interpretation of the relevant legal and regulatory requirements, monitoring of all relevant regulatory changes and advising senior management on all regulatory aspects.

B.4.3 Legal Function

The Legal Function has the general oversight regarding all areas of applicable laws, rules and regulations from a prudential perspective. This includes:

- the provision of legal advice and support to the business
- advising and managing the engagement of external legal advice or counsel
- management of non-claims related litigation
- acting as 'first point of contact' with the CBI's Prudential Supervision Team
- maintenance of all company secretarial registers

B.4.4 Group Audit Function

Refer to Section B.5 Internal Audit for an outlines of third line of defence activities.

B.5 Internal audit function

B.5.1 Audit Function

The Company has put an Internal Audit policy in place. The Internal Audit policy constitutes a local adaption of the Allianz Group Audit Policy taking into consideration the specific circumstances and requirements of the Company. Compliance with the Group Internal Audit policy is mandatory within Allianz Group. The purpose of the Internal Audit Policy is to ensure that the organisation and work of the Company's Internal Audit function adheres to a consistent set of minimum rules and operating procedures such that the effectiveness of the controls necessary to achieve the Company's goals is ensured. The policy is supplemented by the local Standard Audit Manual, which is derived from the Allianz Group Standard Audit Manual.

The Head of Internal Audit in the Company is the owner of the Policy and is responsible for maintaining and updating the Policy. The document will be reviewed at least once per year. The Policy and all material changes require approval by the Audit Committee and Board of Directors of the Company.

The Internal Audit Function is an independent assurance function forming the 'Third Line of Defence' in the Company governance and internal control framework. Internal Audit evaluates and makes recommendations for improvements in the effectiveness of the systems of governance and internal control through the application of a systematic and disciplined internal audit process.

An Audit Universe which covers all risk and governance areas is defined and is reviewed and updated annually on a risk basis. The Audit Universe drives audit coverage and activity by directing internal audit activity on a risk basis within an overall strategic objective to obtain adequate risk coverage of the entire universe as part of a five year strategic audit cycle. Within the strategic cycle, prioritisation and frequency of audit review for individual risk areas is based on risk assessment or regulatory expectation. The majority of audits are covered over a three year cycle.

For each audit performed, the Internal Audit Function issues an audit report including recommendations based on facts and professional judgment and a summary of the most important

results, including an overall assessment. Internal Audit performs follow-up monitoring to ensure the deficiencies are resolved.

B.5.2 Maintaining independence

The following Audit Policy requirements ensure independence and objectivity of the Internal Audit function:

The reporting structure ensures that the Internal Audit Function has a standing within the Company's organisational structure that maintains the necessary independence. Necessary independence means that no undue influence is exercised over the Internal Audit Function, for instance in terms of reporting, objectives, target setting, and compensation or by any other means. Internal Audit must avoid conflicts of interest in fact or appearance. Internal Auditors and the Internal Audit function have the authority to express assessment and recommendations but cannot give orders (except in cases of suspicion of illegal activities/fraud).

The Head of Internal Audit must confirm to the CEO and Audit Committee, at least annually, the independence of the Internal Audit activity. Independence is achieved by ensuring that audit is positioned outside of functional roles and responsibilities, that there are no obvious conflicts of interests in assignments and that auditors have not been engaged in drafting procedures, designing, installing or operating systems, or implementing recommendations. They may not carry out operational roles.

The Head of the Internal Audit department reports directly to the Company's CEO and also has a reporting line to the Chairman of the Audit Committee. The Head of Internal Audit must regularly have direct interaction with the CEO and the Chair of the Audit Committee. Internal Audit also reports functionally to Allianz Group Audit and is subject to oversight from Group Audit.

The Internal Audit Function shall have the right to communicate with any employee and obtain access to any information, records or data necessary to carry out its responsibilities, to the extent legally permitted. It has the responsibility and the right to review activities, procedures and processes in all areas of the Company, without limitation. Internal Audit has the unlimited right to obtain information and management must inform Internal Audit of serious deficiencies and major changes in internal control systems. This information must be handled with discretion and confidentiality.

In addition to auditing activities, management may seek the advice of Internal Audit on internal control related topics which Internal Audit may provide. However, Internal Audit cannot compromise its independence and cannot implement working procedures. The advisory function of Audit may not jeopardise its core audit activities and the fulfilment of its audit plan. The Head of Internal Audit must confirm to the CEO and to the Audit Committee, at least annually, the independence of the Internal Audit activity.

B.6 Actuarial function

The Head of Actuarial Function, a PCF, is the actuarial key function holder and part of the second line of defence in relation to reporting, oversight and controlling activities.

Actuarial performs tasks that are based on regulatory and business requirements and consist of coordination and calculation of technical reserves for accounting and regulatory purposes and other controlling and reporting figures, expression of an opinion on the overall underwriting policy and on the adequacy of the reinsurance arrangements, and contribution to the effective implementation of the risk management system.

The core tasks performed by the Actuarial Function in 2016, as defined by the Domestic Actuarial Regime and Related Governance, implemented by the CBI in 2015 under Solvency II, included:

- The co-ordination of the calculation of reserves (and other figures to be reported) for accounting and regulatory purposes;
- The expression of an opinion on the overall underwriting policy including pricing and product development and the adequacy of reinsurance arrangements; and
- Contribution to the effective implementation of the risk management system.

The Head of Actuarial Function produces an Actuarial Opinion on Technical Provisions ('AOTP') for the CBI and an Actuarial Report on Technical Provisions ('ARTP') supporting the AOTP for the Board. The regime also requires an independent peer review of the technical provisions and the associated AOTP and ARTP, thereby providing an "independent view of the company's reserving". For the Company, this peer review takes place every two years.

The Actuarial Function operates in such a way that necessary independence from the day-to-day risk-taking and risk-mitigating (first line of defence) activities are maintained. This requires that no undue influence be exercised over the Actuarial Function, in terms of reporting, objectives, target-setting, compensation or other means.

B.7 Outsourcing

Outsourcing is the use of a third party (either an affiliated entity within the same group or an external entity) to perform activities on a continuing basis that would normally undertaken by the company. The third party to whom an activity is outsourced is a service provider. The company outsources and enters into outsourcing arrangements only where there is a sound commercial basis for doing so, and where the risk can be effectively managed.

The Company has a local outsourcing policy, which is the local implementation of the Group Outsourcing Policy (GOP) which was defined to ensure adherence by all relevant Allianz legal entities to the Solvency II requirements regarding outsourcing.

The outsourcing policy establishes the principles and processes for outsourcing of functions or services to an internal or external provider. Its main objective is to determine the relevant processes and strategies for outsourcing on a company level and ensure adherence to regulatory requirements. In particular, this includes key definitions for outsourcing, criteria for selecting, mandating and monitoring providers, determination of clear roles and responsibilities as well as controlling rights, and rules for the closing and termination of outsourcing agreements.

The policy requires that prior to the commencement of any outsourcing of critical or important functions or activities, formal written notification should be provided to the Central Bank of Ireland (CBI), in line with the CBI's Outsourcing Notification Process under Solvency II. All outsourcing arrangements are subject to on-going monitoring and annual review.

For the critical operational functions/activities that are outsourced, please see the table below:

Number	Supplier	Critical operational functions/activities	Jurisdiction
1	AMOS Ireland Branch	IT services	Ireland Branch
2	OSG (ROI)	Claims & Assistance Management	Ireland
3	Cunningham Lindsay (ROI)	Claims & Assistance Management.	Ireland
4	Thornton & Partners (ROI)	Claims & Assistance Management	Ireland
5	ProAdjust (ROI)	Claims & Assistance Management	Ireland
6	PIMCO Europe Limited	Investment Management	United Kingdom
7	Irish Life Investment Managers Ltd	Investment Management	Ireland

Table 10: List of outsourcers

B.8 Assessment of governance

The Company continuously aims to improve its compliance and governance systems by ensuring that they are reviewed, evaluated, and recommendations are made to the Board regarding enhancing and developing the systems, including the outcomes from compliance monitoring programmes, root cause analysis and complaints, breaches and risk events, and incremental development as the systems mature.

The Company's Internal Control policy requires the Company to undertake a review of its Systems of Governance on an annual basis. This exercise was undertaken in 2016 by the Risk Management function supported by Internal Audit and the Finance Department. This review covered both the design effectiveness and the operating effectiveness of the framework. The Company concluded that its System of Governance is designed appropriately and operating effectively in all material respects.

B.9 Any other disclosures

All material information has been provided in the previous sections.

C. Risk Profile

C.1 Summary of Risk Profile

The Company's principal activity is the transaction of property, motor, liability and marine insurance business within the island of Ireland. As a result, the main risks and therefore drivers of risk capital requirement are insurance-related risk. Our strategic position is to maintain and expand our underwriting portfolio through accepting exposures at economic prices and providing good value and quality service to our policyholders.

Within the Company, risk is measured and steered based on the Internal Model, which derives risk capital based on a 1-in-200 year deterioration in own funds.

Effective risk management is established through the risk management system. This includes the risk management system policy documentation, risk governance embedded in the organisational structure, regular risk reporting, risk management processes and systems. The Internal Model is fully integrated into the risk management system and is the key tool used by management to aid decision making. The risk management strategy articulates the Company's attitude to the recognition and management of risk. The risk management principles and objectives are set down in the risk management strategy and are inter-related with the Company's corporate strategy and risk appetite.

The board is ultimately responsible for risk management and carries out this function in conjunction with its risk sub-committee, through delegation of authority to the chief executive and through the defined reserved powers of the board structure. The risk committee carries out its duties by regular review of the risk profile of the Company. This is achieved via appropriate internal model and other capital model output, reviews of the top risks in the risk register across all risk categories to which the Company is exposed and other risk assessments as required. The risk committee provides regular updates to the board on the risk profile of the Company and adherence to the approved risk appetite.

An internal management risk committee, the own risk and solvency assessment committee, chaired by the chief risk officer, assists the board risk sub-committee in the running of the risk management activities. The chief risk officer leads the risk management function and is responsible for the internal model, risk management documentation, processes and risk reporting. Risk reporting includes regular and continuing analysis of trading operations and performance, monitoring of adherence to the board approved policies including risk appetite, monitoring of capital and reserving adequacy and updates to the Company's risk register to include operational and emerging risks. The internal model and Standard & Poors' model are key components of the Company's risk management system.

Risk management of operating performance is addressed through a full system of corporate planning and budgetary control together with monthly and quarterly management accounting processes. The Board-approved risk appetite framework requires the Company to maintain risk appetite metrics in order to provide an early warning in relation to events that could threaten the ability of the Company to meet its corporate objectives and are reported to the Board on a quarterly basis. They also define a range of limits covering all risk categories, and any breaches of these limits require a remediation plan which must be approved by the RiCo.

No material risk has been transferred to special purpose vehicles and the Company has no material exposure arising from off-balance sheet positions.

C.2 Detailed Overview by Risk Category

C.2.1 Underwriting Risk

Risk Exposure

The general insurance underwritten by the Company is both of a short tail nature such as motor, household and commercial property business and longer tail in the form of commercial liability, guarantee and marine business.

The Internal Model is the key measure used to assess underwriting risk. No material change has occurred to this measure during 2016.

The key change that has occurred to the underlying risks during 2016 is an increase in the percentage of business ceded under the whole account quota share treaty from 35% at year-end 2015 to 50% at year-end 2016, with a consequent reduction in underwriting risk capital.

The Company uses reinsurance to mitigate underwriting risk to within a defined risk appetite, to protect its solvency and to improve the efficiency of its use of capital.

Underwriting risk, continually assessed by management, is primarily made up of the following risk types (in descending order of materiality):

- Reserve risk
- Premium non-catastrophe (“non-cat”) risk
- Natural catastrophe (“nat-cat”) risk
- Terror risk

Further details have been included about these below:

C.2.1.1 Reserve risk

The projection of outstanding reserves is based upon the Company's historical experience. It is a key assumption that this historical data will be predictive of the future loss reporting and claims development of the Company. These projections are predominantly based on the following accepted actuarial reserving methods:

- Paid Loss Development Method
- Incurred Loss Development Method
- Expected Loss Ratio Method
- Paid Bornhuetter-Ferguson Method
- Incurred Bornhuetter-Ferguson Method

The final selected loss estimates are based on a judgemental consideration of the results of each methodand qualitative information such as that provided in meetings with various other Allianz departments. The choice of method to estimate ultimate losses considers, among other things, the line of business, the number of years of experience and the accident year being developed.

There are instances where past data is not appropriate or where no data exists to project. These include recent accident years where the claims experience has not emerged and lines of business where past data is not available. In these cases, explicit assumptions are made about the level of claims inflation and expected changes in claims frequency. The provision includes a management claims reserve on top of the actuarial best estimate case reserves.

Reserve risk measures the volatility of the reserves that are held to cover claims resulting from past events that have not yet been settled, over a one-year time horizon. Liability business is the key driver of reserve risk capital, followed by motor. Most reserve risk capital is held in respect of the longer-tailed injury lines of business, for which the ultimate claim settlement amounts are subject to considerable uncertainty due to changes in the claims environment.

C.2.1.2 Premium risk

Premium risk measures the volatility of underwriting profitability over a one-year time horizon. Motor is the most significant contributor to premium non-cat risk capital, followed by liability and property.

The premium nat-cat and terror risk types are not material compared with premium non-cat risk.

Underwriting strategy

The Company's underwriting strategy and acceptance criteria are communicated through comprehensive underwriting guidelines which are adhered to on a strict basis. Personal lines and commodity underwriting is mostly automated or 'book' rated using detailed statistical analysis, allowing full compliance with the agreed strategy. In commercial lines, risk acceptance is controlled through structured delegated underwriting authority limits (DUA's) for underwriting staff. DUA's are allocated based on business need and appropriate skill sets and are reviewed regularly.

Pricing risk

Actuarial management conduct regular reviews of rating changes on renewals and new business compared to budget. They evaluate whether a product's price covers both its costs and the required profit margin. Frequent tracking of product profitability against target loss ratios is also performed.

Reinsurance concentration and significant weather event or Catastrophe risks

Reinsurance strategy and extent of cover is reviewed annually by the Reinsurance Committee, the Risk Committee and the Board of Directors to ensure that the levels of protection being purchased are sufficient in relation to developments in exposure and are within the risk appetite of the Company. These reviews are supported through the use of sophisticated modelling techniques used by Allianz worldwide as part of the internal model together with local actuarial and risk management input. The reinsurance cover required is placed only with reinsurers that meet Allianz Group counterparty requirements as manifested in the reinsurer security listing which is updated annually. Catastrophe protection covering our risk portfolio from significant windstorm and other natural hazards is purchased based on the outputs of sophisticated models.

Claims management risk

As with underwriting, claims registration and estimation is governed by strict guidelines and procedures. These include formal regular claims estimate review process, regular training of personal injury and damage staff and regular review of large cases by senior management.

At an overall level, monitoring of average settlement costs and a legal panel help ensure claims are not being settled too expensively. Senior claims management operate a proactive approach in monitoring developments in the internal claims handling process and the external claims environment for trends that impact the Company.

Reserving risk including latent claims

There is close monitoring of claims settlement averages and savings or deterioration on settlements. Actuarial management meet with internal claims management and external professional society peer groups to discuss claims handling and environmental issues. There is an annual statutory certification of reserves and an annual third party expert review with reputable firms of consulting actuaries to report on reserving adequacy is also commissioned.

The risk of unanticipated latent claims, or adverse developments, arising on our historic portfolios is reviewed at periodic actuarial and claims meetings. Monitoring of these claims or any new types of claim is investigated on an ongoing basis and fully reserved for.

Specific assumptions relating to the calculation of the claims reserves are reviewed at the quarterly Reserving Committee meeting.

Risk Sensitivity

Please refer to Section C.5 for a description of the stress and scenario tests performed on the most material risks on a quarterly basis. For underwriting risk, these include stresses on the underwriting result and the 1-in-5 year net reserve deterioration. Additional underwriting risk deteriorations are considered as part of the TRA.

C.2.2 Market Risk

Risk Exposure

Market risk is the risk of loss arising due to changes in market prices or parameters influencing market prices. This includes changes in market prices due to a worsening of market liquidity.

The Company has invested in quoted debt securities, derivatives and collective investment schemes, and has a loan to Allianz Group. These investments are subject to market risk whereby the value of the investments may fluctuate as a result of changes in market prices, changes in market interest rates or changes in foreign currency rates of the currency in which the investments are denominated.

The Internal Model is the key measure used to assess market risk. No material change has occurred to this measure during 2016.

Standalone market risk reduced materially between year-end 2015 and year-end 2016. The ETV take up led to a reduction in pension liabilities and, in turn, the market risk capital requirement.

The sub-sections below provide further details with regard to each individual market risk type:

C.2.2.1 Interest Rate Risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are also exposed to interest rate risk. The average duration of the insurance liabilities was approximately 2.6 years for the reporting period. Interest rate risk also exists on the inter-group loan as the loan was entered into on an arm's length basis. The loan is repayable on demand.

C.2.2.2 FX Risk

FX risk is the risk that fluctuations in exchange rates may lead to a material change in the value of currency assets or liabilities. FX risk is not large as most business is transacted in euro, and the net currency exposure is reviewed monthly in arrears and surpluses or deficits are dealt with through the purchase and sale of currency.

C.2.2.3 Inflation Risk

As an insurance company we are exposed to changing inflation rates, predominantly due to inflation of our pension obligations. In addition, inflation of claims costs (driven by price, wage and court-award inflation) leads to increased liabilities.

C.2.2.4 Credit Spread Risk

Our internal risk capital framework allows for the risk of declining market values for our fixed income assets – such as bonds – due to the widening of credit spreads. The key drivers of credit spread risk capital are credit rating and the duration of fixed income assets.

C.2.2.5 Equity Risk

The Company doesn't have material equity exposure.

C.2.2.6 Real Estate Risk

The Company doesn't have material real estate exposure.

Risk Concentration

The main Allianz p.l.c. market risk concentration is to credit spread and interest rate risk. The investment strategy is primarily focussed on fixed income instruments. The fixed income is a broadly diversified portfolio.

Risk Mitigation

The extent of the exposure to market risk is mitigated by the formulation of, and adherence to, clearly defined investment policy statements which are regularly reviewed and approved by the Board of Directors. Limits are set in relation to the magnitude and nature of risk exposure which can be undertaken. These guidelines are subject to strict internal controls and reporting procedures and are monitored by both the investment and finance committees, which are chaired by the Company chief executive and which include other senior management members, and the Board of Directors.

In addition, the employment of appropriately qualified and experienced personnel to manage the Company's investment portfolio and contractual appointment of external investment experts also serves to mitigate the risks. The Company has not changed the processes used to manage its risks from previous periods.

Below is some detail on the key risk mitigation techniques and the processes for monitoring their continued effectiveness, by individual market risk type:

- Interest rate risk is managed, in the main, by matching the average duration of the fixed interest debt securities held to the average duration of the insurance liabilities they support.
- FX risk is managed through the Company's policy of matching its non-euro currency liabilities with assets on an economic basis.
- Inflation assumptions are taken into account in our product development and pricing processes and the risk of changing inflation rates is incorporated into the internal model.
- Credit spread risk is managed by selecting assets with a strong credit rating.

Risk Sensitivity

Please refer to Section C.5 for a description of the stress and scenario tests performed on the most material risks on a quarterly basis. For market risk, these include stresses on equities, interest rates and a combined market shock. Additional market risk deteriorations are considered as part of the TRA.

C.2.3 Credit Risk

Risk Exposure

Credit risk is measured as the potential economic loss in the value of our portfolio due to changes in the credit quality of our counterparts ("migration risk") or the inability or unwillingness of the counterparty to fulfil contractual obligations ("default risk"). Key areas where the Company is exposed to credit risk are:

- **Investment credit risk:** Counterparty risk in respect of debt securities, cash and cash equivalents. Rating downgrades of certain investments have given rise to additional non-corporate BBB exposures and BB corporate exposures. The Investment Committee and the Board of Directors have reviewed the downgraded bonds and have deemed the exposures acceptable.

- **Reinsurance credit risk:** Reinsurers' share of insurance liabilities and amounts due from reinsurers in respect of claims already paid;
- **Other counterparty credit risk:** Amounts due from insurance intermediaries and other policyholders either through normal credit terms or other instalment billing.

Credit spread risk is excluded from the scope of credit risk and is managed as part of the market risk module.

The Internal Model is the key measure used to assess credit risk. No material change has occurred to this measure during 2016.

Please note that credit risks were not subject to any material changes during 2016.

Risk Concentration

Details of credit risk concentrations have been provided below:

- **Investment credit risk:** Please refer to Section C.2.2 (Market Risk) above;

- **Reinsurance credit risk:** Concentration does exist due to the specialised nature of reinsurance; however the debt profile and exposure are actively managed. There are concentrations of credit risk in reinsurance assets and due to the quota share agreement, Allianz Re Dublin dac held 91% of the balance at 31 December 2016. Excluding the quota share agreement the following companies had balances in excess of 5% at 31 December 2016: Allianz Global Corporate & Specialty, Munich Reinsurance Co. and Swiss Reinsurance Co. Ltd.
- **Other counterparty credit risk:** There are concentrations of risk in relation to the intermediaries through which the Company distributes its business, but we believe that the Central Bank of Ireland's rules in relation to separate client bank accounts and the Financial Conduct Authority's Client Asset rules greatly mitigate this risk.

Risk Mitigation

Controls in place to mitigate credit risk include the following:

- **Investment credit risk:** As part of the investment policy statements, all sovereign debt must be rated "A" or better by Standard and Poors, or equivalent Moody's rating, at the time of purchase. Corporate debt held is of investment grade quality, i.e. rated "BBB" or better. Additional concentration risk limits are set, including those for individual issues, issuers and country exposures.

  The Company controls its exposures to loans and receivables according to a series of credit risk policies that reflect the individual considerations of the risk categories. These policies are supported by a series of procedures (e.g. counter party assessment processes) and limits (e.g. investment and bank counter party limits), which are designed to ensure that the Company's appetite for risk is not exceeded.

- **Reinsurance credit risk:** Reinsurance is used to manage insurance risk. Reinsurance does not, however, discharge the Company's liability as primary reinsurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder.

  Reinsurance security is limited to a small number of highly regarded reinsurers that offer the best long term security. Reinsurance is only placed with companies that meet the Allianz Group's security criteria. Where there is a significant or potentially significant exposure to an individual captive, additional measures which ensure the captives funds are diversified and prioritised for the payment of the insured liabilities are in place.

  At 31 December 2016, 7% of reinsurance balances due were from companies who had a credit rating of A or better. However this would rise to 99% A or better if Allianz Re Dublin dac is taken into account. Management consider Allianz Re Dublin dac as effectively AA rated due their stop loss arrangement with Allianz SE.

- **Other counterparty credit risk:** Insurance receivables are closely monitored via the credit control process. For amounts due from intermediaries, credit terms are applied which are determined by a range of factors including the type of business, size of account and financial standing. Intermediaries are obliged to return annual accounts to the Central Bank of Ireland

and to the Financial Conduct Authority for inspection to assess their financial status as they are directly regulated firms.

In addition, the majority of intermediaries are affiliated to broker representative organisations who insist that their members are adequately bonded. Business dealt with on a direct basis is on a cash only basis and no credit is extended. Provisions are made where there is a doubt over the recoverability of any balance.

For policyholders, credit is managed so that the amount due is matched to the unexpired risk. Where amounts fall outside credit terms a full range of credit control procedures are applied. Where these are not successful, the debt is impaired.

Risk Sensitivity

Please refer to Section C.5 for a description of the stress and scenario tests performed on the most material risks on a quarterly basis. For credit risk, these include stresses on interest rates. Additional credit risk deteriorations (e.g. reinsurance credit risk) are considered as part of the TRA.

C.2.4 Operational Risk

Risk Exposure

The Company defines operational risk as the risk of loss resulting from inadequate or failed internal processes and systems, from human misbehaviour or error and from external events. Operational risk includes legal and compliance risk and excludes strategic risk. Operational risk also excludes reputational risk, although the management of operational risk is closely related to the management of reputational risk. Losses from operational risk may be in the form of additional expense, regulatory sanctions or legal settlements.

The Internal Model is the key measure used to assess operational risk. No material change has occurred to this measure during 2016.

Please note that operational risks were not subject to any material changes during 2016.

Risk Concentration

The Company is not exposed to any material concentrations of operational risk.

Risk Mitigation

The Company seeks to manage its exposure to such risk and to minimise financial losses through operating an Operational Risk Strategy and Policy, which is overseen by the Risk Management Function, ORSA (management risk committee) and Risk Committees on behalf of the Board of Directors. The two primary and complementary methods of operational risk identification in place within the Company are the Risk and Control Self-Assessment (RCSA) and the Top Risk Assessment (TRA). The RCSA process is the Company's structured and formalised approach for ensuring that operational risks are identified, assessed, managed, mitigated and monitored. The TRA is an annual process, updated quarterly, for the identification and assessment of all enterprise risks, some of which may be operational risks. The TRA is informed by the RCSA process. The TRA aims to identify business wide operational risks or 'top risks' which require the attention of senior management and risk management committees.

Controls that are in place to mitigate the key operational risk exposures.

Risk Sensitivity
Stresses are performed on key operational risk exposures as part of the TRA.

C.2.5 Liquidity Risk

Risk Exposure
Liquidity risk is the risk that the Company may be unable to meet payment of obligations in a timely manner at a reasonable cost. The Company is exposed to daily calls on its cash resources, mainly from claims.

The principal objective of the Company's treasury function is to ensure that sufficient funding is available at an optimal cost and net cash flows are monitored on a daily basis. The majority of the Company's financial liabilities, excluding claims outstanding and deposits received from reinsurers fall due within one year and the Company has sufficient liquidity to meet its requirements. No material change occurred to the liquidity profile of the Company during 2016.

Risk Concentration
There are no significant liquidity risk concentrations within the Company portfolio at year-end 2016.

Risk Mitigation
Liquidity risk is managed in line with the Allianz p.l.c. Liquidity Risk Strategy and Policy. The level of liquid assets is monitored quarterly as part of the Board-approved risk appetite framework. The liquidity risk policy sets out the risk management process for managing liquidity cost.

The Company's stock of liquid assets is set out in investment parameters approved by the Board and is maintained at a level considered sufficient to meet both normal and abnormal trading condition requirements and to ensure that a contingency plan is in place to mitigate the risk of extreme liquidity events.

Risk Sensitivity
Stresses are performed on the liquidity position. At year-end 2016, the stresses did not lead to a material deterioration in the liquidity profile of the Company.

C.2.5.1 Expected Profits in Future Premiums
The expected profits in future premiums are not considered to be material for the Company due to the nature of non-life insurance business. While cash-flows from future premiums are an important consideration in assessing liquidity risk, the expected profits in these future premiums do not form a material part of this assessment.

C.2.6 Other Material Risks

Risk Exposure
The Company operates a defined benefit pension scheme which was closed to future accruals on 31 December 2015. The pension scheme trust, as required by the Pension Acts, is a separate legal entity from the Company. The Board of Trustees of the scheme has responsibility for the management and

administration of the trust affairs and to act in the best interests of the members in accordance with the terms of the Trust Deed and rules.

The Company is exposed to longevity risk, i.e. the risk that due to improving life expectancies, our current estimate of future pension liabilities might be insufficient. The internal model is the key measure used to assess longevity risk, and the risk associated with the pension scheme in general.

The key change that occurred to the level of pension risk during 2016 was the implementation of the ETV programme at year-end 2016; please see Section C.2.2 (Market Risk) for further details.

Risk Concentration

There are no significant concentrations of risks within the pension scheme at year-end 2016.

Risk Mitigation

From a Company perspective, the financial and capital implication of operating the scheme is monitored by a Management Oversight Pensions Committee. In addition, monitoring of pension risk is a standing agenda item at the quarterly Risk Committee of the Board of Directors.

Risk Sensitivity

Please refer to Section C.5 for a description of the stress and scenario tests performed on the most material risks on a quarterly basis. For pension risk, these include stresses on interest rates and equities.

Reputational Risk

Risk Exposure

The Company's reputation as a well-respected and socially aware insurance provider is influenced by our behaviour in a range of areas such as product quality, corporate governance, financial performance, customer service, employee relations, intellectual capital and corporate responsibility. Reputational risk is the risk of an unexpected drop in the value of the Allianz Group share price, the value of the in-force business or the value of future business caused by a decline in our reputation.

No material changes occurred to the level of reputational risk during 2016.

Risk Concentration

There are no significant reputational risk concentrations within the Company at year-end 2016.

Risk Mitigation

Reputational risk management decisions are integrated into the overall risk management framework and reputational risks are identified and assessed as part of the TRA process, during which senior management also decides on a risk management strategy and related actions.

Risk Sensitivity

Stresses are performed on reputational risk as part of the TRA.

C.3 Prudent Person Principle

Allianz has set up a comprehensive risk management framework in order to promote a strong risk management culture. This framework is laid down in the Allianz Corporate Rules Book. Guiding principle for investment risk management is the Prudent Person Principle (Article 132 of the Solvency II EU Directive).

The Prudent Person Principle comprises a portfolio and a single-investment dimension:

- All assets need to be invested to ensure the quality, security, liquidity, profitability and availability of the investment portfolio as a whole. This also includes the need to structure the investment portfolio appropriate to the nature and duration of insurance liabilities covered with these assets.
- Assets are only admissible if the investors can properly identify, measure, monitor, manage, control, report and appropriately integrate their risks in their solvency assessment.

Additionally, the Prudent Person Principle lays down criteria for the quality of processes and the qualification of the people working in the investment management function.

C.3.1 Portfolio Dimension of the Prudent Person Principle

The Strategic Asset Allocation (SAA) defines the long-term investment strategy for the overall investment portfolio. The SAA is based on a detailed asset-liability analysis that respects the financial frame of the company: The financial frame comprises a consistent set of all investment relevant KPIs (e.g. the degree of asset – liability cash flow match, the Solvency Capital Ratio in the internal model, limits on financial risks), as well as a mid-term view of their development and impact.

When setting up the SAA, care is taken to ensure an adequate target level of quality and security (e.g. ratings, collateral) together with a sustainable return as well as sufficient liquidity and availability of the investment portfolio as a whole.

This ex-ante assessment is substantiated by an ongoing adherence to the SAA (including leeway's and limits) in the investment process and an ex-post monitoring in order to allow for corrective action in case of target deviations.

In addition to the general asset class limits set by the SAA, Allianz's risk management framework imposes consistent and well-balanced limits on investment risks: financial risks arising from all types of assets and counterparty exposures, and addressing both market and credit risk factors.

The Allianz Board of Directors has adopted the Group Financial Limit Framework for limit setting via the AZI Risk Appetite Framework. The Board has delegated the authority for limit approval to the Risk Committee. All limits are subject to annual review and approval

Further information on our investment portfolio composition can be found in Section A.3.

C.3.2 Single-Investment Dimension of the Prudent Person Principle

To ensure that also single investment decisions adhere to the Prudent Person Principle, Allianz Ireland and Allianz Group have

- specified a catalogue of routine investments ("Standard Investment List") and

- set up a New Financial Instrument ("NFI") process for non-routine investments.

The Standard Investment List only contains investments that are done on a regular basis for a considerable period of time, are adequately represented in internal processes and IT systems and for which the respective Allianz LE has thorough investment expertise. Standard Investments constitute the basis of each insurance portfolio.

Before performing any investment of a non-routine nature the NFI Process has to be adhered to in order to assess, in particular, the ability to manage all investment specific risks, the consistency with policyholders' interest and the impact of this investment on the quality, security, liquidity, profitability and availability of the whole portfolio.

C.3.3 Special governance regarding the use of derivatives

Derivatives in the insurance portfolios are only allowed insofar as they contribute to a reduction of risks or facilitate efficient portfolio management. Allianz uses derivatives predominantly to hedge Allianz Group Equity Incentive liabilities.

The use of investment portfolio derivatives must always take place within an approved derivative strategy, that defines motivation, background and scope, risks addressed by the strategy, eligible instruments, limits for steering and appropriate risk control (e.g. via netting, collateral and avoidance of counterparty concentrations), and countermeasures in case a limit is reached.

Details are governed by the Allianz Functional Rules for Derivatives.

C.4 Risk Diversification

Diversification typically occurs in the context of combined risks that are not, or only partly, dependent on each other. This may be the case for risk in different regions, different entities or for different types of risks. For example, an operational risk event can be regarded as highly independent of a change in credit spreads.

Diversification is a key element in managing our risks efficiently by limiting the economic impact of any single event and by contributing to relatively stable results and our risk profile in general. Therefore, our aim is to maintain a balanced risk profile without any disproportionately large risk concentrations and accumulations. Monitoring concentrations and accumulations of non-market risks is done on a standalone basis (i.e. before diversification effects) within a limit framework in order to avoid substantial losses from single events such as natural catastrophes, terror or credit events. Also, avoiding concentration risk in the asset portfolio is a key principle of the Prudent Person Principle.

Given that the Company transacts property, motor, liability and marine insurance business within both the Republic of Ireland and Northern Ireland, diversification is key to our business model. Also, significant diversification occurs between the P&C and pension portfolios due to low correlations between the relevant risk factors. The level of diversification within the P&C and pension portfolios and at the overall portfolio level is monitored on an ongoing basis.

C.5 Stress and Scenario Testing

For each risk category and risk type, the Company has estimated the risk capital over a range of return periods. The analysis shows that reserve risk is the key risk for the Company at all of these return-periods. Premium non-cat, market (driven by inflation and equities) and longevity risk are the second, third and fourth most significant risks for the Company with both market and longevity risk being driven by the pension scheme.

As part of the quarterly reporting to the Board, the Company performs stress and scenario tests on the risks which are deemed to be the most material, i.e. primarily the risks outlined above. These stress and scenario tests have been carried out as at year-end 2016 and the solvency coverage ratio has been re-assessed and compared with the risk appetite thresholds in each case. A brief summary of the scenarios has been provided below:

- **Equity:** 30% decrease in equity markets;
- **Interest Rates Up:** 100 basis point (bp) increase in interest rates;
- **Interest Rates Down:** 100 bp decrease in interest rates;
- **Underwriting (Non-Cat and Nat-Cat):** €35m reduction in underwriting profit, based on adverse non-cat and nat-cat experience;
- **Reserve Strengthening:** 1-in-5 year net reserve deterioration;
- **Combined Market Shock:** 30% reduction in equities, combined with a 100 bp decrease in interest rates.

At year-end 2016, none of the above stress and scenario tests reduced the solvency coverage ratio below the amber risk appetite threshold of 120%. The most severe test was the combined market shock, which has a significant impact on the pension scheme. The next most severe tests were the reserve strengthening (1-in-5 year) and underwriting (non-cat and nat-cat) scenarios respectively.

As part of the ORSA process, the impact of the above stress and scenario tests on the solvency coverage ratio is assessed over the business planning horizon on an annual basis. This helps management to understand the sensitivities of the Company's coverage to these stress events and to plan accordingly.

C.6 Any other information

All material information regarding the risk profile of the Company has been provided above.

D. Valuation for Solvency Purposes

In order to compare the assets as reported in the Financial Statements based on FRS 101 and the Solvency II Market Value Balance Sheet figures, the FRS 101 data is remapped to the MVBS line-item structure. The classes shown below are therefore the same as used in the Solvency II Market Value Balance Sheet. The aggregation is based on the nature and function of assets and their materiality for solvency purposes. The recognition and valuation rules used for preparing the financial statements under FRS 101 and those used to value assets and liabilities for solvency purposes are described in the paragraphs below.

D.1 Assets

€'m	FRS 101	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Values
1. Goodwill	-	-	-	-
2. Deferred acquisition costs	29.3	-	(29.3)	-
3. Intangible assets	0.1	-	(0.1)	-
4. Deferred tax assets	3.4	-	3.7	7.1
5. Pension benefit surplus	5.1	-	-	5.1
6. Property, plant & equipment held for own use	5.6	-	(5.6)	-
7. Investments (other than assets held for index-linked and unit-linked funds)	1,374.6	10.9	-	1,385.5
7.1 Property (other than for own use)	-	-	-	-
7.2 Participations	-	-	-	-
7.3.1 Equities – listed	-	-	-	-
7.3.2 Equities – unlisted	-	-	-	-
7.4 Bonds	1,266.1	10.6	-	1,276.7
7.4.1 Government Bonds	581.4	4.6	-	586.0
7.4.2 Corporate Bonds	684.5	6.0	-	690.5
7.4.3 Structured notes	-	-	-	-
7.4.4 Collateralised securities	0.2	-	-	0.2
7.5 Investment Funds	72.5	0.3	-	72.8
7.6 Derivatives	5.9	-	-	5.9
7.7 Deposits other than cash equivalents	30.1	-	-	30.1
7.8 Other investments	-	-	-	-
8. Assets held for index-linked and unit-linked funds	-	-	-	-
9. Loans & mortgages	70.3	0.1	-	70.4
9.1 Loans on policies	-	-	-	-
9.2 Loans and mortgages to individuals	-	-	-	-
9.3 Other loans and mortgages	70.3	0.1	-	70.4
10. Reinsurance recoverables from:	386.9	(6.2)	(10.4)	370.3
10.1.1 Non-life excluding health	384.7	(6.2)	(10.7)	367.8
10.1.2 Health similar to non-life	2.2	-	0.3	2.5
10.2.1 Health similar to life	-	-	-	-
10.2.2 Life excluding health and index-linked and unit-linked	-	-	-	-
10.5 Life index-linked and unit-linked	-	-	-	-
11. Deposits to cedants	-	-	-	-
12. Insurance & intermediaries receivables	157.4	(143.5)	-	13.9
13. Reinsurance receivables	19.9	-	-	19.9
14. Receivables (trade, not insurance)	26.8	(11.0)	0.4	16.2
15. Own shares	-	-	-	-
16. Amounts due in respect of own fund items or initial fund called up but not yet paid in	-	-	-	-
17. Cash and cash equivalents	1.2	14.2	-	15.4
18. Any other assets, not elsewhere shown	-	-	-	-
Total Assets	2,080.6	(135.5)	(41.3)	1,903.8

Table 11: Comparison of MVBS and FRS 101 balance sheet - Assets

D.1.1 Goodwill

Goodwill is not applicable for the Company.

D.1.2 Deferred Acquisition Costs

Under FRS 101, Deferred Acquisition Costs (DAC) represents the proportion of commission and management expenses which are attributable to unearned premiums. Those costs are recognised as a deferred acquisition cost and amortised on the same basis as related premiums are earned. In MVBS, Cash flows relating to DAC are included in the best estimate of the technical provisions in the MVBS and are not recognised separately on the asset side. Therefore, in contrast to FRS 101, the MVBS does not recognise an asset for deferred acquisition costs. For further details, please refer to the section on Technical Provisions.

D.1.3 Intangible Assets

This line item includes intangible assets other than goodwill. Intangible assets are non-monetary assets without physical substance. Under FRS 101, intangible assets are measured at (amortised cost). The €0.1m relates to software. They are only recognised in the MVBS when they are separable and there is evidence of exchange transactions for the same or similar assets, indicating it is saleable in the market place. They are measured at fair value with their market price. No intangible assets are recognised in MVBS.

D.1.4 Deferred Tax Assets

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised in line with IAS 12 only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be future taxable profits available against which the temporary differences can be utilised.

Deferred taxes are recognised and valued in relation to all assets and liabilities that are recognised for Solvency II or for tax purposes. There is no expiry date for deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the balance sheet. The difference between MVBS and FRS 101 relates mostly to deferred taxes on temporary differences resulting from revaluation adjustments concerning values of assets and liabilities under FRS 101 and MVBS.

D.1.5 Pension Benefit Surplus

Pension benefit obligations are measured in accordance with IAS 19 as the Company considers the valuation method according to IAS 19 the most appropriate valuation under Solvency II.

Allianz Irish Life Holdings p.l.c. operates a defined benefit pension scheme for qualifying employees of Allianz p.l.c. The scheme closed to future accrual of benefits on 31 December 2015 and from 1 January 2016 pension benefit is delivered to all qualifying employees through a defined contribution pension scheme.

The defined benefit Scheme is a funded pension scheme governed by a trust deed. The trustees of the scheme are required by law to act in the best interests of members and are responsible for setting certain policies, e.g. investment policy, of the scheme.

An actuarial valuation of each of the scheme's obligations using the projected unit method and a fair valuation of each of the scheme's assets is performed annually by external actuaries in accordance with the requirements of FRS101.

Defined benefit plans

The following table sets out the defined benefit obligation and the fair value of plan assets:

	2016 €'m
Fair Value of plan assets	408.3
Defined benefit obligation	(403.2)
Net Defined Benefit Balance	5.1

Table 12: Changes in defined benefit obligation

The chart below shows the current asset allocation:

as of 31 December	**2016 €'m**	**2016** %
Equity securities	88.2	21.6
Debt securities	357.1	87.5
Real estate	11.1	2.7
Other	(48.1)	(11.8)
Total	408.3	100

Table 13: Asset allocation

The actuarial valuation is dependent upon a series of assumptions, the key assumptions being discount rates, pension increases and rate of price inflation.

The major actuarial assumptions used at year end were:

	2016 %
Rate of increase in pensions in payment	1.8
Rate of inflation	1.8
Discount rate	1.8

Table 14: Actuarial assumptions

There are no differences between FRS 101 and MVBS values.

D.1.6 Property, plant and equipment held for own use

Property, plant and equipment held for own use includes tangible assets which are intended for permanent use and is measured at cost less depreciation and accumulated impairment losses in FRS101. Under Solvency II guidelines property, plant and equipment must be measured at economic fair value. The economic fair value for the property, plant and equipment is considered to be immaterial.

D.1.7 Investments

Property (other than for own use)

Property (other than for own use) is not applicable for the Company.

Participations

Participations are not applicable for the Company.

Equities

Equities are not applicable for the Company.

Bonds

This category includes government and corporate bonds as well as collateralised securities. Government bonds are bonds issued by public authorities, e.g., central governments, supra-national government institutions, regional governments or municipal governments. Corporate bonds include bonds issued by corporations and covered bonds which are backed by cash flows from mortgages or public sector loans. Collateralised securities comprise securities whose value and payments are derived from a portfolio of underlying assets. They mainly include Asset Backed Securities (ABS) and Mortgage Backed Securities (MBS) of €0.2m. All financial assets as defined in IAS 39 are valued at fair value.

As at 31 December 2016 in €'m:

€'m	**FRS 101**	**Reclassification Adjustments**	**Solvency II Valuation Adjustments**	**Solvency II Values**
7.4.1 Government Bonds	581.4	4.6	-	586.0
7.4.2 Corporate Bonds	684.5	6.0	-	690.5
7.4.3 Structured notes	-	-	-	-
7.4.4 Collateralised securities	0.2	-	-	0.2
Total Bonds	1,266.1	10.6	-	1,276.7

Table 15: Table of Company bonds

Their fair values are based on quoted bid prices on an active market. Fair values for unlisted securities, if held, are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. There is no valuation difference between FRS 101 and MVBS for bonds, but the MVBS presentation includes accrued income which has been reclassified from item 14. Receivables (trade, not insurance).

Investment funds

Investment Funds are defined as undertakings for collective investment in transferable securities an alternative investment fund as defined in Article 4(1) of Directive 2011/61/EU. Investment Funds mainly include stock funds, debt funds, real estate funds and private equity funds. All financial assets as defined in IAS 39 are valued at fair value.

The fair value of Investment Funds of €72.8m is mainly determined by quoted market prices.

There is no valuation difference between FRS 101 and MVBS for Investment funds, but the MVBS presentation includes accrued income which has been reclassified from item 14. Receivables (trade, not insurance).

Derivatives

Derivatives are classified as Held for Trading (HFT) unless they have been designated as hedges. The derivatives are over the counter (OTC) and are related to an executive incentive scheme. The derivatives were put in place to protect against the associated liability recorded in the profit and loss

account. All derivatives are held at fair value in line with IAS 39. Fair values are obtained from quoted prices prevailing in active markets where available. Otherwise, valuation techniques including discounted cash flow analysis and option pricing are used to value the instruments. Gains and losses arising from HFT derivatives are recognised in investment return or investment charges in the profit and loss account and primarily comprise options.

There is no difference between FRS 101 and MVBS values.

Deposits other than cash equivalents

Deposits other than cash equivalents include short-term investments measured at nominal amount as the nominal value is considered as a good proxy for the fair value within the materiality and proportionality principles. All financial assets as defined in IAS 39 are valued at fair value. The fair value for deposits other than cash equivalents is determined by market prices.

There is no valuation difference between FRS 101 and MVBS.

Other investments

Other investments are not applicable for the Company.

D.1.8 Assets held for index-linked and unit-linked funds

Assets held for index-linked and unit-linked funds are not applicable for the Company.

D.1.9 Loans and Mortgages

As per 31 December 2016 Loans and Mortgages consisted of a €70.4m loan with Allianz SE.

There is no valuation difference between FRS 101 and MVBS for Loans and Mortgages, but the MVBS presentation includes accrued income which has been reclassified from item 14. Receivables (trade, not insurance).

D.1.10 Reinsurance recoverables

For details on reinsurance recoverables refer to the section on Non-Life Technical Provisions D.2.4 Reinsurance recoverables.

Non-life and health similar to non-life

See comment above (D.1.10).

Life and health similar to life, excl. health/index-linked

Life and health similar to life, excl. health/index-linked is not relevant for the Company.

Life index-linked and unit-linked

Life index-linked and unit-linked is not relevant for the Company.

D.1.11 Deposits to cedants

Deposits to cedants are not relevant for the Company.

D.1.12 Insurance and intermediaries receivables

Insurance and intermediaries receivables include amounts due by policyholders, insurers, and others participating in the insurance business that is not included in cash inflows of technical provisions. For FRS 101 receivables from insurance and intermediaries are generally measured at their nominal amount with an adjustment for the probability of default of the counterparty. The nominal value is

considered as a good proxy for the fair value for Solvency II within the materiality and proportionality principles.

The difference between FRS 101 and MVBS relates to the recognition of certain premiums that are already included in the receivables under FRS 101, while they are recognised within technical provisions in the MVBS. The insurance receivables under FRS 101 and MVBS can differ as the premiums are booked according to cash flows under Solvency II. On this basis, premiums written but not yet due (e.g. future payments or reinstatement premium) are not shown as receivables in the MVBS, like in FRS 101, and included in the technical provisions.

D.1.13 Reinsurance receivables

Reinsurance receivables include amounts due by reinsurers that are linked to the reinsurance business but that are not reinsurance recoverables. They include receivables from reinsurers that relate to settled claims of policyholders or beneficiaries, payments in relation to other than insurance events or settled insurance claims. Reinsurance receivables are generally measured at their nominal amount with an adjustment for the probability of default of the counterparty. The nominal value is considered as a good proxy for the fair value within the materiality and proportionality principles. There is no difference between FRS 101 and MVBS values.

D.1.14 Receivables (trade, not insurance)

Receivables (trade, not insurance) include amounts receivable from employees or various business partners and are not insurance-related. Receivables (trade, not insurance) are measured at nominal value with an adjustment for probability of default for counterparty risk under FRS 101 and MVBS, unless the market value deviates materially from the adjusted nominal value. Then, the market value is used in the MVBS.

€'m	FRS 101	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Values
Accrued Income	11.0	(11.0)	-	-
Tax recoverable	9.8	-	0.4	10.2
Other	6.0	-	-	6.0
Receivables (trade, not insurance)	**26.8**	**(11.0)**	**0.4**	**16.2**

Table 16: Breakdown of Receivables

D.1.15 Own shares

Not relevant for the Company.

D.1.16 Amounts due in respect of own fund item or initial funds

Not relevant for the Company.

D.1.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. They are typically maturities of three months or less from the acquisition date and are subject to an insignificant risk of change in their fair value. Cash and cash equivalents are measured at nominal amount. The nominal value is considered as a good proxy for the fair value within the materiality and proportionality principles.

There is no valuation difference between FRS 101 and MVBS values as the respective assets are measured at their nominal values. Bank accounts showing a bank overdraft position of €14.2m have been reclassified to Item 29. Debts owed to Credit Institutions under FRS 101.

D.1.18 Any other assets, not elsewhere shown

Any other assets, not shown elsewhere shown are not applicable for the Company.

D.2 Technical Provisions

D.2.1 Technical provisions per Aggregated-LoB as of 31 December 2016

The technical provisions are discounted using risk-free yield curves that include an uplift for the volatility adjustment, the impact on the amount of technical provisions as at year end 2016 is €4.4m. The following table shows the MVBS technical provisions gross of reinsurance recoverables as shown in QRT S.02.01.02:

€'m As at 31 December 2016	FRS 101	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Values
19. Technical provisions - non life	1,334.7	(128.7)	(32.5)	1,173.6
19.1. Technical provisions - non-life (excluding health)	1,325.3	(128.7)	(32.3)	1,164.3
19.1.1 TP calculated as a whole	-		-	-
19.1.2 Best Estimate	1,325.3	(128.7)	(72.9)	1,123.7
19.1.3 Risk margin	-		40.6	40.6
19.2. Technical provisions - health (similar to non-life)	9.4		(0.2)	9.2
19.2.1 TP calculated as a whole	-		-	-
19.2.2 Best Estimate	9.4		(0.3)	9.1
19.2.3 Risk margin	-		0.2	0.2
20. Technical provisions - life (excl. index/unit-linked)	-		-	
20.1. Technical provisions - health (similar to life)	-	-	-	
20.1.1 TP calculated as a whole	-	-	-	
20.1.2 Best Estimate	-	-	-	
20.1.3 Risk margin	-	-	-	
20.2. Technical provisions - life (excl. health similar to life)	-	-	-	
20.2.1 TP calculated as a whole	-	-	-	
20.2.2 Best Estimate	-	-	-	
20.2.3 Risk margin	-	-	-	
21. Technical provisions - index-linked and unit-linked	-	-	-	
21.1 TP calculated as a whole	-	-	-	
21.2 Best Estimate	-	-	-	
21.3 Risk margin	-	-	-	

Table 17: MVBS technical provisions on Aggregated-LoB basis

D.2.1.2 Description of the basis for the valuation of Best Estimate Liabilities and Risk Margin

For solvency purposes the technical provisions correspond to the current amount that the company would have to pay if it was to transfer its insurance obligations immediately to another (re)insurance undertaking. The calculation of technical provisions equals the sum of Best Estimate Liabilities and a Risk Margin, which are calculated separately. Further quantitative information can be found in Appendix H - QRT S.17.01.02.

Line of Business	Gross Best Estimate Liability	Risk Margin	Recoverables from Reinsurance contracts and SPVs	Total Technical Provisions net of Recoverables
Motor *	506.3	18.5	(162.4)	362.4
Fire and other damage to property insurance	58.3	4.1	(31.5)	30.9
General liability insurance	520.3	16.5	(151.9)	384.9
Marine, aviation and transport insurance	9.3	0.4	(5.7)	4.0
Other	38.6	1.2	(18.8)	21.0
Total	1,132.8	40.7	(370.3)	803.2

Table 18: MVBS technical provisions by LoB

D.2.1.2.1 Best Estimate Liabilities (BEL)

- BEL are calculated for all in-force policies at the valuation date.
- The BEL are defined as the probability-weighted average of the future cash flows, taking into account the time value of money (expected value of future cash flows), using the relevant risk-free interest rate term structure.
- The calculation of the BEL is based on up-to-date and credible information and realistic assumptions and is performed using adequate, applicable and relevant actuarial and statistical methods.
- The cash flow projection used in the calculation of the BEL takes account of all the cash inflows and cash outflows required to settle the insurance and reinsurance obligations over the lifetime thereof, including future claims, future expenses (maintenance, servicing, overhead, commission, investment management), future premiums (contracted premiums).
- BEL comprise claims provisions and premium provisions.
- The calculation is gross without deduction of the amounts recoverable from reinsurance contracts. These amounts are calculated separately.
- The claims provisions consider the full range of future events and includes low probability and extreme events ("low frequency, high severity"), i.e., latent claims and "'binary events".
- The BEL represents the mean of the cash flows, this includes the best estimate of claims reserves including salvage and subrogation and loss adjustment expenses and the best estimates of premium provisions.
- The BEL for non-life and health (similar to non-life) insurance obligations are calculated separately for the claims provisions and for the premium provisions. Thereby, the premium provisions relate to future expected claim events covered by (re)insurance obligations falling within the contract boundary. The best estimate of the premium provision is defined as the expected present value of future in- and out-going cash flows including, e.g., future premium payments, future claims, future expenses etc. It follows from the definition that in some cases, the resulting premium provision might lead to a negative provision, i.e. an asset.
- The claims provisions relates to claim events that have already occurred, regardless of whether the claims arising from these events have been reported or not. Cash flow projections for the calculation of the provisions for claims outstanding include benefits, expenses and premiums relating to these events.
- For discounting, the relevant risk-free interest rate for the term (i.e. currency specific swap-rate curve with volatility adjustment) is used.

D.2.1.2.2 Risk Margin (RM)

The market value of liabilities is defined as the discounted best estimate liabilities plus a RM, representing the cost of capital to run-off the business until final settlement. Therefore, the RM is

the cost of holding the necessary capital in excess of the BEL. In other words, at the time the balance sheet is drawn up, all contractual obligations are carried at their expected value (discounted for time value) plus the RM.

To calculate the cost of capital the risk profile for the underlying business is required. The Solvency Capital Requirement (SCR) is the risk capital required for one year only. Hence, the SCR for individual points of time in the future needs to be estimated. The RM is based on a cost of capital approach for run-off of business in scope for MVBS closing. Solvency II requires an allowance for the cost of holding non-hedgeable risk capital but no RM is required for hedgeable financial risks as these are transferred to the capital markets. The cost of capital is the expected cost of transferring the non-hedgeable financial, insurance and operational risks to another insurer, reinsurer or other market participants.

Credit risk with respect to reinsurers is assumed to be fully hedgeable and is, therefore, excluded from the calculation of the RM.

Appropriate diversification benefits between Lines of Business (LoB) are reflected in the calculation of the RM at the reporting entity level.

D.2.1.2.3 Aspects of technical provisions

The calculation of the technical provisions (claims provisions, premium provisions and risk margin) is done using an appropriate valuation method. This is crucial as only an appropriate valuation method ensures that the nature and complexity of the insurance risks are adequately addressed and the limitations of the method are known. The choice between non-life actuarial methodologies is based on the nature of the liabilities being valued and on the identification of risks which materially affect the underlying cash flows. The selection of the appropriate method is based on the choice of expert judgment which considers, among other factors, the quality, quantity and reliability of the available data and analyses all important characteristics of the business. The method is designed to ensure that the assumptions and parameters used in the method are clear and explicit; key influencing factors are identified, mainly the appropriateness of the best estimate regarding influencing factors and their variability. The key drivers and uncertainties associated with the best estimate liabilities are explored. This is done, for example, by the application of stress and scenario testing. Back-testing methods, i.e., actual versus expected values and movement analysis, are used to follow up on reserves development over time as an additional method to validate estimates.

Sometimes there are situations where an assessment needs to be done on scarce data and on information which could not be treated as reliable. Therefore, the value of technical provisions does not rely solely on models. It relies on a variety of techniques including the application of expert judgment or the assessment of a range of best estimate liabilities based on sound reasoning and business knowledge. However, even in case of scarce data the aim is to arrive at one (defined and justified) value for best estimate liabilities.

D.2.2 Uncertainty – Level of sensitivity

An analysis of the level of sensitivity of the model is performed to gain an understanding of the volatility of the underlying business. Sensitivity testing of the model is not only limited to stochastic simulations, e.g. Bootstrapping. It also considers model uncertainty, which includes scenario testing, consideration of the result of ranges coming from different models and back-testing to monitor the

change in estimates due to additional information. Stochastic simulations are used to estimate uncertainty in future claims development based on the selected best estimate liabilities. If the internal risk model is applied, the approach that is defined under the internal model framework is followed. Allowance for model uncertainty in the valuation process produces different point estimates. This is achieved by considering the results from the application of different methods, i.e., paid, incurred or frequency/severity, because different methods credit the importance of certain information over others. Scenario testing is the variation of specific underlying assumptions within the methods, which are also used to derive a range of possible estimates. For example, scenario testing provides a good insight on the effects of inflation or binary events on reserve estimation. Back-testing validates the choice of previous selections and highlights the limitations in the accuracy of estimates over time. If the assumptions used in the range calculations mentioned above are reasonable, the outcome might contribute to the final decision regarding the ultimate reserve levels.

The assumptions for calculating the range are reasonable and realistic. They are also clearly explained to ensure the correct use of the results. Based on these ranges, sensitive assumptions or those with potentially material impact are particularly monitored. Based on this analysis there is a 1-in-4 chance of current reserves deteriorating by €68m and a 1-in 10 chance of current reserves deteriorating by €138m.

Actual versus expected analysis is done regularly to assess the reasonableness of the methodologies and parameter selections. This includes a reconciliation of the current and previous loss reserve valuations. All material deviations/differences are analysed between actual and expected experience. The same applies to changes in assumptions and methodology. These are investigated and satisfactorily explained. Expert judgment is included in the validation process.

A movement analysis is carried out between the current quarter and prior year-end. The purpose of the movement analysis is to provide an insight into the movement of reserves between two periods. The full movement reserves should reconcile to the balance sheet at the beginning and the end of the analysed period. Transparency of movements is generated by a breakdown into major contributors such as:

- payments made from reserves,
- new information relevant for reserve estimation,
- the change in judgment on reserve estimates,
- new business covered, and
- adjustments to the scope to match opening and ending reserves.

The scope of the movement analysis includes claims reserves and premium provision but not the RM.

D.2.3 Valuation differences between Solvency II and FRS 101

Although the wording for the definition of best estimate under FRS 101 and Solvency II is not identical, the same theoretical concepts and calculation methods are applied in the estimation process. Judgments with regard to model selection and calibration are also identical. Binary events under Solvency II, which are a form of scenario testing under FRS 101, are considered under both regimes.

In comparison with FRS 101, there are four additional aspects under Solvency II: Premium provisions, estimation of cash flow pattern, discounting with risk-free rates and RM. Separate calculations of these four individual aspects are required and shown in the Actuarial Report. This is also approved by the Actuarial Function for recording in the MVBS. The following table sets out differences between valuation for financial reporting and valuation for solvency purposes.

€'m **As of 31 December 2016**	**FRS 101**	**MVBS**	**Variance**
UPR (net of DAC) / Premium Provision	150.8	31.4	119.4
Claim Reserves / Provisions	748.6	731.1	17.5
Risk Margin	-	40.8	(40.8)
Net Technical provisions – non-life	899.4	803.3	96.1

Table 19: Valuation differences of technical provisions

The differences between the best estimate technical provisions valuation for Solvency purposes and the valuation in the financial statements can be split into the following drivers:

- Premium provisions - Under SII the premium provisions are equal to a best estimate of future cashflows in respect of unexpired exposures rather than the unearned proportion of written premium (UPR). Expected profits are immediately recognised which is not the case under FRS 101 (UPR) methodology.
- Deferred acquisition costs – Under SII DAC are no longer recognised as an asset.
- Future premium – Under SII future premiums are treated as a technical reserve but under FRS 101 future premiums are treated as a non-technical provision.
- There is an explicit RM in Solvency II allowing for the cost of capital. There is an additional management margin under FRS 101, but this is considered part of the best estimate and therefore included within the Claim Provisions for MVBS.
- The remaining difference is immaterial and related to discounting.

D.2.4 Reinsurance recoverables

€'m **As at 31 December 2016**	**FRS 101**	**Reclassification Adjustments**	**Solvency II Valuation Adjustments**	**Solvency II Values**
TP calculated as a whole	-	-	-	-
Best estimate	386.9	(6.2)	(10.4)	370.3
Technical provisions – non-life (excluding health)	384.7	(6.2)	(10.7)	367.8
TP calculated as a whole	-	-	-	-
Best estimate	384.7	(6.2)	(10.7)	367.8
Technical provisions - health (similar to non-life)	2.2	-	0.3	2.5
Technical provisions – non-life	386.9	(6.2)	(10.4)	370.3

Table 20: Non-life – Reinsurance recoverables according to MVBS

The amounts recoverable from reinsurance contracts are calculated consistently with the boundaries of the underlying insurance or reinsurance contracts to which they relate.

The calculation of reinsurance recoverables leads either to the recognition of reinsurance recoverables calculated as the best estimate for the reinsurance recoverable. No RM is reported in the section of the reinsurance recoverable as the RM recognised within the technical provisions is already net of reinsurance. In addition, a credit default adjustment (CDA) is calculated.

The time difference between recoveries and direct payments is taken into account when calculating the reinsurance recoverables. For the purpose of calculating the amounts recoverable from reinsurance contracts, the cash-flows shall only include payments in relation to compensation of insurance events and unsettled insurance claims.

Cash in-flows include at least:

- recoverables from reinsurance contracts and recoverables for related expenses, and
- reinsurance commission and profit participation as specified in individual reinsurance contracts.

Cash out-flows include at least:

- future premiums / adjustment premiums for reinsurance contracts , and
- interest on reinsurance deposits.

The result from the calculation of reinsurance recoverables is adjusted to take into account the expected losses due to default of the counterparty. This adjustment shall be based on an assessment of the probability of default of the counterparty and the average loss resulting therefrom (loss-given-default).

D.2.5 Actuarial methodologies and assumptions

D.2.5.1 Proportionality

The Actuarial Function ensures that the technical provisions are determined by using data, assumptions and methods that are proportionate to the risk profile of the Company, taking into account the nature, scale and complexity of the risks. The principle of proportionality means that the Company is allowed to choose and apply a valuation method which is:

- suitable to achieve the objective of deriving BEL, but
- not more sophisticated than is needed in order to reach this objective.

This does not mean size is the only relevant factor when the principle of proportionality is considered. Instead, the Company's risk profile is the primary guide in assessing the need to apply the proportionality principle.

D.2.5.2 Materiality

Each Actuarial Function establishes a level of materiality concept appropriate for reserving and consistent for the purposes of using it under FRS 101 and Solvency II in the MVBS, which enables informed decisions on each aspect of the reserving process in assessing the potential for a material misstatement of technical provisions. Therefore, the concept of materiality is applied to the scope definition, valuation method, reserving assumptions and data quality. Levels of materiality are different from Company to Company and on OE or the Group level. However, it is aligned with the materiality concept of the overall closing framework to achieve consistency within the Company, the OE and the Group.

D.2.5.3 Risk Margin (RM)

The RM is calculated on the basis of the formula provided by EIOPA, where it is defined as the cost of capital rate times the sum of discounted Solvency Capital Requirements (SCR) using the risk-free rate

for the respective maturity. The Company calculates the SCR using the Allianz internal model base the calculation of the RM on the internal model SCR. Diversification between lines of business is taken into account. The required cost of capital rate for the RM calculation is based on the EIOPA definition.

D.2.5.4 Simplifications

D.2.5.4.1 Expert judgment

Valuation of technical provisions is a process which requires expert judgment in a number of areas, for example, regarding the credibility assigned to historical data, the extent to which reliance should be placed on prospective models and the requirement to consider uncertainty in the estimation. Regardless of the technique, judgment is required in making additions or adjustments to the estimates to allow for circumstances not included in the history that need to be incorporated in the BEL (for example binary events). Hence, expert judgment is not dissociated from any task performed by the Actuarial Function. Its role is expressed in complementing the statistical analysis performed, in the interpretation of the results and in the identification of a solution in the presence of shortcomings. As part of the analysis, the actuary shows the appropriateness of the expert judgment to avoid biased estimates that either over- or underestimate the true underlying risk. However, expert judgment is not applied in isolation unless there is no reliable alternative, for example because of a scarcity of relevant data. Where an assumption depends on expert judgment, this shall be applied by person(s) with the relevant knowledge, understanding and comprehension of the subject.

D.2.5.4.2 Counterparty default adjustment

In our calculation, we are considering the risk-mitigation effect of reinsurance even though the risk of the counterparties' default remains. This is considered separately and an adjustment is made to the reinsurance recoveries accordingly. Based on the former calculation, the Counterparty default adjustment is small compared to the amount of ceded reserves. Taking proportionality and materiality into consideration, the following simplifications (not material) are used with regard to the granularity of the calculation:

- Although, the Counterparty default adjustment needs to be calculated based on the discounted best estimate liabilities, the simplification is to calculate the nominal best estimate without discounting, depending on the size of the Counterparty default adjustment. This approach is then considered to be conservative in a normal interest rate environment.
- It is usually necessary to perform the calculation by counterparties, reserving segments and accident years. However, simplification can be applied by calculating on an aggregated level, e.g. by counterparties with the same probability of default, segments or accident years can be combined in one calculation. If an aggregated amount is calculated, it can be split into the appropriate segments at a later stage to meet reporting requirements.

D.2.5.5 Methods

The methods used are appropriate for the nature and complexity of the risks. Some aspects (but not limited to) that are considered are as follow:

- the type of business being valued,
- the maturity of the business,

- the Company's environment,
- relevant industry practice, and
- the particular circumstances of the OE

In the analysis of the claim experience, the following aspects (but not limited to) are considered:

- claim frequency,
- claim severity,
- pattern of claim occurrence (or seasonality),
- development of reporting of claims,
- development of claim settlement or finalisation,
- development of claim payments,
- development of incurred losses,
- incidence and development of large claims, and
- potential impact of catastrophes.

Diagnostics are also used to help identify potential trends and/or anomalies in the data:

- closed claim count/reported claim count,
- paid loss/incurred loss,
- paid loss/closed claim count,
- incurred loss/reported claim count,
- outstanding case reserves/open claim count,
- incurred loss/earned premium,
- residual plots (a comparison of actual data values versus predicted data values), and
- average premium rates.

D.2.5.6 Estimation in special cases

The section above might not be applicable for special types of business or claims where standard methods are not appropriate. Hence, alternative methodologies tailored to the individual characteristics are considered. When such alternative methodologies are employed, the rationale for the selected approach, methodology, potential validation and back testing are documented. Binary events and qualitative adjustments are examples where such documentation is requested.

In the following sections some unique characteristics of the special types of business/claims are explained:

D.2.5.6.1 Asbestos and other latent claims

Due to the long latency of asbestos claims, methods projecting the future cost of claims based on the triangulation of reported claims and claim payments to date do not yield reasonable results. There are a number of different methodologies that are common to model this claim type including exposure based models and industry aggregate claims models.

D.2.5.6.2 Discounting and cash flow of technical provisions

To evaluate the market value of technical provisions, cash flow patterns, discounted loss and premium provisions and risk margins have to be calculated. The estimates of technical provisions for the MVBS and best estimate used in the risk capital model have to be consistent. Therefore, identical cash flow patterns and risk-free yield curves are used. For cash flow projections the in-coming and out-going cash flows (including expenses) required to settle the insurance obligations

have to be considered. It is necessary to consider the currency of the cash flows unless the concept of proportionality applies. If benchmarks for cash flow patterns are used, the time lags in the patterns between direct, assumed and ceded (especially non-proportional) business are taken into account. The estimate of a market value requires discounting. For discounting the relevant interest rate for the term is used. To avoid inconsistencies, the yield curves (floored) are taken from one single source.

The unwinding of discount is considered. As discounting is applied to future cash payments to arrive at a present value for the technical provisions, it becomes necessary to unwind that discount for each successive period to arrive at the undiscounted value at the date of payment.

The table below shows the impact of the Volatility Adjustment (VA) on the TPs, Own Funds, SCR and MCR of the Company as at year-end 2016. Please refer to QRT 22.01.21 for further details.

YE 2016 (€m)	**Base Value**	**Impact of Zero VA**
Technical Provisions	803.3	4.4
Own Funds	323.5	(3.9)
Solvency Capital Requirement	221.4	13.1
Minimum Capital Requirement	99.6	2.7

Table 21: Impact of the Volatility Adjustment

The Company applies the VA according to Article 77d of the Solvency II Directive 2009/138/EC. A reduction of the VA to zero would still result in a coverage ratio in excess of the Board-approved risk appetite amber threshold of 120%.

The approach to the VA as at year-end 2016 is that it increases the yield curves used in the Internal Model, with the benefit of this being offset against credit spread risk capital for both P&C and pension assets. At Q4 2016, the VA offset that is applied to pension assets has been significantly reduced relative to previous quarters as a result of the ETV programme, and this has reduced the impact of the VA on the SCR.

Please note that, from Q1 2017 onwards, the impact of the VA on the SCR will be further reduced. This is due to the central Pensions IAS19 model change which takes effect from the Q1 2017 internal model run onwards. One of the key outcomes of this model change is that pension liabilities will be subject to spread risk and the VA offset will no longer be applied to pension assets. From Q1 2017 onwards, the VA offset will only apply to P&C assets, and the impact of this is expected to be very low.

D.3 Other Liabilities

€'m	FRS 101	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Values
23. Contingent liabilities	-	-	-	-
24. Provisions other than technical provisions	4.7	-	-	4.7
25. Pension benefit obligations	-	-	-	-
26. Deposits from reinsurers	296.2	-	19.2	315.4
27. Deferred tax liabilities	-	-	-	-
28. Derivatives	-	-	-	-
29. Debts owed to credit institutions	-	14.2	-	14.2
30. Financial liabilities other than debts owed to credit institutions	-	-	-	-
31. Insurance & intermediaries payables	19.0	(14.8)	-	4.2
32. Reinsurance payables	8.5	(6.3)	-	2.2
33. Payables (trade, not insurance)	5.8	-	(3.1)	2.7
34.1 Subordinated liabilities not in BOF	-	-	-	-
34.2 Subordinated liabilities in BOF	-	-	-	-
35. Any other liabilities, not elsewhere shown	63.2	-	-	63.2
Total other liabilities	397.4	(6.9)	16.1	406.6

Table 22: Comparison of MVBS and FRS 101 balance sheet - Liabilities

D.3.1 Contingent liabilities

The Company does not have any current contingent liabilities. Contingent liabilities are measured at the expected present value of future cash flows required to settle the contingent liability over the lifetime of that contingent liability using the basic risk-free interest rate term structure. Under FRS 101, contingent liabilities are not recognised in the balance sheet but are disclosed with their best estimate in the notes according to IAS 37. Contingent liabilities are recognised in the MVBS if they are material.

D.3.2 Provisions other than technical provisions

These provisions refer to liabilities of uncertain timing and amount. They include, e.g., staff-related provisions, provisions for stock-based compensation, and provisions for legal expenses. The provisions are valued at nominal value and this is considered to be a good proxy for fair value. Therefore, there are no material differences between FRS 101 and MVBS values.

D.3.3 Deposits from reinsurers

Deposits received from reinsurers represent the collateral contractually withheld by the Company from its reinsurers and represents their share of the Companies technical liabilities. For FRS 101 these deposits are measured at their repayment amount. For MVBS the deposits are revalued to their market value. A valuation difference is noted for Solvency II due to the contract terms of the underlying reinsurance agreement.

D.3.4 Deferred tax liabilities

Deferred tax liabilities (DTL) are the amounts of corporation tax payable in future periods with respect to taxable temporary differences.

The net DTL is nil after offsetting to DTA. Refer to Section D.1.4.

D.3.5 Derivatives

Derivatives are financial instruments that have values based on the expected future price movements of the assets to which they are linked. Derivatives with negative values are reported on

the liability side. Derivatives are measured at fair value according to IAS 39 without taking into account adjustments for own credit standing. There is no liability for derivatives in FRS 101 or MVBS. Refer to Section D.1.7 for the derivative classified as an asset.

D.3.6 Debts owed to credit institutions

Debts owed to credit institutions are liabilities to banks, the carrying amount is considered to be a reasonable estimate of the fair value.

There is no valuation difference between FRS 101 and MVBS values as the respective assets are measured at their nominal values. Bank accounts showing a bank overdraft position of €14.2m have been reclassified to Item 17. Cash and cash equivalents.

D.3.7 Financial liabilities other than debts owed to credit institutions

Financial liabilities other than debts owed to credit institutions do not apply to the Company.

D.3.8 Insurance and intermediaries payables

Insurance and intermediaries payables refer to amounts due to policyholders, insurers and others participating in the insurance business, but are not technical provisions. They include amounts past-due to (re)insurance intermediaries (e.g. commissions due to intermediaries but not yet paid) and excludes loans and mortgages due to insurance companies, if they are not linked to insurance business but are only related to financing (and are, therefore, included in financial liabilities). They are generally measured at their nominal amount, without taking account of subsequent changes to own credit standing. The nominal value is considered as a good proxy for the fair value within the materiality and proportionality principles.

The difference relates to the recognition of commissions that are already included in the payables under FRS 101 while they are recognised within technical provisions in the MVBS.

D.3.9 Reinsurance payables

Reinsurance payables are amounts payable, due to reinsurers other than deposits that are linked to the reinsurance business, but that are not included in reinsurance recoverables. They include payables to reinsurers that relate to ceded premiums. They are measured at their nominal amount without taking account of subsequent changes to own credit standing. The nominal value is considered as a good proxy for the fair value within the materiality and proportionality principles.

Reinsurance payables are measured at the amount due, which represents the amount expected to be paid. As these are liabilities there is no allowance made for own credit standing.

The difference mainly relates to the recognition of certain premiums that are already included in the payables under FRS 101 while they are recognised within technical provisions in the MVBS.

D.3.10 Payables (trade, not insurance)

Payables (trade, not insurance) include the total amount of trade payables, including amounts due to employees, suppliers, etc. and are not insurance-related. Payables are generally recognised with their settlement amount under FRS 101 which is also considered to be the market value. There is a revaluation difference between FRS 101 and MVBS relating to the write off of deferred income.

D.3.11 Subordinated liabilities

Subordinated liabilities are not applicable to the Company.

D.3.12 Any other liabilities, not elsewhere shown

Any other liabilities, not elsewhere shown include any liabilities that are not included in the other balance sheet items. They are generally measured at their nominal amount, without taking account of subsequent changes to own credit standing. The nominal value is considered as a good proxy for the fair value within the materiality and proportionality principles.

There is no difference between FRS 101 and MVBS.

D.4 Alternative methods for valuation

Information on alternative methods for valuation is provided under the description of the MVBS line items respectively.

D.5 Any other information

All important information regarding the valuation of its assets, technical provisions and other liabilities for solvency purposes is addressed in the above sections.

E. Capital Management

E.1 Own funds

E.1.1 Objectives, policies and process for managing own funds

Capital is a key resource for the Company and is used to support the business in achieving its corporate objectives. It is a key part in determining the Company's risk strategy and defining the risk appetite regarding risk bearing capacity of the business. The Company Capital Management policy describes the set of activities undertaken by the Company to ensure that appropriate capitalisation is maintained to achieve the corporate objectives.

The Board bears the overall responsibility for capital management and is responsible for the Capital Management Policy and the related Risk Appetite Framework.

Any capital repatriation recommendations (e.g. dividends) are proposed by management to the Board of Directors within the framework set out within the Company's Capital Management Policy. The Board of Directors has the final say on any capital repatriation decisions.

The current liquidity plan and solvency projections reflect all planned changes in own funds for the next 3 years. There were no material changes over the reporting period with regards to objectives, policies and processes employed by the Company for managing its Own Funds.

E.1.2 Structure amount and quality of Own Funds

The classification into tiers follows the criteria set out in articles 93 to 96 of the Solvency II Directive 2009/138/EC as well as in articles 69 to 78 of the Solvency II Delegated Regulation: Ordinary share capital (paid-in), share premium related to ordinary share capital, surplus funds and the reconciliation reserve are classified as Tier 1 unrestricted Own Funds, the amount equal to the value of net deferred tax assets is classified as Tier 3 Own Funds as detailed in QRT S.23.01.01.

The Basic Own Funds amount to €323.5m and consist of €316.4m Tier 1 unrestricted Own Funds and €7.1m Tier 3 Own Funds. Tier 1 unrestricted Own Funds relate to fully paid in share capital of €31.3m along with share premium of €0.5m, the reconciliation reserve amounting to €274.2m and Other own fund items approved by supervisory authority as basic own funds €10.4m. Tier 3 Basic Own Funds relate to an amount equal to the value of net deferred tax assets.

There are no ancillary own funds. The reconciliation reserve consists of retained earnings. The Company's Own Funds did not materially change from Day1 reporting 2016. There are no items deducted from own funds and no restrictions affecting the availability and transferability of the Company's own funds. The amount of basic own funds that is eligible to cover the SCR is €323.5m and €316.4m for the MCR. The following table provides details with regard to the individual Basic Own Funds items and the respective classification into tiers:

In €'m as at 31 Dec 2016	**Total**	**Tier 1 unrestricted**	**Tier 2**	**Tier 3**
Ordinary share capital (gross of own shares)	31.3	31.3	-	-
Share premium account related to ordinary share capital	0.5	0.5	-	-
Reconciliation reserve (solo)	274.2	274.2	-	-
An amount equal to the value of net deferred tax assets	7.1	-	-	7.1
Other own fund items approved by the supervisory authority as basic own funds not specified above	10.4	10.4	-	-
Total basic own funds after adjustments (solo)	**323.5**	**316.4**	-	**7.1**

Table 23: Classification of Own Funds

No items of the Company's basic own funds are subject to the transitional arrangements referred to in Article 308b (9) and (10) of Directive 2009/138/EC.

E.1.3 Reconciliation between FRS 101 (Statutory accounts) and MVBS excess assets over liabilities

The €25m difference between FRS101 equity and MVBS Own Funds is attributable to four key items:

1. FRS 101 balance sheet items that are not recognised in the MVBS (e.g. DAC) and MVBS items that are not recognised in FRS 101 (e.g. risk margin and discounting).
2. Revaluation to fair value of assets and liabilities that are valued at amortised cost under FRS 101 (such as tangible assets).
3. Differences in recognition and valuation of technical provisions, reinsurance recoverables and deposits from reinsurers.
4. Deferred taxes on the above mentioned balance sheet differences.

The following table reconciles the FRS 101 equity to MVBS Own Funds.

As at 31 December 2016	**€'m**	**€'m**
FRS 101 Equity		**348.5**
Gross Deferred Acquisition Costs	(49.5)	
Reinsurance Deferred Acquistion Costs	20.2	
Net Deferred Acquisition Costs		(29.3)
Deposits from reinsurers		(18.9)
Gross Technical Provisions	62.1	
Reinsurance Technical Provisions	(9.6)	
Net Technical Provisions		52.5
Margin		(40.8)
Discounting		10.0
Other Asset Revaluations	(5.4)	
Other Liability Revaluations	3.1	
Total Revaluations		(2.3)
Deferred Tax		3.8
MVBS Own Funds		**323.5**

Table 24: Reconciliation FRS 101 to MVBS

The line-by-line description of the differences between FRS 101 and MVBS can be found in the respective sections of Section D of this report.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Determination of SCR and MCR

When determining the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR), the Company uses results derived from the Allianz Internal Model.

E.2.2 Values of the SCR and MCR

The SCR at the 31st of December 2016 amounts to €221m, and the MCR amounts to €100m.

A split of the SCR by the different risk categories modelled by the internal model is shown in the following table:

Risk Category	SCR at 31/12/2016 in EUR (€m)
Market Risk	144
Insurance Risk	219
Longevity Risk	59
Business Risk	5
Credit Risk	36
Operational Risk	24
Sum of standalone risks	**487**
Diversification impact	(264)
Loss absorbing capacity of deferred taxes	(2)
Capital add-on	N/A
SCR	**221**

Table 25: SCR split by risk category

While the SCR in Table 25 above is consistent with QRT S.25.03.21, please note that there are differences in the levels of risk capital within each risk category and the diversification benefit. This is due to the fact that Table 25 is based on standalone risk capital whereas QRT S.25.03.21 applies diversification within each risk category, e.g. it allows for diversification between the various types of market risk. Also, Table 25 presents longevity risk explicitly whereas it is integrated into Underwriting Risk in QRT S.25.03.21.

E.2.3 Inputs used for the MCR calculation

The calculation of the MCR which can be seen in QRT S.28.01.01, follows the methodology described in the Solvency II regulation and uses, for example, the SCR as an input parameter for determining the possible range for the MCR. Accordingly, the changes in the MCR are explained by reference to the analysis of the SCR movements.

E.2.4 Material Changes to the SCR or MCR over the reporting period

The SCR reduced from YE 2015 to YE 2016. The main driver for the reduction was the ETV which reduced the pension liabilities and the increase in Quota share to 50% which reduced insurance risk. The MCR increased from Day1 reported primarily related to the increase in gross technical provisions in the period.

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

The Company does not make use of the duration-based equity risk sub-module.

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

Internal Model Uses

The key areas in which the Internal Model is used within the Company are as follows:

- Calculation of SCR
- ORSA
- Business planning
- Monitoring and control of risk
- Decision-making.

These Internal Model uses and supporting analyses are reported to the relevant committees and senior management and, where appropriate, the Board. Senior management and the Board have sufficient familiarity with the Internal Model to challenge its outputs and ensure its ongoing appropriateness for use within the business. It is a fundamental element for risk based and forward-looking steering. Moreover, by using an internal model, the calculated risk capital better reflects the underlying business and is more appropriate compared to the standard formula approach of Solvency II. This section first describes the scope of the internal model and the underlying methodology followed by the methods used for the aggregation of risk categories and concluded by an overview of the differences between the internal model and the standard formula.

E.4.1 Scope of the internal model

The Internal Model covers all risk categories reflecting the Company's risk profile which are deemed quantifiable under Solvency II; it is in this respect, therefore, a full Internal Model. The pie chart below shows how total standalone risk capital at year-end 2016 is sub-divided between the different risk categories:

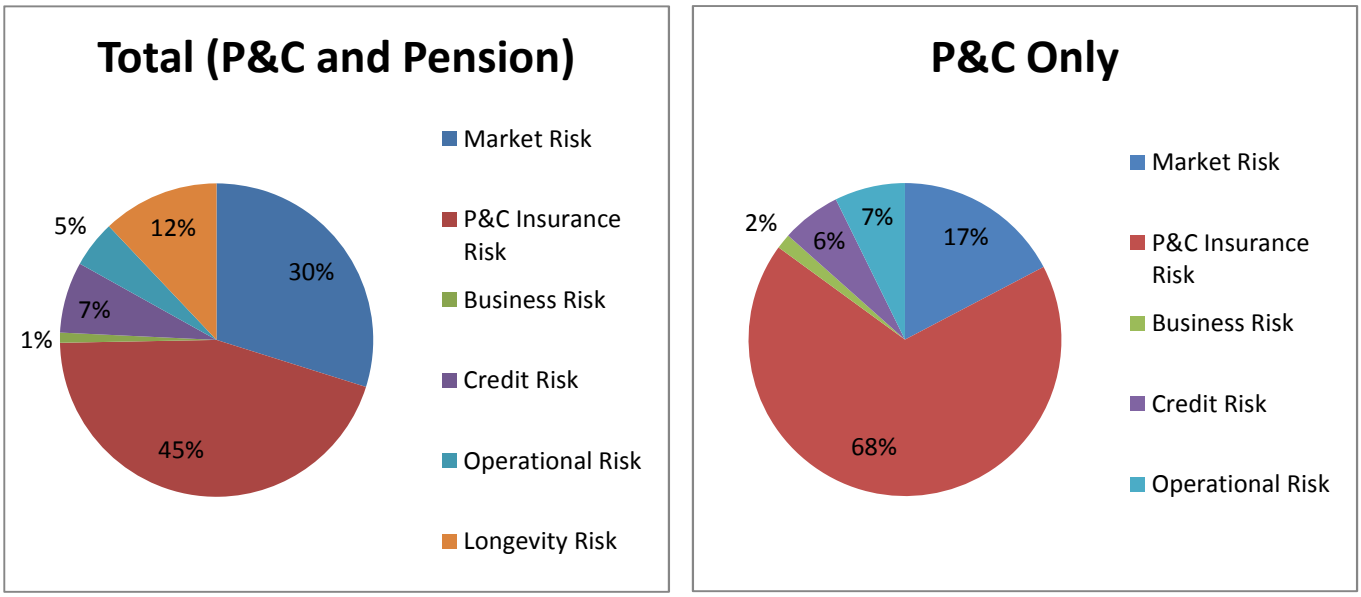

Table 26: Risk categories

As may be seen from the above, P&C insurance risk is the most significant risk category at year-end 2016, contributing 45% to the sum of standalone risk capital. At 30%, market risk is the second most significant risk category and this is largely driven by the assets held to match pension scheme liabilities. Longevity risk contributes 12% to the sum of standalone risk capital and this, again, arises from the pension scheme.

The following table provides an overview of the diversified risk capital (Solvency Capital Requirement, or "SCR"), own funds and solvency coverage ratio of the Company at year-ends 2015 and 2016:

€'m	YE 2015	YE 2016
SCR	259	221
Own Funds	337	324
Coverage Ratio	130%	146%

Table 27: Overview of diversified risk capital

The Board-approved risk appetite framework requires the Company to maintain a solvency coverage ratio above the risk appetite "amber" threshold of 120%; hence, the risk appetite coverage metric was green at both year-ends 2015 and 2016. The risk appetite metrics provide an early warning in relation to events that could threaten the ability of the Company to meet its corporate objectives and are reported to the Board on a quarterly basis. They also define a range of limits covering all risk categories, and any breaches of these limits require a remediation plan which must be approved by the RiCo.

No material risk has been transferred to special purpose vehicles and the Company has no material exposure arising from off-balance sheet positions.

Risk categories covered by the internal model are presented and explained in Section C.

E.4.2 Methodology underlying the internal model

Our internal risk capital model is based on a Value-at-Risk (VaR) approach using a Monte Carlo simulation. Starting point of the risk calculation is the market value balance sheet and the attribution of each position to the relevant risk categories. A bond for example will be contained in the respective market risk categories like interest rate, credit spread or currency risk as well as the credit risk category. Risk capital is defined as the change in economic value over the projected time period based on the underlying distribution assumptions for each risk factor. Where possible, the distributions are calibrated to market data or our own internal historical data e.g. for setting actuarial assumptions. In addition we consider recommendations from the insurance industry, supervisory authorities and actuarial associations.

Following this approach, we determine the maximum loss in the portfolio value of our businesses in the scope of the model within a specified timeframe ("holding period") and probability of occurrence ("confidence level"). The risk capital is computed as the 99.5%-VAR from the profit and loss distribution for a one year holding period, where in each scenario the change in economic value

is derived from the joint realisation of all risk factors. This 1-in-200 year event is modelled as an instantaneous loss shock for all balance sheet positions.

The internal model contains different risk categories, which can themselves be further subdivided into different risk types.

For each level, the internal model delivers risk figures on a standalone basis i.e. before diversification to other risk types or categories but also on an aggregated level taking diversification into account (see Section E.4.3 Aggregation of Risks). A more detailed description of each risk category can be found in Section C.

E.4.3 Aggregation of Risks

For the aggregation of risks we use an industry-standard approach, the Gaussian copula approach. The dependence structure between risks of the copula is given by a matrix of correlations. Where possible, we derive correlation parameters for each pair of market risks through statistical analysis of historical market data, considering quarterly observations over several years. In case historical market data or other portfolio-specific observations are insufficient or not available, correlations are set according to a well-defined, Group-wide process. Correlations are determined by the Correlation Settings Committee, which combines the expertise of risk and business experts. In general, we set the correlation parameters to represent the joint movement of risks under adverse conditions.

To calculate the diversified risk capital, the change in economic value is determined for the 1-in-200 year event based on the joint realisation of risks based on the methodology described in the previous section.

E.4.4 Main differences per risk module between the internal model and the standard formula

A fundamental difference between the standard formula and internal model is that the standard formula uses factor-based shocks while the internal model derives the risk capital on the basis of simulating each risk driver (and its corresponding economic P&L impact) based on its assumed distribution and dependency to other risk drivers.

The following table provides an overview of differences between the standard formula and internal model by risk module:

Risk Module	Standard Formula (factor based approach)	Internal Model (stochastic simulation)
Equity	Three standardised equity shocks, depending on classification of equity investments ▪ 39% for equities listed in countries that are members of EEA or OECD (type 1) ▪ 49% for remaining equity-type investments, commodities, and alternative investments (type 2) ▪ Symmetric adjustment is applied to 39% and 49%, base shocks, depending on the relation between the current and the average historic market level ▪ Aggregation of equity shocks based on simplified correlation assumption of 0.75	Underlying distribution for each equity risk factor modeled is calibrated to market data ▪ 35% - 74% for modelled indices ▪ 10% - 80% for private equity, depending on risk classification ▪ Aggregation is based on correlations between different risk factors calibrated to market data
Interest rate	▪ Pre-defined up / down shocks as percentage change to the EIOPA risk-free rates varying by term to maturity from 20% to 75%. Minimum up-shock of 100bp ▪ Worst shock determines capital requirement	▪ Underlying distributions of interest-rate term nodes are calibrated to market data for each interest rate curve modeled ▪ Various changes in the yield curve considered, such as twists
Property	▪ 25% for all properties	▪ Country/sector-specific real-estate indices with shocks ranging from 19% - 33%
Spread	Spread risk is subdivided into three categories for bonds and loans, securitisations, and credit derivatives. Shock impacts are calculated using a pre-defined methodology for each category, and summed up to obtain the overall spread module figure. ▪ For bonds, loans, and securitisations, shock factors depend on the respective modified duration and credit rating. No spread risk on certain bonds and loans (e.g. EEA sovereign bonds) denominated and funded in domestic currency ▪ Credit derivatives: shock factors for an increase in spreads depend on the credit rating of the underlying. Down-shock of 75% for all ratings	Modeling of various spreads differentiated by, e.g., sector, rating, country/region. The underlying distribution of each spread modeled is calibrated to market data. Main differences: ▪ EEA sovereign bonds, AAA and AA rated non-EEA sovereign bonds, supranational bonds, and mortgage loans on residential property are not exempt from spread risk ▪ Shocks which under the internal model are calibrated for securitisations are lower than those in the standard formula, which can be as high as 100% ▪ Aggregation based on correlations between modelled spreads, calibrated to market data.

Currency	▪ +/- 25% for each currency, except for currencies pegged to the EUR ▪ Worst-case scenario is selected for each currency ▪ No diversification/netting of cross currencies	▪ -19% - 34% for different currencies vs. EUR
Concentration	▪ Formula based on exposure, rating, and total assets held	▪ Implicitly covered in the credit risk models and via diversification in market risk modules
Credit risk / counterparty default risk	Scope: Limited to specific exposure types ▪ Type 1: Mainly reinsurance arrangements, derivatives, cash at bank, deposits with ceding undertakings, and commitments ▪ Type 2: Mainly receivables, policyholder debtors, retail mortgage loans ▪ Counterparty default risk module does not contain bond portfolio and credit insurance ▪ Methodology: Closed-formula approach to determine, for exposures in scope of the module, possible losses resulting from unexpected counterparty default ▪ Parameters: Assigned according to Delegated Regulation (e.g. PDs, LGDs). PDs predominantly based on ratings from external rating agencies	▪ Scope: Much broader scope including ▪ Investment portfolio: Fixed-income investments (e.g. bonds, loans, mortgages), cash positions, derivatives, securities lending and structured transactions, receivables, off-balance guarantees, and commitments ▪ Reinsurance exposures ▪ Credit insurance exposures ▪ Methodology: Portolio model based on Monte Carlo simulation and covering default and migration risk. Loss distribution is determined by taking into account interdependencies and exposure concentrations ▪ Parameters: Mostly estimated using empirical market data over a long-term horizon (e.g. PDs, LGDs). Ratings derived via an internal rating approach based on agency ratings enhanced by an internal assessment
Underwriting risk life and health	▪ Longevity risk: Not included in the standard formula	▪ Longevity risk: Modified Lee-Carter model

Underwriting risk for non-life & health (not similar to life technics)	**Premium and reserve risk**	In the standard formula, a factor-based approach is used to estimate the combined premium and reserve risk: ▪ Standard volatility factors (market averages) by SII line of business are applied to different volume measures, such as net earned premiums and net claim reserves ▪ In a linear correlation approach, values are aggregated over lines of business and risk modules using pre-defined correlations ▪ Different submodules for Non-life and Health NSLT SII lines of business ▪ Allowance for geographical diversification based on 18 regions	In the Internal model, premium NonCat and reserve risk is modeled individually: ▪ Actuarial models are fitted to local company-specific data, leading to a much better reflection of a company's individual risk profile ▪ Standard actuarial techniques such as frequency /severity modeling and bootstrapping are used ▪ The granularity of the modelling is more detailed than SII line of business and in line with the risk profile observed in the companies ▪ Reinsurance application for premium risk is much more advanced in the internal model, as single large losses are modeled separately and non-proportional reinsurance contracts can be applied ▪ The aggregation method used is based on a Gaussian copula.
	Catastrophe Risk	▪ Catastrophe risk is split in 4 modules: Natural Catastrophe, Non-proportional property reinsurance, Man Made, Other ▪ Standardised shock scenarios are applied as specified by the delegated Acts ▪ The 1-in-200-year-loss Natural Catastrophe is largely based on shocked sums insured and gross premiums. Reinsurance is applied based on the consideration of single events. Separate approach for Health Catastrophe risk (Mass Accident, Accident Concentration and Pandemic modules)	▪ Natural Catastrophe risk is based on probabilistic models, which use special modeling techniques to combine portfolio data (such as the geographic distribution and characteristics of insured objects and their values) with simulated natural disaster scenarios to estimate the magnitude and frequency of potential losses ▪ Man-made risk is modeled together with Premium NonCat risk ▪ Reinsurance can be reflected, e.g. single event losses are simulated and mitigated with the respective reinsurance arrangement, if applicable
	Business risk	Only lapse risk is considered with focus on deterioration of future earnings	Both the lapse and the cost risk are explicitly modeled with a focus on cost coverage

Loss absorbing capacity of tax	The adjustment is equal to the change in value of deferred taxes that results from an instantaneous loss of an amount equal to the basic solvency capital requirement plus capital requirement for operational risk plus adjustment for the loss absorbing capacity of technical provisions. Under the standard formula, only the corporate tax rate is considered	The tax relief on risk capital is based on tax rates applied to the overall market-value balance sheet shock in the 99.5-quantile scenario, capped by the level of net deferred tax liabilities plus loss carryback capacity. Within the IM framework, a separate tax rate for equities is considered in addition to the corporate tax rate
Intangible asset risk	80% of intangible assets recognised	Intangible asset risk is not covered by the internal model
Operational Risk	▪ Factor-based approach based on earned premium amount and technical provisions	▪ Scenario-based risk modeling approach ▪ Risk identification within each entity ▪ Aggregation of operational risks based on loss frequency and loss severity distributions
Aggregation	▪ Simple correlation approach with pre-defined correlations between risk modules	▪ Aggregation based on Correlation matrix calibrated where possible to available market data or based on expert judgment in case no or limited data is available. ▪ Aggregation model (Copula Approach)

Table 28: Overview of differences between the standard formula and internal model by risk module

For underwriting risk Non-Life, the difference with respect to the risks covered by the internal model compared to the standard formula is very limited. The main categories are reflected in both models, and there is no material risk covered by the standard formula that is not covered by the internal model.

In the standard formula, the mandatory Fire Cat scenario requires the maximum concentration of property risk within a 200m radius to be assessed on a sums insured basis. This is considered by the Company to be far more remote than a 1-in-200 year scenario, as a man-made catastrophe event would have to occur in the exact area that our concentrations are based and cause a complete loss to all properties. The Company is satisfied that the Internal Model gives an appropriate reflection of fire catastrophe losses, and to its risk profile as a whole.

The credit risk module of the internal model, in contrast to the counterparty default risk module of the standard formula, covers the entire bond and loan portfolio and also credit insurance exposures. This approach allows us to model diversification and concentration effects across all credit risk-bearing exposures.

The market risk module of the internal model strongly benefits from diversification benefits within and across sub-modules. This drives a lower credit spread risk capital in the internal model as compared to the standard formula.

Operational risk capital for the standard formula is calculated on a factor-based approach, where the underlying economic risk profile is only partly reflected. The internal model calculation of the

operational risk capital is based on our operational risk management framework (described in Section C3.5), which in contrast leads to an adequate coverage of the underlying risks.

E.4.5 Nature and appropriateness of data

Various sources of data are used as input for the internal model and for the calibration of parameters. See previous sections. Where reasonable, the input data is identical to the data used for other purposes, for example for local GAAP (FRS101). The appropriateness of this data is regularly verified internally and by external auditors.

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

The Company complied with the Minimum Capital Requirement and the Solvency Capital Requirement for year end 2016.

E.6 Any other information

All important information regarding the capital management of the undertaking is addressed in the above sections.

F. Glossary

AIM Allianz Investment Management
AMOS Allianz Management Operating Services
ASMG Allianz Standards for Model Governance
ASORM Allianz Standards for Operational Risk Management
BaFIN Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority)
BCM Business Continuity Management
BEL Best Estimate Liability
CBI Central Bank of Ireland
CF Controlled Functions
CRisP Credit Risk Platform
ECB European Central Bank
EIOPA European Insurance & Occupational Pensions Authority
ELCA Entity Level Controls Assessment
FICO Finance & Investment Committee
GAAP General Accepted Accounting Practice
ICOFR Internal Control of Financial Reporting
IMF International Monetary Fund
L&H Life & Health
LoB Line of Business
MVBS Market Value Balance Sheet
OE Operating Entity
OECD Organisation for Economic Co-operation and Development
ORGS Operation Risk Governance System
ORSA Own Risk & Solvency Assessment
P&C Property & Casualty
PCF Pre-approval Control Function
PFE Potential Future Exposures
PIMCO Pacific Management Investment Company
RAI Risk Analysis Infrastructure
RCSA Risk and Control Self-Assessment
RCSAG Risk & Control Self-Assessment Guideline
RiCo Risk Committee
RM Risk Margin
RMF Risk Management Framework
RTCS Risk Tolerance & Control Statements
SAA Strategic Asset Allocation
ScA Scenario Analysis
SCR Solvency Capital Requirement
TP Technical Provisions
TRA Top Risk Assessment
UPR Unearned Premium Reserve

G. References

Allianz Group, "Allianz Code of Conduct for Business Ethics and Compliance", 2005;
Allianz Group, "Allianz Standard for Operational Risk Management", 2014;
Allianz Group, "Allianz Standard for Model Governance," 2014;
Allianz Group, "Allianz Standard for Business Continuity Management", 2013;
Allianz Group, "Allianz Standard for Credit Risk Management", 2014;
Allianz Group, "Allianz Standard for Information Security (ASIS)", 2013;
Allianz Group, "Allianz Standard for Data Protection and Privacy", 2013;
Allianz Group, "Allianz Standard for P&C Underwriting", 2014;
Allianz Group, "Credit Risk Modeling Framework", 2012;
Allianz Group, "ICOFR P&P Manual", 2011;
Allianz Group, "Hedging for Life Insurance with Fair Value Options", 2012;
Allianz Group, "Minimum Standards for New Financial Instrument Implementation", 2011;
Allianz Group, "Minimum Standards for Reputational Risk and Issue Management", 2014;
Allianz Group, "Minimum Standards for Top Risk Assessment", 2013;
Allianz Group, "Operational Risk Event Capture Guideline", 2014;
Allianz Group, "Operational Risk and Control Self-Assessment Guideline", 2014;

Allianz plc, "Risk Management Framework", 2016;
Allianz plc, "Actuarial Policy", 2016;
Allianz plc, "Actuarial Function Terms of Reference", 2016;
Allianz plc, "Internal Audit Policy", 2016;
Allianz plc, "Capital Management Policy", 2017;
Allianz plc, "Minimum Competency Code and Fitness and Probity Policy", 2016;
Allianz plc, "Compliance Policy", 2017;
Allianz plc, "Finance Committee Terms of Reference", 2016;
Allianz plc, "Outsourcing Policy", 2016;
Allianz plc, "Reserve Committee Terms of Reference", 2016;
Allianz plc, "Reserving Policy", 2016;
Allianz plc, "Operational Risk Strategy and Policy", 2016;
Allianz plc, "Risk Committee Terms of Reference", 2016;
Allianz plc, "Risk Management Policy", 2016;
Allianz plc, "Internal Control System", 2016;
Allianz plc, "Underwriting Risk Strategy & Policy," 2016;
Allianz plc, "Liquidity Risk Strategy & Policy," 2016;
Allianz plc, "Credit Risk Strategy & Policy," 2016;
Allianz plc, "Market Risk Strategy & Policy," 2016;

Central Bank of Ireland, "Central Bank Reform Act", 2010;
Central Bank of Ireland, "Corporate Governance Code for Credit Institutions and Insurance Undertakings", 2013;
Central Bank of Ireland, "Guidelines on Preparing for Solvency II - Submission of Information", 2013;

European Insurance and Occupational Pensions Authority (EIOPA), "Guidelines on Submission of Information to National Competent Authorities (EIOPA-CP-13/010)", 2013;
European Parliament and European Council, "Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)", 2009

H. Annex: Quantitative Reporting Templates

This Annex lists the annual quantitative templates submitted to the CBI in respect of the year 31 December 2016.

The following templates are reproduced in this Annex:

Code	Template Name
S.02.01.02	Balance Sheet
S.05.01.02	Premiums, claims and expenses by line of business
S.05.02.01	Premiums, claims and expenses by country
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-Life Insurance Claims
S.22.01.21	Impact of long term guarantees and transitional measures
S.23.01.01	Own Funds
S.25.03.21	Solvency Capital Requirement - for undertakings on Full Internal Models
S.28.01.01	Minimum Capital Requirement – only life or non-life insurance or reinsurance activity

S.02.01.02 - Balance Sheet (1/2)

Assets		Solvency II value C0010
Intangible assets	R0030	
Deferred tax assets	R0040	7,126
Pension benefit surplus	R0050	5,130
Property, plant & equipment held for own use	R0060	-
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	1,385,527
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	-
Equities	R0100	-
Equities - listed	R0110	-
Equities - unlisted	R0120	-
Bonds	R0130	1,276,684
Government Bonds	R0140	585,976
Corporate Bonds	R0150	690,465
Structured notes	R0160	-
Collateralised securities	R0170	242
Collective Investments Undertakings	R0180	72,830
Derivatives	R0190	5,867
Deposits other than cash equivalents	R0200	30,147
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	70,390
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	70,390
Reinsurance recoverables from:	R0270	370,263
Non-life and health similar to non-life	R0280	370,263
Non-life excluding health	R0290	367,775
Health similar to non-life	R0300	2,488
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	13,853
Reinsurance receivables	R0370	19,941
Receivables (trade, not insurance)	R0380	16,174
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	15,367
Any other assets, not elsewhere shown	R0420	-
Total assets	R0500	1,903,772

S.02.01.02 - Balance Sheet (2/2)

Liabilities		Solvency II value C0010
Technical provisions - non-life	R0510	1,173,542
Technical provisions - non-life (excluding health)	R0520	1,164,315
TP calculated as a whole	R0530	-
Best Estimate	R0540	1,123,737
Risk margin	R0550	40,578
Technical provisions - health (similar to non-life)	R0560	9,226
TP calculated as a whole	R0570	-
Best Estimate	R0580	9,053
Risk margin	R0590	173
Technical provisions - life (excluding index-linked and unit-linked)	R0600	-
Technical provisions - health (similar to life)	R0610	-
TP calculated as a whole	R0620	-
Best Estimate	R0630	-
Risk margin	R0640	-
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	-
TP calculated as a whole	R0660	-
Best Estimate	R0670	-
Risk margin	R0680	-
Technical provisions - index-linked and unit-linked	R0690	-
TP calculated as a whole	R0700	-
Best Estimate	R0710	-
Risk margin	R0720	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	4,704
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	315,413
Deferred tax liabilities	R0780	-
Derivatives	R0790	-
Debts owed to credit institutions	R0800	14,244
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	4,246
Reinsurance payables	R0830	2,199
Payables (trade, not insurance)	R0840	2,694
Subordinated liabilities	R0850	-
Subordinated liabilities not in BOF	R0860	-
Subordinated liabilities in BOF	R0870	-
Any other liabilities, not elsewhere shown	R0880	63,227
Total liabilities	R0900	1,580,267
Excess of assets over liabilities	R1000	323,504

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

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)											Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110	4,523	0	0	253,903	49,915	10,893	170,179	98,959	245	0	0	0					588,621
Gross - Proportional reinsurance accepted	R0120	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Non-proportional reinsurance accepted	R0130																	
Reinsurers' share	R0140	2,262	0	0	109,966	21,597	6,069	95,419	47,501	187	0	0	0	0	0	0	0	283,002
Net	R0200	2,261	0	0	143,937	28,318	4,824	74,760	51,458	62	0	0	0	0	0	0	0	305,619
Premiums earned																		
Gross - Direct Business	R0210	4,509	0	0	222,466	43,829	11,338	167,130	98,707	415	0	0	0					548,198
Gross - Proportional reinsurance accepted	R0220	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Non-proportional reinsurance accepted	R0230																	
Reinsurers' share	R0240	1,622,848	0	0	80,800,311	15,803,679	5,077,497	75,326,538	37,808,564	289,182	0	0	0	0	0	0	0	216,507
Net	R0300	2,886	0	0	141,866	27,825	6,261	91,803	58,901	149	0	0	0	0	0	0	0	329,692
Claims incurred																		
Gross - Direct Business	R0310	5,782	0	0	203,156	40,029	1,557	67,183	88,547	-7,189	0	0	0					399,066
Gross - Proportional reinsurance accepted	R0320	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Non-proportional reinsurance accepted	R0330																	
Reinsurers' share	R0340	2,024	0	0	88,347	17,449	739	25,260	43,774	-5,037	0	0	0	0	0	0	0	172,556
Net	R0400	3,759	0	0	114,808	22,580	818	41,923	44,773	-2,132	0	0	0	0	0	0	0	226,530
Changes in other technical provisions																		
Gross - Direct Business	R0410	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Non-proportional reinsurance accepted	R0430																	
Reinsurers' share	R0440	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Expenses incurred	R0550	505	0	0	24,539	4,843	2,568	30,227	19,807	484	0	0	0	0	0	0	0	82,973
Other expenses	R1200																	
Total expenses	R1300																	82,973

S.05.02.01 - Premiums, claims and expenses by country

		Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - non-life obligations				
	R0010			(GB) United Kingdom				
		C0080	C0140	C0090	C0090	C0090	C0090	C0090
Premiums written								
Gross - Direct Business	R0110	490,502	588,497	97,995				
Gross - Proportional reinsurance accepted	R0120							
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140	233,045	282,959	49,914				
Net	R0200	257,457	305,538	48,081				
Premiums earned								
Gross - Direct Business	R0210	446,264	546,056	99,792				
Gross - Proportional reinsurance accepted	R0220							
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240	177,133	216,440	39,307				
Net	R0300	269,131	329,616	60,486				
Claims incurred								
Gross - Direct Business	R0310	300,028	399,094	99,066				
Gross - Proportional reinsurance accepted	R0320							
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340	122,919	172,038	49,120				
Net	R0400	177,109	227,055	49,946				
Changes in other technical provisions								
Gross - Direct Business	R0410							
Gross - Proportional reinsurance accepted	R0420							
Gross - Non-proportional reinsurance accepted	R0430							
Reinsurers' share	R0440							
Net	R0500							
Expenses incurred	R0550	57,757	81,295	23,538				
Other expenses	R1200							
Total expenses	R1300		81,295					

S.17.01.02 – Non-Life Technical Provisions (1/2)

		Direct business and accepted proportional reinsurance									Direct business and accepted proportional reinsurance		
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C011	C0120	C0130
Technical provisions calculated as a whole	R0010												
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	R0050												
Technical provisions calculated as a sum of BE and RM													
Best estimate													
Premium provisions													
Gross	R0060	2,680			49,572	9,800	- 695	6,275	16,859	941			3,557
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	887			25,508	5,178	707	12,326	11,560	461			976
Net Best Estimate of Premium Provisions	R0150	1,794			24,064	4,622	- 1,402	- 6,051	5,300	481			2,582
Claims provisions													
Gross	R0160	6,373			438,968	7,946	9,953	52,061	503,429	23,167			1,904
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	1,601			129,724	2,002	4,974	19,242	140,289	14,285			545
Net Best Estimate of Claims Provisions	R0250	4,772			309,244	5,944	4,979	32,819	363,139	8,882			1,359
Total Best estimate - gross	R0260	9,053			488,541	17,745	9,258	58,336	520,288	24,109			5,461
Total Best estimate - net	R0270	6,565			333,309	10,566	3,577	26,768	368,439	9,363			3,940
Risk margin	R0280	173			18,519	28	456	4,095	16,495	857			130
Amount of the transitional on Technical Provisions													
Technical Provisions calculated as a whole	R0290												
Best estimate	R0300												
Risk margin	R0310												
Technical provisions - total													
Technical provisions - total	R0320	9,226			507,059	17,773	9,714	62,431	536,782	24,965			5,590
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	2,488			155,232	7,180	5,681	31,568	151,849	14,745			1,520
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	6,739			351,828	10,593	4,033	30,863	384,933	10,220			4,070

S.17.01.02 – Non-Life Technical Provisions (2/2)

		Accepted non-proportional reinsurance				Total Non-Life obligation
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010					
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	R0050					
Technical provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross	R0060					88,990
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140					57,601
Net Best Estimate of Premium Provisions	R0150					31,389
Claims provisions						
Gross	R0160					1,043,800
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240					312,662
Net Best Estimate of Claims Provisions	R0250					731,138
Total Best estimate - gross	R0260					1,132,790
Total Best estimate - net	R0270					762,527
Risk margin	R0280					40,751
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	R0290					
Best estimate	R0300					
Risk margin	R0310					
Technical provisions - total						
Technical provisions - total	R0320					1,173,542
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330					370,263
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340					803,279

S.19.01.21 – Non-Life insurance claims information

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

		Development year											In Current year	Sum of years (cumulative)
	Year	0	1	2	3	4	5	6	7	8	9	10 & +		
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100											6,683	6,683	6,683
N-9	R0160	121,475	65,651	19,501	12,634	12,579	10,819	4,878	6,578	1,861	2,037		2,037	258,014
N-8	R0170	144,379	73,736	20,756	15,687	12,979	12,786	8,758	4,316	10,194			10,194	303,591
N-7	R0180	122,492	85,696	20,925	39,755	15,028	10,698	6,188	4,507				4,507	305,288
N-6	R0190	109,262	118,515	45,760	19,141	11,560	10,811	6,490					6,490	321,540
N-5	R0200	85,260	60,690	24,288	18,693	12,610	10,178						10,178	211,719
N-4	R0210	83,841	52,957	23,862	18,107	18,553							18,553	197,319
N-3	R0220	90,599	72,380	28,362	21,957								21,957	213,297
N-2	R0230	94,245	51,996	27,277									27,277	173,519
N-1	R0240	83,745	63,208										63,208	146,953
N	R0250	97,089											97,089	97,089
Total	R0260												268,172	2,235,012

		Development year											Year end (discounted data)
	Year	0	1	2	3	4	5	6	7	8	9	10 & +	
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100											179,455	176,965
N-9	R0160	-	-	-	-	-	-	-	-	-	10,295		10,150
N-8	R0170	-	-	-	-	-	-	-	-	15,708			15,538
N-7	R0180	-	-	-	-	-	-	-	19,560				19,358
N-6	R0190	-	-	-	-	-	-	35,655					35,277
N-5	R0200	-	-	-	-	-	36,553						36,140
N-4	R0210	-	-	-	-	52,407							51,859
N-3	R0220	-	-	-	74,808								74,090
N-2	R0230	-	-	140,303									139,127
N-1	R0240	-	201,928										200,246
N	R0250	286,994											285,049
Total	R0260												1,043,800

S.22.01.21 – Impact of long-term guarantees and transitional measures

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	803,279	-	-	4,439	-
Basic own funds	R0020	323,504			- 3,884	-
Eligible own funds to meet Solvency Capital Requirement	R0050	323,504			- 3,884	-
Solvency Capital Requirement	R0090	221,402	-	-	13,100	-
Eligible own funds to meet Minimum Capital Requirement	R0100	316,378			- 4,439	-
Minimum Capital Requirement	R0110	99,631	-	-	2,653	-

S.23.01.01 – Own Funds (1/2)

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	31,250	31,250		0	
Share premium account related to ordinary share capital	R0030	493	493		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	274,216	274,216			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	7,126				7,126
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	10,418	10,418	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	323,504	316,378	0	0	7,126
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	323,504	316,378	0	0	7,126
Total available own funds to meet the MCR	R0510	316,378	316,378	0	0	
Total eligible own funds to meet the SCR	R0540	323,504	316,378	0	0	7,126
Total eligible own funds to meet the MCR	R0550	316,378	316,378	0	0	
SCR	R0580	221,402				
MCR	R0600	99,631				
Ratio of Eligible own funds to SCR	R0620	1.4612				
Ratio of Eligible own funds to MCR	R0640	3.1755				

S.23.01.01 – Own Funds (2/2)

Reconciliation reserve		**C0060**
Excess of assets over liabilities	**R0700**	323,504
Own shares (held directly and indirectly)	**R0710**	
Foreseeable dividends, distributions and charges	**R0720**	
Other basic own fund items	**R0730**	49,288
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	
Reconciliation reserve	**R0760**	274,216
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	
Expected profits included in future premiums (EPIFP) - Non-life business	**R0780**	22,024
Total Expected profits included in future premiums (EPIFP)	**R0790**	22,024

S.25.03.21 – Solvency Capital Requirement – for undertaking on Full Internal Model

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
C0010	C0020	C0030
10.0	IM - Market risk	60,799
11.0	IM - Underwriting	175,325
12.0	IM - Business risk	4,525
13.0	IM - Credit risk	35,842
14.0	IM - Operational risk	23,574
15.0	IM - LAC DT (negative amount)	-2,172
16.0	IM - Capital Buffer	0
17.0	IM - Adjustment due to RFF/MAP nSCR aggregation	0

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	R0110	297,895
Diversification	R0060	- 76,492
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)	R0160	-
Solvency capital requirement excluding capital add-on	R0200	221,402
Capital add-ons already set	R0210	-
Solvency capital requirement	R0220	221,402
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical	R0300	
Amount/estimate of the overall loss-absorbing capacity ot deferred	R0310	- 2,172
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

S.28.01.01 Minimum Capital Requirement – Only life or no n-life insurance or reinsurance activity (1/3)

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	R0010	101,853

		Net (of reinsurance/SPV) best estimate and TP calculated as a	Net (of reinsurance) written premiums in the last 12
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	6,565	2,261
Income protection insurance and proportional reinsurance	R0030	-	-
Workers' compensation insurance and proportional reinsurance	R0040	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	333,309	169,175
Other motor insurance and proportional reinsurance	R0060	10,566	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	3,577	4,752
Fire and other damage to property insurance and proportional reinsurar	R0080	26,768	69,113
General liability insurance and proportional reinsurance	R0090	368,439	50,860
Credit and suretyship insurance and proportional reinsurance	R0100	9,363	1,030
Legal expenses insurance and proportional reinsurance	R0110	-	-
Assistance and proportional reinsurance	R0120	-	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	3,940	4,588
Non-proportional health reinsurance	R0140	-	-
Non-proportional casualty reinsurance	R0150	-	-
Non-proportional marine, aviation and transport reinsurance	R0160	-	-
Non-proportional property reinsurance	R0170	-	-

S.28.01.01 Minimum Capital Requirement – Only life or non-life insurance or reinsurance activity (2/3)

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_{L} Result	R0200	

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

S.28.01.01 Minimum Capital Requirement – Only life or non-life insurance or reinsurance activity (3/3)

Overall MCR calculation

		C0070
Linear MCR	R0300	101,853
SCR	R0310	221,402
MCR cap	R0320	99,631
MCR floor	R0330	55,351
Combined MCR	R0340	99,631
Absolute floor of the MCR	R0350	3,700
		C0070
Minimum Capital Requirement	R0400	99,631