Solvency and Financial Condition Report

Hodge Life Assurance Company Limited

For year ending 31 October 2016

HODGE
LIFETIME

Our Values

Doing the right thing is what we aim to do in all areas of our business – it guides our decisions.

Hodge Lifetime is a business dedicated to the retirement market since 1965. Since that time, we've nurtured a great depth of experience and developed a very strong and solid reputation for looking after our customers while being at the forefront of innovation in our core retirement lending markets. This means that you can trust us to do right by you.

We do the right thing with regard to having a social responsibility too. The Hodge Foundation, a charity supporting the welfare, medical, academic and educational areas own over 75% of our business. This drives us, knowing that by helping our customers to achieve their goals, we are also helping good causes that are important to us.

Our Strategy

Our strategy is focused on the retirement lending and income markets. These products complement each other well, and we have a depth of experience in these fields. We aim to offer the most competitive annuity rates wherever possible. We offer one of the broadest ranges of retirement lending products, meaning that we can offer the right product to suit almost any need.

Our Brand

Hodge Lifetime is the trading name of Julian Hodge Bank ("JHB") and Hodge Life Assurance Company Limited ("the Company", "HLAC"), and the brand under which equity release and annuity plans are distributed.

Approval by Administrative, Management or Supervisory Body ("AMSB")

This Solvency and Financial Condition Report ("SFCR") was reviewed and approved by the Board of Hodge Life Assurance Company Limited on 16th March 2017.

The PRA Rulebook requires firms with a year ending on or after 15 November 2016 to seek a formal audit opinion on the SFCR.

Hodge Life Assurance Company Limited has a year end of 31 October 2016. This SFCR is therefore unaudited.

Contents

Summary

The Solvency and Financial Condition Report ("SFCR") is an annual report that the Company is required to produce under European Union ("EU") and UK law, as part of the Solvency II regime.

The SFCR is a public document and the Company is required to disclose this document on its website. The Company must also provide a copy to the UK Supervisory authority, the Prudential Regulation Authority ("PRA").

The contents of the SFCR are prescribed by EU regulation and must contain the following sections:

Section heading	Description of contents
Business and performance	Provides basic information on the Company and gives a summary of business performance over the reporting year.
System of governance	Provides organisational information on the Company including committee structure, responsibilities of those committees and details of the processes used to manage risks in the Company.
Risk profile	Provides qualitative and quantitative information regarding the risks that face the Company.
Valuation for Solvency purposes	Provides values for the Company's assets and liabilities calculated in accordance with accounting rules and solvency rules, gives details on the assumptions used to calculate these valuations and provides information on the differences between them.
Capital management	Provides details on the regulatory capital requirements that the Company must hold in line with Solvency II rules and information on the Company's excess assets not required to meet its liabilities.

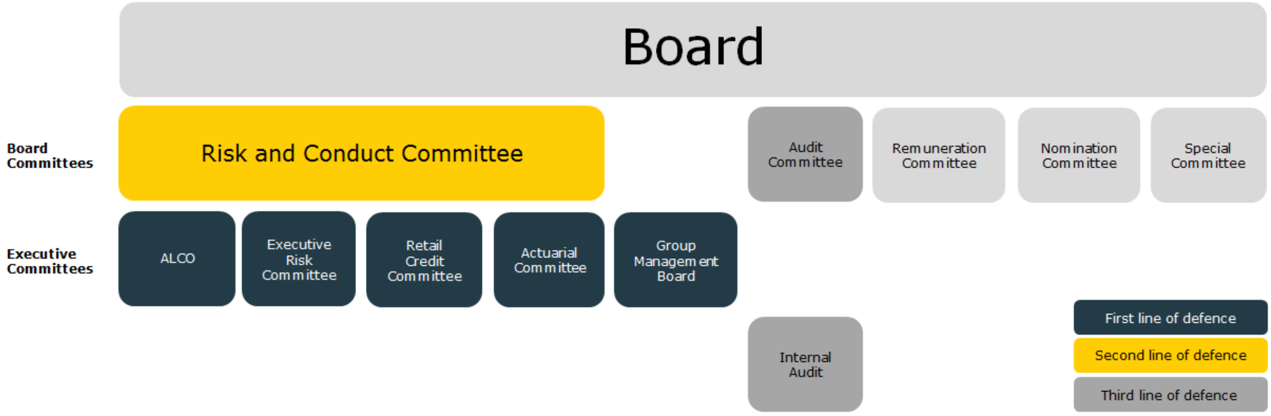
Business performance

The Company enjoyed an exceptional year, making a pre-tax profit of £27.4m. The trading performance in the year was strong, with a significant increase in annuity new business reflecting a recovery in that market as the effects of pension freedoms were fully digested. Our margins were higher than expected, reflecting the rates earned on our lifetime mortgages.

The Company wrote £61.4m of new single premium annuity business in the year. This business was all written in the UK. Overall assets held by the Company increased by £120.4m. The main drivers of this increase were the investment of new business premium income in to lifetime mortgages and fixed income securities and a fall in interest rates in the year, which increased the value of our fixed rate assets.

System of governance

The Company's governance structure supports the 'three lines of defence' model operated by the Group. This structure, as it applies to HLAC, is set out below.



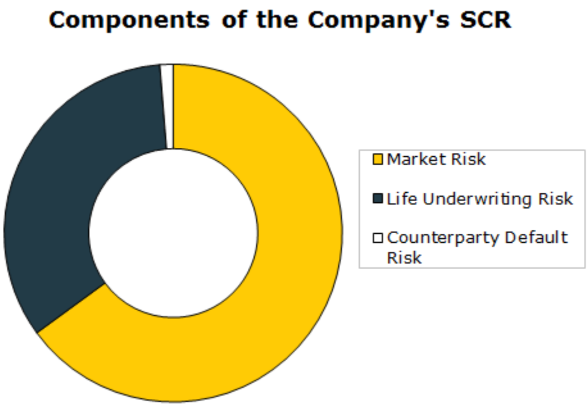
There were no changes to the composition of the Board or Board Committees during the reporting period.

Risk profile

HLAC has a well-defined business model and organic growth strategy, which is focused on the retirement sector. The Company matches pension annuity liabilities with lifetime mortgage assets, fixed income securities and cash.

The Company has been active in the equity release sector since its formation in 1965 and has developed significant skills and expertise in managing risks involved in this business.

The chart below shows the component risks which make up the Company's total Solvency Capital Requirement ("SCR"). This is the amount of capital the firm must hold to protect it from extreme risk events and comply with EU regulation.



The chart shows that the Company's greatest exposure is to market risk and this arises through its investment in lifetime mortgages. The key risk associated with lifetime mortgages is the No Negative Equity Guarantee ("NNEG") included in all lifetime mortgages, meaning that if at the end of the loan the property price is insufficient to repay the loan a loss is incurred by the Company.

Life underwriting risk arises as a result of writing annuity business. The Company is exposed to the risk that annuitants life longer than estimated, increasing the overall amount of annuity payments made to our policyholders.

The Company's risk exposures have not materially changed over the year and no new risk exposures have been introduced.

Valuation for solvency purposes

The table below summarises the Company's assets and liabilities valued in accordance with both International Financial and Reporting Standards ("IFRS") and Solvency II regulations.

£000s	IFRS valuation	Solvency II valuation
Total assets	583,392	583,392
Total liabilities	439,883	435,496
Total equity / Own funds	143,509	147,898

All assets on the Solvency II balance sheet are valued on the same basis as in the financial statements.

Differences in the value of liabilities are driven by the following:

- The IFRS methodology for the valuation of liabilities does not include the Solvency II concepts of the risk margin or transitional measures.
- The assumptions used in the valuation of insurance liabilities under IFRS also differ from the valuation of the best estimate liabilities under Solvency II:
  - The discount rate used under IFRS is higher. Under Solvency II the Company did not use the matching adjustment and therefore must discount liabilities at the risk free rate. Under IFRS the higher risk-adjusted yield on the Company's assets is used in the liability discount rate.
  - The assumptions for longevity and expenses are based on best estimate with a margin for adverse deviation under IFRS but are a best estimate under Solvency II.

Capital management

The Company's risk management framework incorporates explicit risk appetite statements relating to capital. The risk appetite specifies limits and triggers for the ratio of eligible own funds to Solvency Capital Requirements. This SCR coverage ratio is a key risk indicator which is regularly reported to the Risk and Conduct Committee and Board.

The table below summarises the Company's capital position as at 31 October 2016.

	£000s
Own funds	147,898
SCR	87,161
SCR coverage ratio	170%

We note that the Company applies the standard formula for the calculation of the Solvency Capital Requirement. The Company is not using undertaking-specific parameters (USPs) to calculate its Solvency Capital Requirement. The Company does not use simplified calculations in any of its risk modules or sub-modules when calculating the Solvency Capital Requirement.

A. Business and performance

A.1 Business

Name and legal form of the undertaking

Hodge Life Assurance Company Limited ("the Company", "HLAC") is a privately owned life assurance company limited by shares, incorporated in the United Kingdom.

The registered office is:
1 Central Square
Cardiff
CF10 1FS

Supervisory authority responsible for financial supervision

HLAC is regulated by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA").

Prudential Regulation Authority Bank of England Threadneedle Street London EC2R 8AH	Financial Conduct Authority 25 The North Colonnade Canary Wharf London E14 5HS

External auditor of the undertaking

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

Holders of qualifying holdings in the undertaking and legal structure of the group

HLAC is wholly owned by Julian Hodge Bank Limited ("JHB"), a privately owned Bank, incorporated in the United Kingdom. The ultimate owner is The Carlyle Trust Limited ("TCT").

HLAC is regulated as a solo insurance entity. HLAC is the only entity in the group that undertakes insurance activities.

Given that the largest financial sector in The Carlyle Trust group is banking, the group is considered to be a *banking and investment services conglomerate*. HLAC is not consolidated into TCT and the capital invested in HLAC is deducted from the group.

Material lines of business and geographical areas

HLAC only writes individual annuity contracts. All business is written in the United Kingdom. The Company matches pension annuity liabilities with lifetime mortgage assets, fixed income securities and cash.

Summary of business performance over the reporting period

The Company prepares its financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS101").

FRS101 implements the valuation and reporting principles of International Financial Reporting Standards ("IFRS") in the UK. As a result, all valuations contained in this SFCR are consistent with IFRS.

This was the first year the Company reported under FRS101, having previously reported under UKGAAP. Prior year comparatives have been shown in the financial statements on an FRS101 basis.

The business performance information given in this section is on an FRS101 basis as shown in HLAC annual report and financial statements.

Income statement for the year ended 31 October 2016:

£000	2016	2015
Earned premiums	61,378	37,581
Investment income	12,589	10,580
Unrealised gains on investments	74,881	40,226
Gross claims and benefits paid	(22,063)	(20,024)
Movement in long term business provision	(95,158)	(49,074)
Administrative expenses	(4,240)	(3,616)
Profit before taxation	**27,387**	**15,673**

The Company enjoyed an exceptional year, making a pre-tax profit of £27.4m. The trading performance in the year was strong, with a significant increase in annuity new business reflecting a recovery in that market as the effects of pension freedoms were fully digested. Our margins were higher than expected, reflecting the rates earned on our lifetime mortgages.

The Company also benefitted from wider economic changes that cannot be assumed to recur in the future:

- Interest rates fell by over 0.75% across the year, which had an overall positive effect on the value of the Company's assets and liabilities. This effect contributed an additional £9m to pre-tax profits, and given the low rate environment, we have taken the opportunity to mitigate the reversing effects if rates were to rise. However, a rising rate environment is likely to have an adverse effect on future profitability.
- House prices increased by 4.5% across the year, which had the effect of increasing our property-related asset values. This contributed a further £6m to pre-tax profits.

A.2 Underwriting performance

The Company wrote £61.4m of new single premium annuity business in the year. This business was all written in the UK. The Company retains 100% of the longevity risk associated with this business.

The Company paid out £22.1m in annuity benefits during the year, which was broadly in line with best estimate assumptions. This increased from £20.0m in the previous year, reflecting the growth in the underlying portfolio of annuity business.

The long term business provision relates entirely to annuity business. This increased by £95.2m from £333.6m to £428.7m. The increase in provision was driven by new business written in the year and a fall in interest rates.

Administrative expenses increased from £3.6m to £4.2m. This was driven by an increase in acquisition costs due to larger volumes of new business written and larger management and administration expenses driven by a larger in force portfolio.

The profit for the year after taxation amounted to £22.1m (2015: £13.0m). No dividend was paid in the year leaving a surplus for the year to be taken to reserves.

A.3 Investment performance

The Company believes that the overall investment strategy combining lifetime mortgages with fixed income securities and cash holdings gives a suitable match for annuity liabilities.

Total assets for the year ended 31 October 2016:

£000	2016	2015
Loans and advances to credit institutions	29,657	26,993
Debt securities	51,413	18,979
Reversionary interest in properties	93,506	94,655
Intangible assets	26	40
Investments (lifetime mortgages)	408,150	320,468
Other receivables	76	1,312
Prepayments and accrued income	564	542
Total assets	**583,392**	**462,989**

Overall the assets held by the Company increased by £120.4m. The main drivers of this increase were the investment of new business premium income and a fall in interest rates in the year.

Additional drivers of this increase include redemptions on lifetime mortgage which were higher than best estimate assumptions, deaths on mortgages and reversions which were lower than best estimate assumptions and actual house price growth on reversions which had a positive effect on asset value.

The Company recognised £12.6m of investment income in the year, this was predominantly driven by gains realised on the redemption of reversion properties.

The Company recognised unrealised gains on investments of £74.9m in the year. The main drivers of these gains were a fall in interest rates and rises in house prices.

The Company directly administers the reversion and lifetime mortgage assets, the expenses arising from these investments are included within the total administrative expenses incurred of £4.2m noted in section A.2.

A.4 Performance of other activities

There were no other areas of income received or expense incurred during the reporting period.

A.5 Any other information

None.

B. System of governance

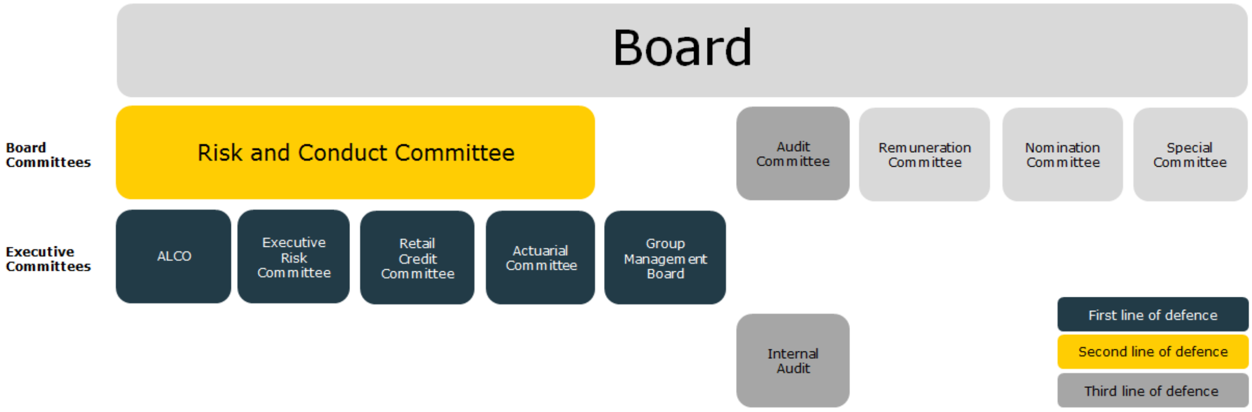
B.1 General information on the system of governance

Structure of the administrative, management or supervisory body

The HLAC Board comprises five non-executive directors and two executive directors.

The management of HLAC and JHB operate under a group governance policy which sets out how intra-group risks and issues are managed, and to ensure that the interests of HLAC in particular are safeguarded given its reliance on JHB in certain areas.

The governance structure supports the ‘three lines of defence’ model operated by the Group. This structure, as it applies to HLAC, is set out below.



The membership of the Board Committees comprises the non-executive directors. The membership of the first line of defence Committees comprises executive management.

Minutes of all first line Committee meetings are made available to the relevant Board Committee. Board Committee meeting minutes are received by the Board at its next meeting.

The group’s Internal Audit function has been outsourced to PricewaterhouseCoopers (PwC) and its representatives attend The Audit Committee and The Risk and Conduct Committee. PwC uses in-house experts when auditing complex, technical areas such as Actuarial, Treasury and IT.

Roles and responsibilities of the Board

The Board’s role is to provide (entrepreneurial) leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the company’s strategic aims, ensures that the necessary financial and human resources are in place for the company to meet its objectives and reviews management performance. The Board sets the company’s values and standards and ensures that its obligations to its shareholders and others are understood and met.

Roles and responsibilities of the Risk and Conduct Committee

All members of the Risk and Conduct Committee are non-executive Directors. Executive members of the Board and other senior executives attend as required by the Chairman.

The function of the risk and conduct Committee is to oversee the management of risk and the conduct of business on behalf of the Board to ensure that significant risks are identified, understood, assessed and managed and that good customer outcomes are achieved. The Committee also oversees the Company's product governance. It is responsible for the second line of defence of the business, ensuring that the level of assurance available to the Board is sufficient and appropriate.

The Committee also oversees the Company's ORSA.

Roles and responsibilities of the Audit Committee

All members of the Audit Committee are non-executive Directors. Executive members of the Board and other senior executives attend as required by the Chairman.

The function of the Audit Committee is responsible for the Company's third line of defence to monitor and review the work of the internal audit function, to consider the adequacy of internal control systems, to review the relationship with the external auditors, to review the statutory accounts including the key estimates and judgements used in the statutory accounts, and to consider compliance issues.

The Committee also oversees the actuarial methods and results underpinning the Company valuation. This includes consideration of this SFCR and the approval of applications made to the PRA.

Roles and responsibilities of the Remuneration Committee

All members of the Remuneration Committee are non-executive Directors. Executive members of the Board and other senior executives attend as required by the Chairman.

The function of the Remuneration Committee is to consider remuneration policy and specifically to determine the remuneration and other terms of service of executive directors and senior managers. The executive directors decide fees payable to non-executive directors.

Roles and responsibilities of the Nomination Committee

All members of the nomination Committee are non-executive Directors. Executive members of the Board and other senior executives attend as required by the Chairman.

The function of the Committee is to recommend the appointment of directors to the Board and Board Committees and to ensure that there is an appropriate succession plan for executive and senior management positions.

Roles and responsibilities of the Special Committee

The Committee is comprised of Directors of the Company, one of whom must be a Non-executive Director. The role of the Special Committee is to provide a degree of non-executive oversight for certain specific matters without the need to convene a full Board meeting.

The functions of the Committee include authorising individuals to execute documents on behalf of the Company and determine the mandate levels for individuals to operate and authorise bank account transactions for the Company.

Roles and responsibilities of the Assets and Liabilities Committee ("ALCO")

The Committee consists of executive management and implements the policies of the Board with respect to liquidity and interest rate risk management and provides recommendations to the Board on strategies for managing these risks. It also monitors and controls new business pricing and treasury counterparty risk.

Roles and responsibilities of the Executive Risk Committee

The Committee consists of executive management and monitors the Company's risk management framework. It also monitors and co-ordinates the activities of compliance, risk assurance and internal audit throughout the Company.

Roles and responsibilities of the Retail Credit Committee

The Committee consists of executive management and is responsible for the development, implementation and maintenance of the overall risk management framework in respect of retail credit risk and responsible lending. It monitors the retail credit risk exposures of the company and ensures that appropriate systems of internal control are in place to effectively manage retail credit risk. The risks associated with the Company's lifetime mortgages are addressed by this Committee.

Roles and responsibilities of the Actuarial Committee

The Committee consists of executive management and is responsible for monitoring the insurance risk exposure of the Company including longevity risk. It also monitors and provides input to the methods and assumptions used to undertake actuarial valuations of the Company's assets and liabilities.

Roles and responsibilities of the Group Management Board

The Committee consists of executive management and is responsible for the formulation and execution of the Company's strategy, and the day-to-day management of the Company, subject to specific limitations and constraints imposed by Board and is also responsible for formulating the IT strategy and policy and monitors and authorises IT activities throughout the Company.

Main roles and responsibilities of key functions

Risk function: The Risk function is headed by the Head of Risk and Compliance. Key responsibilities include:

- Promotion, training, maintenance and development of the risk management framework;
- Monitoring the consistency of application and embededness of the risk management framework across the Group;
- Provision of regular risk reporting to the Risk and Conduct Committee and other key Committees as required; and
- Undertaking a programme of assurance monitoring through a second line Assurance team to enable it to assess whether the first line of defence is operating effectively.

To ensure independence of the second line Risk function, the Assurance Team reports to the Risk and Conduct Committee and has direct access to the Chairman of that Committee.

Compliance function: The Compliance function is also headed by the Head of Risk and Compliance. Key responsibilities include;
- Approval of financial promotions;
- Management of regulatory financial crime and data protection processes;
- Completion of regulatory horizon scanning;
- Ensuring all staff receive regulatory training on a regular basis;
- Provision of regulatory advice to support business management ensure regulatory compliance; and
- Supporting the promotion, training and embedding of the risk management framework.

Internal Audit function: The Company outsources its Internal Audit function to PwC. The Internal Audit function reports to the Audit Committee and has direct access to the Chairman of that Committee.

Actuarial function: The actuarial function is headed by the Chief Actuary; information on how the Actuarial function is implemented is included in section B.6.

Material changes to the governance structure over the reporting period

There were no changes to the composition of the Board or Board Committees during the reporting period.

Remuneration policy and practices

The Remuneration Policy is intended to attract, retain and motivate employees to achieve the objectives of the Company, to align to its values and to operate within its risk appetite and risk management framework. It is noted that the documented policy in place is set at a Group level and no specific elements or adjustments to this policy are deemed necessary for the Company.

The following factors underpin the Company’s remuneration practices;

- Remuneration should facilitate the delivery of results which enhance the long term interests of the Bank’s stakeholders, including its shareholders.
- Remuneration should support the corporate values and desired culture.
- Remuneration should support the attraction, retention, motivation and alignment of the talent needed to achieve our business goals.
- Remuneration should reinforce leadership, accountability, teamwork and innovation.
- Remuneration should be aligned to the contribution and performance of the businesses, teams and individuals.

Fixed Remuneration

Fixed remuneration packages (comprising monetary and benefits elements) offered to staff are dependent on grade. Core benefits are available to all employees, with the exception of non-executive directors.

Regular benchmarking is undertaken to ensure that remuneration is line with market rates.

Variable Remuneration

Variable remuneration awards are non-contractual discretionary benefits based on company and individual performance. Both short and long term incentives are in place:

Short term	• The annual cash bonus is a performance-based remuneration plan designed to reward achievement of agreed budgets and short term objectives. This includes financial and non-financial results and measures. This applies to all employees with the exception of the senior employees.
Long-term incentive plan (LTIP)	• The purpose of the LTIP is to align the interests of senior employees with the long-term interests of the Company. • The Board has a strategy to achieve strong yet sustainable growth. It also recognises that the achievement of that strategy is heavily dependent on senior employees within the Company and rewards them for the part they play in achieving that strategy. • Whilst senior employees may have specific business unit responsibilities, the Board wishes to foster a "single entity" culture, such that overall performance of the combined entity is the driving factor. It believes that the provision of an LTIP achieves this aim.

The Remuneration Committee may, at its discretion, award bonuses to individuals/categories of employees, without reference to specific qualifying financial criteria, if it feels that performance warrants a bonus.

We do not offer share options or shares, and as a matter of principle the Company does not enter into supplementary arrangements, unless exceptional circumstances dictate.

The Remuneration Committee approves all retention or termination payments which are not contractual.

Material transactions during the reporting period

There were no material transactions with shareholders or members of the Board during the reporting period.

B.2 Fit and proper requirements

The Company has documented fitness and propriety procedures in place that outline the checks to be undertaken at both initial selection stages and regular annual assessments.

Roles that fall within the scope of the Senior Insurance Managers Regime (SIMR) are subject to the following pre-employment checks upon appointment (dependent on the role):

- Disclosures
- Credit search
- Identity check
- Sanctions screening
- FCA Register search
- Directorship check
- 6 years employment history

- Criminal records (DBS) check
- Qualification certificates

The Nomination Committee will meet as required to consider recommendations in relation to the appointment of Directors to the Board and roles that require regulatory approval. Additionally, the Nomination Committee is also responsible for reviewing the Board composition and succession planning to ensure that a balanced and appropriately qualified Board is in place.

Fitness and propriety checks during employment include:

- Credit search (Annual)
- Criminal records (DBS) check (Biennial)
- Performance review documentation (Annual)
- Personal development records (Annual)

Records are maintained of all fitness and propriety checks and the allocation of prescribed responsibilities within a central database.

Selection of all candidates in all roles is based on their ability to do the job and potential for development. Selection decisions will reflect the skills, knowledge, and experience and where appropriate qualifications as specified in job descriptions.

Due regard is given in designing interview requirements, to include assessment of relevant skills, professional background and attributes relevant to the role. Where appropriate, tests will be conducted to ensure those essential skills, inherent to the job, are demonstrated during the recruitment process.

Our performance management and learning and development policies, ensure that individuals maintain and continue to develop the relevant skills, knowledge and expertise to carry out their roles on an on-going basis.

Senior Insurance Managers Regime (SIMR)

As part of the PRA Rulebook insurance firms are required to allocate responsibility for controlled functions to named individuals in the Company or wider Group.

The table below summarises the controlled functions prescribed under the SIMR guidelines. These have been allocated to individuals within the Company or wider Group using the fit and proper requirements highlighted above.

SIMR reference	Description	Company/Group
SIMF1	Chief Executive function	Company
SIMF2	Chief Finance function	Group
SIMF7	Group Entity Senior Insurance Manager function	Group
SIMF9	Chairman function	Company
SIMF10	Chairman of Risk Committee function	Group
SIMF11	Chairman of Audit Committee function	Group
SIMF12	Chairman of Remuneration Committee function	Group
SIMF20	Chief Actuary function	Company

B.3 Risk management system including the own risk and solvency assessment

The Company operates a 'three lines of defence' model for risk management and oversight:

- The first line of defence has responsibility for the management of risk across the organisation and comprises executive Committees, management and staff.
- The second line of defence is responsible for provision of oversight to ensure that the first line of defence is managing risk within the Board approved Risk Appetite and in line with the Risk Management Framework.
- The third line of defence is responsible for the provision of independent assurance with regard to the effectiveness of internal controls and risk management processes across both first and second lines.

The Risk Management Framework (RMF) comprises a number of components and activities, some of the key components are summarised below.

RMF component	Description
Risk strategy	The risk strategy sets out the types of risk that the Company is willing to be exposed to as a result of its business strategy, and the desired risk management capability required to support achievement of this.
Risk appetite	Risk appetite defines the level of risk that the Company is willing to accept or wishes to avoid in order to meet its business objectives. It includes both qualitative statements and quantitative measures and addresses each of the key risk types faced by the Company as articulated within the risk strategy document.
Risk management policies and procedures	A number of policies and procedures are in place that set out a more detailed, granular expression of the risk exposures that are acceptable to the Company for each risk type. These aim to communicate the appetite for each risk to relevant members of staff, including any board-level limits and triggers set out within the risk appetite. These limits and triggers will be supported, where appropriate, by more granular limits / measures for monitoring by the relevant executive Committee and management.

RMF component	Description
Risk management cycle	The risk management cycle comprises a number of processes to support the identification, assessment, management, monitoring and reporting of risks against risk appetite. Some of the key processes within the risk management cycle include: • Risk register: The risk register acts as a central record of the key risk types faced by the business and enables comparison of risk exposures for each risk type through the use of standardised risk rating methodology. It is senior management's responsibility to identify the key risks to which the business is exposed, whether internal or external, and to ensure that those risks are managed effectively. The Risk Function is responsible for co-ordination of the completion of review of the consolidated risk register, and for provision of oversight and challenge on senior management's assessment. • Risk assessments: Risk assessments include consideration of both current and emerging risks. The Risk Function provides regular oversight and challenge in respect of the departmental risk assessment and ensures that risks are escalated in accordance with the RMF. Emerging risks are considered by the Executive Risk Committee and reported to the Compliance team which is responsible for maintaining a database of all such risks. Significant emerging risks are reported to the Risk and Conduct Committee on a quarterly basis to ensure that strategies and initiatives are appropriate to mitigate the key risks. • Losses and near misses: Losses and near misses are reported to the Executive Risk Committee by each operational area on a quarterly basis. A summary of this is reported to the Risk and Conduct Committee on a quarterly basis. • Stress and scenario testing: Stress and scenario testing is completed on a regular basis to identify the potential impact of stress events across all material risk types. The scenarios are selected through engagement with the Board and Senior Management team and support the definition of key risk appetite metrics.
Risk governance and reporting	Risk reporting against policy requirements, risk appetite limits and triggers and risk exposures is in place through the reports provided to: • Executive risk Committees to enable them to monitor and manage risks in accordance with their terms of reference; and • The Risk and Conduct Committee who receive regular Key Risk Indicator reports to enable them to provide oversight and challenge across all risk types.

The Board is ultimately responsible for ensuring the effectiveness of the risk management framework, including approval of risk strategy and risk appetite. The Risk and Conduct Committee supports the Board in discharging this responsibility.

Own risk and solvency assessment (ORSA)

The ORSA is the Company's own view of its risk profile and the capital needed to manage these risks. The Company has quantified through its own analysis the size of historic risk events to translate these in to appropriate stress tests to use within the ORSA.

As part of the ORSA the Company confirms that it expects to comply continuously with the regulatory capital requirements. This is assessed on a forward looking basis showing that own funds are expected to exceed solvency capital requirements over the business planning period.

The Company also assesses the appropriateness of the standard formula calculation of the SCR. This confirms that the risk profile does not materially deviate from the assumptions underlying the standard formula calculation of the SCR and provides justification for any residual deviations.

The ORSA is governed by an ORSA policy. This policy sets out the Board's expectations for completion of the ORSA, the normal ORSA timetable and the main roles and responsibilities. The ORSA policy is subject to an annual review by The Board.

The ORSA is carried out at least annually. Significant changes to the Company risk profile may trigger an interim ORSA report, outside the normal annual cycle. The regular risk and performance reports produced by the Company will highlight whether there are any significant emerging events which may suggest an interim ORSA should be produced. No triggers have occurred since the last ORSA report was produced.

The Chief Actuary has overall responsibility for the ORSA process and the ORSA report. The actuarial team carries out the calculations and draft the report.

The ORSA report is reviewed by the Actuarial Committee, Risk Function and an external Technical Advisor to the Board. The ORSA report and processes are also subject to periodic internal audit review. The Board is the ultimate owner of the ORSA and approves the final report.

Embedding the ORSA within the Company

The ORSA is an integral part of the Solvency II regime, bringing together risk management and solvency needs. It is designed to be a continual point of reference for Board and help guide decision making by taking into account the risks the company faces.

The ORSA is embedded into the Company's activities and management as follows:

- Financial forecasts and budgets reflect a forward looking assessment of the capital requirements of the business.
- The Company's risk appetite is set with regard to the risks identified in the ORSA and the corresponding capital requirements.
- New business pricing assumptions are consistent with the best estimate valuation basis.
- Regular stress and scenario testing is undertaken which reflects the risks identified in the ORSA.
- Key Risk Indicators (KRIs) which reflect risks identified on the ORSA are used as an early warning trigger for risk events. These are reported quarterly to the Risk and Conduct Committee to assess the impact on the solvency position of the Company on both a regulatory and ORSA basis. This assessment confirms the company is operating within the limits set by the risk appetite.

B.4 Internal control system

The risk management policy requires that management should ensure that procedures clearly reflect the controls in place and communicate the processes to be followed by staff.

Key controls can be summarised as follows:

Control	Summary
Mandate Structure	A tiered mandate structure is in place for the authorisation of payments and transactions and for entering into contractual arrangements.
Access Controls and Segregation of Duties	Access to systems is restricted to those who require it in order to effectively carry out their role. Care is taken to ensure that a single member of staff does not have the ability to process a transaction from beginning to end. This is particularly important within the treasury function, where front office is clearly separated from back office operations.
Physical security	Access to the premises is controlled through electronic security passes, a manned reception desk and intruder alarms. Cheque books are locked in a security cabinet and only required staff given access.
Training and Supervision	All staff are provided with induction training and an on-going framework of refresher training to ensure that they have and retain the expected level of knowledge and skills to perform their role. All staff are closely supervised, with quality assurance monitoring in place within regulated areas of the business to ensure that any knowledge gaps are identified and filled.
Reconciliation controls	Business systems are regularly reconciled and suspense accounts regularly reviewed to ensure that transactions are accurate. The general ledger is also regularly reconciled to ensure the accuracy of financial reporting.
Data controls	Policy data is subject to regular reconciliation and reasonableness checks to ensure completeness, validity and accuracy of data on which actuarial valuations are based.
Succession Planning	Succession plans are in place for both non-executive directors and executive management to mitigate the impact of loss of a key member of staff.
Information Security	Key system controls are in place to ensure the security of systems and data. These include the daily back-up of systems, anti-virus, firewall protection and email encryption. Staff are provided with training on how to keep information secure both at induction and on an annual basis.
Business Continuity and Disaster Recovery	A business continuity plan is in place and tested on a regular basis to ensure that the business could continue in operation in the event of a disaster.
Experience investigations	These are performed annually for key assumptions used in the actuarial valuation to assess their on-going appropriateness. This forms an integral part of the actuarial control cycle.

Control	Summary
Horizon scanning	Regular horizon scanning is co-ordinated by the compliance function to ensure that any updates or changes to regulatory or legal requirements are identified and assessed in a timely manner.
Board reporting	A business performance report is presented at every Board meeting explaining the sources of profit in the month and the financial impact of emerging experience. This acts as an early warning signal for adverse experience.
Internal audit	Regular reviews are performed to ensure that HLAC's internal controls remain adequate. Internal audit reports therefore serve as a trigger to review any net risk assessments where control failings or issues have been identified.
Model governance	Significant models are subject to the application of robust controls, including their development, production and validation through a change control process. The Actuarial Committee monitors the effectiveness of model governance processes.
External advisors	These are used where appropriate to assist in identifying new risks on the horizon.

The responsibility for monitoring on-going compliance with policies and procedures remains with first line management. The process level risk assessments capture management's assessment of the effectiveness of controls in place. The programmes of work undertaken by the second and third line provide additional assurance to the Board in relation to the adequacy and effectiveness of the internal control environment.

B.5 Internal audit function

The Company outsources its Internal Audit function to PwC. The Internal Audit function reports to the Audit Committee and has direct access to the Chairman of that Committee to provide for its on-going independence.

The Internal Audit function undertakes a programme of internal reviews, as set out within its three year risk-based strategy and annual plan approved by the Audit Committee. An annual report is provided to the Audit Committee to provide a summary of the work performed throughout the year, in addition to the individual audit reports produced following every review, to provide independent assurance to that Committee that controls within the area of review have been designed and are operating effectively.

B.6 Actuarial function

The Company has an in house actuarial team to support the business and meet the requirements of the Actuarial Function. The actuarial team is headed by the Chief Actuary, who is also an in house member of staff.

The Chief Actuary is a Fellow of the Institute and Faculty of Actuaries, holds a Chief Actuary (Life) Practicing Certificate and is an Approved Person under the Senior Insurance Management Regime (SIMR).

The Chief Actuary is a member of the Group Management Board and reports into the Chief Executive Officer.

The key responsibilities of the actuarial function are:

- Coordinate the calculation of technical provisions
- Justify differences in technical provisions from year to year
- Compare best estimates against experience
- Assess the appropriateness of methods and assumptions
- Assess the sufficiency and quality of data
- Assess whether IT systems used in calculations support the methodologies
- Assess the uncertainty of estimates
- Express an opinion on the overall underwriting policy
- Express an opinion on the adequacy of reinsurance arrangements
- Contribute to risk management through risk modelling underlying capital requirements
- Produce written reports to Board setting out the tasks undertaken by the actuarial function

B.7 Outsourcing policy

The Company elects to outsource a number of activities through the use of specialist third parties to undertake certain tasks, in preference to undertaking these tasks itself.

The following activities are currently outsourced:

- Use of RICS-qualified surveyors to undertake valuations of residential property used as security for a lifetime mortgage or reversion;
- Use of third party legal firms to undertake the conveyancing of residential property transactions and the related loan redemption or property sale;
- Use of a third party to undertake annuity servicing;
- Use of a third party investment manager to make recommendations in relation to corporate bond investments.

The Company's outsourcing policy outlines the process that must be followed for any proposed outsourcing arrangements and operations that must be in place to manage on an on-going basis. This includes consideration of whether the outsourcing will be of a critical or important nature.

On-going monitoring activities include a combination of monitoring of adherence to service level agreements and regular account management meetings and visits. These are also subject to second and third line coverage.

Adequacy of the system of governance

It is considered that the system of governance in place, comprising the organisational structure, risk management and internal control systems, is effective and provides for sound and prudent management of risks faced by the Company. Structures support the strategic objectives and operations of the Company and ensure that the Board are able make informed business decisions with a full appreciation of the impact on risk exposures and whether they are in within risk appetite.

B.8 Any other information

None.

C. Risk profile

Risk assessment process

The HLAC Board is responsible for the adequacy of HLAC's risk management processes and framework, and to ensure that all material risks are identified and addressed. At an executive level, the first line executive risk Committees are responsible for ensuring the identification and management of risks and the Executive Risk Committee is responsible for the adequacy of the risk management framework.

Risk profile

HLAC has a well-defined business model and organic growth strategy, which is focused on the retirement sector. HLAC writes business in the UK only. The Company matches pension annuity liabilities with lifetime mortgage assets, fixed income securities and cash.

As a result of writing annuity business, the Company is exposed to the risk that annuitants live longer than estimated, increasing the overall amount of annuity payments made to our policyholders.

The Company has been active in the equity release sector since its formation in 1965, and has developed significant skill and expertise in managing the risks involved in this business. The key risk associated with equity release is the No Negative Equity Guarantee (NNEG) included on all lifetime mortgages, meaning that if at the end of the loan the property price is insufficient to repay the loan a loss is incurred by the Company.

Hodge Lifetime is one of the few providers in the equity release sector that has experience of the entire lifecycle of the product, including the sale of property after the death of the borrowers.

Prudent person principle

The Company believes that the overall investment strategy combining lifetime mortgages with fixed income securities and cash holdings gives a suitable match for annuity liabilities.

The Company recognises that legacy reversion assets and lifetime mortgages are also illiquid assets. The Company's liquidity risk policy is reflected in the levels of cash and other liquid assets the company maintains to meet its shorter term obligations.

The Company's retail credit risk policy limits the overall exposure to the risk associated with lifetime mortgages through property eligibility criteria, loan amount limits and geographical exposure limits for new lending.

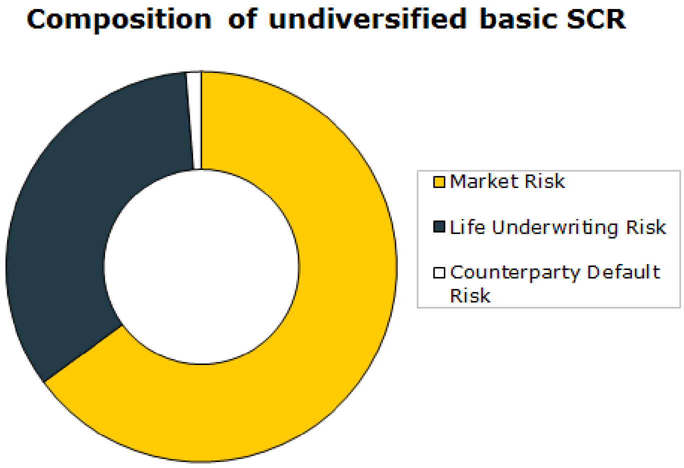
The Company's treasury credit risk policy limits the overall exposure to credit default risk and counterparty risk through debt securities, money market funds and deposits with credit institutions.

Derivative contracts are held to mitigate the exposure to interest rate risk arising through the investment of surplus funds into lifetime mortgages.

Risk exposures

An overview of the principal risks associated with the business including an outline of how they are managed is summarised in the following section.

The resulting risk profile as given by the standard formula Solvency Capital Requirement (SCR) for HLAC as at 31 October 2016 is shown below.



The majority of the risk exposure under the standard formula SCR relates to market risk. This is driven by the company's holdings of lifetime mortgages, reversions and debt securities. The life underwriting risk is driven by the annuity business the company has written. The counterparty default risk relates to deposits with credit institutions and other money market funds held by the company and exposures created through derivative contracts (interest rate swaps).

Risk sensitivity

The Company carries out stress and sensitivity analysis as part of its annual ORSA process which includes stress testing for its material risks.

ORSA stress tests are based on extreme events with an associated probability of 1 in 200 years. These events have been set through the Company's own analysis of historic risk events.

This stress testing has identified that the Company is most exposed to the longevity risk associated with its annuity contracts and market risks associated with lifetime mortgages.

C.1 Underwriting risk

Longevity risk

The Company is exposed to longevity risk through the annuity contracts it has written. Actuarial assumptions relating to the level and trend of mortality rates are required for both pricing and reserving for these contracts. The Company is exposed to the risk that actual experience of mortality rates is lower than these assumptions.

The amount of longevity risk exposure is managed by a longevity risk policy that defines the nature of the risk and outlines the risk appetite and operating limits. The policy defines limits on the acceptance of new business and avoidance of concentration of risk in any individual contract. Actuarial assumptions are determined using recent experience combined with industry standard mortality tables and mortality improvement models. An experience analysis investigation is carried out annually to confirm the appropriateness of the mortality assumptions.

Expense risk

The Company is exposed to the risk that the costs of administering the in force portfolio are higher than expected. Actuarial assumptions relating to the amount of expenses and future inflation of expenses are required for pricing and reserving of the annuity contracts.

An experience analysis investigation is carried out annually to confirm the appropriateness of the expense assumptions.

C.2 Market risk

The Company is exposed to market risk through its holdings of lifetime mortgages, reversions and debt securities.

Property risk

The Company is exposed to property risk through its holdings of reversions. The reversions are a direct interest in property and therefore the value of this asset class will follow the performance of the UK residential property market. HLAC is exposed to the risk of a fall in property prices.

The reversion portfolio is closed to new lending and is in rapid run off due to the old average age of the underlying lives.

Interest rate risk

Interest rate risk arises through any mismatch in the amount and timing of cash flows or whether they are fixed or linked to inflation, on assets and liabilities held by the Company.

A proportion of surplus assets are invested in lifetime mortgages and reversions. The value of these assets will fall in value if interest rates rise. HLAC is therefore exposed to the risk of a rise in interest rates. Interest rate derivatives are used to mitigate the exposure to this risk.

Concentration risk

The Company may be exposed to concentration risk as a result of large individual exposures within its investment portfolios.

For lifetime mortgages, this risk is managed by limits on the maximum loan amount to any individual. For debt securities, this risk is managed through counterparty limits set in the Company's treasury credit risk policy.

Other market risks

HLAC does not have any exposure to equity risk or currency risk. Exposure to credit risk is detailed in the section below.

C.3 Credit risk

Spread risk

Spread risk is the risk of movements in the market price of investments as a result of a change in the perceived credit quality of the asset. The Company is exposed to the spread risk associated with lifetime mortgages and debt securities.

The exposure to credit risk through lifetime mortgages is mitigated through limits on new lending set out in the Company's retail credit risk policy. The exposure to credit risk through debt securities is mitigated through the Company's treasury credit risk policy.

Counterparty default risk

Counterparty default risk is the risk that the Company cannot recover the value of its assets if the counterparty defaults. The Company is exposed to counterparty default risk associated with money market funds and deposits with credit institutions as well as exposures created through derivative contracts.

The exposure to counterparty default risk is mitigated through the Company's treasury credit risk policy.

C.4 Liquidity risk

Liquidity risk arises through an inability to meet the Company's obligations as they fall due. These obligations are predominantly the payment of annuity benefits.

The exposure to liquidity risk is mitigated through minimum requirements for highly liquid assets held as set out in the Company's liquidity policy. This requires the Company to hold sufficient liquid assets to withstand a severe liquidity shock scenario.

HLAC's insurance contracts are entirely single premium annuities and therefore there is no Expected Profit Included in Future Premiums ("EPIFP").

C.5 Operational risk

The Company accepts that operational risks arising from its people, processes, systems or the external environment are a natural consequence of its business operations but seeks to avoid or mitigate the risk to a minor level wherever practical. The operational risk policy defines the types of operational risk faced, the level of risk appetite and policy limits and the processes in place to identify, assess, manage, monitor and report operational risks and events.

C.6 Other material risks

The company is exposed to the following additional risks.

Conduct risk

Conduct risk has the potential to arise if the Company's behaviours result in poor customer outcomes; it is inherent in any operation that provides products or services to customers. Delivering good customer outcomes is a key driver in building a valuable, sustainable business and the Company is only willing to tolerate negligible levels of conduct risk. Annuities and later life lending products are distributed through regulated intermediaries which mitigates the exposure to direct sales and distribution.

Regular conduct risk training is completed for all staff members, with more in-depth training for certified individuals. Additionally, a number of processes are in place and executed by first line management to manage and monitor conduct risk exposures across the end to end customer journey. Conduct risk processes are subject to review and challenge as part of the annual assurance plan, and oversight through the Head of Risk and Compliance.

C.7 Any other information

The risk exposures highlighted above have not materially changed over the year and no new risk exposures have been introduced.

D. Valuation for Solvency purposes

D.1 Assets

Summary of asset valuation

The table below sets out the valuation of the Company's assets on an IFRS and Solvency II basis as at 31 October 2016:

£000	IFRS	Solvency II
Loans and advances to credit institutions	29,657	29,657
Debt securities	51,413	51,413
Reversionary interest in properties	93,505	93,505
Intangible assets	26	26
Investments	408,151	408,151
Other receivables	76	76
Prepayments and accrued income	564	564
Total assets	**583,392**	**583,392**

Differences between valuation for solvency purposes and valuation in financial statements

All assets on the Solvency II balance sheet are valued on the same basis as in the financial statements.

There are a number of differences in terminology between the description and grouping of assets in the financial statements and the Solvency II balance sheet as set out in the QRT template S.02.01.

The table below provides a mapping of the IFRS balances to the Solvency II balance sheet. Values are shown in £000s.

IFRS description	IFRS value	Solvency II description	Solvency II value
Loans and advances to credit institutions	**29,657**	**R0180** Collective investments undertakings	15,000
		R0200 Deposits other than cash equivalents	488
		R0410 Cash and cash equivalents	14,169
		Subtotal	**29,657**
Debt securities	**51,413**	**R0140** Government bonds	12,129
		R0150 Corporate bonds	39,284
		Subtotal	**51,413**
Reversionary interest in properties	**93,505**	**R0080** Property (other than for own use)	**93,505**
Intangible assets	**26**	**R0060** Property, plant & equipment held for own use	**26**
Investments	**408,150**	**R0250** Loans and mortgages to individuals	**408,150**
Other receivables	76	**R0380** Receivables (trade, not insurance)	**640**
Prepayments and accrued income	564		
Subtotal	**640**		

Fair value estimation

Fair value is the price that would be received to sell an asset at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

Where applicable, the Company measures the fair value of a financial instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions take place with sufficient frequency and volume to provide pricing information on an on-going basis. For all other financial instruments the Company determines fair value using other valuation techniques as summarised in the hierarchy below:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which all significant inputs are based on observable market
- Level 3: Valuation techniques for which significant inputs are not based on observable market.

Valuation of collective investments undertakings

The collective investments undertakings are the Company's investment in money market funds. The value of these assets is the total balance held within these funds.

No estimates or judgements are used by the Company in the valuation of this asset class.

Valuation of deposits other than cash equivalents

The deposits other than cash equivalents are collateral amounts pledged as cash to counterparties relating to interest rate derivatives. The value of the collateral is based on the counterparty valuation of the interest rate derivative.

No estimates or judgements are used by the Company in the valuation of this asset class.

Valuation of cash and cash equivalents

The cash and cash equivalents are the Company's deposits with financial institutions. The value of these assets is the total balance held within these deposits.

No estimates or judgements are used by the Company in the valuation of this asset class.

Valuation of government bonds and corporate bonds

The Company measures the fair value of all holdings of government and corporate bonds using the quoted price in an active market for the instrument at the balance sheet date. This is a 'Level 1' valuation for IFRS purposes.

No estimates or judgements are used by the Company in the valuation of this asset class.

Valuation of property (reversionary interest)

The Company measures the fair value of the reversionary interests in property using an actuarial valuation. This is a 'Level 3' valuation for IFRS purposes as there is no active market and the valuation technique requires significant inputs which are not based on observable markets.

Significant estimates and judgements are made by the Company in the valuation of this asset class.

The fair value of reversionary interests in property was calculated by discounting the value of future expected cash flows.

The principal assumptions underlying the calculation of reversionary interests in property include the following:

Property prices: The value of a property is based on the value at the last survey and increased to the current valuation date using an appropriate index of house prices. It is then adjusted down by an annual underperformance assumption and a deduction for sales costs. This allows for the risk that the properties under-perform the index.

Mortality and entry into long term care: This is based on the combined expectation of death or entry into long term care of the tenant or the last remaining tenant in relation to a joint life contract. This assumption has been derived by reference to PCMA00/PCFA00 mortality tables and the CMI2011 model for mortality improvements.

Expenses: Assumptions for future policy expense levels are based on the Company's recent expense analyses. Expenses are modelled as an amount per policy per annum that incorporates an annual inflation rate.

Discount rate: The discount rate applied to the reversionary interests in property cash flows comprises two parts: a risk free curve and an allowance for illiquidity. The risk free yield curve is the GBP curve published by EIOPA.

Valuation of loans and mortgages to individuals

The Company measures the fair value of the lifetime mortgages using an actuarial valuation. This is a 'Level 3' valuation for IFRS purposes as there is no active market and the valuation technique requires significant inputs which are not based on observable markets.

Significant estimates and judgements are made by the Company in the valuation of this asset class.

The fair value of lifetime mortgages is calculated by discounting the value of future expected cash flows. The difference between the fair value at the transaction date and the transaction price is not recognised but deferred and recognised uniformly over the expected life of each loan.

The principal assumptions underlying the calculation of lifetime mortgages include the following:

No-negative equity guarantee: The fair value of lifetime mortgages takes into account an explicit provision in respect of the no-negative equity guarantee which is calculated using a variant of the Black Scholes option pricing model. The key assumptions used to derive the value of the no-negative equity guarantee include current property price, property growth and property volatility. The current property price is based on the last survey valuation and increased to the current valuation date using an appropriate index of house prices. It is then adjusted down by an annual property price underperformance assumption and a deduction for sales costs. The future property price is based on the Bank of England implied future inflation adjusted for earnings growth and an annual property price underperformance assumption.

Mortality or entry into long term care: This is based on the combined expectation of death or entry into long term care of the borrower or the last remaining borrower in relation to a joint life contract. This assumption has been derived by reference to PCMA00/PCFA00 mortality tables and the CMI2011 model for mortality improvements.

Voluntary early redemptions: Due to limited market information, these assumptions have been derived from the Company's own experience on this product.

Expenses: Assumptions for future policy expense levels are based on the Company's recent expense analyses. Expenses are modelled as an amount per policy per annum that incorporates an annual inflation rate.

Discount rate: The discount rate applied to the lifetime mortgage cash flows comprises two parts: a risk free curve and an allowance for illiquidity. The risk free yield curve is the GBP curve published by EIOPA.

D.2 Technical provisions

Summary of valuation of technical provisions

The table below sets out the valuation of the Company's technical provisions on an IFRS and Solvency II basis as at 31 October 2016. Values are shown in £000s.

IFRS description	IFRS value	Solvency II description	Solvency II value
Provisions for long term business – liabilities arising from insurance contracts	**428,739**	Best estimate liabilities	462,725
		Risk margin	38,323
		Transitional measures on technical provisions	(77,594)
		Subtotal	**423,454**

The total technical provisions on a Solvency II basis were £423.5m as at 31 October 2016. All technical provisions relate to individual annuity contracts.

The valuation of technical provisions for solvency purposes incorporates the following adjustments for long term guarantees measures and transitional measures:

- The Company did not use the matching adjustment.
- The Company did not use the volatility adjustment.
- The Company does have approval to use the transitional measures on technical provisions.
- The Company did not use the transitional measures on interest rates.

Differences between valuation for solvency purposes and valuation in financial statements

The IFRS methodology for the valuation of technical provisions does not include the Solvency II concepts of the risk margin or transitional measures.

The assumptions used in the valuation of insurance liabilities under IFRS also differ from the valuation of the best estimate liabilities under Solvency II:

- The discount rate used under IFRS is higher. Under Solvency II the Company did not use the matching adjustment and therefore must discount liabilities at the risk free rate. Under IFRS the higher risk-adjusted yield on the Company's assets is used in the liability discount rate.
- The assumptions for longevity and expenses are based on best estimate with a margin of 20% and 15% respectively for adverse deviation under IFRS but are a best estimate under Solvency II.

Valuation of best estimate liabilities for solvency purposes

The valuation of annuity best estimate liabilities is calculated by discounting the future expected cash flows.

The principal assumptions underlying the valuation of annuities include the following:

Mortality rate: This is based on the expectation of death of the annuitant or the last remaining annuitant in relation to a joint life contract. Mortality assumptions have been derived by reference to PCMA00/PCFA00 mortality tables and the CMI2011 model for mortality improvements.

Expenses: Assumptions for future policy expense levels are based on the Company's recent expense analyses. Expenses are modelled as an amount per policy per annum that incorporates an annual inflation rate.

Discount rate: The discount rate applied to the annuities uses the risk free yield curve for GBP published by EIOPA.

Valuation of risk margin for solvency purposes

The risk margin calculation is calculated by projecting the solvency capital requirement (SCR) for the run-off of existing business for 'non-hedgeable' risks. A prescribed cost of capital charge of 6% is applied and the result is then discounted at the risk-free rate to determine the risk margin.

The value of each of the risks is calculated at the valuation date. A 'risk driver' approach is then used to approximate the value of that risk at all future valuation dates.

Uncertainty associated with the value of technical provisions

The main source of uncertainty in the value of technical provisions relates to the assumptions used in the valuation. The actual experienced rate of mortality or costs of administration may differ from the best estimate assumptions.

Impact of not applying the transitional measures on the solvency position

The Company has applied the transitional measures on technical provisions (TMTP) in the valuation of technical provisions. As at 31 October 2016 the value of the TMTP was £77.6m.

The TMTP has been used by the Company to phase in the impact of moving from the valuation principles under INSPRU to the Solvency II regime. The move to Solvency II has increased the value of technical provisions for the Company in two areas:

- The concept of the matching adjustment is an additional requirement under Solvency II. Under INSPRU the risk adjusted yield on assets was used to discount the value of annuity liabilities. Under Solvency II the Company does not use the matching adjustment and must therefore discount annuity liabilities at the risk free rate.
- The concept of the risk margin is an additional requirement under Solvency II.

The TMTP was originally approved by the PRA on 17 December 2015 (reference number 2053903) and took effect on 1 January 2016.

The Company has subsequently applied to recalculate the TMTP which was approved by the PRA on 31 October 2016 (reference number 3108611) and took effect on 31 October 2016. The recalculation of the TMTP was as a result of a material change in the risk profile caused by a change in the risk free rate.

The TMTP represents a material balance for the Company given that it is used to cover the impact of not using the matching adjustment and phasing in the risk margin for business written before 1 January 2016. Therefore not applying the TMTP would result in a material change to the solvency position of the Company.

The table below summarises the results from template s.22.01 which shows the solvency position of the Company with and without the TMTP.

£000s	Amounts with TMTP	Amounts without TMTP	Impact of TMTP
Technical provisions	423,455	501,049	77,594
Deferred tax	(6,833)	6,358	(13,191)
Basic own funds	147,898	83,495	(64,403)
Eligible own funds to meet Solvency Capital Requirement	147,898	83,495	(64,403)
Solvency Capital Requirement (SCR)	87,161	93,993	6,833
Eligible own funds to meet Minimum Capital Requirement	147,898	83,495	(64,403)
Minimum Capital Requirement (MCR)	21,790	23,498	1,708

Without the TMTP, basic own funds would be expected to reduce by £64.4m to £83.5m after allowing for the effects on deferred taxation. The SCR would be expected to increase by £6.8m to £94.0m because of a reduction in the loss absorbing capacity of deferred taxes (LACDT).

The Company would therefore hold eligible own funds slightly below the SCR without applying the TMTP. However, it would hold eligible own funds significantly greater than the MCR.

The Company has prepared a phasing-in plan to demonstrate that sufficient surplus is expected to emerge from the underlying portfolio to repay the TMTP under best estimate and stressed conditions.

Recoverables from reinsurance contracts and other special purpose vehicles

The Company has not entered into any contracts of reinsurance and does not have any transactions with any special purpose vehicles.

Comparison to previous reporting period

This is the first reporting period under Solvency II therefore no comparison to technical provisions in the previous reporting period is given.

The only change to the Company's best estimate assumptions over the course of the valuation period has been to its per policy expense assumption. These have been revised in line with company experience.

D.3 Other liabilities

Summary of other liabilities

The table below sets out the valuation of the Company's other liabilities on an IFRS and Solvency II basis as at 31 October 2016. Values are shown in £000s.

IFRS description	IFRS value	Solvency II description	Solvency II value
Deferred taxation	**5,935**	**R0780** Deferred tax liabilities	**6,833**
Derivative financial instruments	**493**	**R0790** Derivatives	**493**
Trade and other liabilities	**4,716**	**R0820** Insurance and intermediaries payable	214
		R0840 Payables (trade, not insurance)	4,502
		Subtotal	**4,716**

Deferred tax liabilities

An adjustment is made to the IFRS deferred tax liability for the Solvency balance sheet to take account of the difference between the IFRS and Solvency II valuation of technical provisions.

The difference in deferred tax liability of £0.9m is derived from the difference in technical provisions on the IFRS and Solvency II balance sheets, £5.3m, multiplied by the enacted tax rate as at 31 October 2016, 17%.

No estimates or judgements are used by the Company in the valuation of these liabilities.

Derivatives

This is the fair value of the interest rate swaps held by the Company. The fair value is based on counterparty valuations as these instruments are not traded in an active market. This is a 'Level 2' valuation for IFRS purposes as all inputs to the valuation are taken from observable markets.

No estimates or judgements are used by the Company in the valuation of this asset class and the valuation under IFRS and Solvency II is the same.

Insurance and intermediaries payables

This balance represents partial funds received in respect of the pipeline of annuity new business. These funds are not recognised as annuity premium income until the annuity is put into payment.

No estimates or judgements are used by the Company in the valuation of these liabilities and the valuation under IFRS and Solvency II is the same.

Payables (trade, not insurance)

This balance represents amounts owed to other parties.

No estimates or judgements are used by the Company in the valuation of these liabilities and the valuation under IFRS and Solvency II is the same.

D.4 Alternative methods for valuation

The Company does not use alternative methods of valuation in calculating in its Solvency position.

D.5 Any other information

Policies addressing management of the Company's risks which affect the valuation of assets and liabilities are discussed in section C of this SFCR.

E. Capital management

E.1 Own funds

Objective, policies and processes employed for managing own funds

The Company's risk management framework incorporates explicit risk appetite statements relating to capital. The risk appetite specifies limits and triggers for the ratio of eligible own funds to Solvency Capital Requirements. This SCR coverage ratio is a key risk indicator which is regularly reported to the Risk and Conduct Committee and Board.

The Company's business plan and strategy is subject to an annual review process and approval by Board. This annual review incorporates a projection of expected SCR coverage over a 5 year planning horizon which also forms a key part of the ORSA process and report. The Company aims to maintain the capital risk appetite over the length of the business planning horizon.

The Company's Risk Management Framework for managing its own funds is designed to achieve the following objectives:

- Provide appropriate security for policyholders and meet all regulatory capital requirements;
- Ensure sufficient liquidity to meet obligations to policyholders and other creditors;
- To meet the dividend expectations of shareholders as set by the Company's dividend policy.

As at 31 October 2016 the ratio of eligible own funds to Solvency Capital Requirements was 170%.

Own funds by tier

The Company's own funds are entirely comprised of ordinary share capital and reconciliation reserves (retained earnings). These items are treated as Tier 1 unrestricted capital items. The entirety of own funds is therefore eligible to cover the Solvency Capital Requirement and Minimum Capital Requirement. The table below summarises the component parts of the reconciliation reserve.

Decomposition of reconciliation reserve	£000s
Excess of assets over liabilities	147,898
Other basic own fund items	(6,800)
Reconciliation reserve	**141,098**

No own fund items are subject to transitional arrangements under Articles 308b(9) and 308b(10) of Directive 2009/138/EC.

This is the first reporting period under Solvency II therefore no comparison to own funds in the previous reporting period is given.

Differences between equity as shown in financial statements and excess of assets over liabilities for solvency purposes

Reconciliation of valuation differences	£000s
Called-up share capital	6,800
Profit and loss account	136,712
Total Equity per financial statements	**143,512**
Difference in the valuation of technical provisions	5,284
Difference in the valuation of other liabilities	(898)
Excess of assets over liabilities for solvency purposes	**147,898**

Called-up share capital of £6.8m comprises 27.2m (2015: 27.2m) ordinary shares of £0.25m each.

The differences in equity between the financial statements and the own funds for solvency purposes are driven by differences in the valuation of technical provisions. This is explained in more detail in section D.2.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The table below sets out the SCR and MCR for the Company as at 31 October 2016.

	£000s
Solvency Capital Requirement	87,161
Minimum Capital Requirement	21,790

Solvency Capital Requirement

As at 31 October 2016 the ratio of eligible own funds to Solvency Capital Requirement was 170%.

The Company applies the standard formula for the calculation of the Solvency Capital Requirement. The Company is not using undertaking-specific parameters (USPs) to calculate its Solvency Capital Requirement. This Company does not use simplified calculations in any of its risk modules or sub-modules when calculating the Solvency Capital Requirement.

The table below shows the amount of Solvency Capital Requirement split by risk module.

Risk Module	£000s
Market risk	73,074
Life underwriting risk	38,018
Counterparty default risk	1,424
Diversification benefit	(21,657)
Basic Solvency Capital Requirement	**90,859**
Operational risk	3,106
Loss-absorbing capacity of deferred taxes	(12,563)
Capital add-on to support 12 months of new business	5,758
Solvency Capital Requirement	**87,161**

This is the first reporting period under Solvency II; therefore no comparison to Solvency Capital Requirements in the previous reporting period is given.

Minimum Capital Requirement

As at 31 October 2016 the ratio of eligible own funds to Minimum Capital Requirement was 679%.

The table below sets out the inputs used to calculate the Minimum Capital Requirement.

Input	£000s
Linear MCR (2.1% of best estimate liabilities)	9,717
SCR	87,161
MCR cap (45% of SCR)	39,222
MCR floor (25% of SCR)	21,790
Minimum Capital Requirement	**21,790**

The amount of the Minimum Capital Requirement for the Company is driven by the MCR floor of 25% of the Solvency Capital Requirement.

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

The Company did not use the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement.

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

The Company used the standard formula and did not use an internal model for the calculation of the Solvency Capital Requirement.

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

There was no breach of the Minimum Capital Requirements or Solvency Capital Requirements during the reporting period.

E.6 Any other information

None.

Appendix A – Glossary of terms

BEL	Best Estimate Liability. The present value of annuity payments.
DTL	Deferred Tax Liability. Tax charges that are payable in future periods.
EIOPA	European Insurance and Occupational Pensions Authority. European regulator that sets the Solvency II regulations.
FRS101	Financial Reporting Standard 101 Reduced Disclosure Framework. FRS101 was adopted by the Group from October 2016 as the basis for its financial statements.
IFRS	International Financial Reporting Standards. The Group are granted to apply exemptions for full requirements of IFRS under FRS101.
LACDT	Loss absorbing capacity of deferred tax. A reduction to capital requirements (SCR) to allow for tax losses that may arise as a result of a shock.
NNEG	No Negative Equity Guarantee. A feature of lifetime mortgages where the borrower will not owe more than the value of their house.
ORSA	Own Risk and Solvency Assessment. An internal assessment of risk and capital requirements.
QRT	Quantitative Reporting Templates. Quarterly solvency returns submitted to the PRA.
Risk free rate	The base discount rate set by EIOPA and used in the actuarial valuation.
Risk margin	Part of technical provisions under solvency II. Ensures the technical provisions are sufficient such that another insurer could take over and meet obligations. Takes account of insurance risks and operational risk.
SCR	Solvency Capital Requirement. The risk based capital assessment under Solvency II. Can be set either by standard formula or internal model.
SFCR	Solvency and Financial Condition Report. Annual report to the PRA. Contains a narrative and form based submission.
SII	Solvency II regime effective from 1 January 2016
Technical provisions	The Solvency II insurance contract liabilities. The sum of best estimate liability (BEL), risk margin and transitional items.
TMTP	Transitional Measures on Technical Provisions. Allows the 'cost' of moving to Solvency II to be phased in over 16 years.
UKGAAP	UK Generally Accepted Accounting Practice. The accounting standards followed by the group up to October 2015.

Appendix B – Quantitative reporting templates ("QRTs")

The sections to follow set out the annual QRTs for Hodge Life Assurance Company Limited as at 31 October 2016 that we are required to disclose as part of our SFCR in line with Solvency II regulations.

We note that values are shown in thousands of pounds.

List of reported templates

S.01.02.01	Basic information - General
S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses by line of business
S.05.02.01	Premiums, claims and expenses by country
S.12.01.02	Life and Health SLT Technical Provisions
S.22.01.21	Impact of long term guarantees measures and transitional measures
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01	Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Note: We are not required to disclose form S.01.02.01 however this has been included to provide useful information.

S.01.02.01 – Basic information - General

	General information	C0010
R0010	Undertaking name	Hodge Life Assurance Company Limited
R0020	Undertaking identification code	549300VD6I2MUPVFYL37
R0030	Type of code of undertaking	LEI
R0040	Type of undertaking	Life undertakings
R0050	Country of authorisation	GB
R0070	Language of reporting	en
R0080	Reporting submission date	2017-03-20
R0090	Reporting reference date	2016-10-31
R0100	Regular/Ad-hoc submission	Regular reporting
R0110	Currency used for reporting	GBP
R0120	Accounting standards	The undertaking is using IFRS
R0130	Method of Calculation of the SCR	Standard formula
R0140	Use of undertaking specific parameters	Don't use undertaking specific parameters
R0150	Ring-fenced funds	Not reporting activity by RFF
R0170	Matching adjustment	No use of matching adjustment
R0180	Volatility adjustment	No use of volatility adjustment
R0190	Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
R0200	Transitional measure on technical provisions	Use of transitional measure on technical provisions

S.02.01.02 – Balance sheet

		Solvency II value	Statutory accounts value
	Assets	C0010	C0020
R0010	Goodwill		
R0020	Deferred acquisition costs		
R0030	Intangible assets		
R0040	Deferred tax assets		
R0050	Pension benefit surplus		
R0060	Property, plant & equipment held for own use	26	26
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	160,407	160,407
R0080	*Property (other than for own use)*	93,505	93,505
R0090	*Holdings in related undertakings, including participations*		
R0100	*Equities*		
R0110	*Equities - listed*		
R0120	*Equities - unlisted*		
R0130	*Bonds*	51,413	51,413
R0140	*Government Bonds*	12,129	12,129
R0150	*Corporate Bonds*	39,284	39,284
R0160	*Structured notes*		
R0170	*Collateralised securities*		
R0180	*Collective Investments Undertakings*	15,000	15,000
R0190	*Derivatives*		
R0200	*Deposits other than cash equivalents*	488	488
R0210	*Other investments*		
R0220	Assets held for index-linked and unit-linked contracts		
R0230	Loans and mortgages	408,151	408,151
R0240	*Loans on policies*		
R0250	*Loans and mortgages to individuals*	408,151	408,151
R0260	*Other loans and mortgages*		
R0270	Reinsurance recoverables from:		
R0280	*Non-life and health similar to non-life*		
R0290	*Non-life excluding health*		
R0300	*Health similar to non-life*		
R0310	*Life and health similar to life, excluding index-linked and unit-linked*		
R0320	*Health similar to life*		
R0330	*Life excluding health and index-linked and unit-linked*		
R0340	*Life index-linked and unit-linked*		
R0350	Deposits to cedants		
R0360	Insurance and intermediaries receivables		
R0370	Reinsurance receivables		
R0380	Receivables (trade, not insurance)	641	641
R0390	Own shares (held directly)		
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in		
R0410	Cash and cash equivalents	14,169	14,169
R0420	Any other assets, not elsewhere shown		
R0500	**Total assets**	583,394	583,394

		Solvency II value	Statutory accounts value
	Liabilities	C0010	C0020
R0510	Technical provisions - non-life		
R0520	*Technical provisions - non-life (excluding health)*		
R0530	*TP calculated as a whole*		
R0540	*Best Estimate*		
R0550	*Risk margin*		
R0560	*Technical provisions - health (similar to non-life)*		
R0570	*TP calculated as a whole*		
R0580	*Best Estimate*		
R0590	*Risk margin*		
R0600	Technical provisions - life (excluding index-linked and unit-linked)	423,455	428,738
R0610	*Technical provisions - health (similar to life)*		
R0620	*TP calculated as a whole*		
R0630	*Best Estimate*		
R0640	*Risk margin*		
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	423,455	428,738
R0660	*TP calculated as a whole*	-77,594	
R0670	*Best Estimate*	462,725	
R0680	*Risk margin*	38,323	
R0690	Technical provisions - index-linked and unit-linked		
R0700	*TP calculated as a whole*		
R0710	*Best Estimate*		
R0720	*Risk margin*		
R0730	Other technical provisions		
R0740	Contingent liabilities		
R0750	Provisions other than technical provisions		
R0760	Pension benefit obligations		
R0770	Deposits from reinsurers		
R0780	Deferred tax liabilities	6,833	5,935
R0790	Derivatives	493	493
R0800	Debts owed to credit institutions		
R0810	Financial liabilities other than debts owed to credit institutions		
R0820	Insurance & intermediaries payables	214	214
R0830	Reinsurance payables		
R0840	Payables (trade, not insurance)	4,502	4,502
R0850	Subordinated liabilities		
R0860	*Subordinated liabilities not in BOF*		
R0870	*Subordinated liabilities in BOF*		
R0880	Any other liabilities, not elsewhere shown		
R0900	**Total liabilities**	435,497	439,882
R1000	**Excess of assets over liabilities**	147,898	143,512

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

	Life	Other life insurance	Total
		C0240	C0300
	Premiums written		
R1410	*Gross*	61,378	61,378
R1420	*Reinsurers' share*		
R1500	*Net*	61,378	61,378
	Premiums earned		
R1510	*Gross*	61,378	61,378
R1520	*Reinsurers' share*		
R1600	*Net*	61,378	61,378
	Claims incurred		
R1610	*Gross*	22,063	22,063
R1620	*Reinsurers' share*		
R1700	*Net*	22,063	22,063
	Changes in other technical provisions		
R1710	*Gross*	105,087	105,087
R1720	*Reinsurers' share*		
R1800	*Net*	105,087	105,087
R1900	**Expenses incurred**	4,239	4,239
	Administrative expenses		
R1910	*Gross*	879	879
R1920	*Reinsurers' share*		
R2000	*Net*	879	879
	Investment management expenses		
R2010	*Gross*		
R2020	*Reinsurers' share*		
R2100	*Net*		
	Claims management expenses		
R2110	*Gross*		
R2120	*Reinsurers' share*		
R2200	*Net*		
	Acquisition expenses		
R2210	*Gross*	862	862
R2220	*Reinsurers' share*		
R2300	*Net*	862	862
	Overhead expenses		
R2310	*Gross*	2,499	2,499
R2320	*Reinsurers' share*		
R2400	*Net*	2,499	2,499
R2500	**Other expenses**		
R2600	**Total expenses**		4,239
R2700	**Total amount of surrenders**		

S.05.02.01 – Premiums, claims and expenses by country

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	Life	**Home Country**	**Top 5 countries (by amount of gross premiums written) - life obligations**					**Total Top 5 and home country**
R1400								
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	*Gross*	61,378						61,378
R1420	*Reinsurers' share*							
R1500	*Net*	61,378						61,378
	Premiums earned							
R1510	*Gross*							
R1520	*Reinsurers' share*							
R1600	*Net*							
	Claims incurred							
R1610	*Gross*	22,063						22,063
R1620	*Reinsurers' share*							
R1700	*Net*	22,063						22,063
	Changes in other technical provisions							
R1710	*Gross*	105,087						105,087
R1720	*Reinsurers' share*							
R1800	*Net*	105,087						105,087
R1900	**Expenses incurred**	4,239						4,239
R2500	**Other expenses**							
R2600	**Total expenses**							4,239

S.12.01.02 – Life and Health SLT Technical Provisions

		Other life insurance			
			Contracts without options and guarantees	**Contracts with options or guarantees**	**Total (Life other than health insurance, incl Unit-linked)**
		C0060	C0070	C0080	C0150
R0010	**Technical provisions calculated as a whole**				
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole				
	Technical provisions calculated as a sum of BE and RM				
	Best estimate				
R0030	**Gross Best Estimate**		462,725		462,725
R0040	Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default				
R0050	*Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses*				
R0060	*Recoverables from SPV before adjustment for expected losses*				
R0070	*Recoverables from Finite Re before adjustment for expected losses*				
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re		462,725		462,725
R0100	**Risk margin**	38,323			38,323
	Amount of the transitional on Technical Provisions				
R0110	Technical Provisions calculated as a whole	-77,594			-77,594
R0120	Best estimate				
R0130	Risk margin				
R0200	**Technical provisions - total**	423,455			423,455
R0210	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	423,455			423,455
R0220	**Best estimate of products with a surrender option**				
	Gross BE for cash flow				
	Cash out-flows				
R0230	*Future guaranteed and discretionary benefits*				
R0240	*Future guaranteed benefits*				
R0250	*Future discretionary benefits*				
R0260	*Future expenses and other cash out-flows*				
	Cash in-flows				
R0270	*Future premiums*				
R0280	*Other cash in-flows*				
R0290	**Percentage of gross Best Estimate calculated using approximations**				
R0300	**Surrender value**				
R0310	Best estimate subject to transitional of the interest rate				
R0320	Technical provisions without transitional on interest rate				
R0330	Best estimate subject to volatility adjustment				
R0340	Technical provisions without volatility adjustment and without others transitional measures				
R0350	Best estimate subject to matching adjustment				
R0360	Technical provisions without matching adjustment and without all the others				

S.22.01.21 – Impact of long term guarantees measures and transitionals (extract)

		Amount with Long Term Guarantee measures and transitionals	Without transitional on technical provisions	Impact of transitional on technical provisions	Impact of all LTG measures and transitionals
		C0010	C0020	C0030	C0100
R0010	**Technical provisions**	423,455	501,049	77,594	77,594
R0020	**Basic own funds**	147,898	83,495	-64,403	-64,403
R0030	Excess of assets over liabilities	147,898	83,495	-64,403	-64,403
R0040	Restricted own funds due to ring-fencing and matching portfolio				
R0050	**Eligible own funds to meet Solvency Capital Requirement**	147,898	83,495	-64,403	-64,403
R0060	Tier 1	147,898	77,137	-70,761	-70,761
R0070	Tier 2				
R0080	Tier 3		6,358	6,358	6,358
R0090	**Solvency Capital Requirement**	87,161	93,994	6,833	6,833
R0100	**Eligible own funds to meet Minimum Capital Requirement**	147,898	83,495	-64,403	-64,403
R0110	**Minimum Capital Requirement**	21,790	23,498	1,708	1,708

S.23.01.01 – Own funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	6,800	6,800			
R0030	Share premium account related to ordinary share capital					
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings					
R0050	Subordinated mutual member accounts					
R0070	Surplus funds					
R0090	Preference shares					
R0110	Share premium account related to preference shares					
R0130	Reconciliation reserve	141,098	141,098			
R0140	Subordinated liabilities					
R0160	An amount equal to the value of net deferred tax assets					
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above					
	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	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
	Deductions					
R0230	Deductions for participations in financial and credit institutions					
R0290	**Total basic own funds after deductions**	147,898	147,898			
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand					
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand					
R0320	Unpaid and uncalled preference shares callable on demand					
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC					
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC					
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0390	Other ancillary own funds					
R0400	**Total ancillary own funds**					
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	147,898	147,898			
R0510	Total available own funds to meet the MCR	147,898	147,898			
R0540	Total eligible own funds to meet the SCR	147,898	147,898			
R0550	Total eligible own funds to meet the MCR	147,898	147,898			
R0580	**SCR**	87,161				
R0600	**MCR**	21,790				
R0620	**Ratio of Eligible own funds to SCR**	170%				
R0640	**Ratio of Eligible own funds to MCR**	679%				
	Reconciliation reserve	C0060				
R0700	Excess of assets over liabilities	147,898				
R0710	Own shares (held directly and indirectly)					
R0720	Foreseeable dividends, distributions and charges					
R0730	Other basic own fund items	6,800				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds					
R0760	**Reconciliation reserve**	141,098				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business					
R0780	Expected profits included in future premiums (EPIFP) - Non- life business					
R0790	**Total Expected profits included in future premiums (EPIFP)**					

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

Z0010	**Article 112**	Regular reporting				
		Net solvency capital requirement	**Gross solvency capital requirement**	**Allocation from adjustments due to RFF and Matching adjustments portfolios**	**USP**	**Simplifications**
		C0030	C0040	C0050	C0080	C0090
R0010	Market risk	73,074	73,074			
R0020	Counterparty default risk	1,424	1,424			
R0030	Life underwriting risk	38,018	38,018			
R0040	Health underwriting risk					
R0050	Non-life underwriting risk					
R0060	Diversification	-21,657	-21,657			
R0070	Intangible asset risk					
R0100	**Basic Solvency Capital Requirement**	90,859	90,859			
	Calculation of Solvency Capital Requirement	C0100				
R0120	Adjustment due to RFF/MAP nSCR aggregation					
R0130	Operational risk	3,106				
R0140	Loss-absorbing capacity of technical provisions					
R0150	Loss-absorbing capacity of deferred taxes	-12,563				
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC					
R0200	**Solvency Capital Requirement excluding capital add-on**	81,402				
R0210	Capital add-ons already set	5,758				
R0220	**Solvency capital requirement**	87,161				
	Other information on SCR					
R0400	Capital requirement for duration-based equity risk sub-module					
R0410	Total amount of Notional Solvency Capital Requirements for remaining part					
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds					
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios					
R0440	Diversification effects due to RFF nSCR aggregation for article 304					
R0450	Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	No adjustment				
R0460	Net future discretionary benefits					

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010			
R0010	MCR_{NL} Result	0.00			
				Net (of reinsurance/SPV) best estimate and TP calculated as a whole	**Net (of reinsurance) written premiums in the last 12 months**
				C0020	C0030
R0020	Medical expense insurance and proportional reinsurance				
R0030	Income protection insurance and proportional reinsurance				
R0040	Workers' compensation insurance and proportional reinsurance				
R0050	Motor vehicle liability insurance and proportional reinsurance				
R0060	Other motor insurance and proportional reinsurance				
R0070	Marine, aviation and transport insurance and proportional reinsurance				
R0080	Fire and other damage to property insurance and proportional reinsurance				
R0090	General liability insurance and proportional reinsurance				
R0100	Credit and suretyship insurance and proportional reinsurance				
R0110	Legal expenses insurance and proportional reinsurance				
R0120	Assistance and proportional reinsurance				
R0130	Miscellaneous financial loss insurance and proportional reinsurance				
R0140	Non-proportional health reinsurance				
R0150	Non-proportional casualty reinsurance				
R0160	Non-proportional marine, aviation and transport reinsurance				
R0170	Non-proportional property reinsurance				
	Linear formula component for life insurance and reinsurance obligations	C0040			
R0200	MCR_{L} Result	9,717			
				Net (of reinsurance/SPV) best estimate and TP calculated as a whole	**Net (of reinsurance/SPV) total capital at risk**
				C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits				
R0220	Obligations with profit participation - future discretionary benefits				
R0230	Index-linked and unit-linked insurance obligations				
R0240	Other life (re)insurance and health (re)insurance obligations			462,725	
R0250	Total capital at risk for all life (re)insurance obligations				
	Overall MCR calculation	C0070			
R0300	Linear MCR	9,717			
R0310	SCR	87,161			
R0320	MCR cap	39,222			
R0330	MCR floor	21,790			
R0340	Combined MCR	21,790			
R0350	Absolute floor of the MCR	2,657			
R0400	**Minimum Capital Requirement**	21,790			