Aviva Insurance Ireland Designated Activity Company

Solvency and Financial Condition Report

Year ended 31 December 2018

AVIVA

Contents

Aviva Insurance Ireland Designated Activity Company

Solvency and Financial Condition Report

2018

Summary

The purpose of the Solvency and Financial Condition Report (SFCR) is to provide information required by the Solvency II (SII) regulatory framework and in particular the capital position of Aviva Insurance Ireland Designated Activity Company ("the Company") at 31 December 2018. The report sets out different aspects of the Company's business and performance, system of governance, risk profile, valuation methods used for solvency purposes and its capital management practices.

Business and performance

The Company is a limited company registered in the Republic of Ireland and a member of the Aviva plc group of companies. The Company was established to subsidiarise a subset of business of Aviva Insurance Limited ("AIL") under a transfer using Part VII of Financial Services Markets Act 2000 in response to the anticipated exit of the UK from the European Union.

The Company became a regulated Insurance Company on 27 July 2018 but has not transacted any insurance business during the year-ended 31 December 2018, although it incurred pre-trading expenses, reflected within a net finance cost other expenses, which generated a loss.

The IFRS loss after tax for the year was €73,000 (2017: €nil). This comprised a net finance cost of €10,000 (€2017: €nil) and other expenses of €63,000 (€nil).

Section A of this report sets out further details about the Company's key operations and financial performance over the year.

System of governance

The Board's role is to be collectively responsible for promoting the long-term success of the Company and for setting the Company's strategy, against which management's performance is monitored. It sets the Company's risk appetite and satisfies itself that financial controls and risk management systems are robust, whilst ensuring the Company is adequately resourced. A strong system of governance throughout the Company aids effective decision making and supports the achievement of the Company's objectives for the benefit of customers and shareholders whilst maintaining compliance with regulations.

Roles and responsibilities for risk management in the Company are based around the 'three lines of defence model' where ownership for risk is taken at all levels in the Company. Line management in the business is accountable for risk management, including the implementation of the Risk Management Framework and embedding of the risk culture.

Section B of this report provides further details of the Company's System of Governance.

Risk profile

The Company wrote no insurance business during the year and had no technical provisions at the year-end.

Section C of this report sets out the Company's approach to risk.

Valuation for Solvency Purposes

Assets, technical provisions and other liabilities are valued in the Company's SII Balance Sheet according to the SII Directive and related guidance. The principle that underlies the valuation methodology for SII purposes is the amount for which they could be exchanged, transferred or settled by knowledgeable and willing third parties in an arm's length transaction.

At 31 December 2018 the Company recognised no technical provisions.

At 31 December 2018, the Company's excess of assets over liabilities was €4.9 million (2017: €nil) on both a SII and an IFRS basis.

Section D of this report provides further description of the bases, methods and main assumptions used in the valuation of assets and other liabilities for each material asset or liability class.

Capital management

The Company's primary capital management objective is to maintain an efficient capital structure in a manner consistent with the Company's risk profile whilst maintaining its regulatory capital surplus in accordance with approved risk appetites.

In the calculation of the SCR, the Company uses the Standard Formula (SF) approach to calculate solvency capital. At 31 December 2018, the total eligible Own Funds to meet both the SCR and MCR were €4.9 million (2017: not applicable), all of which was represented by unrestricted tier 1 capital.

The Company's SCR, at 31 December 2018, was €0.74 million (2017: not applicable), an SCR surplus of €4.16 million (2017: not applicable). The MCR was €3.7 million (2017: not applicable), an MCR surplus position of €1.2 million (2017: not applicable).

Section E of this report further describes the objectives, policies and procedures employed by the Company for managing its Own Funds. The section also covers information on structure and quality of Own Funds and calculation of SCR..

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2018

A. Business and Performance

In this Chapter

A Business and Performance

The 'Business and Performance' section of the report sets out the Company's business structure, key operations and financial performance over the reporting period.

A.1 Business

The Company is a limited company, registered in the Republic of Ireland ("Ireland"), and a member of the Aviva group plc of companies (the Group).

Qualifying holdings

The Company's shares and the associated voting rights are wholly owned by AIL, being a qualifying holding in the Company.

Supervisor

The Company is authorised by the Central Bank of Ireland (CBI). The Group is regulated by the Financial Conduct Authority (FCA) in the UK. Contact details for the CBI are as follows:

Address:	New Wapping Street, North Wall Quay, Dublin 1, D01 F7X3
Telephone number:	+353 (0) 1 224 5800

External auditor

The Company's external auditor is PricewaterhouseCoopers. Contact details are as follows:

Address:	One Spencer Dock, North Wall Quay, Dublin 1
Telephone number:	+353 (0) 1 792 6000

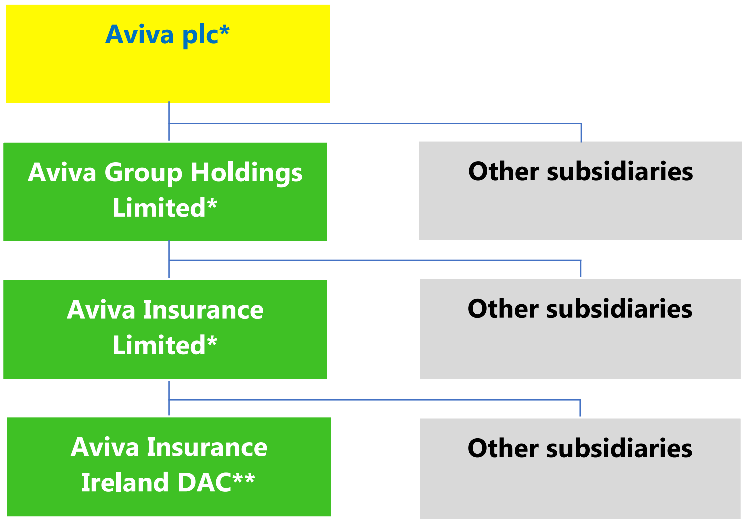
Financial statements

The Company's financial statements are available from the Company Secretary, Third Floor, One Park Place, Hatch Street, Dublin 2, Ireland

The SFCR is presented in euros rounded to the nearest thousand. The Quantitative Reporting Templates (QRT) are presented in euros.

A.1.1 Organisation

The following chart shows, in simplified form, the Company's position within the structure of the Group as at 31 December 2018:



* Incorporated in the United Kingdom

** Incorporated in the Republic of Ireland

A.1.2 Business operations and events occurring in the year

Business Operations

The Company transacted no insurance business during the year but incurred pre-trading expenses which generated a loss.

Significant business and other events

On 10 July 2018 the Company changed its name from Aviva OPP One Designated Activity Company to Aviva Insurance Ireland Designated Activity Company.

On 24 July 2017 the Company received €5m cash from AIL in settlement of share capital issued.

On 27 July 2018 the CBI granted the Company authorisation to transact Non-Life insurance business and from this date the Company became a regulated insurance company subject to the Corporate Governance Requirements for Insurance Undertakings 2015 ("The Requirements"). Under The Requirements the Company has been designated as a "High Impact" Institution.

A.2 Underwriting Performance

A.2.1 Measurement of underwriting performance

The Company uses underwriting result to measure its underwriting performance. Underwriting result is a non-GAAP financial performance measure, calculated on an IFRS basis. It excludes certain items to enhance comparability and understanding of underwriting performance by highlighting net underwriting income attributable to on-going underwriting operations. Examples of items excluded from underwriting result are investment return, economic assumption changes and amortisation of intangible assets. The items excluded from underwriting result, which comprise the Company's investment performance and its performance of other activities, are detailed in sections A.3 and A.4 respectively.

A.2.2 Underwriting profit

The Company's underwriting performance for the year was €nil (2017: €nil) as it transacted no insurance business. The table below reconciles the underwriting profit to the loss before tax. The loss before tax is as shown in the Company's financial statements.

Year ended 31 December	**€000** **2018**	**€000** **2017**
Income	-	-
Other expenses	(63)	-
Finance cost	(10)	
Loss for the year before tax	**(73)**	**-**
Less: Finance cost (above, see A.3)	10	-
Add back:		
Other expenses (see A.4)	63	
Underwriting profit	**-**	**-**

A.2.3 Quantitative Reporting Templates

Quantification of premiums, claims and expenses, analysed by SII lines of business, is provided in QRT S.05.01, (see Appendix F.1.2.1 and F.1.2.2). These QRT have been prepared in accordance with the definitions and formats prescribed under SII. They include the items (except net investment income) excluded from underwriting result in the reconciliation presented in section A.2.2 which are described in section A.4

A.3 Investment Performance

The Company received no investment income for the year as it transacted no insurance business, but it incurred interest expense on cash at bank.

Year ended 31 December	€000 2018	€000 2017
Interest expense	(10)	
Total	**(10)**	**-**

A.4 Performance of Other Activities

A.4.1 Other income and expenses

As described in section A.2.1, performance of other activities comprises those items of other income and expense, other than net investment return, excluded from underwriting result. The table in section A.2.2 summarises the loss of €63,000 (2017: €nil)) that the Company sustained from its performance of other activities during the year.

A.4.2 Pre-trading expenditure

The Company incurred pre-trading expenses, following its approval of becoming a regulated insurance company on 27 July 2018 which generated the loss.

A.5 Any Other Information

On 1 February 2019 the following transactions took place:

- an insurance portfolio transfer of a subset of business of AIL under Part VII of the Financial Services and Markets Act 2000 was made to the Company. From that date the Company started to transact insurance business, taking on policyholders and insurance liabilities. The transfer took place at 00:01 on 1 February 2019. Based upon the Supplementary Report by the Independent Expert dated 4 January 2019, the estimated gross insurance liabilities to be transferred, based upon values as at 30 June 2018 are €1,178m. Underpinning this transfer is €1,178m of "investment assets" comprising premium under a quota share arrangement and a transfer of other investments from Aviva Insurance Limited to the Company. The gross insurance liabilities as at 31 December 2018 were not materially different to those as at 30 June 2018;

- AIL entered an agreement to provide proportional reinsurance to AIIDAC (the "AIIDAC-AIL Quota Share arrangement") as follows:
  - 85% quota share arrangement in respect of the transferring Ireland GI branch risks that are situated in the European Economic Area (excluding the UK) and European MDI business; and
  - 100% quota share arrangement covering all other transferring business

  Based upon the estimated gross insurance liabilities as at 30 June 2018, the quota share arrangement premium is €1,018m;

- the Company received a €44m capital contribution as a Tier 1 own fund item from AIL. In part consideration for this, the Company issued 15m ordinary shares of €1.00 at nominal value to AIL. The balance of €29m was taken to capital reserves.

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B. System of Governance

In this Chapter

B System of Governance

This section of the report sets out information regarding the 'System of Governance' in place within the Company.

Details of the structure of the undertaking's 'administrative, management or supervisory body' (defined as including the Board, and Board committees) are provided. The roles, responsibilities and governance of key functions (defined as the Risk, Compliance, Internal Audit and Actuarial functions) are also provided. Other components of the system of governance are also outlined, including the risk management system and internal control system.

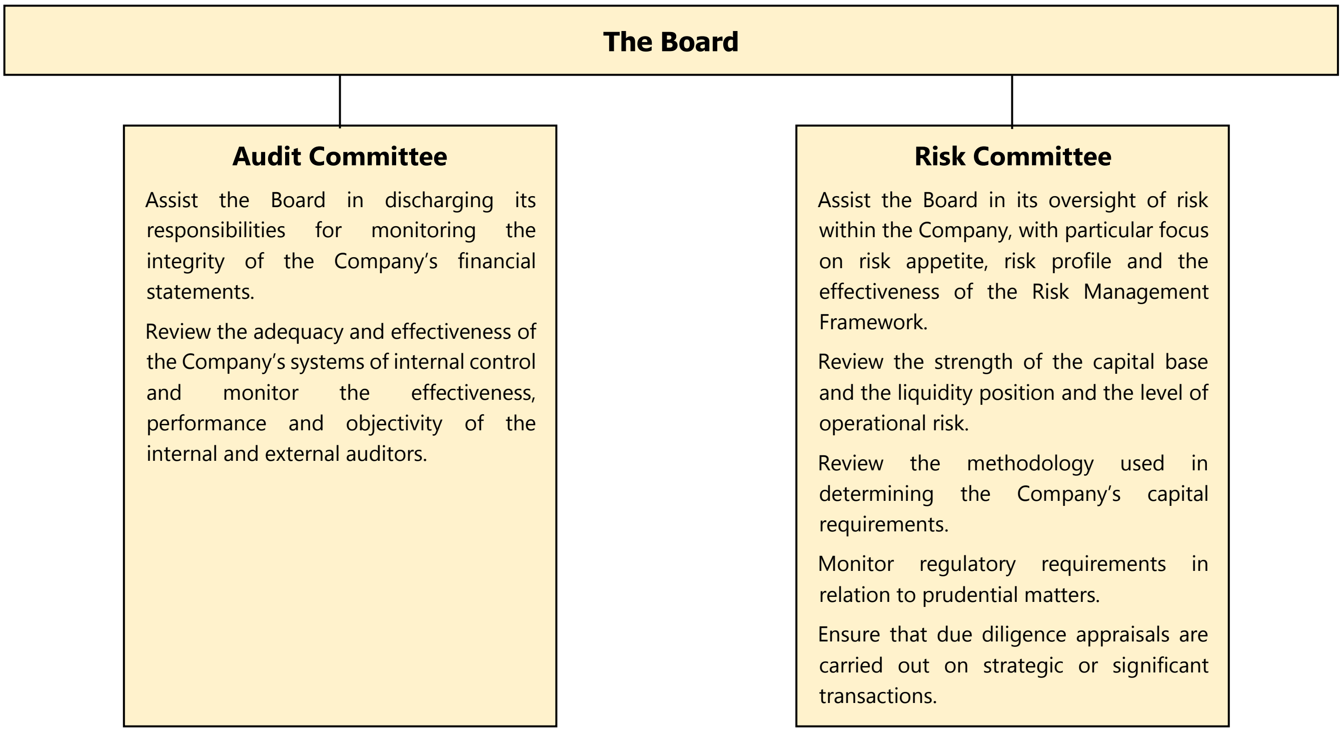
B.1 General Information on the System of Governance

B.1.1 Board structure

The Company's Board is responsible for promoting the long-term success of the Company and for setting its strategy. It is also responsible for setting the Company's risk appetite and satisfying itself that financial controls and risk management systems are robust. A strong system of governance throughout the Company aids effective decision-making and supports the achievement of the Company's objectives.

The Company's Board has established various committees and delegated responsibilities to assist in its oversight of risk management and the approach to internal controls. The duties of the Company's Board and of each of its committees are set out in their respective terms of reference. The terms of reference list both those items that are specifically reserved for decision by the Board and those matters that must be reported to the Board.

The diagram below shows the segregation of responsibilities between the various committees, in addition to a description of the main roles of each.



AIIDAC's Board does not operate a Conduct Committee. Instead, this is operated at Aviva Ireland Group level, where a composite Conduct Committee, overseeing conduct risk across both General Insurance and Life businesses, exists.

As at 31 December 2018 the Company's Board comprised the Chairman (an Independent Non-executive Director (NED)), the Chief Executive Officer (CEO), five further NED's (two independent and three appointed by the Group) and one Executive Director (ED). The two committees comprise independent and Aviva Group NEDs.

The ‘three lines of defence model’, and roles and responsibilities of key functions

Roles and responsibilities for risk management in the Company are based around the three lines of defence model.

The first line

Management are responsible for the application of the Risk Management Framework, for implementing and monitoring the operation of the system of internal control and for providing assurance to the Audit and Risk Committees and the Board.

The second line

The Risk Management Function is accountable for the quantitative and qualitative oversight and challenge of the identification, measurement, management, monitoring and reporting of principal risks and for developing the Risk Management Framework;

The Actuarial Function is accountable for actuarial methodology, and reporting to the relevant governing body on the adequacy of reserves and capital requirements; and

The Compliance Function supports and advises the business on the identification, measurement and management of its regulatory, financial crime and conduct risks and is accountable for monitoring and reporting on the Company’s compliance risk profile.

The third line

The Internal Audit Function provides independent and objective assessment on the robustness of the Risk Management Framework and the appropriateness and effectiveness of internal control to the Audit, Conduct and Risk Committees, and to the Board.

Sections B.3.2, B.4.2, B.5 and B.6 detail the roles, responsibilities, authority, resources, independence and reporting lines of the Risk Management, Compliance, Internal Audit and Actuarial Functions respectively, and how their independence is ensured.

B.1.2 Material changes in the system of governance

On 27 July 2018 the Company was granted authorisation from the CBI to transact Non-Life insurance business and became a regulated insurance company. From this date the Company commenced a program to establish and embed appropriate systems of governance to comply with all regulatory requirements.

B.1.3 Remuneration Policy

The Company’s reward principles and arrangements are designed to incentivise and reward employees for achieving stated business goals in a manner that is consistent with the Company’s approach to sound and effective risk management. The Company’s remuneration policy:

- Aligns to the Company’s strategy;
- Incentivises achievement of the Company’s annual business plan and longer-term sustainable growth of the business; and
- Differentiates reward outcomes based on performance and behaviour that is consistent with the Company’s values.

Executive directors

The remuneration policy provides market competitive remuneration and incentivises Executive Directors (EDs) to achieve both the annual business plan and the longer-term strategic objectives of the Company. Significant levels of deferral and an aggregate shareholding requirement align EDs’ interests with those of shareholders and aid retention of key personnel. As well as rewarding the achievement of objectives, variable remuneration can be zero. Remuneration of EDs is split between the following components:

- Basic salary informed by individual and business performance, levels of increase for the broader UK employee population and relevant pay data;
- Variable components (refer to section ‘Variable components’ below for further details);
- Pensions;
- Benefits;
- Relocation and mobility; and
- Shareholding requirement.

Variable components

The main forms of variable remuneration for EDs are:

- Annual bonus: Awards are based on performance in the year. Performance is assessed against a range of relevant financial, employee, customer and risk targets designed to incentivise the achievement of strategy as well as individual strategic objectives. Targets are set annually, and pay-out levels are determined based on performance against those targets. A significant proportion of any bonus award is deferred into shares which vest in three equal tranches; and
- Long Term Incentive Plan (LTIP): Shares are awarded which vest over a three-year period, in some cases dependent on the achievement of performance conditions over that period.

Pension and early retirement schemes

The Company did not operate any enhanced pension arrangements or early retirement schemes for management during the reporting period.

NEDs

NEDs receive a basic annual fee in respect of their Board duties. Further fees are paid for membership and, where appropriate, chairing Board committees. The Chairman receives a fixed annual fee. Fees are reviewed annually taking into account market data and trends and the scope of specific Board duties.

The Chairman and NEDs do not participate in any incentive or performance plans or pension arrangements and do not receive an expense allowance. NEDs are reimbursed for reasonable expenses, and any tax arising on those expenses is settled directly by the Company. On the limited occasions when it is appropriate for a NED's spouse or partner to attend a business event, the Company will meet these costs and any tax liabilities that may arise.

Employees

Remuneration arrangements for employees that are not EDs take account of the seniority and nature of the role, individual performance and local market practice. The components and levels of remuneration for different employees may therefore differ from the policy for EDs. Any such elements are reviewed against market practice and approved in line with internal guidelines and frameworks.

Variable components are discretionary and fully flexible as opposed to a contractual entitlement, and there is a possibility of zero awards being made should the performance of the Company and/or individuals require this (other than where payments are required by law). Individual awards are based on an assessment of performance of individuals allowing for differentiation.

The remuneration of employees in Risk, Compliance, Internal Audit and the Actuarial Function is determined independently of the financial results of the business areas they oversee. This reinforces the independence of these Functions.

Performance criteria for share awards

Shares can be awarded to both EDs and employees. These vest after three years, in some cases dependent on performance conditions over a three-year period, as outlined above.

B.1.4 Material transactions with shareholder and persons exercising significant influence during the period

On 24 July 2018 the Company received €5,000,000 cash from AIL in settlement of share capital issue.

On 1 February 2019 an insurance portfolio transfer of a subset of business of AIL under Part VII of the Financial Services and Markets Act 2000 was made to the Company from AIL. Section A5 provides further detail.

B.2 Fit and Proper Policy

B.2.1 Requirements for the persons who run the Company or who are other key function holder

For persons responsible for running the undertaking or responsible for key functions an assessment of fitness and probity must consider their allocated responsibilities and skills and experience across the following areas:

- Insurance and financial markets;
- Business strategy and business models;
- System of governance;
- Financial and actuarial analysis;
- Regulatory framework and requirements; and
- Skills relevant to that role.

The Company's requirements in respect of skills, knowledge and expertise for key function holders are set following engagement with both internal and external subject matter experts in each specialism. These requirements and qualifications are captured within individual role descriptions for each key function role.

B.2.2 Process assessing fitness and probity

The business has policies in place to ensure that individuals acting on behalf of the Company are both "fit" and "proper" in line with the CBI's Fit and Proper requirements for individuals. The CBI's Fitness and Probity Regime applies to persons in senior positions, known as Controlled Functions (CFs) and Pre-Approval Controlled Functions (PCFs), within Regulated Financial Service Providers. This means that, as part of recruitment and employee screening, an individual's career history will be assessed and validated to establish whether an individual's skills and knowledge are appropriately matched to the role. It also means that checks are in place to ensure that an individual is honest, of good reputation, has integrity and is financially sound.

The governance over the fitness and probity of individuals includes recruitment, performance management and training. However, to ensure that the Company protects itself against employing individuals who potentially could threaten its customers, properties, facilities or reputation, the majority of its fitness and probity processes take place at recruitment and more specifically at pre-employment screening. A minimum set of basic screening requirements has been agreed and implemented. Additional enhanced screening requirements are applied for individuals who will run the Company or become notified or approved senior managers. Under the CBI process, before the Company can appoint a person to a PCF role, the CBI must have approved the appointment in writing.

B.3 Risk Management System including the Own Risk and Solvency Assessment

B.3.1 Risk Management Framework

The Risk Management Framework forms an integral part of management and Board processes and the decision-making framework across the Company. The key elements are:

- Risk appetite;
- Risk governance, including risk policies and business standards, risk oversight committees and roles and responsibilities; and
- The IMMMR processes including the use of risk models and stress and scenario testing.

For the purposes of risk identification and measurement risks are usually grouped by risk type: credit, market, liquidity, general insurance and operational risk. Risks falling within these types may affect a number of metrics, including those relating to balance sheet strength, liquidity and profit. They may also affect the performance of products delivered to customers and service provided to customers and distributors, which can be categorised as risks to brand and reputation or as conduct risk.

To promote a consistent and rigorous approach to risk management the Company will be adopting a number of risk policies and business standards once it commences to transact insurance business which will set out the risk strategy, appetite, framework and minimum requirements for its operations. Compliance with these policies and standards is confirmed annually.

Following the Part VII transfer, a regular top-down key risk identification and assessment process will be carried out by the Risk Function. This will include the consideration of emerging risks and is supported by deeper thematic reviews. The risk assessment processes will be used to generate risk reports which will be shared with the relevant risk committees.

Risk models are an important tool in the measurement of risks and are used to support the monitoring and reporting of the risk profile and in the consideration of the risk management actions available. A range of stress (where one risk factor, such as equity returns, is assumed to vary) and scenario (where combinations of risk factors are assumed to vary) tests will be undertaken by the Company to evaluate their impact on the business and the management actions available to respond to the conditions envisaged.

The Risk Function is accountable for quantitative and qualitative oversight and challenge of the IMMMR process and for developing the Risk Management Framework. Internal Audit provides an independent assessment of the risk framework and internal control processes.

Board oversight of risk and risk management is maintained through the Risk Committee. The Board has overall responsibility for determining risk appetite, which is an expression of the risk the business is willing to take. Risk appetites are set relative to capital and liquidity and these were established during 2019.

Economic capital risk targets will be set for each risk type, calculated on the basis of the SII balance sheet. The Company's position against risk appetite will be monitored and reported to the Board on a regular basis. Long-term sustainability depends upon the protection of franchise value and good customer relationships. As such, the Company has a risk preference that it will not accept risks that materially impair the reputation of the Company and requires that customers are always treated with integrity. Following the Part VII transfer, the oversight of risk and risk management will be supported by the Asset and Liability Committee (ALCO) which focuses on business and financial risks, an Operational Risk Committee, will focus on operational and reputational risks, plus an Insurance Committee, a Reinsurance Committee, a Reserve Committee and an Executive Committee.

B.3.2 Risk Function

The Risk Function is responsible for the design and implementation of the Risk Management Framework, reporting to the Company's Board on material risks, together with any other specific areas of risk requested by the Board, and assisting the Board and management in the effective operation of risk management.

The Risk Function has authority to review all areas of the Company and has full, free and unrestricted access to all activities, records, property and personnel necessary to complete its work. The CRO has direct management accountability for the Risk Function. Appointment and removal of the CRO are matters reserved for the Board, on the recommendation of the Risk Committee, which supports the independence of the Risk Function.

B.3.3 Own Risk and Solvency Assessment

The Company considers that its Own Risk and Solvency Assessment (ORSA) comprises all the processes and tools that underpin the consideration of risk and capital implications in key decisions, including business planning. It provides a continuous and forward-looking assessment of the short-term and long-term risks that the Company faces, or may face, and ensures that its capital requirements are met at all times. During 2019 the Board has confirmed the use of the regulatory capital requirement plus a risk appetite buffer as the Company's own measure of capital for the purposes of the ORSA.

The ORSA therefore comprises a number of elements of the Risk Management Framework, which are embedded in the business through the requirements of the business standards around capital allocation, strategy, business planning and stress testing. These elements create an overview of the impact of risk on the business, which are taken into account by management in day-today decision-making. In particular, using economic capital in decision-making ensures risk and capital management are connected. The outcomes of the ORSA processes provide the Company's Board and management with insights on the key risks and current and future capital requirements.

The CEO and his direct reports are responsible for the majority of the underlying ORSA processes set out above. The Risk Function is responsible for the design of the Risk Management Framework, including the ORSA Policy and annual ORSA reporting.

The Company had no technical provisions during or at the year-end the year. Consequently, there was no formal ORSA process in 2018.

B.4 Internal Control System

B.4.1 System of Internal Control

The Company's principles for ensuring effective internal control are set out in the Risk Management Framework and, in particular, the Internal Control Business Standard. These include:

- An appropriate "tone from the top". This supports the effective management of exposures, adequate resourcing, effective communication, malpractice reporting, a business ethics code that is annually signed up to by employees, and a commitment to integrity, ethical behaviour and compliance;
- A clear organisational structure that supports the system of internal control and includes the effective operation of an adequately resourced three lines of defence model, appropriate and proportionate segregation of duties, a clear system of delegated authorities, clearly defined roles and responsibilities for staff, and the consideration of risk management and control responsibilities when setting objectives for, and reviewing the performance of, all staff;
- Implementation of risk policies and business standards, and consistent IMMMR of all risks;
- Effective controls for each of its core business processes which are regularly monitored and reported on; and

- A risk oversight process that provides adequate challenge to the completeness and openness of internal control and risk assessment.

B.4.2 Compliance Function

The primary purpose of the Compliance Function is to assess and manage exposure to regulatory risk. The Compliance Function is an integral part of the Risk Management Framework and constitutes a key part of the Company's corporate governance, including relationships with the CBI, and other regulatory bodies. The function is a critical contributor to the safe and sound operation of the Company and underpins the achievement of its strategy and business goals. The key processes that comprise the Company's compliance activity are:

- Conduct regulatory risk management (including monitoring regulatory developments), performed by the Compliance Function and including activities such as:
  - Setting the conduct and financial crime policy framework;
  - Providing advice, support, guidance and challenge on conduct and financial crime risk; and
  - Managing conduct and financial crime regulatory engagement.

- Prudential regulatory risk management (including monitoring regulatory developments), performed by the Risk Function and including activities such as:
  - Setting the prudential regulatory risk policy framework;
  - Providing advice, support, guidance and challenge on prudential regulatory risk; and
  - Managing prudential regulatory engagement.

- Legal developments monitoring performed by the Legal & Company Secretarial Function.

The Head of Compliance has responsibility for the conduct regulatory risk management and the CRO (who was appointed after the year-end) has responsibility for the prudential regulatory risk management, whilst the General Counsel is responsible for monitoring legal developments. Those carrying out compliance activities have authority to review all areas of the Company and have full, free and unrestricted access to all activities, records, property and personnel necessary to complete their work, where appropriate.

B.5 Internal Audit

The Internal Audit Function is responsible for providing regular reports to the Company's Audit Committee on the robustness of the Company's Risk Management Framework and the appropriateness and effectiveness of the system of internal control. In doing this it will consider the adequacy of the Company's system of internal control to manage its business risk and to safeguard its assets and resources. It will also consider the effectiveness of any actions put in place by management to address any deficiencies that might exist in the system of internal control.

Independence and objectivity

The Internal Audit Function maintains its independence and objectivity by reporting directly to the Group Chief Audit Officer and the Chairman of the Company's Audit Committee. The Audit Committee has a duty to recommend the appointment or dismissal of the Head of Internal Audit to the Board and to participate, jointly with the Chief Audit Officer or designee, in the determination of the objectives of the Internal Audit Director and the evaluation of his levels of achievement, including consultation with the CEO.

The Internal Audit Director proposes a budget which ensures that Internal Audit has sufficient skills and resources to discharge its responsibilities. Internal Audit is authorised to review all areas of the Company and has full, free, and unrestricted access to all activities, records, property, and personnel necessary to complete their work.

Internal Audit Function staff have no direct responsibility for any operational activities. There is a formal policy of rotating staff to ensure that independence is maintained. There is also a restriction on the audits that staff who have previously worked elsewhere in the Company can perform. The Internal Audit Function cannot perform any projects for management that will threaten its actual or perceived independence and objectivity.

An annual declaration of independence is signed by all members of the Internal Audit Function's staff.

B.6 Actuarial Function

The Actuarial Function is accountable for actuarial methodologies and calibrations, plus the resultant Best Estimate Liabilities and capital requirements. The independence of the Actuarial Function is derived through its membership in the wider Risk Function. The Actuarial Function is led by the Head of Actuarial Function, who reports to the

Company's CRO. The Actuarial Function has the authority to review all areas of the Company and has full, free and unrestricted access to all activities, records, property and personnel necessary to complete its work.

B.7 Outsourcing

Policy

The Procurement and Outsourcing Business Standard, which was formally approved on 1 March 2019, contains information on the Company's outsourcing policy, setting out the relevant responsibilities, objectives, process, and monitoring arrangements to be applied in cases of outsourcing, all of which shall be consistent with the overall strategy. The standard applies equally to any externally or internally (intra-group) outsourced activity. The objective of this standard is to ensure that minimum control objectives and controls for supplier-related activities are followed by all elements of the business, to ensure that supply risk is managed effectively, customers are being treated fairly and continue to receive good outcomes, as well as mitigating potential financial, operational, contractual, and brand damage caused by inadequate management.

The standard aligns with regulatory expectations and where appropriate, regulatory guidance will be applied as a requirement. The standard applies to all staff involved in supplier-related activities and provides direction to staff on their roles and responsibilities in effectively managing supplier activity.

It provides clarity on the definition of outsourcing, including where activity is delegated to an intermediary, and whether an outsourced function or activity is assessed as critical or important. All staff have a responsibility to comply with this standard if they are involved with supplier-related activity. The Board has approved the objectives and controls in the standard which cover the following areas:

- Supply governance: business oversight of operational performance for sourcing and supply management activities;
- Sourcing: how a service provider of suitable quality is selected;
- Supplier contracting and approvals: financial, commercial and legal approval of contracts; and
- Supplier management and business continuity: risk-based approach to management of supply contracts.

Critical or important outsourcing will attract the highest level of rigour, including regulatory notification, performance and relationship reviews, regulatory compliance review, and risk and control assessments.

Critical and important outsourced functions and activities

The Company outsources a range of activities consistent with its outsourcing strategy which was formally approved on 1 March 2019. These include elements of capital management activities IT, accounting services, customer communications and investment management. Critical or important outsourced operational activities include provision of data centres.

Jurisdiction of service providers

Critical or important outsourced activities are carried out mostly in the UK, with support functions in India and Sri Lanka.

B.8 Any Other Information

The Company has no other material information to disclose.

Aviva Insurance Ireland Designated Activity Company

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C. Risk Profile

In this Chapter

C. Risk Profile

The 'Risk Profile' section of this report provides information on the key risks encountered by the Company as well as the corresponding processes for monitoring the risk exposures and the techniques in place for mitigating these risks.

C.1 Underwriting Risk

C.1.1 Exposure

The Company transacted no insurance business during the year and had no technical provisions at the year-end and was not exposed to underwriting risk during 2018.

The Company's overall exposure to underwriting risk is measured using the SCR. This is shown within QRT S.25.01.21 (Appendix F1.4).

C.2 Market Risk

C.2.1 Exposure

The Company's exposure to market risk arises from the risk of adverse financial impacts resulting directly or indirectly from fluctuations in interest rates and foreign currency exchange rates. Market risk arises due to fluctuations in both the value of liabilities and the value of assets held. The nature of the business during 2018 means that the Company is not exposed to significant market risk.

The Company's overall exposure to market risk is measured using the SCR. This is shown within QRT S.25.01.21 (Appendix F1.4).C.3 Credit Risk

C.3.1 Exposure

The Company's exposure to credit risk arises from the risk that it will incur a financial loss from the default or failure of third parties to meet their payment obligations to the Company, or variations in market values as a result of changes in expectations related to these risks.

The Company's credit risks arise from exposure to intra-group balances and bank deposits.

The overall credit quality of the Company's financial assets is strong. At 31 December 2018, intra-group balances are rated A+ (2017: A+) and bank deposits, which are held with one counterparty, have an external credit rating of BBB+ (2017: not applicable)

The Company is exposed to default risk (the risk that a counterparty is unable or unwilling to meet its financial obligations when they fall due) in relation to its intra-group asset and bank deposits, but this risk is not considered significant.

The principal basis used to measure the Company's exposure to counterparty risk is the SCR. This is shown within QRT S.25.01.21 (Appendix F1.4)

C.4 Liquidity Risk

C.4.1 Exposure

The Company's exposure to liquidity risk arises from the risk that its liabilities cannot be settled, in a timely and cost-effective manner, as they fall due because of insufficient liquid assets. Liquidity risk may arise from uncertainty of the value and timing of liabilities or the ability to realise assets to produce cash to meet obligations

At 31 December 2018, the Company's principal asset was in the highly liquid form of cash deposits and this significantly exceeded its intra-group liability. Therefore, the Company is not exposed to significant liquidity risk.

C.5. Operational Risk

C.5.1 Exposure

The Company's exposure to operational risk arises from the risk of direct or indirect loss, caused by inadequate or failed internal processes, people and systems, or external events including changes in the regulatory environment. The Company has a limited appetite for operational risk and aims to reduce these risks as far as commercially sensible.

The Company seeks to manage its exposure to reputational risk, which is the risk of loss to the Company's franchise value from damage caused to the Company's brands or reputation. Examples of factors, regardless of whether authenticated or not, which could damage the Company's brands or reputation include litigation, employee misconduct, operational failures, the outcome of regulatory investigations, media speculation and negative publicity, disclosure of confidential client information or inadequate services.

The Group's business standards set out the minimum control objectives and controls that each business area is expected to have in place. Operational risk limits and tolerances act as quantitative boundaries that constrain specific risk-taking activities at an operational level. The nature of the business means that the Company is not exposed to significant operational risk.

The Company's overall exposure to operational risk is measured using the SCR. This is shown within QRT S.25.01.21 (Appendix F1.4)

C.6. Other Material Risks

The Company has no material information to disclose regarding other material risks.

C.7. Any Other Information

C.7.1 Prudent Person Principle

The Company ensures that its assets are invested in accordance with the Prudent Person Principle as set out in Article 132 (Directive 2009/138/EC) through the collective application of its risk policies and business standards. These ensure that the Company invests in assets whose risks it can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of its overall solvency needs having regard to the term and nature of its liabilities. The Company's Asset Liability Management Business Standard and certain provisions of the Investment Management Business Standard contain mandatory requirements to ensure that the Company develops its own set of key risk indicators and takes into account the risks associated with its investments without relying only on the risk being adequately captured by the capital requirements. Risk appetites by risk type are also set and monitored by the Company. Other business standards set requirements for the quality of investment assets (including setting risk limits to control the market and credit risk within a portfolio), matching of assets to liabilities, diversification of invested assets and use of derivatives.

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D. Valuation for Solvency Purposes

In this Chapter

D. Valuation for Solvency Purposes

The 'Valuation for Solvency Purposes' section of the report provides a description of the bases, methods and main assumptions used in the valuation of assets, technical provisions and liabilities for each material asset and liability class.

The Company's IFRS balance sheet is presented in column (b) of the following table, in accordance with the classification of assets and liabilities used in its financial statements. The references given in column (a) are to relevant accounting policies and notes provided in the financial statements.

Reclassifications required to align the Company's IFRS balance sheet as shown in its financial statements, to the classifications required for the prescribed format of the SII balance sheet QRT are given in column (c). The most significant reclassifications under the SII Regulations relate to amounts due from Group companies which are included within receivables (trade, not insurance) and amounts due to Group companies which are included within payables (trade, not insurance).

The Company's assets and liabilities, as valued under IFRS and reclassified in line with SII Regulations, are shown in column (d). The Company's SII balance sheet is summarised in column (e) and detailed in the balance sheet QRT S.02.01 included in Appendix F.1.1. Differences between the valuation of the Company's assets and liabilities under SII and IFRS are presented in column (f).

Where the valuation of assets and liabilities is the same under IFRS and SII, a description of the bases, methods and main assumptions can be found in the accounting policies and notes of the Company's financial statements. If the valuation is materially different, a description of the bases, methods and main assumptions used under SII is given in Sections D.1, D.2.1 and D.3 below. Where alternative methods of valuation have been used these are detailed in Section D.4.

Assets and other liabilities have been valued, according to the requirements of the SII Regulations, at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

Balance Sheet – IFRS and SII

As at 31 December 2017 €000	Note in financial statements (a)	IFRS balance sheet classified according to financial statements (b)	Reclassification of IFRS balances to SII balance sheet categories (c)	Reclassified IFRS balance sheet (d) =(b)+(c)	SII balance sheet (e)	Valuation differences between SII and IFRS (f) =(e)-(d)
Receivables						
Receivables (trade, not insurance)	C&4	-	117	117	117	-
Amounts due from Group companies	C&4	117	(117)	-	-	-
Cash and cash equivalents	B&8(b)	4,981	-	4,981	4,981	-
Assets		5,098	-	5,098	5,098	-
Payables and other financial liabilities						-
Payables (trade, not insurance)	D&5		(171)	(171)	(171)	
Amounts due to Group companies	D&5	(171)	171	-	-	-
Liabilities		(171)	-	(171)	(171)	-
Excess of assets over liabilities		4,927	-	4,927	4,927	-

D.1 Assets

Assets have been valued according to the requirements of the SII Directive and related guidance; the basis of the SII valuation principle is the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. A description of the basis of valuation under SII along with valuation differences between the SII bases and the IFRS financial statements, by asset class, is provided below; if the valuation method has been described in the financial statements or is an alternative method of valuation detailed in Section D.4, it has not been included in this section.

D.1.1 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. The SII fair value of cash is equivalent to the IFRS value.

D.1.2 Other assets

Other assets have been valued according to the requirements of the SII Directive and related guidance; the basis of the SII valuation principle is the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. All other assets consist of items under the heading listed within the SII balance sheet QRT: Receivables (trade, not insurance). All the Company's receivables are due within one year.

Where receivables are expected to be recovered within one year, the SII fair value is considered equivalent to the IFRS carrying value.

D.1.3 Changes made to recognition and valuation bases and estimations during the reporting period

No material changes were made to the bases used to recognise and value assets, or to their estimations, during the reporting period.

D.2 Technical Provisions

The Company had no technical provisions at 31 December 2018. The QRT detailing technical provisions S.17.01.02 is not applicable and is not required.

D.3 Other Liabilities

Other liabilities have been valued according to the requirements of the SII Directive and related guidance; the basis of the SII valuation principle is the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. A description of the basis of valuation under SII along with valuation differences between the SII bases and the IFRS financial statements, by material class, is provided below; if the valuation method has been described in the financial statements or is an alternative method of valuation detailed in Section D.4, it has not been included in this section.

Under SII reporting, material contingent liabilities are required to be recognised in the balance sheet. The Company has no material contingent liabilities under SII.

Payables and other financial liabilities consist of items under the heading listed in the SII balance sheet QRT: Payables (trade, not insurance).

All the Company's payables are due within one year. Where payables are expected to be settled within one year, the SII fair value is considered equivalent to the IFRS carrying value.

D.3.1 Changes made to recognition and valuation bases and estimations during the reporting period

No material changes were made to the bases used to recognise and value other liabilities, or to their estimations, during the reporting period.

D.4 Alternative Methods of Valuation

None of the Company's assets or other liabilities are valued using alternative methods of valuation.

D.5 Any Other Information

The Company has no other material information to disclose relating to the valuation of assets or liabilities.

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E. Capital Management

In this Chapter

E. Capital Management

The 'Capital Management' section of the report describes the objectives, policies and procedures employed by the Company for managing its Own Funds; SCR and MCR; methodology for calculation of the SCR and any other material information.

E.1 Own Funds

E.1.1 Management of Own Funds

The Company's policy on capital and risk management is set out in its Risk Management Framework. The Company's capital and risk management objectives are closely interlinked and support earnings growth and dividend policy, whilst also recognising the critical importance of protecting policyholder and other stakeholder interests. The Company's primary objective of managing capital efficiently is to optimise the balance between return and risk, whilst maintaining economic and regulatory capital surplus in accordance with approved risk appetites. In managing its Own Funds, the Company also seeks to:

- Match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- Maintain sufficient, but not excessive, financial strength to support new business growth and satisfy the requirements of its policyholders and its regulator, the CBI;
- Retain financial flexibility by maintaining sufficient liquidity; and
- Allocate capital efficiently, applying it to support value-adding growth and repatriating excess capital to its shareholder through dividends.

As a non-trading company with no technical provisions at the year-end, there were no significant management implications for Own Funds.

E.1.2 Eligible Own Funds

An analysis of the Company's Own Funds by tier is presented in the Own Funds QRT S.23.01.01, (see Appendix F.1.3), and summarised below.

Own Funds €000	Total	Tier 1 unrestricted	Tier 2	Tier 3	Total	Tier 1 unrestricted	Tier 2	Tier 3
As at 31 December	2018	2018	2018	2018	2017	2017	2017	2017
Ordinary share capital	5,000	5,000	-	-	-	-	-	-
Reconciliation reserve	(73)	(73)	-	-	-	-	-	-
Total Basic Own Funds	4,927	4,927	-	-	-	-	-	-

Tiering analysis

The Company's ordinary share capital and reconciliation reserve are available to absorb losses and have the Tier 1 features of permanence and subordination. As the Company's Articles of Association do not contain any restriction on the right of the Company to cancel dividends or other distributions at any time before they are paid, the Company's ordinary share capital is classified as unrestricted Tier 1.

Significant changes in Own Funds during the year

The increase in Tier 1 Own Funds of €4,927,000 was driven by an issue of share capital of €5,000,000 offset by a retained loss for the year of €73,000.

Reconciliation reserve

The Company's capital comprises ordinary share capital and retained earnings. Retained earnings are not separately disclosed in Own Funds. They are notionally included in the reconciliation reserve, which reconciles the total excess of assets over liabilities with identifiable capital instruments included in Own Funds. The table below sets out the constituent parts of the reconciliation reserve:

As at 31 December	€000 2018	€000 2017
SII excess of assets over liabilities	4,927	-
Ordinary share capital	(5,000)	-
Reconciliation reserve	(73)	-

Eligibility of tiered capital

The eligibility of tiered capital, to cover the SCR and MCR depends upon the tiering shown above and a number of quantitative limits. The Company's Own Funds satisfy all limits applicable to the SCR and therefore the eligibility of the Company's capital to cover the SCR is unrestricted.

At least 80% of the MCR must be covered by Tier 1 capital and Tier 3 capital is not eligible to cover the MCR at all.

As at 31 December	€000 2018	€000 2017
Total eligible Own Funds to meet the SCR	4,927	-
Total eligible Own Funds to meet the MCR	4,927	-

The ratio of eligible Own Funds to the SCR and MCR is detailed below.

As at 31 December	€000 2018	€000 2017
Ratio of eligible Own Funds to the SCR	666%	-
Ratio of eligible Own Funds to the MCR	133%	-

E.1.3 Material differences between equity on an IFRS basis and Own Funds

There is no difference between IFRS net assets and Own Funds calculated for SII.

E.1.4 Transitional arrangements and restrictions

The Company's Own Funds are unrestricted and fully transferable.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 The amount of the SCR and MCR

The Company's SCR as at 31 December 2018 was €740,000 (2017: not applicable). This is shown in the SCR QRT, S.25.01, see Appendix F.1.4.

The Company's MCR as at 31 December 2018 was €3,700,000 (2017: not applicable). This is shown on the MCR QRT, S.28.01, see Appendix F.1.5.

The final amount of the SCR is subject to supervisory assessment and does not include any regulator-imposed capital add-ons.

E.2.2 The composition of the SCR

The Company determines its SCR using the SF. The components of the SCR are detailed below. Further detail is shown in the SCR QRT S.25.01.

Diversified SCR by material risk category (per the SCR QRT)	€000	€000
As at 31 December	2018	2017
Market risk	-	-
Non-life underwriting risk	-	-
Operational risk	-	-
Counterparty risk	740	-
Other	-	-
Diversification between risk categories	-	-
Total SCR	740	-

E.2.3. Simplifications, undertaking-specific parameters and matching adjustment (unaudited)

Where the SCR is calculated using the SF, the SII regulations specify 23 simplified calculations that may be used across all the SF risk modules except operational risk. The use of these simplifications is disclosed in QRT 2.25.01.21 (Appendix F.1.4), where applicable. The Company has not used any of the simplified calculations to calculate the SCR at 31 December 2018.

Where the SCR is calculated using the SF, the SII Regulations specify certain undertaking-specific parameters that may be used in place of the standard parameters, subject to regulatory approval. These are available for non-life (including some health) premium and reserve risks. The use of these undertaking-specific parameters must be disclosed in QRT S.25.01.21 (Appendix F.1.4), where applicable. The Company has not used any undertaking-specific parameters to calculate the SCR at 31 December 2018.

E.2.4 MCR calculation

The MCR is calculated by reference to the threshold as detailed within regulatory guidelines.

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

This is a non-applicable consideration as the Company transacted no insurance business during the year and had no technical provisions at the year-end.

E.4 Differences between the Standard Formula and any Internal Model used (unaudited)

The Company does not use an Internal Model (IM).

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

From 27 July 2018, the date from which the Company became a regulated insurance company, to 31 December 2018, the Company has complied continuously with both the MCR and the SCR.

E.6 Any Other Information

The Company has no other material information to disclose.

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F. Appendices

In this Section

F.0 Cautionary Statement

This announcement contains, and we may make other verbal or written 'forward-looking statements' with respect to certain of the Company's plans and current goals and expectations relating to future financial condition, performance, results, strategic initiatives and objectives. Statements containing the words 'believes', 'intends', 'expects', 'projects', 'plans', 'will', 'seeks', 'aims', 'may', 'could', 'outlook', 'likely', 'target', 'goal', 'guidance', 'trends', 'future', 'estimates', 'potential' and 'anticipates', and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements.

The Company believes factors that could cause actual results to differ materially from those indicated in forward-looking statements in the announcement include, but are not limited to: the impact of ongoing difficult conditions in the global financial markets and the economy generally; the impact of simplifying our operating structure and activities; the impact of various local and international political, regulatory and economic conditions; market developments and government actions (including those arising from the referendum on the UK's membership of the European Union); the effect of losses due to defaults by counterparties, including potential sovereign debt defaults or restructurings, on the value of our investments; changes in interest rates that may reduce the value of our portfolio; the impact of changes in short or long-term inflation; the impact of changes in equity or property prices on our investment portfolio; fluctuations in currency exchange rates; the effect of market fluctuations on the value of the assets backing reserves; the amount of allowances and impairments taken on our investments; the effect of adverse capital and credit market conditions on our ability to meet liquidity needs and our access to capital; changes in, or restrictions on, our ability to initiate capital management initiatives; changes in or inaccuracy of assumptions in pricing and reserving for insurance business (particularly with regard to policy renewal rates), a cyclical downturn of the insurance industry; the impact of natural and man-made catastrophic events on our business activities and results of operations; our reliance on information and technology and third-party service providers for our operations and systems; the inability of reinsurers to meet obligations or unavailability of reinsurance coverage; increased competition in the UK and in other countries where we have significant operations; regulatory approval of extension of use of the Company's internal model for calculation of regulatory capital under the European Union's SII rules; the impact of actual experience differing from estimates used in valuing and amortising deferred acquisition costs ('DAC'); the impact of recognising an impairment of our goodwill or intangibles with indefinite lives; changes in valuation methodologies, estimates and assumptions used in the valuation of investment securities; the effect of legal proceedings and regulatory investigations; the impact of operational risks, including inadequate or failed internal and external processes, systems and human error or from external events (including cyber attack); risks associated with arrangements with third parties; our reliance on third-party distribution channels to deliver our products; funding risks associated with our participation in defined benefit staff pension schemes; the failure to attract or retain the necessary key personnel; the effect of fluctuations in share price as a result of general market conditions or otherwise; the effect of simplifying our operating structure and activities; the effect of a decline in any of our ratings by rating agencies on our standing among customers, broker-dealers, agents, wholesalers and other distributors of our products and services; changes to our brand and reputation; changes in government regulations or tax laws in jurisdictions where we conduct business; the inability to protect our intellectual property; the policies, decisions and actions of government or regulatory authorities in the UK, the European Union, the US or elsewhere, including the implementation of key legislation and regulation. For a more detailed description of these risks, uncertainties and other factors, please see the Aviva plc Annual report and accounts.

The Company undertakes no obligation to update the forward-looking statements in this announcement or any other forward-looking statements it may make. Forward-looking statements in this report are current only as of the date on which such statements are made.

This Solvency and Financial Condition Report has been published for information only, it is based on our understanding as at 18 April 2019 and does not provide financial or legal advice. Other than as set out in section F.3 (Directors' Statement), the Company, its directors, employees, agents or advisers do not accept or assume responsibility to any person to who this document is shown or into whose hands it may come, and any such responsibility or liability is expressly disclaimed.

Appendix F.1.1
S.02.01.02
Balance Sheet
Amounts in 000s

		Solvency II Value
		C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
- Equities - Listed	R0110	
- Equities - Unlisted	R0120	
Bonds	R0130	
- Government Bonds	R0140	
- Corporate Bonds	R0150	
- Structured Notes	R0160	
- Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans & mortgages	R0230	
- Loans on policies	R0240	
- Loans & mortgages to individuals	R0250	
- Other loans & mortgages	R0260	
Reinsurance recoverables from:	R0270	
- Reinsurance recoverables - Non-life and health similiar to non-life	R0280	
- Reinsurance recoverables - Non-life excluding health	R0290	
- Reinsurance recoverables - Health similar to non-life	R0300	
- Reinsurance recoverables - Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
- Reinsurance recoverables - Health similar to life	R0320	
- Reinsurance recoverables - Life excluding health and index-linked and unit-linked	R0330	
- Reinsurance recoverables - Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance & intermediaries receivables	R0360	
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	117
Own Shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	4,981
Any other assets, not elsewhere shown	R0420	
Total assets	R0500	5,098
Liabilities		
Technical provisions - Non-life	R0510	
- Technical provisions - Non-life (excluding health)	R0520	
- TP calculated as a whole - Non-life (excluding health)	R0530	
- Best Estimate - Non-life (excluding health)	R0540	
- Risk margin - Non-life (excluding health)	R0550	
- Technical provisions - Health (similar to non-life)	R0560	
- TP calculated as a whole - Health (similar to non-life)	R0570	
- Best Estimate - Health (similar to non-life)	R0580	
- Risk margin - Health (similar to non-life)	R0590	
Technical provisions - Life (excluding index-linked and unit linked)	R0600	
- Technical provisions - Health (similar to life)	R0610	
- TP calculated as a whole - Health (similar to life)	R0620	
- Best Estimate - Health (similar to life)	R0630	
- Risk margin - Health (similar to life)	R0640	
- Technical provisions - Life (excluding health and index-linked and unit-linked)	R0650	
- TP calculated as a whole - Life (excl health, index-linked and unit-linked)	R0660	
- Best Estimate - Life (excl health, index-linked and unit-linked)	R0670	
- Risk margin - Life (excl health, index-linked and unit-linked)	R0680	
Technical provisions - Index-linked and unit-linked	R0690	
- TP calculated as a whole - Index-linked and unit-linked	R0700	
- Best Estimate - Index-linked and unit-linked	R0710	
- Risk margin - Index-linked and unit-linked	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	171
Subordinated liabilities	R0850	
- Subordinated liabilities not in BOF	R0860	
- Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	R0900	171
Excess of assets over liabilities	R1000	4,927

Appendix F.1.2.1

S.05.01.02

Premiums, claims and expenses by line of business

Amounts in 000s

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)											
		Medical expense insurance [direct business]	Income protection insurance [direct business]	Workers' compensation insurance [direct business]	Motor vehicle liability insurance [direct business]	Other motor insurance [direct business]	Marine, aviation and transport insurance [direct business]	Fire and other damage to property insurance [direct business]	General liability insurance [direct business]	Credit and suretyship insurance [direct business]	Legal expenses insurance [direct business]	Assistance [direct business]	Miscellaneous financial loss [direct business]
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120
Premiums written													
Gross - Direct Business	R0110												
Gross - Proportional reinsurance accepted	R0120												
Gross - Non-proportional reinsurance accepted	R0130												
Reinsurers' share	R0140												
Net	R0200												
Premiums earned													
Gross - Direct Business	R0210												
Gross - Proportional reinsurance accepted	R0220												
Gross - Non-proportional reinsurance accepted	R0230												
Reinsurers' share	R0240												
Net	R0300												
Claims incurred													
Gross - Direct Business	R0310												
Gross - Proportional reinsurance accepted	R0320												
Gross - Non-proportional reinsurance accepted	R0330												
Reinsurers' share	R0340												
Net	R0400												
Changes in other technical provisions													
Gross - Direct Business	R0410												
Gross - Proportional reinsurance accepted	R0420												
Gross - Non-proportional reinsurance accepted	R0430												
Reinsurers' share	R0440												
Net	R0500												
Expenses incurred	R0550												
Other expenses	R1200												
Total expenses	R1300												

		Line of Business for: accepted non proportional reinsurance				Total
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0130	C0140	C0150	C0160	C0200
Premiums written						
Gross - Direct Business	R0110					
Gross - Proportional reinsurance accepted	R0120					
Gross - Non-proportional reinsurance accepted	R0130					
Reinsurers' share	R0140					
Net	R0200					
Premiums earned						
Gross - Direct Business	R0210					
Gross - Proportional reinsurance accepted	R0220					
Gross - Non-proportional reinsurance accepted	R0230					
Reinsurers' share	R0240					
Net	R0300					
Claims incurred						
Gross - Direct Business	R0310					
Gross - Proportional reinsurance accepted	R0320					
Gross - Non-proportional reinsurance accepted	R0330					
Reinsurers' share	R0340					
Net	R0400					
Changes in other technical provisions						
Gross - Direct Business	R0410					
Gross - Proportional reinsurance accepted	R0420					
Gross - Non-proportional reinsurance accepted	R0430					
Reinsurers' share	R0440					
Net	R0500					
Expenses incurred	R0550					
Other expenses	R1200					73
Total expenses	R1300					73

Appendix F.1.2.2

S.05.02.01

Premiums, claims and expenses by Country

Amounts in 000s

		Home Country	Top 5 countries (by amount of gross premium written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010							
		C0080	C0090	C0100	C0110	C0120	C0130	C0080
Premiums written								
Gross - Direct Business	R0110							0
Gross - Proportional reinsurance accepted	R0120							0
Gross - Non-proportional reinsurance accepted	R0130							0
Reinsurers' share	R0140							0
Net	R0200							0
Premiums earned								
Gross - Direct Business	R0210							0
Gross - Proportional reinsurance accepted	R0220							0
Gross - Non-proportional reinsurance accepted	R0230							0
Reinsurers' share	R0240							0
Net	R0300							0
Claims incurred								
Gross - Direct Business	R0310							0
Gross - Proportional reinsurance accepted	R0320							0
Gross - Non-proportional reinsurance accepted	R0330							0
Reinsurers' share	R0340							0
Net	R0400							0
Changes in other technical provisions								
Gross - Direct Business	R0410							0
Gross - Proportional reinsurance accepted	R0420							0
Gross - Non-proportional reinsurance accepted	R0430							0
Reinsurers' share	R0440							0
Net	R0500							0
Expenses incurred	R0550							0
Other expenses	R1200							73
Total expenses	R1300							73

Appendix F.1.3

S.23.01.01

Own Funds

Amounts in 000s

		Total	Tier 1 Unrestricted	Tier 1 Restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	5,000	5,000			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	-73	-73			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	**4,927**	**4,927**			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds - Solo	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	4,927	4,927			
Total available own funds to meet the MCR	R0510	4,927	4,927			
Total eligible own funds to meet the SCR	R0540	4,927	4,927			
Total eligible own funds to meet the MCR	R0550	4,927	4,927			
SCR	R0580	**740**				
MCR	R0600	**3,700**				
Ratio of eligible own funds to SCR	R0620	**6.6602**				
Ratio of eligible own funds to MCR	R0640	**1.3315**				

		C0060
Reconciliation Reserve		
Excess of assets over liabilities	R0700	4,927
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	5,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	**-73**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
Total expected profits included in future premiums (EPIFP)	R0790	

Appendix F.1.4

S.25.01.22

Solvency Capital Requirement - For groups on Standard Formula

Amounts in 000s

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010			None
Counterparty default risk	R0020	740		
Life underwriting risk	R0030		None	None
Health underwriting risk	R0040		None	None
Non-life underwriting risk	R0050		None	None
Diversification	R0060			
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	740		

Calculation of Solvency capital Requirement		C0100
Operational risk	R0130	
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	740
Capital add-ons already set	R0210	
Solvency capital requirement for undertakings under consolidated method	R0220	740
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Minimum consolidated group solvency capital requirement (groups only)	R0470	
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non-regulated entities carrying out financial activities	R0530	
Capital requirement for non-controlled participation requirements	R0540	
Capital requirement for residual undertakings	R0550	
Overall SCR		
SCR for undertakings included via D and A	R0560	
Solvency Capital Requirement	R0570	740

Appendix F.1.5

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Amounts in 000s

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	

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

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	

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

Overall MCR calculation

		C0070
Linear MCR	R0300	
SCR	R0310	740
MCR cap	R0320	333
MCR floor	R0330	185
Combined MCR	R0340	185
Absolute floor of the MCR	R0350	3,700

		C0070
Minimum Capital Requirement	R0400	3,700

F.2 Glossary of Abbreviations and Definitions

AIL	Aviva Insurance Limited
Alternative methods of valuation	Valuation methods that are consistent with Article 75 of the SII Directive other than those which solely use the quoted market prices for the same or similar assets or liabilities (ii)
CBI	Central Bank of Ireland
Credit risk	The risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which insurance and reinsurance undertakings are exposed, in the form of counterparty default risk, or spread risk, or market risk concentrations (i)
EU	European Union
FCA	Financial Conduct Authority
GAAP	Generally accepted accounting principles
The Group	Aviva plc and its subsidiary companies
IFRS	International Financial Reporting Standards as adopted by the European Union and used to prepare the Company's financial statements
Liquidity risk	The risk that insurance and reinsurance undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due (i)
Market risk	The risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments (i)
MCR	Minimum Capital Requirement
NED	Non-Executive Director
Operational risk	The risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events (i)

Outsourcing	An arrangement of any form between an insurance or reinsurance undertaking and a service provider, whether a supervised entity or not, by which that service provider performs a process, a service or an activity, whether directly or by sub-outsourcing, which would otherwise be performed by the insurance or reinsurance undertaking itself (i)
ORSA	Own Risk and Solvency Assessment
QRT	Quantitative Reporting Templates
Qualifying holding	A direct or indirect holding in an undertaking which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking (i)
SCR	Solvency Capital Requirement
SF	Standard Formula
SFCR	Solvency and Financial Condition Report
SII	Solvency II Regulatory Regime
SII Directive	Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 which was subsequently amended by Directive 2014/51/EU of the European Parliament and of the Council of 16 April 2014 (the so-called "Omnibus II Directive"). This Directive lays down rules concerning the following: (1) the taking-up and pursuit, within the Community, of the self- employed activities of direct insurance and reinsurance; (2) the supervision of insurance and reinsurance groups; (3) the reorganisation and winding-up of direct insurance undertakings.
SII Regulations	The directly applicable EU Regulations adopted in accordance with the Solvency II Directive
Underwriting risk	The risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions (i)
UK	United Kingdom

(i) Article 13 SII Directive

(ii) Article 1 SII Delegated Acts