FIL Life Insurance (Ireland) DAC Solvency and Financial Condition Report (SFCR)

30 June 2019

Contents

Introduction

About this Document

This Solvency and Financial Condition Report (SFCR) is intended to provide essential information about the solvency and financial position of FIL Life Insurance (Ireland) DAC (referred to hereafter as “FIL Life Ireland” or “the Company”) as at 30 June 2019. The report is produced annually and made publicly available on the Fidelity International website:

https://retirement.fidelity.co.uk/international/

The report has been reviewed and approved by the Directors of the Company prior to publication on 4 October 2019.

Regulatory Context

The requirement for an annual SFCR arises under Solvency II regulation. The Solvency II framework came into effect on 1 January 2016 and established a new set of EU-wide capital requirements, risk management and disclosure standards. The Company is subject to this regime which aims to reduce the likelihood of an insurer failing and seeks to provide policyholders with increased protection.

The Solvency II Directive was transposed into Irish Law as the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. 485 of 2015). This SFCR is made in accordance with Article 52 of the Statutory Instrument 485 of 2015, Articles 290 to 303 of the Commission delegated Regulation (EU) 2015/35. It also takes into account the European Insurance and Occupational Pensions Authority’s (EIOPA) Guidelines on reporting and public disclosure and its Supervisory Statement on Solvency and Financial Condition Report.

Report Structure and Content

The structure and content of this report is prescribed by the Solvency II Regulations.

Section A provides details on the Company’s business and performance, including details of current year performance.

Section B provides a description of the governance structure, policies and procedures.

Section C provides an overview of the material risks to which FIL Life Ireland is exposed and how these are monitored and managed.

Section D provides information on the valuation of FIL Life Ireland ’s assets and liabilities under the Solvency II Regulations.

Section E provides details on the capital management of FIL Life Ireland under the Solvency II Regulations, including details of the SCR and MCR.

Appendix 1 provides a statement by the Directors and the independent Auditors’ Report.

Appendix 2 provides the Quantitative Reporting Templates (QRTs) at 30 June 2019.

Appendix 3 provides a glossary of terms and abbreviations.

Basis of Preparation

FIL Life Ireland does not use an internal model and therefore internal model comparisons are not applicable.

FIL Life Ireland does not use the volatility adjustment, matching adjustment or transitional measures.

FIL Life Ireland has not received, nor applied for, any waiver not to disclose any information as required by the regulations.

Rounding has been applied throughout the SFCR by using the Excel ROUND function to round to thousands.

Summary

Business and Performance

FIL Life Ireland is a regulated life insurance provider based in Ireland and authorised by the Central Bank of Ireland (CBI).

FIL Life Ireland is part of the international FIL Limited group of companies (referred to hereafter as the "FIL Group"). FIL Limited (Bermuda) and MNLC Holdings Limited (Bermuda) as parents each hold 50% of the voting share capital.

The Company has a single line of business, linked and unit-linked insurance in the form of regular premium group retirement offering through its flagship product, the Multinational Retirement Savings service. This product is designed for multi-national companies located primarily in the Isle of Man which have employees in numerous jurisdictions, who wish to provide a scheme through which their employees may save for their retirement.

FIL Pensions Management (FPM), another FIL Group company, provides administration services to FIL Life Ireland.

The Company strategy is to continue to grow the business through organic growth, expansion of the product coverage and the acquisition of new clients.

FIL Life Ireland's business does not involve the acceptance of material insurance risk and therefore, underwriting performance information is not available.

Investment performance has no material direct impact on the Company's performance except for a small amount of seed capital where market risk exists. Investment performance only impacts the Company indirectly through management charges on assets under management. These charges paid to FIL Life Ireland are based on a percentage of the AUA.

Year End Results	30 Jun 2019	30 Jun 2018
Profit after Taxation	€230,870	€236,235
Shares in Issue	€8,700,000	€8,700,000
Dividend	Nil	Nil
Assets under Administration	€962,577,299	€939,048,094
Total Schemes	46	44
New Schemes	3	27
Total Members	14,790	15,255
Fee Income	€2,739,383	€2,565,828
Income from FFML	€1,061,175	€1,861,214
Administrative Expenses	€3,519,319	€3,624,822
Audit Expenses	€65,441	€65,441

The time horizon for business planning is 5 years. The Company's strategy is to continue to grow the business through organic growth and the acquisition of new clients.

The Company has plans in place to address the exit of the UK from the European Union and does not expect this to have a significant impact on FIL Life Ireland's current or future business plans.

Other that those item noted under 1.7, there are no significant matters with a material impact on this report, which had a material impact on the solvency or financial condition of the Company.
Further details on the business and performance of the Company can be found in Section A

System of Governance

The FIL Life Ireland Board of Directors (the "Board") has ultimate responsibility for the Company's strategy and business activities. It is supported by management groups and committees to run the business day-to-day and oversee performance.

The Board is responsible for ensuring that an effective governance structure, risk management and general control environment are in place for FIL Life Ireland. It is supported by key control functions such as Risk, Compliance, Internal Audit, and the Actuarial function. Matters relating to Audit are overseen by a dedicated Audit Committee.

The Company has a Fit and Proper Policy in place to ensure those holding key function positions have the necessary authority, resources and operational independence to carry out their tasks.

FIL Life Ireland's risk management system encompasses key elements including the Risk Appetite Statement, Risk Taxonomy, Risk and Control Self-Assessments (RCSAs), Key Risk Indicators (KRIs), Risk Reporting and the Own Risk and Solvency Assessment (ORSA), which is integrated into the Company's structure and decision-making.

The Company uses a "three lines of defence" internal control system which is designed to support the risk management framework.

The Chief Risk Officer is responsible for the performance of the ORSA process. The Board takes an active role in its production, in line with the Company's ORSA Policy and process. ORSA results are used by the Board to inform strategic decisions. The Company undertakes a full ORSA at least annually and reports on its findings within six months of its accounting year end of 30 June.

FIL Life Ireland's system of governance is supported by an Outsourcing Policy. The policy outlines the delegation and outsourcing arrangement within the Company. The Company outsources the Actuarial Function to Milliman Ireland, and operational activities to other companies within the FIL Group, pre-dominantly to FPM which is regulated by the Financial Conduct Authority (FCA).

There have been no material changes to the system of governance during the reporting period.

Further details on the system of governance of the Company can be found in Section B.

Risk Profile

FIL Life Ireland adopts a low risk strategy. Where a medium or high risk exists, the Company will seek to reduce this risk. The Company has a robust process for identifying and managing its risks. Risks are managed and monitored to a risk appetite defined in the Risk Appetite Statement as approved by the Board on an annual basis.

The Company has identified its material risks, which largely relate to counterparty exposures and risks to its clients and its reputation from FPM's service provision. There has been no material change to the risk profile during the reporting period.

FIL Life does not have material exposure to underwriting, operational and market risk as the Company is protected both through the IASA with FPM and due to the majority of policyholder liabilities being unit-linked and not offering life assurance benefits beyond a return of the value of investments.

The Board oversees the performance of FPM. It monitors FPM's financial position and its ability to withstand severe scenarios as considered in the company's own capital assessment.

Further details on the risk profile of the Company can be found in Section C.

Valuation for Solvency Purposes

FIL Life Ireland's assets are primarily those held to back the unit-linked liabilities, with the surplus held as cash or similarly liquid investments. The value of these assets is stated at either market value or the expected realisable value. Similarly, the main components of the Company's liabilities are the Technical Provisions. The Technical Provisions are made up as follows:

- the Unit Liability
- the Best Estimate Liability (BEL)
- the Risk Margin (RM)

All own funds are considered as Tier 1 capital, in accordance with the guidelines on loss absorption and repayment of capital and dividends.

The Company's capital position and solvency capital ratio are shown in the table below.

Own Funds, SCR, MCR & Coverage Ratio	30 Jun 2019 €'000	30 Jun 2018 €'000
Solvency Capital Requirement (SCR)	2,706	2,500
Minimum Capital Requirement (MCR)	3,700	3,700
Eligible Own Funds	9,651	9,369
Ratio of Eligible Own Funds to SCR	357%	362%
Ratio of Eligible Own Funds to MCR	261%	253%

Further details on the valuation for solvency purposes of the Company can be found in Section D.

Capital Management

The Company is regulated by the CBI to carry out contracts of insurance and is required to maintain adequate financial resources. It must be able to demonstrate that its available capital exceeds the capital requirement at all times.

FIL Life Ireland has adequate capital to meet its capital requirements under Solvency II and currently has no plans to issue, repay or otherwise change its capital management position.

FIL Life Ireland maintains an efficient capital structure from equity shareholders' funds, consistent with the Company's risk profile and the regulatory and market requirements of its business. The Capital Management Policy's goal is to hold a discretionary buffer over the greater of the SCR and the Own Risk Solvency Assessment (ORSA) requirements. The discretionary buffer is subject to ongoing monitoring by management and the Board. The Company has a sufficient capital buffer and this is expected to continue over the 5 year business planning time horizon. There are no plans by the Company to pay a dividend.

Integration of Risk and Capital Management

Risk and capital management are embedded within the Company's business and decision-making processes. Strategic business decisions are risk-assessed and evaluated for their capital impact prior to being finalised. The Risk function and the Finance function will evaluate and challenge such assessments.

Further details on the capital management of the Company can be found in section E.

A. Business and Performance

A.1. Business

A.1.1. Information regarding the Company

The legal name of the undertaking is FIL Life Insurance (Ireland) DAC, a Designated Activity Company.

FIL Life Ireland was founded in 2012 to provide a Defined Contribution (DC) pension product, the Multinational Retirement Savings service, to multinational companies that have employees in numerous jurisdictions.

FIL Life Ireland's business is simple and comprises of the provision of unit-linked long-term insurance. The Company has a single line of business, index linked and unit-linked insurance in the form of regular premium group retirement business through its flagship product, the Multinational Retirement Savings scheme. The product, referred to as the International Pension Plan or IPP, is designed for multi-national companies that have employees in numerous jurisdictions, who wish to provide a scheme through which their employees may save for their retirement. The offering consists of both a fully bundled or full service offering and an Investment Only or IO offering. Policies are generally issued to Trustees (the policyholders) with individual scheme members being located throughout the world. The Company's specific strategy is to write business for the Trusts which facilitate investment by Multinational Corporates on behalf of their employees that work in numerous jurisdictions and wish to save for their retirement. The policyholders (Trustees) are located primarily in the Isle of Man with other policyholders located in jurisdictions such as Jersey, Guernsey, Channel Islands and the Cayman Islands. For the Investment Only or IO offering, pension schemes can access FIL Life Ireland's investment platform to offer a range of investment opportunities to their plan members. The platform links to the scheme's chosen plan administrator, usually a specialist third party administrator. For the Fully Bundled or Full Service offering, FIL Life Ireland offers a comprehensive administration and record keeping services to pension trustees and employers, in addition to its investment capability.

FIL Life Ireland operates an open architecture investment platform where its life funds are invested in a range of underlying funds managed by Fidelity (FIL) Group companies and other fund managers and insurers. This provides pension trustees and employers with the ability to construct an investment solution which meets their needs and the needs of the plan members. Trustees or employers often engage the services of an investment adviser to help with investment strategy and design of the portfolio.

As at 30 June 2019, the Company provided pension solutions for a total of 46 schemes (2018: 44) and 14,790 members (2018: 15,255). There were 3 new schemes taken on during the period (2018: 27 - with the higher number of schemes in the prior year reflecting the completion of the planned transfer of additional multinational retirement schemes from another Fidelity entity up to December 2017).

As at 30 June 2019, the Company has Assets under Administration (AUA) of €962,577,299 (2018: €939,048,094). The Company has accepted premiums on contracts classified as investment contracts amounting to €85,620,723 (2018: €381,429,860) and incurred claims of €121,770,501 (2018: €118,916,842). The Company made a profit after taxation of €230,870 (2018: €236,235) for the year. This amount has been transferred to the retained reserves.

The Directors do not propose a dividend for the year ended 30 June 2019 (2018: Nil).

The Company is expected to remain profitable in line with a Fund Provision Agreement (FPA) in place with FIL Fund Management Limited (FFML), a Fidelity Group Company, to ensure the Company achieves a specified level of income.whereby the agreement covers costs relating to operational expenses, including investment gains and losses relating to FIL Life Ireland's activities.

A.1.2. Regulatory Supervisor

The Company is regulated by the Central Bank of Ireland, New Wapping Street, North Wall Quay, Dublin 1, Ireland.

A.1.3. Auditor

The Company's external auditor is PricewaterhouseCoopers, Chartered Accountants & Statutory Audit Firm, One Spencer Dock, North Wall Quay, Dublin 1, Ireland.

A.1.4. Ownership

The holders of qualifying holdings in the Company are as follows:

FIL Limited (Bermuda), the ultimate holding company in the Fidelity group.

MNLC Holdings Limited (Bermuda), which is wholly owned by MNLC Purpose Trust (Bermuda).

FIL Life Ireland has €50,000,000 authorised share capital, and €8,700,000 of ordinary share capital which is fully paid up, as well as distributable reserves.

The proportion of ownership and voting rights are detailed below:

€1.00 A Ordinary

Share-holder	Shares Held	% of Class	Voting %	Capital %
FIL Limited	1,240,000	16.1	Non-voting	14.3
MNLC Holdings Limited	6,460,000	83.9	Non-voting	74.3

€1.00 B Ordinary

Share-holder	Shares Held	% of Class	Voting %	Capital %
FIL Limited	500,000	50.0	50.0	5.7
MNLC Holdings Limited	500,000	50.0	50.0	5.7

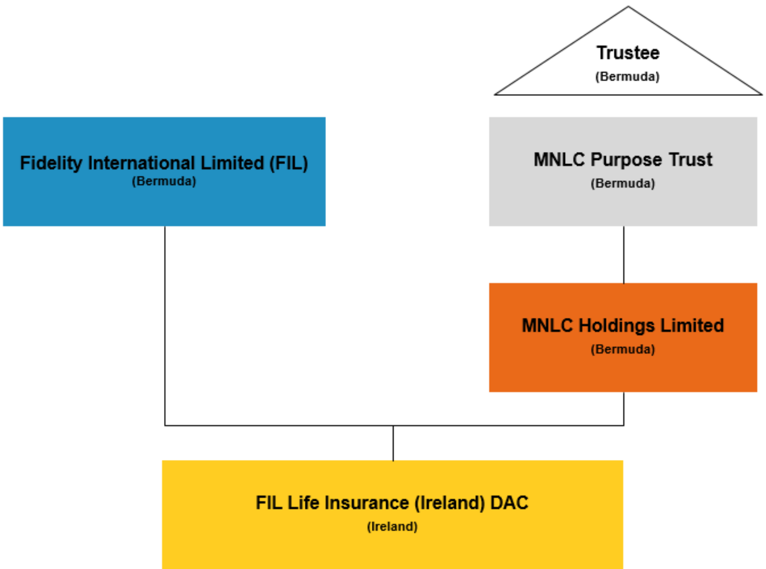
A.1.5. Group Structure

FIL Life Ireland is not part of an Insurance Group under the definition of Solvency II. The ultimate holding company within the group is FIL Limited (Bermuda). The Company is part of the wider Fidelity group, with FIL Limited (Bermuda) and MNLC Holdings Limited (Bermuda) being the parents. Each holds 50% of the voting share capital.

The positioning of the Company within the Fidelity group is as follows, with FIL Limited (Bermuda) being the ultimate holding company within the group FIL Life Ireland is as shown in Chart A.1.

The group is structured as follows:

Chart A.1 Simplified Group Structure Chart



A.1.6. Material Lines of Business and Geographical Areas

FIL Life Ireland writes a single line of unit-linked insurance in the form of a regular premium retirement business through its flagship product, the Multinational Retirement Savings service.

Policies are generally issued to trustees, the policyholders, located primarily in the Isle of Man and with other policyholders located in Jersey, Guernsey and the Cayman Islands.

A.1.7. Significant Business or External Events

During the year ended 30 June 2019, FIL Life Insurance (Ireland) has being reviewing its strategy and working on a number of product and proposition developments to support growth in future years.

BREXIT

Following the UK vote to leave the European Union (EU) on 23 June 2016, the Company and wider FIL Group have been considering the implications and taking action as necessary. While the ultimate outcome is still uncertain, the FIL Group has based Brexit implementation on the worst-case scenario, whereby the United Kingdom leaves the EU without an agreement. Key risks to the business and response plans have been formulated and shared with senior management. The Company has assessed the potential impact of a 'hard' or negative Brexit outcome, with the Company having plans in place to address the exit of the UK from the European Union and does not expect this to have a significantly negative impact on the current or future business plans. Given the Company's contingency planning to date, a 'hard' Brexit outcome is not anticipated to have a materially negative impact on FIL Life Ireland.

There were no other significant internal or external events which had a material impact on the solvency or financial condition of the Company.

A.2. Underwriting Performance

A.2.1. Background

The Company's business does not involve accepting any material insurance risk and therefore, no traditional underwriting is required. Accordingly, there is no quantitative information on underwriting performance to report.

The Company has limited exposure to pricing underwriting risk due to the IASA with FPM. FIL Life Ireland's pricing model aims to develop a framework to support flexible pricing options required to meet the needs of the business. Pricing is bespoke to each client and is dependent upon the metrics of the plan at take on and projected into the future.

The Underwriting and Pricing Policy sets out the terms on which new business is written.

A.2.2. Underwriting Performance

The primary costs and rewards of investing are passed on to pension scheme members. The assets and liabilities of the Company are therefore closely matched. FIL Life Ireland earns a management fee based upon the level of AUA.

€'000	30 Jun 2019	30 Jun 2018
Gross premium	85,621	381,430
Total fee income	4,447	4,597

During the year ended 30 June 2019, the Company accepted premiums on contracts classified as investment contracts amounting to EUR 85,620,723 (2018: EUR 381,429,860) and surrenders of EUR 121,770,501 (2018: EUR 118,916,842), there were 3 new schemes on-boarded in the financial year to June 2019 (2018: 27 with the higher number of schemes in the prior year reflecting the completion of the planned transfer of additional multinational retirement schemes from another Fidelity entity up to December 2017).

The decrease in gross premium year on year was a result of a decrease in single premium received EUR 26,609,315 in the financial year to June 2019 versus 2018 EUR 332,239,442 plus an increase in regular premium to June

2019 EUR 59,011,408 versus 2018 EUR 49,190,418.

The overall decrease in fee income arises from a combination of an increase in insurance fee income due to an increase in average AUM, which was offset by a decrease in rebate fee insurance income arising under the fund provision agreement in place with another Fidelity Group Company.

A.2.3. Overview

FIL Life Ireland's funds are fully invested in funds managed by FIL Group companies and other third party funds.

FIL Life Ireland's funds are all unit-linked with the risks and rewards of investing are directly attributable to the members. The performance of the funds only impacts FIL Life Ireland in so far as the Company earns an annual management charge (AMC) on the assets under management (AUM)

The investment performance has no direct impact on the Company's performance, other than through the small amount of seed capital that FIL Life Ireland places into new funds. Market risk exists on this capital as the units seeded are owned by the shareholders. The Company also has a holding in a Fidelity UCITS Liquidity Fund where gains and losses are reported through the statement of comprehensive income.

Investment performance indirectly impacts the business through the effect it has on annual management charges (AMCs).

The Company does not actively invest surplus shareholder funds. Funds are held in cash or cash equivalents i.e. liquidity funds. These cash and cash equivalents generate interest income which is recognised in the profit and loss account as earned.

Performance information on underlying funds is presented to the Board on a quarterly basis.

A.2.4. Investment Performance

Investment performance compared to prior year as per financial statements

Performance	30 Jun 2019 €'000	30 Jun 2018 €'000
Investment	62,418	35,859

The increase in the investment performance was principally a result of market movements combined with foreign exchange movements in the unit-linked assets. This increase is reported in the Statement of comprehensive income in fair value gains/losses on financial assets at fair value through profit and loss and change in investment contract liabilities.

FIL Life Ireland does not bear significant direct risk related to the unit-linked assets; the risks related to these are borne by the policyholders as the value of their policy is in direct correlation with the value of the unit-linked assets. The Company will hold some assets in a range of mutual funds for the purpose of facilitating business operations (seed capital).

The Company does bear secondary market risk which results from fees due to be received by the Company being based on a percentage of assets under management. As markets move, the valuation of the AUM and consequently the fees due to the Company may be impacted.

Income and expenses by asset class

Income and expenses by asset class are not applicable as the Company is a unit-linked business only.

Gains/losses recognised directly in equity

There are no gains/losses recognised directly in equity.

Any investments in securitisation

There are no investments in securitisation.

A.3. Performance of Other Activities

A.3.1. Material Income

FIL Life Ireland's income is primarily the AMC from Fidelity funds or those managed by fund partners together with record keeping fees. The Company is also entitled to rebate income from FFML.

Income €'000	30 Jun 2019 €'000	30 Jun 2018 €'000
Annual Management Charges	3,386	2,735
Rebate Fees	1,061	1,862

A.3.2. Material Expenses

FIL Life Ireland’s material expenses relate to charges for administration services provided by FPM under the IASA. Other significant expenses incurred by FIL Life Ireland included regulatory, audit and actuarial fees as shown below.

Expenses €’000	30 Jun 2019 €’000	30 Jun 2018 €’000
Administration	3,519	3,625
Audit Fees	65	65

A.3.3. Leasing

There are no leasing arrangements.

A.4. Any Other Information

There is no other material information relevant to the Company’s business and performance.

B. System of Governance

B.1. General Information on the System of Governance

B.1.1. Overview

Structure of administration, management or supervisory bodies including description of main roles and responsibilities and description of segregation of responsibilities and committees

The FIL Life Ireland Board of Directors (the “Board”) is collectively responsible for the effective stewardship of the Company and has the overall responsibility for business decisions and for compliance with the regulatory system. The main responsibilities of the Board include:

- Setting the Company’s strategic aims and objectives.
- Ensuring the Company has an effective system of governance.
- Establishing the risk appetite of the business and ensuring that there is an appropriate risk management framework and control environment.
- Approving the annual financial statements and key actuarial assumptions.
- Approving changes to the Company’s capital structure or regulatory capital.
- Providing oversight of the outsourced service providers, including Fidelity Pension Management (FPM), a Fidelity group company, to whom the Company outsources administration services, under an Insurance Administration Services Agreement (IASA).

The Board considers the Company's system of governance as appropriate and adequate given the business model which is neither large, nor complex.

The Company’s Board is comprised of five Directors as at 30 June 2019, two independent, non-executive Directors, two non-executive Directors and one executive Director.

FIL Life Ireland has procedures in place to ensure that the Board’s management of conflicts of interest and its powers for authorising certain conflicts are operating effectively. Each director is required to notify the Board of any actual or potential situational or transactional conflicts of interest. The directors are also required to update the Board with any changes to the facts and circumstances surrounding such conflicts.

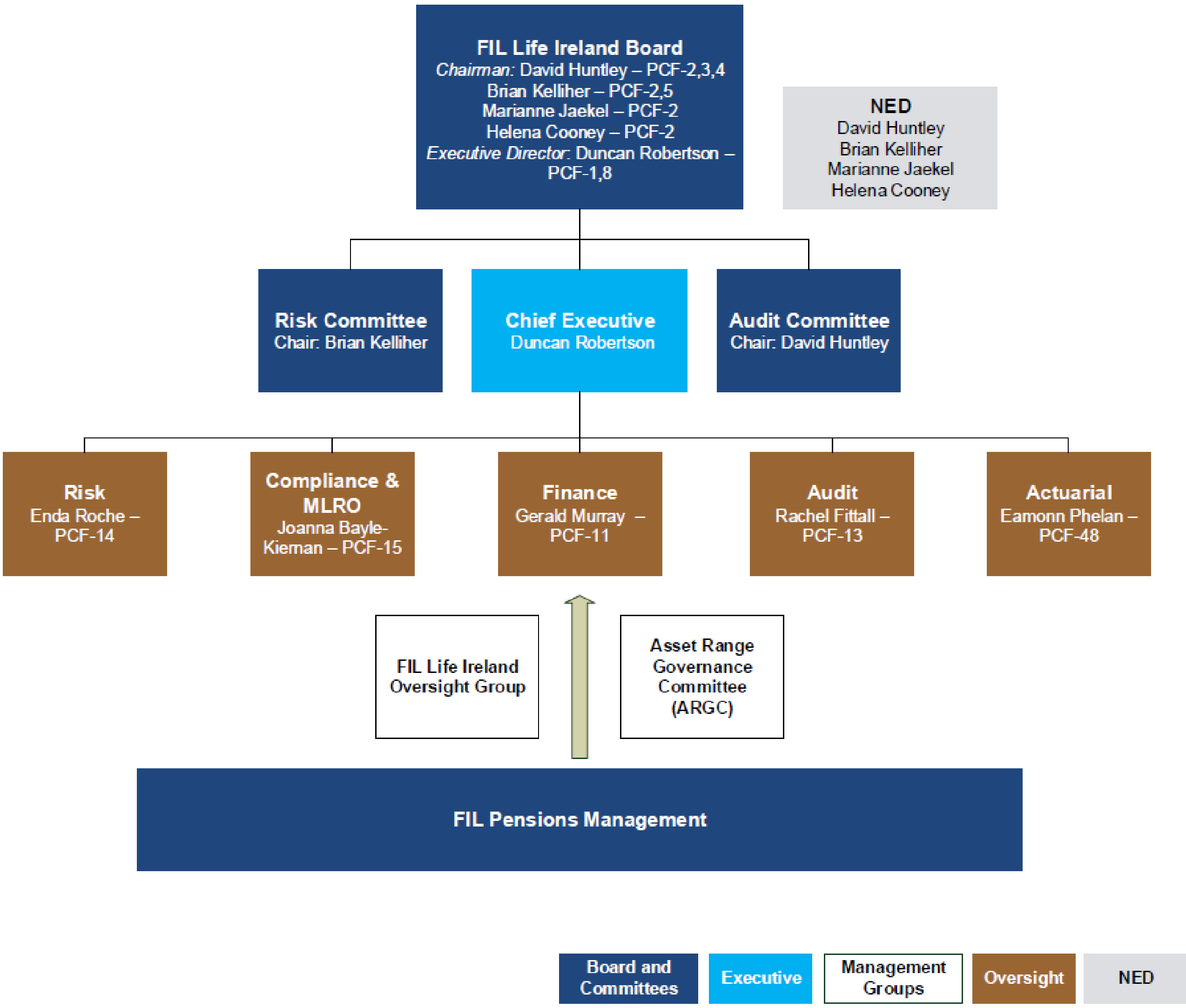
The FIL Life Ireland Governance structure is illustrated in Chart B.1. It shows the Board, its sub-committees and management groups. The Board is also supported by key control functions such as Risk, Internal Audit, Compliance, the Money Laundering Reporting Officer (MLRO) and the Actuarial function.

The Board may delegate authority to sub-committees or management to act on behalf of the Board in respect of certain matters but, where the Board does so, it will have mechanisms in place for documenting the delegation and monitoring the exercise of delegated functions. The Board cannot abrogate its responsibility for functions delegated.

The Board will satisfy itself as to the appropriateness all policies and functions for the Company and in particular that these policies and functions take full account of Irish laws and regulations and the supervisory requirements of the Central Bank of Ireland (CBI) when appropriate.

Further details on the governance structures can be found in the sections below.

Chart B.1 - FIL Life Ireland Management Structure -



B.1.2. Committees to the Board

The following committees have delegated authorities from the Board:

The Audit Committee is responsible for monitoring the integrity of FIL Life Ireland's annual financial statements. It advises the Board whether the financial statements show a fair, balanced and understandable assessment of the financial position. The committee is responsible for monitoring the independence of the auditors, recommending to the Board the appointment or re-appointment of the auditors and for approval of non-audit services. The committee monitors the effectiveness of the Internal Audit function.

The Risk Committee is responsible for reviewing the effectiveness of the risk management and internal control framework across the Company. The core roles and responsibilities of the Risk Committee are as follows:

- Providing oversight and advice to the Board on matters including:
- The risk exposure and appetite of the Company.
- The future risk strategy, taking account of the Board's overall risk appetite, the current financial position of the Company; and
- The capacity of the Company to manage and control risks within the agreed strategy. The Committee may draw on the work of the Audit Committee and the External Auditor in providing such advice.
- Oversight of the Risk Management Function of the Company;
- Ensuring that the development and on-going maintenance of an effective risk management system within the Company is effective and proportionate to the nature, scale and complexity of the risks inherent in the business; and
- Advising the Board on the effectiveness of strategies and policies with respect to maintaining, on an ongoing basis, the amounts, types and distribution of both internal capital and Own Funds adequate to cover the risks of the Company.

B.1.3. Management Groups

The Chief Executive Officer is supported by various management groups in the performance of his duties.

- **The FIL Lire Ireland Management Forum** is responsible for the ongoing oversight and management of the activities of the Company.
- **The FIL Life Ireland Oversight Group** is responsible for overseeing outsourced activities and monitors outsourced providers.
- **The Asset Range Governance Committee** which is not a Board Committee or a Committee of the Company, provides reporting into the Oversight Group in respect of the oversight and governance of funds available via the Fidelity platform.

B.1.4. Control Functions

FIL Life Ireland benefits from the support of certain centralised governance functions within the FIL Group:

- Section B.3 gives an overview of the Risk function.
- Section B.4 describes the responsibilities of the Compliance function and MLRO.
- Section B.5 describes the responsibilities of the Internal Audit function.

FIL Life Ireland has outsourced Actuarial services and the Head of Actuary position to Milliman Ireland. The Company's Finance Functions has responsibility for the oversight of this outsourced activity. The Actuarial function is described in more detail in section B.6.

B.1.5. Material Changes to the System of Governance

During the year ended 30 June 2019, while there were no material system of governance changes, the following matters arose:

During the year, the Board Nomination Committee (which was established in the prior year) was wound up with the agreement from the Board, that the Board would appoint a sub-group of Directors on an ad-hoc basis as required. Accordingly, it is not shown as part of the current FIL Life Ireland governance structure (and as prior noted in the Summary RSR report for 30 June 2018).

The following matters arose due to changes in Directors, Management and Governance Committees during the period:

During the year ended 30 June 2019, a new CEO was appointed. Also during the year, a new Head of Finance was appointed at end June 2019, following resignation of the previous officer holder. Post year end, a new Head of Compliance with responsibility for AML/CTF was appointed in July 2019, replacing the interim appointment, following resignation of the previous officer holder during the year.

There were a number of changes during the year ended 30 June 2019 to the Board of Directors, and as notified to the Central Bank of Ireland, a Director resigned in February 2019 and while the Company went through appropriate Due Diligence process to appoint and get approval for a replacement, the Company was below the minimum of Directors required in according with the Corporate Governance Requirements for Insurance Undertakings until June 2019.

In June 2018 the Company received approval from the CBI, as required by Section 8.11 of the Corporate Governance Requirements 2015, for the Board Chairman to act as Chairman of the Board of another Fidelity International company.

B.1.6. Details of Remuneration

Information on remuneration policy and practices including: Principles of remuneration policy including any fixed or variable proportions; Information on performance criteria on which entitlements to share options or variable remuneration is based; Description of the main characteristics of any supplementary pension or early retirement scheme

As at 30 June 2019 all employees engaged in the management and administration of the Company are employed by FIL Transaction Services Limited (FTSL), FIL Investment Management Limited (FIML) or FIL Pensions Management (FPM) and their services are provided under a Secondment agreement or Insurance Administration Services Agreement in place between these companies and FIL Life Insurance (Ireland) DAC.

Executive salaries for directors are set outside of the Company. For these reasons the Company does not have a separate Remuneration Committee.

Except for the Non-Executive Directors, the Company does not remunerate any member of the Board for their service. Fees for the Non-Executive Directors are set at an appropriate level to reflect the time commitment required to fulfil the role, the responsibilities and duties of the positions, and typical practice amongst other financial institutions.

The Fidelity Group has a remuneration policy in place, which includes the relevant principles governing how members of staff are remunerated.

At an individual level staff are assessed at least once a year. The performance assessment of all staff includes both qualitative and quantitative elements where appropriate. The variable pay structure for rewarding high performers is fully discretionary and is determined by individual performance.

B.1.7. Integration of Risk Management, Internal Audit, Compliance and Actuarial Function into the Organisational Structure and Decision-Making Process

See section B.3 for information about how the Risk Management function is integrated into the organisational structure and decision-making processes of the Company.

See section B.4 for information about how the Compliance function is integrated into the organisational structure and decision-making processes of the Company.

See section B.5 for information about how the Internal Audit function is integrated into the organisational structure and decision- making processes of the Company.

See section B.6 for information about how the Actuarial function is integrated into the organisational structure and decision-making processes of the Company.

B.1.8. Material Transactions

Information about material transactions during the reporting period with shareholders, with persons who exercise a significant influence, and with members of the administrative, management and supervisory bodies.

There were no material transactions related to FIL Life Ireland shareholders, persons who exercise a significant influence and with members of the administrative, management and supervisory bodies during the reporting period.

B.2. Material Fit Requirements

Description of minimum requirements for skills, knowledge and experience applicable to persons in key functions

The Company has a Fit and Proper policy in place, to ensure that the persons who run the Company collectively possess appropriate qualifications, experience and knowledge, where relevant to the role in question.

Description of process for assessing fitness and propriety of persons in key functions

Fitness for a role is based on an assessment of management competence and technical competence. This assessment includes a review of previous experience, knowledge and professional qualifications, and demonstration of due skill, care, diligence and compliance with the relevant standards of the sector the person has worked in.

Assessment of propriety of an individual is based on their reputation, reflecting past conduct, criminal record, and financial record and supervisory experience.

All reasonable steps are undertaken to ensure that sufficient information is obtained to enable the Company to properly make informed decisions as to the fitness and propriety of directors, senior managers and key function holders.

B.3. Risk Management System, including the Own Risk and Solvency Assessment (ORSA)

A description of the company's risk management system and how it can effectively identify, measure, monitor, manage and report the risks

B.3.1. Enterprise Risk Management Framework

The robust management of risk plays a central role in the execution of FIL Life Ireland's strategy and is a key focus area for the Board, its Directors and business areas.

Risk management activities are designed to protect FIL Life Ireland's clients, policyholders and assets. FIL Life Ireland aims to identify and manage its risks in line with an agreed risk management framework derived from industry practice.

FIL Life Ireland has adopted the Fidelity group-wide risk management and policy framework, supported by individual policies specific to FIL Life Ireland.

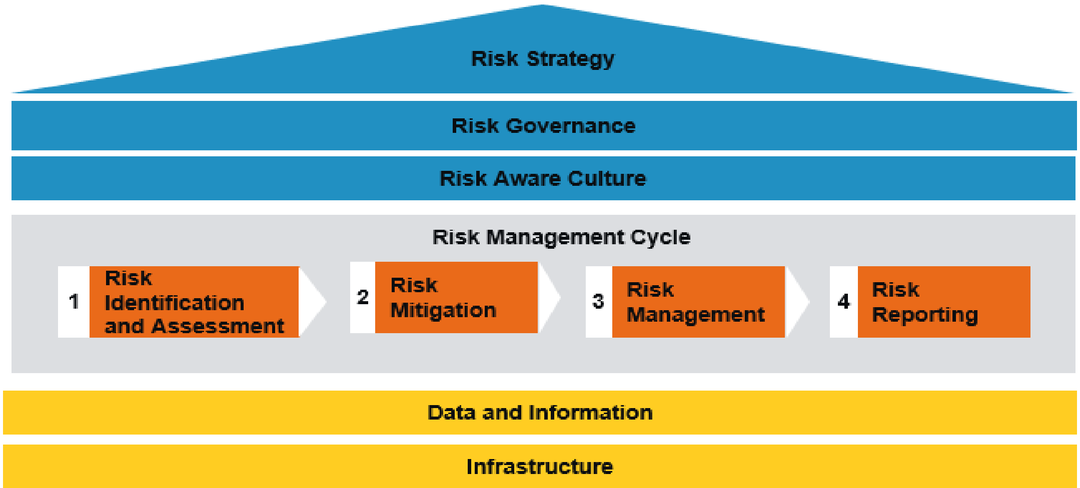
The holistic management of risk is defined by the Enterprise Risk Management (ERM) framework, which is designed to support the effective identification of risks, events and trends that may significantly affect FIL Life Ireland's ability to achieve its strategic goals or maintain its operations. The ERM framework includes the following core foundations:

- application of a common enterprise-wide risk management framework, activities and processes across the organisation
- clear assignment of roles, responsibilities and accountabilities for risk management
- the effective use of appropriate risk identification, mitigating and management strategies
- the integration of relevant, reliable and timely risk management information into reporting and decision-making processes
- the identification and assessment of existing and uncertain future events that may influence the achievement of business plans and strategic objectives.

Diagram B.2 reflects how core elements of the Enterprise Risk Management (ERM) Framework applied across Operational, Strategic, Financial and Investment risks-types align to support FIL Life Ireland's Risk Strategy.

FIL Life Ireland carries out an Own Risk & Solvency Assessment (ORSA) to determine its overall solvency and risk needs and to ensure that it maintains sufficient financial resources at all times. This is performed in line with the Company's approved ORSA Policy and Process.

B.3.2. Diagram Risk Management Framework



B.3.3. Risk Management Strategy & Appetite

Risk Strategy

FIL Life Ireland's risk strategy is to ensure that effective risk management is embedded in all core operating and decision-making processes across the Company. It aims to ensure that existing and emerging risks are identified and managed within acceptable risk limits for financial risk and within agreed risk tolerances for non-financial risks.

FIL Life Ireland's overall approach recognises that risk-taking is an essential part of doing business and, therefore, cannot always be eliminated. FIL Life Ireland's risk management strategy aims to achieve the following:

- Operate in a legal and ethical manner to safeguard clients, members and assets, whilst allowing sufficient operating freedom to secure a satisfactory return.
- Risks must be fully understood and adequately measured to ensure that the risk exposure is appropriate for the returns anticipated.
- Operate a governance structure that ensures that risk-taking is controlled in an appropriate manner.
- Take proactive actions to address issues, negative risk trends or control weaknesses, or changes in the external or internal business environment.

The Risk Strategy is supplemented by a risk appetite framework which includes risk appetite statements and related metrics. These reflect the aggregated level of risk that the Company is willing to assume or tolerate to achieve its business objectives. This is an essential part of the framework which ensures that the business is carried out safely and within pre-defined boundaries.

The Board reviews and approves the risk appetite statement annually.

Risk Governance

The FIL Life Ireland Board has ultimate responsibility for risk management within the organisation. Its risk responsibilities include:

- promoting an effective risk culture within the organisation by setting the tone from the top
- adopting group-wide Risk Management policies, and approving the FIL Life Ireland Risk Appetite statements and policies
- ensuring clear accountability for risk management
- seeking regular assurance that the risk management system is functioning effectively and that significant risks are being managed in line with policy

The Risk function is an independent function which assists FIL Life Ireland in the identification, evaluation and management of risks. It provides oversight and challenge of FIL Life Ireland's risk profile and produces independent risk reports for the FIL Life Ireland Board.

A description of how the RMS including the risk management function are implemented and integrated into the organisational structure and decision-making processes

The Three Lines of Defence

FIL Life Ireland operates a ‘three lines of defence’ model, as summarised below:

	1st Line of Defence	2nd Line of Defence	3rd Line of Defence
Functions	Business Line Management and Employees Management Groups	Oversight and specialist functions such as Legal, Compliance and Risk	Internal Audit
Role	Responsible for day-to-day operations, for adhering to relevant policies and maintaining an effective and efficient system of risk management and internal control	Provides policies, standards and objectives, and independent oversight of performance and risk management within FIL Life Ireland	Provides independent assurance on the effectiveness of the systems and controls in FIL Life Ireland, including financial, operational, compliance and risk management

Risk Culture

A strong risk aware culture is critical to reinforce and support FIL Life Ireland's risk framework and processes. A risk aware culture is defined as the aspect of the organisation's culture and behaviour which determines its ability and willingness to identify, understand and action risk in a timely and effective manner.

Risk Culture & Risk Management Principles

The Company has a codified Risk Culture & Risk Management Principles statement in its Risk Management Policy and this includes detailed risk culture statements under the following areas:

- We understand our customers
- We understand our products
- We understand our markets and geographies
- We understand our processes
- Our people understand their roles
- We protect and enhance the business

Fidelity International Group has also adopted an approach to promote, embed and measure a strong risk aware culture across the organisation, including reinforcing individual behaviours and capabilities that are aligned to FIL Life Ireland's core values and beliefs. This approach also includes the consideration of risk accountability and the right risk behaviours in the compensation and performance management decisions.

The risk-led framework aims to establish oversight, provide thematic analysis and indicate where conduct issues require escalation. 'Good conduct' is defined primarily in terms of customer treatment by the firm, which in turn is supported by the integrity and risk-awareness and Integrity of staff and business areas including demonstrating proactive identification and timely escalation of risks and issues, and proper ownership in remediation.

B.3.4. Risk Identification, Assessment and Management

Identification

The Risk Taxonomy is reviewed and updated at least annually, and provides a consistent approach for the classification, identification and definition of risk and covers all relevant risks across the organisation. Risk owners are responsible for the ongoing and timely risk identification, in alignment with the Risk Taxonomy, considering multiple sources of internal and external emerging risk.

All staff are responsible for identifying and escalating risk events. Each risk event is assessed for its severity according to a pre-defined impact matrix. Significant events are required to be escalated and notified to senior stakeholders within defined timeframes of becoming apparent. Internal and external risk events are used to inform risk assessment and scenario analysis activities.

Assessment

As part of the risk management cycle, risk self-assessments are conducted regularly by 1st line teams to confirm risk levels and impacts. Defined processes and principles are followed to establish risk materiality, identify root causes, drivers, themes and impacts of individual and aggregated risks. Mitigation actions are determined for risks outside of appetite. The Head of Risk reviews and challenges the aggregated risks identified and assessed by the risk owners.

Scenario analysis and stress testing are carried out annually as part of the ORSA process or on an ad-hoc basis if triggered by a significant change in risk profile.

Risk Mitigation

Risk mitigation strategies at FIL Life Ireland are crucial for ensuring levels of residual risk are managed within risk appetite. They include a defined control environment, action management processes (remediation), strategic de-risking processes, risk transfer (insurance) or reduction of exposure.

Risk profile views are updated on quarterly basis and reporting considerations on a monthly basis through assessing all available information for each material risk. Risks are compared against risk appetite thresholds and mitigation actions are recommended to the Board, where appropriate.

Fidelity International have established Risk and Control Assessments (RCSAs) which include the identification and documentation of key risks and controls.

Risk Management

Risk exposures are aggregated and reported, where appropriate. Key risk concentrations are identified and analysed. Root cause themes / risk events are assessed across the population of risk events to drive prioritisation and management action. Aggregated risks are identified and assessed against risk appetite prior to evaluation by the Board. The risks are also benchmarked against the Risk Taxonomy and internal/external information.

Actions are identified from various risk management activities, for example risk assessments, risk events, thematic reviews and scenario stress testing activity. These are overseen by management on a regular basis and monitored to completion. The FIL Life Ireland Board and Risk Committee receive regular updates on the status of material risks and related risk management actions.

B.3.5. Risk Monitoring and Reporting

The Company's risk profile is monitored by the FIL Life Ireland Risk Committee, which escalates matters as appropriate, including assessment of changes in the internal and external risk environments and consideration of risk events. Quarterly risk reports are produced with reporting considerations on a monthly basis and discussed with management. These detail the relevant risk profile and activity; material operational losses and other key risk matters to enable Management of the businesses to form an ongoing view on the overall effectiveness of the internal control environment and risk management framework.

FIL Life Ireland has adopted the FIL Group's centralised risk and data repository system, Bwise, which is used to capture, aggregate and report risk data including risk events, risk assessments, controls and evidence of escalation, review and challenge.

B.3.6. Integration of Risk and Capital Management

Capital provides the ultimate buffer for a firm to withstand financial shocks arising from severe risk events. As such, the assessment of an appropriate level of capital to hold is both an essential element of the Company's risk management framework and a mandatory requirement of the CBI.

The Company is required to meet minimum regulatory capital standards at all times. These capital reserves are monitored by the Finance and the Risk Function and form the basis of financial reporting to the CBI.

Risk and capital management are embedded within FIL Life Ireland's business and decision-making process as follows:

- Strategic business decisions are risk-assessed by the business and evaluated for their capital impact prior to being finalised.
- The business submits its plan based on the evaluation of macroeconomic scenarios, internal risk assessments, and in consideration of stress conditions and capital implications.
- The Board reviews risk appetite thresholds and limits for appropriateness.
- Consideration of risk and capital implications of the FIL Life Ireland strategy, new products and other material business initiatives is undertaken prior to launch.
- The Company's Pricing Policy ensures minimum payback periods and profitability are achieved.
- Proactive liaison to ensure FIL Life Ireland's capital implications and ORSA requirements is considered for any developments, for example, ensuring FPM is sufficiently capitalised to provide the necessary level of service to FIL Life Ireland.

B.3.7. Completion of the ORSA

FIL Life Ireland undertakes a full ORSA annually, with the aim of it being normally completed within six months of the accounting year end.

An ORSA may be completed more frequently if significant changes to the risk profile of the business occur.

FIL Life Ireland's Board is ultimately responsible for the ORSA and reviews and approves the ORSA report.

The overall ORSA process requires risks to be identified that FIL Life Ireland might face during its strategic planning period. These risks are assessed to derive an overall picture of the risks in quantitative (capital figures) and qualitative (management actions) terms.

Stress tests are performed to simulate severe circumstances which might impact FIL Life Ireland's current and future capital requirements.

Reverse stress tests assess potential scenarios that would result in the failure of the Company's business model.

The ORSA process includes scenario stress testing for each capital bearing risk. The Company considers and undertakes analysis of the appropriateness of the assumptions underlying the Standard Formula relative to its own risk profile, and currently deems the standard formula appropriate for the calculation of the Company's Solvency Capital Requirement. The Company has determined the risks to which the Company is exposed are in line with those captured by the standard formula, with the risk profile related to the standard formula assumptions and considers risks that deviate from the standard formula and explains this rationale.

In line with this approach, the ORSA forms a key input into the strategic planning process of FIL Life Ireland. Material risks and risk limits are considered in relation to business planning, decision-making and capital management.

B.3.8. Prudent Person Principle

FIL Life Ireland fulfils the obligations of the prudent person principle as set out in Article 132 of the Solvency II Directive. The business is long-term and unit-linked.

The Company holds the underlying assets for policyholders' unit-linked investments.

To ensure that FIL Life Ireland retains a capital surplus, the Capital Management Policy and the Risk Appetite statement sets out the maintenance of a buffer over and above the Solvency Capital Requirement (SCR).

FIL Life Ireland invests its surplus assets in low risk investments, typically cash and liquidity funds.

Neither policyholders nor FIL Life Ireland hold complex instruments, such as securitisations, and "non-routine" investments.

The responsible persons and specific committees (if any), their roles, position and scope of responsibilities

The Oversight Forum monitors activities outsourced to other entities to ensure oversight over those outsourced functions and supports the Chief Executive Officer. The Company's Oversight Forum normally meets on a quarterly basis, and includes representatives from areas such as Operations, Fund Accounting, Compliance, Finance and Investment Propositions.

Description of how existing committees interact with the AMSB to ensure the AMSB meets its responsibilities with regard to the internal model

The Company does not use an internal model.

B.4. Internal Control System

B.4.1. Framework

The FIL Life Ireland Board has ultimate responsibility for FIL Life Ireland's system of internal control. It has responsibility for compliance with applicable laws, regulations, business standards, rules of conduct and established industry practices.

A key part of the internal control environment is the three lines of defence model described below.

Primary responsibility for identifying the full range of risks faced in their areas of responsibility rests with the 1st line of defence business management. Business management are responsible for ensuring that those risks are appropriately managed.by designing and operating effective controls.

Internal Audit, Compliance, Risk Management, Actuarial function, Oversight Groups and Board of Directors oversee the Company's Internal Control framework. Material outsourcing agreements and the role of the FIL Life Ireland Oversight Group are described in section B.7.

B.4.2. Compliance Function

The Business Compliance team is part of the second line of defence. It provides oversight and challenge over the business in performing their responsibilities with respect to compliance with regulatory requirements.

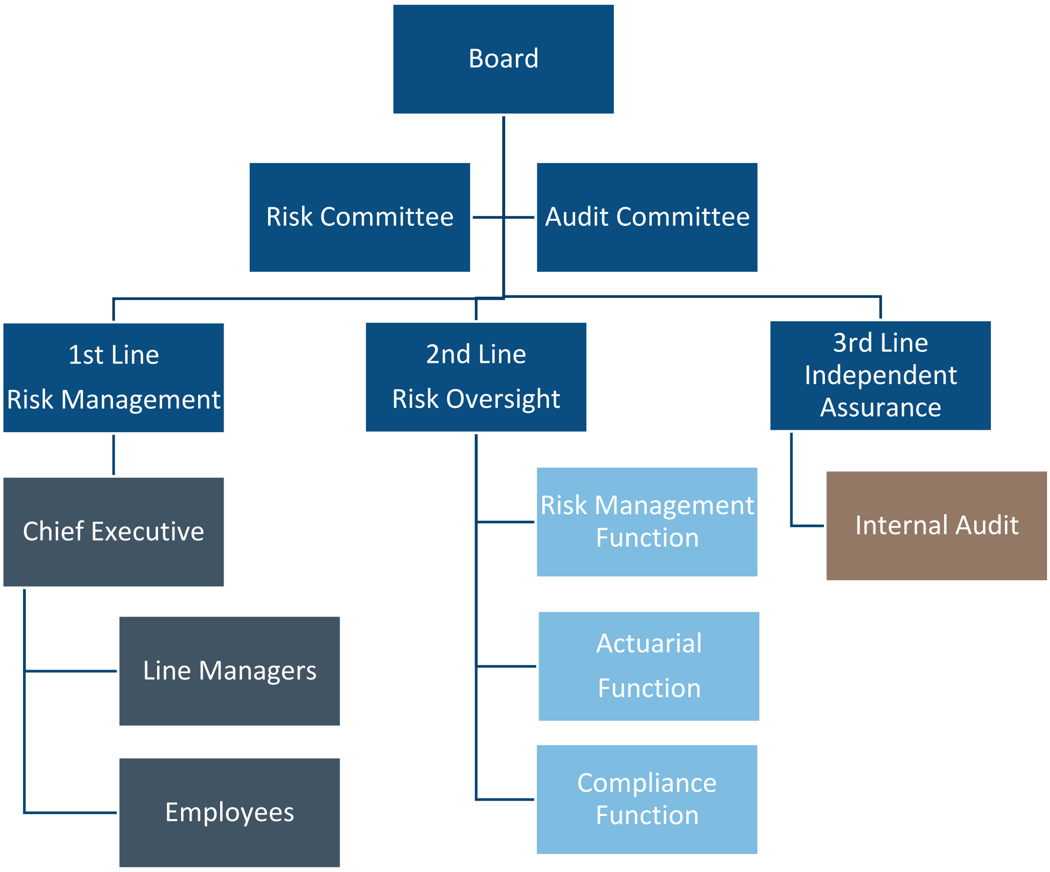
Business Compliance is comprised of Business Advisory Compliance and Compliance Monitoring.

Business Advisory Compliance provides support and technical guidance to the business on compliance matters and assists FIL Life Ireland to meet its regulatory obligations.

Compliance Monitoring performs ongoing monitoring of compliance with rules and any other relevant regulations. The team works with other oversight functions and the business to establish and maintain a focused, risk-based and comprehensive monitoring programme.

The Compliance function assists FIL Life Ireland in the identification, evaluation and management of compliance risks. It produces independent compliance reports for the FIL Life Ireland Board. The Business Compliance function will manage any interaction with the Company's regulators.

The Money Laundering Reporting Officer
The FIL Group MLRO is responsible for maintaining a governance framework of policies and assurance for the FIL Group. The Group MLRO provides interpretation of the policy across the Group and offers support and guidance to local MLROs, including the Ireland MLRO who is responsible for FIL Life. The Ireland MLRO is responsible for overseeing the establishment, maintenance and effectiveness of the AML/CTF policies, procedures and controls and monitoring compliance with the relevant Acts, Regulations and guidance.



Three Lines of Defence

The Company employs a ‘three lines of defence’ approach to the risk management governance of the Company. The three lines or levels are Risk Management, Risk Oversight and Independent Assurance.

The 1st Line of Defence is risk owners, owning the risks emerging from their respective business and/or processes and being accountable for managing, monitoring and mitigating these risks on an ongoing basis in line with established policies, tools and procedures.

The 2nd Line of Defence includes the Risk Function and risk-type controllers, comprises an independent risk and control layer responsible for the design of core enterprise and specific risk-type frameworks, methodologies and tools, and provides risk oversight.

The 3rd Line of Defence is Internal Audit, which provides independent assurance on the adequacy of the design and effectiveness of the 1st and 2nd lines of defence.

The internal control system includes administrative and accounting procedures, an internal control framework, appropriate reporting arrangements and the Compliance Function, in addition to the risk function. Specific internal controls are in place in relation to the valuation of assets and liabilities.

Internal Control System

The FIL Life Ireland Board has ultimate responsibility for FIL Life Ireland’s system of internal control. It has responsibility for compliance with applicable laws, regulations, business standards, rules of conduct and established industry practices.

Primary responsibility for identifying the full range of risks faced in their areas of responsibility rests with first line business management. Business management are responsible for ensuring that those risks are appropriately managed.by designing and operating effective controls.

Internal Audit, Compliance, Risk Management, Actuarial function, Oversight Groups and Board of Directors oversee the Company’s Internal Control framework.

B.5. Internal Audit Function

The Internal Audit function is performed by Group Audit, responsible for the evaluation of the adequacy and effectiveness of the internal control system and all other elements of the system of governance.

The Internal Audit function is objective, independent and influence-free from both the operational functions and the Board of Directors of FIL Life Ireland. To ensure appropriate independence, Internal Audit and the Head of Internal Audit has a functional reporting line directly to the Board Audit Committee. In performing its functions, Internal Audit has no direct responsibility or authority over any other function across the business. It is completely independent and as a result, may perform its functions and report its findings to the Audit Committee without impairment.

The Group's Internal Audit function acts as the Third Line of Defence.

It is responsible for the independent assessment of the Company's system of governance and internal control framework to the nature, scale and complexity of the risks inherent in its business. This is achieved through delivery of an annual risk-based audit plan, as approved by the FIL Life Ireland Audit Committee on behalf of the Board.

Any relevant findings and recommendations are reported to the FIL Life Ireland Audit Committee and escalated to the Board as appropriate. Management actions are tracked to resolution by Internal Audit and status is reported quarterly to the FIL Life Ireland Audit Committee.

Description of how its independence and objectivity is maintained

As the Internal Audit function is centralised within the Fidelity Group, it is completely independent and as a result, may perform its functions and report its findings to the Audit Committee without impairment.

B.6. Outsourcing

FIL Group has an Outsourcing and Supplier Management Policy which applies to material suppliers. FIL group also has an Intragroup Material Outsourcing Arrangements (IMOA) policy.

The policy has been adopted by FIL Life Ireland and aligns to the other policies adopted by the FIL Life Ireland Board and the business strategy of the Company, in line with the requirements of the CBI.

FIL Life Ireland also has a Delegation and Outsourcing policy. The Company is aware of the requirements of the CBI, prior to delegation to third parties. The Company's compliance with these requirements is addressed in the policy. The policy outlines the delegation and outsourcing arrangements in an appendix and provides a rationale for the arrangement and whether each outsourced function is a critical or important function for the purposes of Solvency II. The policy also contains summary details of the agreements.

The Company recognises that delegation arrangements do not alter its relationship and obligations to its policyholders. It also does not affect the Company's legal or regulatory responsibilities for its authorised activities.

The Company notes that delegations or outsourcing arrangements must not impair the ability of the CBI to supervise the Company. The Board seeks to ensure that the contractual arrangements in place to effect the delegation or outsourcing are consistent with this obligation.

FIL Life Ireland has a number of outsourced relationships for critical or important operational functions or activities. These include :

Agreement/Company and Delegation / Outsourced Party	Delegation/ Outsourced Function
Insurance Administration Services Agreement with FIL Pensions Management (UK based jurisdiction) ("FPM")	Provider of insurance agency and service activities including administration, promotion, distribution and investment

	management services
Internal Audit Agreement with FIL Group entity	Internal Audit services
Terms of Reference for the Head of Actuarial Function under Solvency II with Milliman Ireland	Actuarial services
Master Services Agreement with FIL Transactions Services Limited (“FTSL”)	Administrative Services

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B.7. Any Other Information

There is no other material information relevant

to the Company’s system of governance.

C. Risk Profile

C.1. Overview

FIL Life Ireland employs a robust process for identifying and managing its key risks. Risks are managed and monitored to a risk appetite defined in the risk appetite statement and approved by the Board on an annual basis.

There has been no material change to the Company's risk profile during the period. As at 30 June 2019, the below risks are noted:

<table>
<tr><td>Underwriting Risk / Insurance Risk</td><td>The range of material risks to which the Company is exposed is curtailed due to the existence of an intercompany agreement. Due to the existence of this intercompany agreement, the Company's risk exposure is effectively concentrated with the contracting company (in the form of counterparty risk, including the risk that the counterparty will decide to terminate the agreement).

The Company does not have any material underwriting risk concentrations. The Company engages in unit linked business only and as the Company neither offers guarantees nor writes any annuities, Insurance risk is not deemed to be a major risk facing the business.</td></tr>
<tr><td>Life Underwriting Risk</td><td>Lapse Risk
Due to the nature of the Company's life insurance business its insurance obligations are limited and therefore the sub risk modules of Longevity, Revision or Disability Morbidity components do not apply.
The Company pays out the value of a policyholder's units on death but as the value is unit-linked there is limited insurance obligations for the Company.
The Company does not offer any other additional form of insurance risk, optional or otherwise, to policyholders (plan trustees) or beneficiaries (individual plan members) and therefore does not undertake any form of traditional underwriting.
The most significant life underwriting Sub module risk is Lapse Risk.
The Company is susceptible to lapse shocks where unexpected lapses arise from policy terminations and surrenders. The Company's net exposure relates mostly to the impact of lapses on the present value of the Company's current rebate under the Fund Provision agreement with FFML.
If there is a significant increase in lapse risk this will reduce the Asset Under Management (AUM). If AUM falls so will TPA expenses and this will result in a reduction in rebates payable to the Company therefore resulting in a lower underwriting SCR exposure.
The assumption applied to the lapse stress is the surrender rate increases with 70% deemed worst case compared to the other tests (mass lapse shock).
However, the Company's risk profile may not deem this assumption appropriate. This is due to the Company's concentration of members by scheme and scheme by Sector as there is a potential for the ongoing surrender rate to increase by more than 50% or have an immediate lapse shock of greater than 70% of the whole book of business so the probability is much greater than a 1 in 200 year event, potentially a 1 in 10 or 20 year event.
70% shock lapse rate is used as consideration of a 70% mass lapse shock is more appropriate as the Company's business, although not investment only does have characteristics of pure investment only business.</td></tr>
</table>

	• It should be noted increasing the rate will not have an overall impact on the capital requirements to be held by the Company and over the business planning period, as the business grows, concentration by scheme and sector is anticipated to reduce. *Expense Risk* • The expense sub-risk module is relevant to the Company, as its commercial viability is dependent upon its ability to generate revenue that exceeds its operational expenses including distribution costs, of writing and administering the policies. • The Standard Formula assumption of a 10% increase in policy expenses and a 1% increase in inflation, is not applicable to the Company as the fund provision agreement in place with FFML acts as a risk mitigant as costs are rebated plus 6.5%. Accordingly, there is no direct life underwriting expense risks to be applied under the life underwriting module.
Market Risk	The range of material risks to which the Company is exposed is curtailed due to the existence of an intercompany agreement. The Company writes a single line of business in Linked Long Term Business with policy holders selecting investments, with the unit-linked funds invested in funds managed by third party fund providers as well as funds managed by other Fidelity group companies. All of the benefits from policyholder investments for the Company are directly linked to the value of units in funds subject to the provisions of the EU Directive relating to the undertakings for collective investment in transferable securities (UCITS). There is no direct investment, other than the Company having a limited amount of seed capital investment for new fund set ups, with market risk arising on these seed capital investments, with this exposure managed within a Board agreed limit. Neither policy holders nor the Company directly hold complex instruments such as derivatives, securitisations, and "non-routine" investments and there are currently no plans to do so. *Market Risk* • Market risk to the Company is limited as, through a 100% matching of policyholder assets and liabilities, the risks on the valuation of assets is borne by the policyholders. • The Company's market risks relate to the impact of market shocks on the present value of the Company's current rebates under the Fund Provision agreement with FFML, i.e. if markets fall, so too do expenses and a reduction in expenses will result in a reduction in rebates payable to the Company resulting in a lower SCR exposure to financial markets. Although as markets fall, so too will revenues resulting in an increase to the rebate payment. • Standard Formula is based on a 39% shock for some types of equity ("Type 1") and 49% shock for other types of equity ("Type 2") where a company's portfolio is well diversified. The Company's equity is global and well diversified and therefore the Standard Formula is deemed appropriate. The symmetric adjustment is also taken into account. • The Company may hold investments in money markets funds, which may be exposed as markets move and the assets may be impacted. • The level of seed capital investments is relatively low and diversified and monitored on an ongoing basis. *Interest Rate Risk* • Interest rate risk relates to interest bearing assets in the form of deposits and cash held with the Company's banks or other approved institutions. With the

	current low interest rate environment, the current calibration of the interest rate shocks in the Standard Formula is inappropriate but this applies to all firms and interest rates over time can change. *Currency Risk* • The currency risk module is applicable to the Company, as its underlying funds are in a mix of currencies, and it chooses to hold part of its capital in non-Euro currencies to facilitate operational flow and it has an exposure to income predominantly received in USD but its expenses are predominantly charged in Euro. • The Standard Formula assumptions used refer to a 25% increase and a 25% decrease currency shock which is deemed appropriate as it is assumed the rates against the Euro will fluctuate within a limited band and therefore exposure should be limited. • As the Standard Formula market risk module assumption is that the sensitivity of assets and liabilities to changes in the volatility of the market parameters (equity prices, interest rates, yield spreads and exchange rates) are not material, this assumption is appropriate given the above market risk exposure.
Counterparty Credit Risk **(including Concentration Risk & Group Risk)**	The range of material risks to which the Company is exposed is curtailed due to the existence of an intercompany agreement. The only material residual credit risk is counterparty exposure to the Fidelity Group, particularly in the event of a loss arising such that there is a material recovery amount due from the Fidelity Group. The material risk concentration to which the Company is exposed is within the Fidelity Group through the intercompany agreement where the Company places reliance on this agreement to provide support in running the business. The Company also has counterparty default risk exposures arising from the placement of its funds and working capital, with bank counterparties and also with the Fidelity Institutional Liquidity Fund plc. It should be noted that being a unit-linked company counterparty risk is only relevant to those assets which are not matching the policyholder unit liabilities. *FFML* • As noted above, this module is appropriate due its significant counterparty exposure to FFML due to the existence of the fund provision agreement where it relies on FFML in the context of rebates to be received when operational losses are incurred. • Due to the management action to terminate policyholder contracts if a default was to occur and it has the right to do so within three months' written notice, the impact of the overall assumptions are reduced as it only covers the capital in order to run off the business over an expedited timeframe (currently assumed to be one year) while it can fulfil its liability to policyholders and continue to meet its solvency requirements. • The assumptions used are based on the Probability of Default (PD) of an unrated entity (4.2%) and Loss Given Default (LGD) of 50%. • The LGD of 50% applies to reinsurance companies and as FLIIL is treating the rebate asset as a reinsurance asset, the 50% is deemed appropriate. *Banks & ILF Fund Counterparties* • The other counterparty risk exposure relates to the default of banks where there are cash balances held with those banks, and to the default of the managers of institutional liquidity funds plc.

	• The Company primarily holds it cash balances (own funds) capital in the Fidelity Institutional Liquidity Fund (ILF), an AAA rated fund. The Company holds other cash on deposit with investment grade rated banks (such as Barclays Bank plc or Bank of America Merrill Lynch). • Accounts receivable balances are held predominantly with other FIL Group companies, which are considered low risk. • Due to the rebate agreement the impact of these banks to FLIIL if they were to default is considered relatively minimal as it would be recovered under the fund provision agreement.
Operational Risk	The Company does not face material operational risk exposure due to the existence of an intercompany agreement, but the Company does consider the possibility of operational risk exposure events elsewhere in the Fidelity Group, leading to a possible impact on the support agreement for the Company from the other Fidelity Group entity. The Company outsources administration operations to a Fidelity Group company and this arrangement is covered under the Insurance agreement ("IASA"). The operations undertaken include carrying out the insurance administration services and investment management services such as devising and implementing investment policy and managing allocation of investments of the Company's funds where those funds comprise more than one underlying collective investment scheme. The primary operational risks which the Company is exposed to which are not covered by the IASA, are considered to be in respect of Fund Accounting, Corporate Governance failures, and Cyber IT risk fraud at the Head Office level. Costs arising in respect of such an operational risk event are mitigated through the existence of an intercompany agreement and with FIL Fund Management Limited (FFML), a Fidelity group company, to ensure the Company achieves a specified level of income. • Plausible significant events have been considered and concluded that a 1 in 200 year operational event would not lead to a loss equal to 25% of the Company's expenses and therefore although not appropriate, applying the Standard formula sum of 25% of expenses is assumed to be overly prudent.

C.1. Underwriting Risk

C.1.1. Definition

Solvency II defines underwriting risk as *'the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions.'*

C.1.2. Risk Exposure, Concentration and Mitigation

Due to the existence of the intercompany agreement, the Company's risk exposure is effectively concentrated with the contracting company (in the form of counterparty risk, including the risk that the counterparty will decide to terminate the agreement). It does not have any material underwriting risk concentrations.

FIL Life Ireland is only exposed to life underwriting risks. This exposure is not material. For the unit-linked liabilities, risks associated with the volatility of future charges and expenses are mitigated by both the IASA and by FIL Life Ireland's ability to unilaterally terminate policies subject to a short notice period. Beyond this, FIL Life Ireland does not have any exposure to underwriting risk in the traditional sense. Consequently, FIL Life Ireland has no Chief Underwriting Officer.

The terms of the IASA limit FIL Life Ireland's exposure to pricing underwriting risk. FIL Life Ireland's pricing framework and model is based upon the strategic plan and takes a cost-plus approach to pricing. Pricing is bespoke to each client and is dependent upon the profile of the plan at take on and projected into the future. The Underwriting Pricing Policy includes the terms on which new business is written. The Actuarial Function advises on the impact on the Technical Provisions and the SCR of any material changes in the terms on which FIL Life Ireland writes new business, including the introduction of any new products.

An amount of €0.18m (before diversification benefit) has been included within the SCR for underwriting risk.

C.1.3. Risk Sensitivity

As the Company's exposure to this risk is limited, there is no material sensitivity to changes in this risk.

The Company does not face any material underwriting risk exposure due to the existence of an intercompany agreement. However, in the absence of the intercompany agreement, it is exposed both to an increase in expenses and an increase in surrenders.

These exposures are examined on an annual basis through the ORSA process, and quarterly through the calculation of the SCR on a Standard Formula basis.

In relation to the sensitivity to expenses, the Company undertakes an expense shock stress.

The Company is similarly exposed to an increase in surrender rates. The Company undertakes a lapse stress.

C.1.4. Any Other Disclosure

The Company does not have any further disclosure to make in relation to its underwriting risk profile.

C.2. Market Risk

C.2.1. Definition

Solvency II defines Market risk as *'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.'*

C.2.2. Risk Exposure, Concentration and Mitigation

Under Solvency II's standard formula, market risk can be divided between the following sub-risks as outlined below.

The range of material risks to which the Company is exposed is curtailed due to the existence of an intercompany agreement. Due to the existence of the intercompany agreement, the Company's risk exposure is effectively concentrated within the Fidelity Group (in the form of counterparty risk, including the risk that the counterparty will decide to terminate the agreement). It does not have any material market risk concentrations.

There are no material residual market-related risks. The Company writes a single line of business in Linked Long Term Business with policy holders selecting their own investments, The unit-linked funds are invested in funds managed by third party fund providers as well as funds managed by other Fidelity group companies. All of the benefits from policyholder investments for the Company are directly linked to the value of units in funds subject to the provisions of the EU Directive relating to the undertakings for collective investment in transferable securities (UCITS). There is no direct investment. The Company has seed capital in new funds. Neither policy holders nor the Company directly hold complex instruments such as derivatives, securitisations, and "non-routine" investments and there are no plans to do so.

Market risks arises from seed capital investment, used to support new fund set-ups, although this exposure is limited with this exposure managed within a Board agreed limit, which is monitored regularly and discussed at Board meetings.

- **Interest rate risk** – market risk from changes in the term structure of interest rates, or in the volatility of interest rates. FIL Life Ireland's main exposure to interest rate risk relates to interest bearing assets in the form of deposits and cash held with FIL Life Ireland's banks or other approved institutions. The interest rate risk is not actively managed by FIL Life Ireland. An amount of €0.698m (before diversification benefit) has been included within the SCR for interest rate risk.

- **Equity risk** – market risk from changes in the level or in the volatility of market prices of equities. There are no guarantees of investment performance. FIL Life Ireland holds no derivatives. An amount of €0.1m (before diversification benefit) has been included within the SCR for equity market risk. The effect of market movements on the value of the AUA is monitored and reported to senior management. The management group will review the risk and determine if additional monitoring or escalation to the Board is required.

- **Spread risk** – market risk from changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure. FIL Life Ireland has no direct exposure to spread risk from investments.

- **Currency risk** – market risk from changes in the level or in the volatility of currency exchange rates. FIL Life Ireland is not directly exposed to currency rate risk. An amount of €0.2m (before diversification benefit) has been included within the SCR for currency rate risk.

- **Concentration risk** – market risk from either the lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issuers. FIL Life Ireland is not exposed to high degrees of concentration.

All policyholder assets and liabilities are linked. Shareholder assets are invested mainly in a liquidity fund but may also provide seed capital for new funds.

FIL Life Ireland has some exposure to market risk from the provision of seed capital and the investment of shareholders' funds in a liquidity fund. FIL Life Ireland also has indirect market risk exposure through the annual management charge (AMC) on unit-linked funds.

All direct market risk on linked assets lies with policyholders, except for seed capital.

FIL Life Ireland has an indirect exposure to market risk on linked assets through the credit taken for future administration fees. FIL Life Ireland earns AMCs based on a fixed percentage of Assets Under Administration (AUA), and so movements in the value of these assets will affect the AMCs. As future profits are only projected up to the point when FIL Life Ireland is able to unilaterally terminate the liabilities, which is within twelve months for most policies, the exposure is not significant.

Seed Capital Management
FIL Life Ireland places seed capital into new funds. Market risk exists on this capital as the units seeded are owned by the shareholders and the risk is not passed over to the policyholders.

The market risk appetite is linked to the seed capital, where all seed capital exposures must consider the impact on capital and thresholds trigger remedial action. The Board has set a limit for the total value of seed capital, which constitutes the aggregate risk appetite against which total seeding will be monitored. This limit is agreed on an annual basis by the Board.

C.2.3. Risk Sensitivity

Although the risk is affected by the impact of changes in investment markets on the value of seed capital, the impact is not material to the Company.

The Company does not face any material market risk exposure due to the existence of an intercompany agreement. However, in the absence of this agreement, it is exposed to a shock reduction in underlying policyholder fund values (as margins are largely determined as a percentage of underlying fund values). This exposure is examined on an annual basis through the ORSA process, and quarterly through the calculation of the SCR on a Standard Formula basis.

C.2.4. Any Other Disclosure

The Company does not have any further disclosure to make in relation to its market risk profile.

C.3. Credit Risk

C.3.1. Definition

Solvency II defines credit risk as *'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.'*

C.3.2. Risk Exposure, Concentration and Mitigation

The range of material risks to which the Company is exposed is curtailed due to the existence of an intercompany agreement. The only material residual credit risk is counterparty exposure to the Fidelity Group, particularly in the event of a loss arising such that there is a material recovery amount due from the Fidelity Group. There was no material change to the credit risk exposure of the Company over the year.

Credit risk is assumed whenever FIL Life Ireland is exposed to loss from another party failing to honour its financial obligations to FIL Life Ireland, including failing to perform them in a timely manner. A Credit Risk Policy and related controls are in place to manage this risk.

FIL Life Ireland is exposed to counterparty risk through its cash holdings, its receivable balances and its investment in the Fidelity Institutional Liquidity Fund plc (ILF).

FIL Life Ireland has no direct exposure to spread/basis risk from investments.

The three principle counterparties to which FIL Life Ireland is exposed are:

Banks and Liquidity Funds
FIL Life Ireland may be exposed to the default of FIL Life Ireland's banking and Liquidity Fund counterparties where there are corporate cash balances held.

FIL Group Companies
FIL Life Ireland is reliant upon FPM for the provision of services and the management of credit risks in respect of management fee collection.

Counterparty and credit risk are managed against agreed financial limits in accordance with the FIL Life Ireland Credit Risk Policy and are monitored and reported to senior management and the Board of Directors on a quarterly basis.

FIL Life Ireland performs an assessment of the risk profile of a counterparty prior to taking on a credit exposure. The factors to be considered will vary according to both the type of credit and the counterparty being considered. Only approved counterparties may be dealt with.

External credit ratings are monitored. An approved counterparty is one that is assigned an external rating of BBB+ or higher or a Dun & Bradstreet risk indicator of 3 or better. Cash balances or deposits are only placed with approved relationship banks or liquidity funds. FIL Life Ireland undertakes ongoing monitoring of the credit quality of the counterparty.

In the event of any counterparty achieving a credit rating below investment grade or a banking partner no longer being on the FIL approved list, the FIL Life Ireland business will convene a meeting with representatives from Risk, Business Finance, Corporate Treasury and Legal. The attendees will assess an exception to policy, or, in the event of a banking partner, Treasury will suspend deposit placements immediately pending further analysis and guidance from senior management. Decisions are subject to approval by the FIL Life Ireland CEO, who will notify the Board.

Counterparty creditworthiness is monitored on a regular basis and, where appropriate, additional mitigants, such as charges over assets and assurance of segregation of funds, are applied.

A credit risk exposure report is produced monthly for the FIL Life Ireland Oversight Group with relevant reporting to the FIL Life Ireland Board quarterly to provides information regarding FIL Life Ireland's counterparties, their credit ratings, size of the exposures, limit values and any changes to counterparty credit ratings during the period under review.

An amount of €1.34m (before diversification benefit) has been included within the SCR counterparty risk for type 1 exposures (banks and counterparties). The full SCR is set out in Section E.2 below, together with the prior year's requirement.

C.3.3. Risk Sensitivity

The Company does not face any material counterparty risk exposure due to the existence of an intercompany agreement, with the exception of exposure to a Fidelity Group entity (which is materially increased due to this agreement).

This exposure is assessed in the Company's ORSA, through an analysis of a scenario in which the agreement is terminated, and also another scenario in which there is also a loss of an element of the Company's capital due to the failure in a counterparty bank.

The Company is exposed to counterparty credit risk through amounts held with banking institutions and funds placed with the Fidelity ILF Fund.

Any Other Disclosure

The Company does not have any further disclosure to make in relation to its credit risk profile.

C.4. Liquidity Risk

C.4.1. Definition

Solvency II defines liquidity risk as *'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.'*

C.4.2. Risk Exposure, Concentration and Mitigation

The range of material risks to which the Company is exposed is curtailed due to the existence of an intercompany agreement. However, this agreement does not explicitly address liquidity risk. The Company faces liquidity risk, which is managed ongoing cashflow management and forecasting, together with maintaining appropriate working capital balances and the availability of a contingency funding line with a Fidelity Group entity.

Liquidity risk for FIL Life Ireland is that it will encounter difficulties obtaining funds to meet commitments associated with financial and other liabilities.

All policyholder assets can be readily liquidated. The liquidity risk relating to the redemption of policyholder assets is considered minimal, as the proceeds will be provided by sale of the underlying assets. the Company can mitigate liquidity settlement risk on fund switches, whereby in extreme circumstances, it can delay settlement on a buy trade where a sale settles later than a buy and incur the late payment fees. Further in the most extreme circumstances policy conditions place the counterparty risk exposure on the policyholder should a trade not settle due to a default of the fund provider. Detailed investment and disinvestment policies and guidelines are in place and updated periodically.

The majority of FIL Life Ireland's capital is held within the ILF. This investment has a rating of Aaa-mf (Moody's) and AAAm (S&P). It is liquid and readily realisable, with same day settlement for sterling instructions placed prior to 1.30 pm London time.

Liquidity Risk is continually monitored and is reported to senior management by Finance. and to the Board of Directors on a quarterly basis.

C.4.3. Risk Sensitivity

The Company faces liquidity risk, which is managed through ongoing cashflow management and forecasting, undertaking internal stress-testing for liquidity sensitivity analysis via liquidity scenario stress testing, together with maintaining appropriate working capital balances and the availability of a contingency funding line with a Fidelity Group entity.

C.4.4. Any Other Disclosure

FIL Life Ireland has no contractual premiums. As a result, no profit for future premiums is included.

The Company does not have any further disclosure to make in relation to its liquidity risk profile.

C.5. Operational Risk

C.5.1. Definition

Solvency II defines operational risk as *'the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.'*

C.5.2. Risk Exposure, Concentration and Mitigation

The range of operational material risks to which the Company is exposed is curtailed due to the existence of an intercompany agreement, but the Company does consider the possibility of operational risk exposure events elsewhere in the Fidelity Group, leading to a possible impact on the support agreement for the Company from the other Fidelity Group entity. There was no material change to the operational risk exposure of the Company over the year.

The Company's operations are primarily carried out by one provider, a Fidelity Group company, and this arrangement is covered under an Insurance agreement ("IASA"). The operations undertaken include carrying out the insurance administration services such as processing and updating details of policyholders' details and investment management services such as devising and implementing investment policy and managing allocation of investments of the Company's funds where those funds comprise more than one underlying collective investment scheme.

For FIL Life Ireland, operational risk arises in the service provider from the people, systems and processes through which that Company operates. The IASA agreement indemnifies FIL Life Ireland against any errors attributable to FPM. As a result, this removes the majority of the operational risk to which an insurer like FIL Life Ireland might otherwise be exposed.

The IASA indemnifies FIL Life Ireland against operational risks except for fraudulent activity or breach of duty of care/negligence by FIL Life Ireland Directors and/or FIL Life Ireland Approved persons, or due to those with delegated authority. These risks are managed by the Board on an ongoing basis.

The primary operational risks which the Company is exposed to which are not covered by the IASA, are considered to be in respect of Fund Accounting, Corporate Governance failures, and Cyber IT risk fraud at the Head Office level.

Operational risk includes risks related to operational delivery, business process disruption, information security and cyber-resilience, legal risk, regulatory compliance, financial crime, record and data management and financial reporting.

FIL Group is committed to the protection of its client and customer details, along with its own information and data. There is a comprehensive framework of protection in place with security policies, standards and procedures which are executed to protect customers from threats and frauds. A dedicated Information Security and Technology Risk team assesses security risks and address threats on a continuous basis to ensure the confidentiality, integrity and availability of our information systems and data. FIL Group has a dedicated Cyber Defence Operations (CDO) team, whose core focus is early Cyber breach detection and response. The mission of the CDO is to develop intelligence led, proactive cybersecurity response to defend the FIL Group and its assets from known and unknown cyber threats and to reduce risk and impact to the business.

The FIL Life Ireland Risk Committee assesses and monitors risks, including operational risks arising from service provisions.

A holistic view of FIL Life Ireland's financial and non-financial risks, including operational risks, is discussed at Board level on a quarterly basis.

In addition, risk tolerances are set for operational risk based on a residual financial impact level. Prior to breaching any of the levels defined, remedial actions will be triggered.

An amount of €0.92m has been included within the SCR for operational risk.

C.5.3. Risk Sensitivity

The indemnity provided under the terms of the IASA with the Fidelity Group entity means that FIL Life Ireland's exposure to fluctuations in this risk is curtailed and the Company does not face any material operational risk exposure due to the existence of an intercompany agreement. While this risk exposure is considered in stress testing it is also assessed through consideration of a possible operational risk exposure event(s) elsewhere in the Fidelity Group, leading to an impact on the support agreement for the Company from the other Fidelity Group entity.

The Solvency II standard formula is based on, and therefore changes with, annual expenditure.

C.5.4. Any Other Disclosure

The Company does not have any further disclosure to make in relation to its operational risk profile.

C.6. Other Material Risks

C.6.1. Capital and Funding Risk

Capital and Funding risk is defined as the risk of FIL Life Ireland not having sufficient regulatory capital to meet relevant regulatory requirements, with a reasonable margin of safety.

The Company has adopted a Capital Management Policy, which includes a discretionary buffer above the greater of the SCR and ORSA requirements. The Board is responsible for determining the size of the buffer as appropriate to the circumstances of the Company at the time, and any changes anticipated in the future. The discretionary buffer is subject to annual review through annual review by the Board.

C.6.2. Risk Concentrations

Concentration risk can be defined as the overall spread of a company's assets and outstanding accounts over the number or variety of debtors. The financial and counterparty risks are largely mitigated through legal agreements and are considered above. The main risk from concentration risk is the impact, in terms of resource effort and reputation, should a large fund partner default. There is also a risk from the service provision by FPM.

No derivatives are used as risk mitigation techniques.

Management actions have been modelled in respect of the counterparty risk module, with the Loss-Given-Default (LGD) limited by a management action to terminate all in-force contracts in the event of a default by FFML. The LGD associated with the Fund Provision Agreement has been limited to the expenses that would be incurred by the Company upon invoking its unilateral right to terminate all contracts with three months' written notice. This is a key assumption.

C.6.3. Strategic Risk

Strategic Risk is defined as the risk of the Company not meeting its strategic business objectives which could affect its long-term positioning and performance.

FIL Life Ireland manages a range of strategic risks, including risks relating to clients, pricing, distribution, competition, regulation and infrastructure. It uses risk management tools such as scenario analysis, stress testing and wind-down analysis to understand the scale and impact of each risk and to test implementation plans in place.

The strategy for FIL Life Ireland is defined based on a 5-year time horizon. It is underpinned by clearly articulated objectives and supported by qualitative and quantitative measures.

Strategic Risk is directly managed by the Board and the CEO of FIL Life Ireland. The Board has overall responsibility for issues of strategy and business risk management pertaining to the business activities of FIL Life Ireland. The Board approves the strategy and/or material changes in the same and will receive such information to monitor performance against the strategic goals of the business.

A strategy day is held every year with the Board and relevant business stakeholders to assess client needs and experience, the competitive environment as well as threats from internal and external market events and how these may impact the current strategy and financial position as assessed through the ORSA process.

C.7. Any Other Information

C.7.1. Stress and Scenario Testing

The outcome of stress testing and sensitivity analysis for material events is completed as part of the ORSA and business planning process as described in Section B.3.4.

Scenario analysis - The ORSA capital requirement is derived through prescribing 1 in 200 level shocks to capital-bearing risks and aggregating the resulting own funds impacts. The capital requirement is aggregated assuming no diversification and compared to capital resources.

Stress tests - Stress tests are concluded separately to explore potential threats to the business over the 5-year planning period, incorporating both plausible, single factor stresses and more severe multi-factor scenarios. They are determined by senior stakeholders and subject matter experts. A loss scenario is developed on the possible outcomes of those risks with a financial impact after controls and mitigations have been considered.

Stress testing assesses the impact on the net revenue and capital surplus. It compares the expected net revenue forecast for the next financial year against a revised forecast based on the various stresses. It calculates a full SCR and risk margin using the stress test assumptions and related outcomes, which are compared to the expected capital position for the following year.

The individual stress tests are combined to create a very extreme stressed result and compared to the internal and regulatory capital requirements.

Although not required by regulation, the ORSA may also incorporate a wind down analysis that is consistent with the FHL wind down assumptions as another means of assessing capital adequacy. The stress testing projections show that FIL Life Ireland will meet its capital requirements in all but the very extreme scenarios which are considered to be beyond the 1 in 200 confidence interval.

There is no other material information relevant to the Company’s risk profile.

D. Valuation for Solvency Purposes

D.1. Assets

D.1.1. Valuation, Methodology and Assumptions

FIL Life Ireland's assets are primarily those held to back the unit-linked liabilities, with the surplus held as cash or similarly liquid investments.

Table D.1 Breakdown of Material Assets

Classes of Material Assets	2019 €'000	2018 €'000
Investments (other than assets held for unit-linked funds)	7,972	13,362
Assets held for index-linked and unit-linked contracts	963,271	939,841
Receivables (trade not insurance)	265	-
Cash and cash equivalents;	2,094	1,454
Any other assets, not elsewhere shown	9,743	8,178
Total assets	**983,345**	**962,835**

Assets held for index-linked and unit-linked contracts

Assets held for unit-linked funds are all forms of available collective investment schemes, primarily UCITS and are stated at the market value provided by the fund managers.

Insurance and Intermediate receivables

Insurance and intermediate receivables are included at the expected realisable value.

Cash and cash equivalents;

Cash and cash equivalents represent cash at bank and is valued at the expected realisable value.

Receivables (trade not insurance) and any other assets, not elsewhere shown

Receivables and other assets, such as debtors are included at the expected realisable value.

Investments: Other than Assets Held for Unit-linked Funds

These represent listed investments in quoted liquidity funds. The assets are stated at market value using quoted market prices in active markets or expected realisable value, in the case of cash deposits. The amounts held in the liquidity funds have increased over the year mainly due to timing differences on premium receipts awaiting settlement.

Receivables (Trade not Insurance) and Any Other Assets, not Elsewhere Shown

Receivables and other assets, such as debtors, are included at expected realisable value. This is a good proxy for market value due to the short-term nature of the assets.

Cash and Cash Equivalents

Cash and cash equivalents represent cash at bank and are valued at expected realisable value. This is a good proxy for market value due to the short-term nature of the assets.

Other Assets

There are no intangible assets or deferred tax assets in the balance sheet.

D.1.2. Reconciliation to Financial Statements

There are no material differences between the basis, methods and assumptions used for the valuation of assets for solvency purposes and those used in the financial statements.

Table D.2 Reconciliation to Financial Statements

	30 Jun 2019 €'000
Net Assets	9,865
BEL	(5,574)
Rebate Asset	7,053
Risk Margin	(1,693)
Net Assets per SII	9,651

The methodologies used in these valuations are consistent with those used in previous reports.

For each material class, a quantitative and qualitative explanation of any material differences with the valuation basis, method and assumptions used for the financial statements

There are no differences between the solvency valuation basis and financial statements basis for assets, with the exception of:

- The establishment of a rebate asset within the solvency valuation; and
- The establishment of a BEL plus a Risk Margin within the solvency valuation of the technical provisions (in addition to the unit liability). The technical provisions in the financial statements are set equal to the unit liability.

The rebate asset is similar in nature to a reinsurance asset and captures the benefit of the intercompany agreement.

The value of the rebate asset for year-end reporting was €7.05m as at 30 June 2019 (€7.1m as at 30 June 2018).

Description of leasing arrangements, separately disclosing information for financial leases and operating leases

The Company does not have any leasing agreements.

Where related undertakings were not valued using quoted market prices in active markets, or the adjusted equity method, an explanation why the use of these methods was not possible or practical

This is not applicable to the Company.

Where intangible assets are valued at an amount greater than zero and the amount is material, at least the following information should be given the nature of the assets and information on the evidence and criteria they used to conclude that an active market exists for those assets

The Company does not have any intangible assets.

Information on material financial assets, disclosing where relevant the criteria used to assess whether markets are active, if they are inactive, a description of the valuation model used, significant changes to valuation models used and to model inputs, including the impact of and reasons for the change

The vast majority of the assets are unit-linked funds that are actively traded. Some of these funds are managed by related Fidelity companies, whereas others are managed by external providers. Prices are updated regularly on these funds, in most cases on a daily basis, which is indicative of an active market.

Information on deferred tax assets and liabilities, disclosing the origin of the recognition of deferred tax assets and liabilities, the amount and expiry date if applicable, of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset and liability is recognised in the balance sheet

Not applicable as the Company has no deferred tax assets.

D.2. Technical Provisions

D.2.1. Valuation, Methodology and Assumptions

All policies written by FIL Life Ireland are unit-linked and can be cancelled.

The liabilities are summarised in table D.2 and their valuation is described in more detail in the sections that follow.

Value of technical provisions (split by best-estimate and risk margin) for each material line of business as well as a description of the basis, methods and assumptions used for their valuation

There are three components of the technical provisions for a unit-linked company such as FIL Life Ireland. These are:

- the Unit Liability,
- the BEL
- and the RM.

Where a liability can be replicated using financial instruments, for which a reliable market value is observable, then the value of the technical provisions for that liability is determined as the market value for those instruments. An example of this is the unit liability, where the value of the liability is set equal to the value of the units deemed allocated to policyholders.

Otherwise (where a market value is not observable for a liability), the value of technical provisions equals the sum of the BEL and the RM. The BEL is the expected present value of the probability-weighted average of future cash-flows, using relevant risk-free interest rate term structure. The RM is the cost of holding the SCR over the lifetime of the business. The cost of capital rate is set in the Solvency II Delegated Regulation to be 6% p.a.

The table below shows the components of the technical provisions for FIL Life Ireland.

Technical Provisions as at 30 June 2019, as per QRT S.02.01 & S.12.01 with 2018 comparable

Table D.2 Reconciliation to Financial Statements

Technical Provisions (€'000)	30 Jun 2019	30 Jun 2018
Unit Liability	962,577	939,048
BEL	5,574	6,206
Risk Margin	1,693	1,162
Gross Technical Provisions	**969,844**	**946,416**

Each of these items, including the basis, methods and assumptions, are discussed in more detail in the following subsections.

Unit Liability

The unit liabilities are equal to the value of units allocated to policyholders and are matched by corresponding unit-linked assets held on behalf of policyholders. The value of units is calculated as the price per unit multiplied by the number of units. These are calculated by the policyholder administration system.

The unit liability amounted to €963m at the financial year-end of 30th June 2019 (€939m at the financial year-end of 30th June 2018). The unit liability has increased by €24m year on year, from €939m at 30 June 2018 to €963m at 30 June 2019. This is driven by a positive market movement in assets under management, offset by an increase in claims over premiums at 30th June 2019 in comparison to the previous year-end.

Best Estimate Liability ("BEL")

The BEL represents the present value of the expected future cash flows arising from the inforce book of business, discounted using risk-free interest rates. It does not include the unit liability as this has been unbundled and classified as technical provisions calculated as a whole, as outlined above. As the projected future outgoings are expected to exceed the expected future income from the inforce business, the BEL for this business is positive.

The BEL amounted to €5.6m at the financial year-end of 30 June 2019 (€6.2m at the financial year-end of 30 June 2018). The BEL has decreased by €0.6m over the year driven by a range of factors. These include reductions in the BEL due to surrenders, market performance and model changes, broadly offset by increases due to new premiums and some assumption changes.

The cash flows projected include the following, where relevant:

- Fund management charges;
- Member record keeping fees;
- Maintenance Expenses; and
- Third-party administration fees, including investment management fees.

For the Company, the definition of contract boundaries determines what premiums and associated cash flows should be included in the calculation of the BEL. Any premiums and associated cash flows that lie beyond the contract boundary are excluded from the calculation of the technical provisions. For the Multinational Retirement Savings Plan business, the contract boundary occurs immediately, due to the fact that the product charges are fully reviewable, and hence no new premiums are included in the calculation of the BEL.

Each key assumption is now described in further detail below:

- Surrender rates;
- Maintenance and Third Party Administration ("TPA") expenses;
- Maintenance expense and TPA fee inflation; and

- Discount rates and investment growth.

Each of the demographic assumptions is derived at a homogeneous risk group level, which for the Company is at an overall book level.

Surrender Rates

The best estimate lapse rate assumption allows separately for both full and partial surrenders in respect of scheme members. The actuarial function has carried out an experience investigation on the book of business and the full and partial lapse rate assumptions set in line with the results from this investigation.

Maintenance and TPA Expense

The expense assumptions were set based on sales and expenses from the most recent business plan at the time of setting the technical provision assumptions for the valuation at 30 June 2019. The expense assumptions have been updated for 30 June 2019 to allow for the most recent business plan.

Expense and TPA Fee Inflation

Expense Inflation is modelled separately in respect of EUR and GBP denominated expenses.

The EUR denominated expense inflation is determined based on the European Central Bank target inflation rate. A margin for wage inflation has been added to this rate to allow for the proportion of the underlying cost base which is salary-related. The margin was derived using relevant data from the Economic and Social Research Institute (ESRI). In previous years a margin for wage inflation was not applied in the calculation of the technical provisions.

The GBP expense inflation rate is set in line with observed market yields on UK inflation linked securities of suitable duration. There is no material change in this assumption compared to the previous year. TPA fee inflation is based on the GBP expense inflation rate.

Discount Rate and Investment Growth

In calculating the technical provisions, the yield curve is based on the prescribed Solvency II methodology. There is no material change in this assumption compared to the previous year.

D.2.2. Risk Margin

Risk Margin

The risk margin is calculated as the cost of holding the SCR over the lifetime of the obligations. So the projection of the SCR is the key input to this calculation.

This is calculated based on the cost of holding the SCR in respect of non-hedgeable risks over the projected future lifetime of the inforce contracts. The risk margin is calculated at a total portfolio level rather than at an individual policy level.

The risk margin is calculated using the cost of capital approach set out in the Solvency II Directive.

The risk margin was €1.7m at 30th June 2019. The risk margin has increased by €0.5m over the year, from €1.2m at 30th June 2018. This increase is mainly driven by a slower projected run-off of the BEL over time, coupled with lower risk-free interest rates.

The Company uses a simplified approach in calculating the SCR for each future year whereby the future SCR is projected based on the projected future BEL of the inforce business. This corresponds to Method 2 in the hierarchy of methods for the calculation of the risk margin described in the “Guidelines on valuation of technical provisions” published by EIOPA.

The SCR that is projected into the future to calculate the risk margin reflects the existence of the intercompany agreement. The inclusion of this agreement results in a reduction in the projected SCR of the Company, as it acts to mitigate some of the Company’s risk exposure under the various stresses of the SCR. This in turn results in a reduction in the risk margin.

As the Company only writes one line of business it does not need to allocate the risk margin by line of business.

Description of the level of uncertainty associated with the amount of the technical provisions

The sensitivity of the BEL to changes in the assumptions used in calculating the technical provisions is described below. The sensitivity of the technical provisions is represented here by the sensitivity of the BEL, although some second order impacts on the RM would also be expected.

BEL SENSITIVITY ANALYSIS (€'000)	30 JUNE 2019
Change due to 47.3% decrease in unit prices (per SCR equity shock)	+6,672
Change due to 10% increase in expenses and 1% increase in expense inflation	+4,002
Change due to 50% decrease in surrender rates	+10,546
Change due to 15% decrease in mortality rates	+7
Change due to decrease in interest rates (per the SCR interest rate shock)	+205

The sensitivity analysis above shows that the BEL is reasonably sensitive to an adverse movement in equity values, with the BEL increasing by €6.7m in response to the standard formula equity shock (which reduces unit values by 47.3% based on current asset splits). The fall in BEL is the result of lower margins arising from the funds under management (due to the drop in the value of these funds), partially offset by a reduction in fund related expenses.

The BEL is also quite sensitive to the expense assumptions used. A 10% increase in expense assumptions, combined with a 1% increase in expense inflation rates results in an increase in BEL of €4.0m. Note that the expense assumptions referred to in this scenario include maintenance expenses and TPA expenses.

The BEL is very sensitive to changes in the surrender rates. Since the projected future level of expenses is greater than the projected future income from the inforce business, a decrease in surrender rates results in an increase to the BEL. The 50% decrease in surrender rates described here equates to a decrease in lapse rates from 11.2% p.a. to 5.6% p.a. This decrease in surrender rates has the effect of increasing the liability on the business by €10.5m.

The BEL is not particularly sensitive to changes in mortality rates. The Company is not exposed to significant mortality risk due to the absence of any death benefits in excess of the unit fund on contracts. A decrease in mortality rates has practically no impact on the BEL, and so this is not considered a material risk for the Company.

The BEL is also not very sensitive to changes in interest rates. It can be seen in the table above that a decrease in the yield curve (as per the SCR shock) results in an increase in BEL of €0.2m. The impact of this is quite minor, as the same yield curve is used for investment return and discounting. As most of the cash flows are directly related to the value of the underlying unit-linked liabilities, changes to the yield curve do not have a significant impact on the BEL.

For each material line of business, a quantitative and qualitative explanation of any material differences with the valuation basis, method and assumptions used for the financial statements

For financial statements reporting, the Company classifies all contracts as "Investment Contracts" for the purpose of calculating the Life Assurance Provision under the International Financial Reporting Standard ("IFRS"). Thus, the total liability held in respect of the book of business for financial statement is the unit linked liability. As per Solvency II methodology, the unit liabilities under IFRS are equal to the value of units allocated to members and are matched by corresponding unit-linked assets held on behalf of members. The value of units is calculated as the price per unit multiplied by the number of units. There is no BEL or RM in the financial statements, therefore these items are zero.

Where the matching adjustment is applied, a description of the matching adjustment and of the portfolio of obligations and assigned assets to which it is applied, as well as a quantification of the impact of a change to zero of the matching adjustment on that undertaking's financial position

The matching adjustment is not used within the technical provisions.

A statement on whether the volatility adjustment is used and quantification of the impact of a change to zero of the volatility adjustment on that undertaking's financial position

The volatility adjustment is not used within the Company's technical provisions.

Information on use of the transitional provisions on the risk-free interest rate term structure and, if used, the quantitative impact on the valuation of technical provisions

Transitional provisions are not used within the Company's technical provisions.

A statement on whether the transitional deduction is applied and a quantification of the impact of not applying the deduction measure on the undertaking's financial position

Transitional deduction is not applied to the Company's technical provisions.

A description of recoverables from reinsurance contracts and SPVs and material changes in assumptions made in the calculation of technical provisions compared to the previous year

The Company currently does not have any reinsurance arrangements in place. It does, however, have an alternative risk transfer arrangement in place, this agreement acts in a similar fashion to reinsurance.

This is the fourth year-end that technical provisions are reported for FIL Life Ireland. Comparisons of results and assumptions against last year are documented above.

D.3. Other liabilities

Value of other liabilities for each material class as well as a description of the basis, methods and assumptions used for their valuation

The value of other liabilities is as follows:

Other Liabilities as at 30 June 2019 with 2018 comparables as per QRT S.02.01

Other Liabilities (€'000)	30 June 2018	30 June 2019
Insurance & intermediaries payables	6,544	3,392
Payables (trade, not insurance)	503	459
Any other liabilities, not elsewhere shown	2	-
Total Other Liabilities	**7,049**	**3,851**

These amounts are based on a market consistent valuation and are consistent with the values included in the financial statements.

A quantitative and qualitative explanation of any material differences with the valuation basis, method and assumptions used for financial statements purposes

The same valuation basis, methods and assumptions (where relevant) are used for the Company's business in its financial statements as are used for solvency reporting purposes.

When aggregating other liabilities than technical provisions into classes, in order to describe the valuation basis that has been applied to them, aggregate these liabilities based on their nature, function, risk and materiality for solvency purposes

Aggregation is not used in the calculation of other liabilities.

Description of material liabilities arising from leasing arrangements, separately disclosing information for financial leases and operating leases

FIL Life Ireland has no lease arrangements.

Disclosure of information regarding material contingent liabilities and provisions other than technical provisions separately, at least including the nature of the obligation and, if known, expected timing of any outflows of economic benefits and an indication of uncertainties surrounding the amount of timing of the outflows of economic benefits and how

deviation risk was taken into account in the valuation

There are no contingent liabilities or material provisions in the Financial Statements.

Disclosure of at least the following information regarding employee benefits:

The nature of the obligations with employee benefits and a breakdown of the amounts by nature of obligations

The nature of the defined benefit plan asset, the amount of each class of assets, the percentage of each class of assets of the total defined benefit plan assets, including reimbursement rights

As at June 30, 2019 all staff engaged in the management and administration of the Company are employed by other Fidelity Group Companies. Their services are provided under a secondment agreement or Insurance Administration Services Agreement in place between these companies and FIL Life Insurance (Ireland) DAC. The expenses in relation to these employees are recharged under these agreements on the basis of cost plus 5% basis and are included in Administrative expenses.

With the exception of Independent Non-Executive Directors, the Company does not remunerate any member of the Board for their service. The Independent Non-Executive Directors were paid remuneration of €161,272 in the year to 30 June 2019 (2018: €88,788).

The Company has no defined benefit pension plan.

D.4. Alternative methods for valuation

There is no alternative valuation method used.

D.5. Any Other Information

No alternative valuation techniques are used. There is no other material information relevant to the Company’s valuation for solvency purposes.

E. Capital Management

E.1. Own Funds

E.1.1. Capital Management Policy

The objectives of the Company's capital management policy are twofold. Firstly, it aims to ensure that capital is, and will continue to be, adequate to maintain the safety and stability of FIL Life Ireland, assuring a high level of confidence in the Company. Secondly it aims to ensure that capital is reasonable and not so high that a reasonable rate of return is difficult to achieve.

It is the policy of FIL Life Ireland to maintain sufficient capital to readily absorb its material risks, based on current volumes of business and any new business expected to be written over the next year.

Under normal circumstances, the Company will maintain a capital buffer in excess of its calculated SCR, the amount of which is determined in accordance with the Company's Risk Appetite.

There have been no changes in the objectives, policies or processes during the year.

Current levels of solvency coverage are monitored closely against both 'hard' or set limits and 'soft' or trigger levels which have been determined by the Board. Once these limits are breached a set of agreed actions will be undertaken to address the breach.

E.1.2. Management of Own Funds

The own funds are managed to be in a "risk free" environment, such that they have low liquidity and market risk. FIL Life Ireland manages this objective by keeping the own funds that are not used on a day to day basis in the Fidelity ILF Fund, which is AAA rated. Funds maintained outside of the ILF are placed with approved investment grade counterparties, such as Barclays Bank or Bank of America Merrill Lynch.

The Company's Board approved Risk Appetite is to hold an absolute floor of 110% of the Solvency Capital Requirement and Own Risk and Solvency Assessment (ORSA), with a higher trigger amount (the Risk Appetite buffer) being set at 20%.

The Company monitors the SCR and capital. on an ongoing basis. The time horizon for business planning is 5 years. The quality of own funds is continuously monitored to ensure that sufficient eligible own funds are maintained at all times. The Company has determined a list of actions which it could undertake in order to address any concerns which may arise in respect of the quantity or quality of own funds.

E.1.3. Breakdown of Own Funds

The Company's own funds are all Tier 1 capital in accordance with the guidelines on loss absorption and repayment of capital and dividends.

Table E.1 Breakdown of Solvency II Own Funds as at 30 June 2019 **with 2018 comparables as per QRT S.23.01**

€'000	June 2019	June 2018
Allocated, called up and fully paid up Ordinary share of €1 each	8,700	8,700
Other reserves	950	669
Total Own Funds	**9,650**	**9,369**

Reconciliation to Financial Statements

The financial statements are prepared under accounting standards IFRS, whilst the Solvency II balance sheet is prepared in accordance with the Solvency II directive and associated regulations & guidance.

Table E.2 Assets over Liabilities as at 30 June 2019 - Reconciliation of Own Funds as at 30 June 2019 with 2018 comparables, as per QRT S.02.01, S.12.01 and S.23.01

Reconciliation of Own Funds €'000	June 2019	June 2018
Total of reserves and retained earnings from financial statements	9,865	9,634
Less: Best Estimate Liability	(5,574)	(6,206)
Less: Risk Margin	(1,693)	(1,162)
Add: Rebate Asset	7,052	7,103
Excess of assets over Liabilities (Solvency II Own Funds)	**9,650**	**9,369**

There are no material differences between the basis, methods and assumptions regarding the valuation of own funds used for the valuation for solvency purposes and those used in the financial statements.

For each basic own fund item that is subject to transitional arrangements, a description of the nature and amount of the item

There are no basic own fund items subject to transitional arrangements.

For each material item of ancillary own funds, a description of the item, the amount and calculation methodology, nature and name of the counterparties

There are no ancillary own funds items.

Description of any item deducted from own funds and information on any significant restriction affecting the availability of own funds

There are currently no deductions from own funds.

Analysis of significant changes to own funds, including the value of own fund items during the year, the value of instruments redeemed during the year, and the extent to which the issuance has been used to fund the redemption

There were no significant changes to own funds during the year.

In relation to subordinate debt, an explanation of the changes arising from movements in the risk free rate and, if relevant, from fluctuations between the currency in which the subordinated debt is issued and the reporting currency

There is no subordinate debt included in the Company's own funds.

When disclosing information on the amount of own funds eligible to cover the Solvency Capital Requirement and the Minimum Capital Requirement classified by tier, an explanation of any restrictions to available own funds and the impact of limits on eligible Tier 2 and 3 capital, and on restricted Tier 1 capital

There are no restrictions to the available own funds.

Details of the principal loss absorbency mechanism used to comply with Article 71 (1)(e) of the Implementing Measures, including the trigger point, and its effects so that all providers of own funds items are aware of the potential impact

There is no loss absorbency mechanism in relation to own funds.

Explanation of the key elements of the reconciliation reserve

The reconciliation reserve is made up of the following components:

Reconciliation Reserve as at 30 June 2019, as per QRT S.02.01, S.12.01 and S.23.01 with 2018 comparables

Reconciliation Reserve €'000	June 2019	June 2018
Total retained earnings from the Financial Statements	1,165	934
Less: Best Estimate Liability	(5,574)	(6,206)
Less: Risk Margin	(1,693)	(1,162)
Add: Rebate Asset	7,052	7,103
Reconciliation Reserve	**950**	**669**

For each basic own fund item subject to the transitional arrangements, and explanation of the tier into which each item has been classified and why, and the date of the next call and the regularity of any subsequent call dates, or the fact that o call dates fall until after the end of the transitional period

There are no transitional arrangements.

Regarding items deducted from own funds, information on the total excess of assets over liabilities within ring-fenced funds, identifying the amount for which an adjustment is made in determining available own funds, and the extent of the reasons for significant restrictions on, deductions from or encumbrances of own funds

There are no restrictions or ring-fenced funds.

Expected Developments in Own Funds
The Company currently has no plans to issue, repay or otherwise change its own funds position. Under both the current solvency position and forward-looking projection the Company has sufficient capital to cover all identified risks.

Under the ORSA process, projections take into account the ways in which own funds may develop and change over time under stress tests and scenarios. The primary purpose of the ORSA is to ensure that the Company engages in the process of assessing all of the material risks inherent in its business and has determined its related capital needs.

E.2. Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

E.2.1. Solvency Capital Requirement

The SCR has been calculated in accordance with the methodology specified under the Standard Formula, which involves applying a series of prescribed stress tests.

FIL Life applies a proportionate approach for the market risk scenario by applying a single 49% scenario, based on the equity type 2 scenario before symmetrical adjustment. This approach avoids the need to obtain and process the full look-through data on the underlying assets. Research carried out indicates that this is a prudent approach to calculating the stress. No simplifications are used in the calculations.

Table E.3 Solvency Capital Requirements as at 30 June 2019 Solvency Capital requirements by SCR components as at 30 June 2019 as per QRT S.25.01 with 2018 comparables

SCR Module €'000	Jun 2019	Jun 2018
Counterparty Default Risk	1,339	1,273
Market Risk	800	654
Life Underwriting Risk	178	153
Operational Risk	919	966
Diversification Benefit	(531)	(457)
Total SCR	**2,706**	**2,590**

Material Changes

The change in SCR reflects normal changes in the business assets and markets.

There are no undertaking-specific parameters for the SCR components. There are no regulatory capital add-ons applied and the SCR is still subject to supervisory assessment.

E.2.2. Minimum Capital Requirement

The MCR is €3.7m (2018: €3.7m).

The calculation of the MCR is purely formula based as dictated by the EIOPA Solvency II requirements. It is subject to a floor of the higher between 25% of the SCR or €3.7m or equivalent and a cap of 45% of the SCR.

Table E.4 Minimum Capital Requirements as per QRT S.28.01

Minimum Capital Requirement (€'000)	Jun 2019	Jun 2018
SCR	2,706	2,590
MCR Cap (45% of SCR)	1,218	1,165
MCR Floor (25% of SCR)	676	647
Combined MCR	1,217	1,165
Absolute Floor of MCR (AMCR)	3,700	3,700
Minimum Capital Requirement	**3,700**	**3,700**

Material Changes

The Minimum Capital Requirement (MCR) remains at €3.7m representing the absolute floor of the MCR, (AMCR). Over the 5 year business plan outlook to June 2024, the SCR is projected to exceed the AMCR by year ended June 2022. There is no additional funding requirements projected with the SCR exceeding the AMCR in the year ended June 2022.

Regulatory Minimum Capital Requirements (MCR)

The MCR of the Company at 30th June 2019 is €3.7m i.e. the AMCR as prescribed by EIOPA Solvency II requirements. The calculation of the MCR is purely formula based on factors applied to sums assured and technical provisions. It is then subject to an upper and lower band based on the SCR. It shall, however, not go below 25% nor exceed 45% of the Company's SCR, with an absolute floor of €3.7 million. The Company's MCR requirement is the defined floor of €3.7 million as detailed in below table:

MCR	June 2018 €'000	June 2019 €'000
SCR	2,590	2,706
MCR Cap (45% SCR)	1,165	1,217
MCR Floor (25% SCR)	647	676
Combined MCR	1,165	1,217
Absolute Floor of the MCR	3,700	3,700
Minimum Capital Requirement	**3,700**	**3,700**

Minimum Capital requirements as at 30 June 2019 as per QRT S.28.01

E.3. Use of the Duration-Based Equity Risk Sub-Module in the Calculation of the SCR

The Company does not use the duration-based equity sub-module. This section is not relevant for FIL Life Ireland.

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

The Company does not use an internal model. This section is not relevant for FIL Life Ireland.

E.5. Non-Compliance with the MCR and SCR

The Company monitors the compliance with the MCR and SCR on a regular basis. This monitoring consists of a daily calculation on movements in cash and a recalculation of significant debtors' positions on a quarterly basis.

There have been no periods of non-compliance with either the MCR or SCR.

There is no reasonable, foreseeable risk of non-compliance with the MCR or SCR in the future.

Table E.6

Ratio of Eligible own funds to SCR / MCR as at 30 June 2019, as per QRT S.23.01 with 2018 comparisons

Own Funds, SCR, MCR & Coverage Ratio	30 Jun 2019 €'000	30 Jun 2018 €'000
SCR	2,706	2,590
MCR	3,700	3,700
Eligible Own Funds	9,650	9,369
Ratio of Eligible Own Funds to SCR	357%	362%
Ratio of Eligible Own Funds to MCR	261%	253%

E.6. Any Other Information

There is no other material information relevant to the capital management of the Company.

pwc

Report of the independent auditor of FIL Life Insurance (Ireland) DAC (the "Company") to the Central Bank of Ireland pursuant to Regulation 37 of the European Union (Insurance and Reinsurance) Regulations 2015: Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

We have audited the following quantitative reporting templates prepared by the Company:

- S.02.01.02;
- S.12.01.02;
- S.23.01.01;
- S.25.01.21; and
- S.28.01.01

as at 30 June 2019 (the "relevant elements of the Solvency and Financial Condition Report").

The relevant elements of the Solvency and Financial Condition Report have been prepared by the Company in accordance with Solvency II Regulations, which consist of:

- European Union (Insurance and Reinsurance) Regulations 2015 (S.I. 485 of 2015);
- European Commission Delegated Regulation (EU) 2015/35; and
- The European Commission Implementing Regulations designated as designated enactments in section 2(2A) of the Central Bank Act 1942, in particular Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 laying down implementing technical standards with regard to the procedures, formats and templates of the Solvency and Financial Condition Report in accordance Directive 2009/138/EC of the European Parliament and of the Council.

In our opinion, the information in the relevant elements of the Solvency and Financial Condition Report of the Company as at 30 June 2019 is properly prepared, in all material respects, in accordance with the Solvency II Regulations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)"), including ISA (Ireland) 800 and ISA (Ireland) 805. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the relevant elements of the Solvency and Financial Condition Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the relevant elements of the Solvency and Financial Condition Report in Ireland, including IAASA's Ethical Standard for Auditors (Ireland) as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of accounting and restriction on distribution and use

We draw attention to the "Valuation for Solvency Purposes" and "Capital Management" sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared to assist the Company in complying with the financial reporting provisions of the Solvency II Regulations. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our report is intended solely for the Central Bank of Ireland and the Company in accordance with the terms of our engagement and should not be distributed to or used by parties other than the Central Bank of Ireland and the Company. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

The other information comprises the financial and non-financial information in the information accompanying the relevant elements of the Solvency and Financial Condition Report and consists only of:

- D.1. – Assets;
- D.2 – Technical provisions;
- D.3 – Other liabilities;
- D.4 – Alternative methods for valuation;
- D.5 – Any other information;
- E.1 – Own funds;
- E.2 – Solvency Capital Requirement and Minimum Capital Requirement;
- E.3 – Use of the duration-based equity risk submodule in the calculation of the Solvency Capital Requirement; and
- E.6 – Any other information.

The directors are responsible for the other information. Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the other information and, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the relevant elements of the Solvency and Financial Condition Report, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report or with our knowledge obtained in the course of the audit of the relevant elements of the Solvency and Financial Condition Report or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of those charged with governance for the Solvency and Financial Condition Report

The directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the Solvency II Regulations.

In accordance with Regulation 57 of the European Union (Insurance and Reinsurance) Regulations 2015, the directors are responsible for having in place appropriate systems and structures to meet the Company's public disclosure requirements in relation to the Solvency and Financial Condition Report and for the approval of the Solvency and Financial Condition Report.

The directors are also responsible for such internal control as management determines is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error. The directors are responsible for overseeing the Company's financial reporting process.

The directors should be satisfied that, throughout the financial year in question, the Company has complied in all material respects with the requirements of the Solvency II Regulations as applicable to the Company. All Directors are required to sign a Compliance Statement, as required under Section 25 of the Central Bank Act 1997, for submission with the annual quantitative reporting templates.

Auditor's responsibilities for the audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, in accordance with the Solvency II Regulations.

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

A further description of our responsibilities for the audit of the relevant elements of the Solvency and Financial Condition Report is located on IAASA's website at:

http://iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

Report on other legal and regulatory requirements

In accordance with paragraph 6 of The Central Bank's Requirement for External Audit of Solvency II Regulatory Returns/Public Disclosures, we are required to read the other information to identify material inconsistencies, if any, with information made available to us in the course of the reasonable assurance engagement on the relevant elements of the Solvency and Financial Condition Report and in the course of the audit of the statutory financial statements of the Company. If, based on the work we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

1 October 2019

Appendix 2 - Quantitative Reporting Templates (QRTs)

S.02.01.02: Balance Sheet

		Solvency II value
Assets		**C0010**
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**	7,972
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**	7,972
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	963,271
Loans and mortgages	**R0230**	
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	
Non-life and health similar to non-life	**R0280**	
Non-life excluding health	**R0290**	
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	2,691
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	265
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**	2,094
Any other assets, not elsewhere shown	**R0420**	7,052
Total assets	**R0500**	983,345

S.02.01.02: Balance Sheet (continued)

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	
Technical provisions – non-life (excluding health)	**R0520**	
TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	
Risk margin	**R0550**	
Technical provisions - health (similar to non-life)	**R0560**	
TP calculated as a whole	**R0570**	
Best Estimate	**R0580**	
Risk margin	**R0590**	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	
TP calculated as a whole	**R0660**	
Best Estimate	**R0670**	
Risk margin	**R0680**	
Technical provisions – index-linked and unit-linked	**R0690**	969,844
TP calculated as a whole	**R0700**	962,577
Best Estimate	**R0710**	5,574
Risk margin	**R0720**	1,693
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**	3,392
Reinsurance payables	**R0830**	
Payables (trade, not insurance)	**R0840**	459
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	
Total liabilities	**R0900**	973,695
Excess of assets over liabilities	**R1000**	9,650

S.05.01.02: Premiums, Claims and Expenses by Line of Business

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**			85,621						85,621
Reinsurers' share	**R1420**									
Net	**R1500**			85,621						85,621
Premiums earned										
Gross	**R1510**			85,621						85,621
Reinsurers' share	**R1520**									
Net	**R1600**			85,621						85,621
Claims incurred										
Gross	**R1610**			121,771						121,771
Reinsurers' share	**R1620**									
Net	**R1700**			121,771						121,771
Changes in other technical provisions										
Gross	**R1710**			23,429						23,429
Reinsurers' share	**R1720**									
Net	**R1800**			23,429						23,429
Expenses incurred	**R1900**			4,183						4,183
Other expenses	**R2500**									
Total expenses	**R2600**									4,183

S.12.01.02: Life and Health SLT Technical Provisions

Life and Health SLT Technical Provisions		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Total (Life other than health insurance, incl. Unit-Linked)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees		
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0150
Technical provisions calculated as a whole	**R0010**		962,577							962,577
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0020**									
Technical provisions calculated as a sum of BE & RM										
Best Estimate										
Gross Best Estimate	**R0030**			5,574						5,574
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	*R0080*									
Best estimate minus recoverables from reinsurance/SPV and Finite Re	*R0090*			5,574						5,574
Risk Margin	**R0100**		1,693							1,693
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	**R0110**									
Best estimate	**R0120**									
Risk margin	**R0130**									
Technical provisions - total	*R0200*		969,844							969,844

S.23.01.01: Own Funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	8,700	8,700			
Share premium account related to ordinary share capital	R0030					
Iinitial 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	950	950			
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	9,650	9,650			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					

Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	9,650	9,650			
Total available own funds to meet the MCR	R0510	9,650	9,650			
Total eligible own funds to meet the SCR	R0540	9,650	9,650			
Total eligible own funds to meet the MCR	R0550	9,650	9,650			
SCR	R0580	2,706				
MCR	R0600	3,700				
Ratio of Eligible own funds to SCR	R0620	356.68%				
Ratio of Eligible own funds to MCR	R0640	260.82%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	9,650
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	8,700
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	950
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	

S25.01.21 - Solvency Capital Requirement for Undertakings on Standard Formula

-		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	800		
Counterparty default risk	R0020	1,339		
Life underwriting risk	R0030	178		
Health underwriting risk	R0040			
Non-life underwriting risk	R0050			
Diversification	R0060	-531		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	1,786		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	919
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	2,706
Capital add-on already set	R0210	
Solvency capital requirement	R0220	2,706
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

S28.01.01 - Minimum Capital Requirement - Only Life or Non-Life Insurance or Reinsurance Activity

		C0040
MCR_L Result	R0200	6,777

		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	968,151	
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	6,777
SCR	R0310	2,706
MCR cap	R0320	1,217
MCR floor	R0330	676
Combined MCR	R0340	1,217
Absolute floor of the MCR	R0350	3,700
-	-	C0070
Minimum Capital Requirement	R0400	3,700

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