Forester Life Limited and Forester Holdings (Europe) Limited

Solvency and Financial Condition Report ('SFCR')

31 December, 2016

Contents

1. Summary

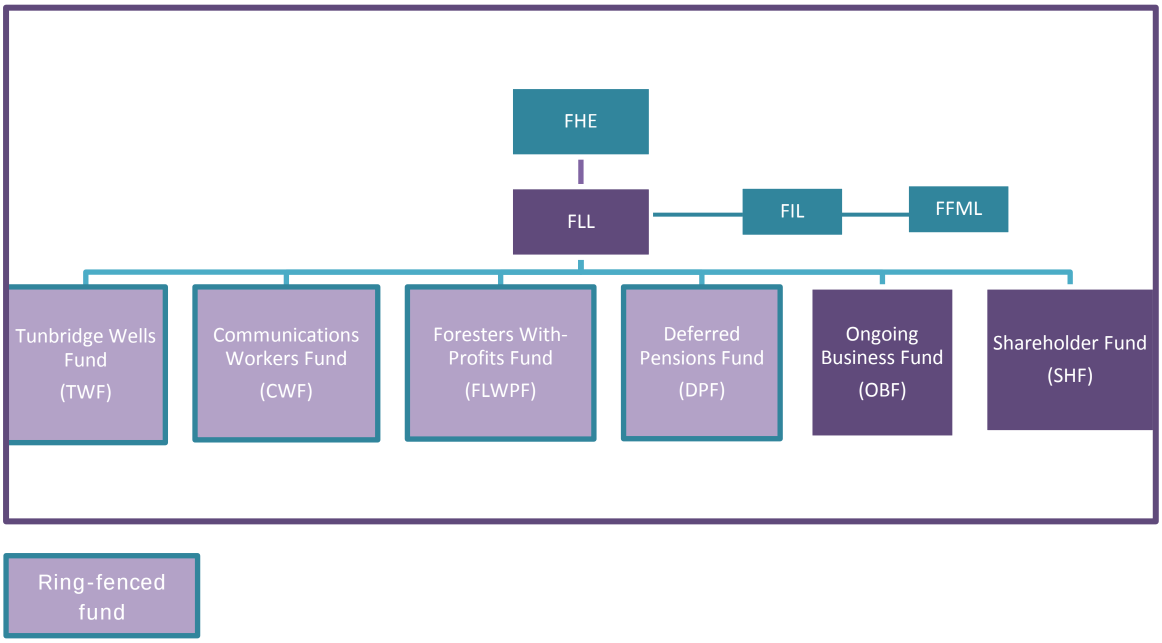
1.1 Business and performance summary

Forester Holdings (Europe) Limited ('FHE', 'the Group') is a holding company for the UK business of the Independent Order of Foresters. The two principle trading entities within the Group are Forester Life Ltd ('FLL', 'the Company') and Forester Fund Management Ltd ('FFML'). FLL is a life insurance company based in the United Kingdom, which offers personal insurance products, mortgage protection solutions, individual savings accounts and investment solutions, pension planning solutions, and savings solutions for children.

FFML is a UK based company whose principle activity is to provide Child Trust Fund and Junior ISA accounts as long term savings products for children. In January 2017 all of the business of FFML was transferred into the Company. FFML will apply to be de-authorised as a regulated entity following this transfer.

<u>Structure of the FHE Group</u>

The following chart details the operational subsidiaries of the FHE Group. FLL operates four ring-fenced funds ('RFFs') alongside the Ongoing Business Fund ('OBF') and Shareholder Fund ('SHF') as set out below:



These ring-fenced funds consist of:

- Tunbridge Wells Fund ('TWF'):

  The TWF was transferred to the Company in 2013 from Tunbridge Wells Equitable Friendly Society ('TWEFS') and is closed to new business. Existing policyholders hold various investment and insurance based products, including pensions, annuities, traditional life, unit-linked and with-profits.

- Communication Workers' Fund ('CWF')

The CWF was transferred to the Company in 2011 from the Communication Workers Friendly Society ('CWFS') and is closed to new business. Existing policyholders hold various investment and insurance based products, including with-profits. Existing policyholders are eligible for policyholder loans.

- Forester Life With-Profits Fund ('FLWPF')

  The FLWPF was originally a branch of its Canadian parent providing protection and savings products. The business of the FLWPF was transferred to the Company in 1995. This fund has been closed to new business since the transfer, although premiums on in-force business continue to be paid into it. Existing policyholders are eligible for policyholder loans.

- Deferred Pensions Fund

  This business was originally part of the OBF and was ring-fenced in 2016

Policyholders of the Ongoing Business Fund ('OBF') hold various investment and insurance based products including unit-linked, traditional life and annuities.

A summary of the performance of the Group during 2016 is set out below:

Sales for FLL, measured by the accepted method of counting single premiums and contributions as 10% of amount received for the year were £37.9m, 15.5% higher than 2015's total of £32.8m. This consists of £34.6m for unit-linked products, £3m for pensions/ annuities and £0.3m for protection. Sales for FFML were £7.4m down 20.5% from £9.3m in 2015, a decrease driven by policies getting close to maturity and a change in regulation, effective from April 2015 allowing Child Trust Funds to be transferred to Junior ISAs (JISAs).

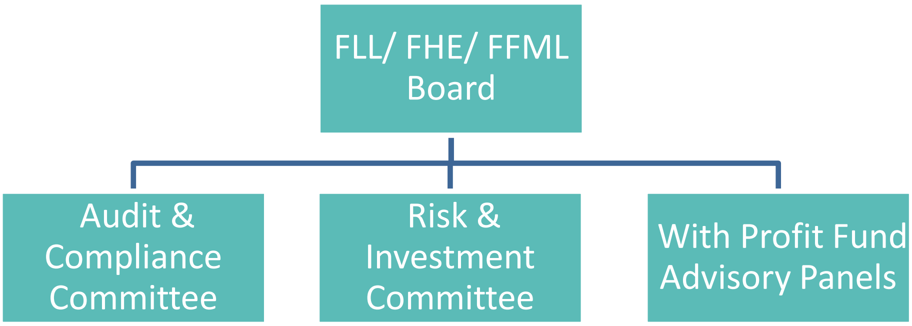
Total assets under management rose by 11.8% to £3.8bn (2015: £3.4bn). This was driven by a significant increase in gross investment returns driven by favourable markets and following the outsourcing of investment management to Schroders at the beginning of the year.

Operating expenses increased to £61.3m (2015: £37.5m) mainly due to costs related to bringing the administration of FFML in-house. This will result in significant cost savings going forward given that our in-house expenses for managing the business will be substantially lower than the outsourced service provider.

See Section A for further details on the business and performance of the Group.

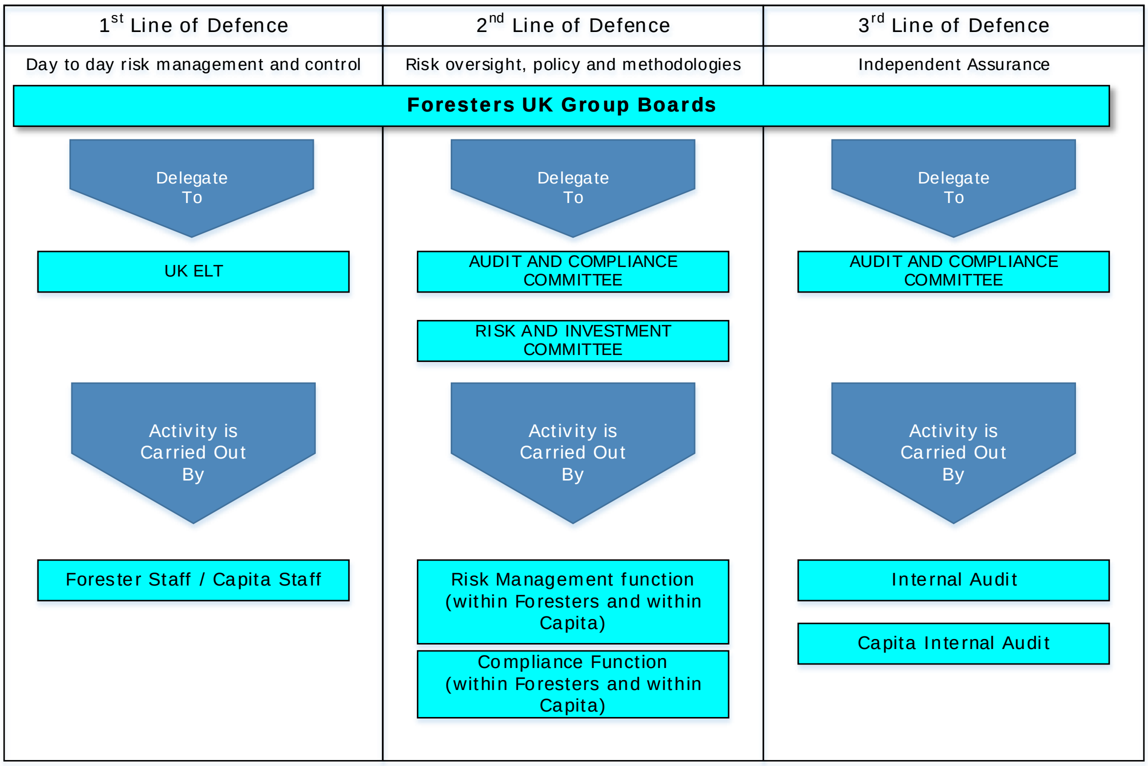
1.2 System of governance summary

The Group recognises the importance of strong corporate governance and has established a well-defined governance framework, system of control and committee structure. An overview of the Board and its committees are set out below:



The Board sets and monitors adherence to the risk strategy, risk appetite and risk framework. The Board has established a risk management model that separates the business's risk management responsibilities into three lines of defence as shown in the diagram below.

Foresters UK Group – Risk Governance – Three Lines of Defence



1st Line of Defence

Under the first line of defense, operational management has ownership, responsibility and accountability for assessing, controlling and mitigating risks. In particular the first line owns and manages its risks within the agreed risk appetite and in compliance with the risk policy framework.

Risk matters are discussed on a regular basis by the UK Executive Leadership Team ('UK ELT') based on a report produced by the Risk team.

2nd Line of Defence

The second line of defence is responsible for the provision of proportionate oversight of risks, issues and events through the Risk Management and Compliance functions both at FLL and Capita. It determines and develops the risk management framework and tools for agreement by the Board which the 1st line uses to discharge its responsibilities. It advises the Board on its risk appetite and supporting the business in its application and monitors and reports on key risks against risk appetite. The second line provides oversight, challenge and support to the 1st line in the management of their risks. The Chief Risk Officer is independent of the business functions and works closely with the International Chief Risk Officer to ensure the effective and efficient operation of the risk framework. The Audit & Compliance and Risk & Investment Committees take reports from the Risk Management and Compliance functions on the Board's behalf and provide recommendations to the Board as appropriate.

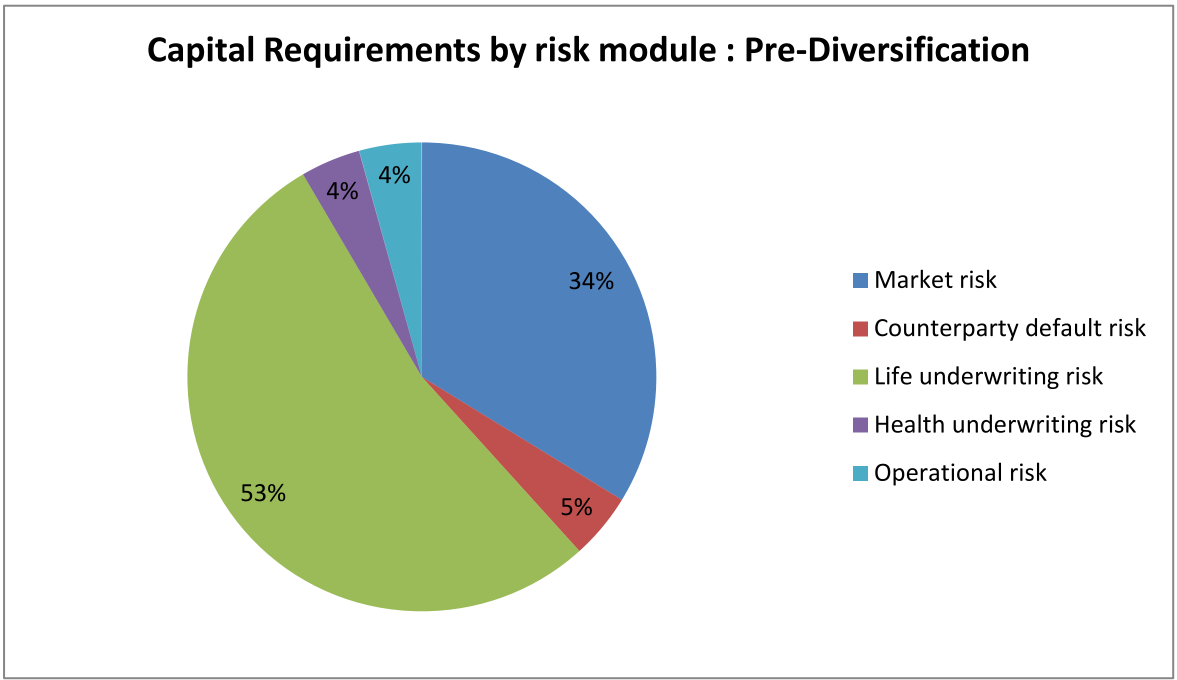
3rd Line of Defence

This recognises that, aside from the reports received from the Risk Management and Compliance functions, the Board requires independent assurance that the control framework in place exercised through the 1st and 2nd lines of defence is operating in line with expectations and that therefore risk appetite limits are being observed. This assurance is gained through the Internal Audit function performing risk based audits under the guidance of the Audit & Compliance Committee and providing an objective view of the effectiveness of risk management and controls.

See Section B for further details on the system of governance of the Group.

1.3 Risk profile summary

The Standard Formula risk profile for the Group is set out below:



The main standard formula SCR risks are Life underwriting risk and market risk.

See Section C for further details on the risk profile and Section E.2 for SCR results.

1.4 Valuation for solvency purposes summary

A summary of the differences between IFRS and Solvency II valuations for assets and liabilities are set out below:

31 December, 2016 (£'000)	**FLL**	**FHE Group**
Total IFRS equity	98,840	95,957
Adjustments for Solvency II		
Difference in assets	(44,927)	(56,633)
Difference in technical provisions	109,812	111,480
Difference in other liabilities	(8,813)	(3,162)
SII value of assets over liabilities	**154,912**	**147,643**

The valuation of assets and liabilities for Solvency II purposes are the same as IFRS apart from the following key differences:

- differences in the valuation of technical provisions and associated reinsurance recoverables
- our intangible assets are permitted under IFRS, but not under Solvency II
- differences in deferred tax liabilities due to the above adjustments

The key valuation differences for assets and liabilities between FHE Group and FLL are as follows:

- Investment in FFML: FFML is held in the balance sheet of FLL at the fair value of net assets. For FHE Group, FFML is not consolidated, but instead is included in the Group balance sheet based on sectoral rules. See Section D.1 for further details.
- Technical provisions: Technical provisions within FLL include a service charge with FHE Group. On consolidation this charge is eliminated, which is why technical provisions are higher within FLL compared to FHE Group. See Section D.2 for further details.
- Deferred tax: the deferred tax liability valuation differs between FLL and FHE Group due to the adjustments mentioned above. See Section D.3 for further details.
- Pensions liability: FHE has two staff pension schemes; FGEPS, which is held in FHE and Tunbridge Wells Retirement Benefit Scheme (TWRBS), which is held within FLL, therefore there is no allowance for FGEPS in the FLL balance sheet. However, in the FHE Group balance sheet, the deficit and expected future contributions of FGEPS are held as a liability.

See Section D for further details on the valuation for solvency purposes of the Group.

1.5 Capital management summary

The key highlights of the Group and Solo Solvency II position at YE 2016 is set out below:

31 December, 2016 ('£'000)	**FLL**	**FHE Group**
SII value of assets over liabilities	**154,912**	**147,643**
Own Fund adjustments	(51,843)	(43,395)
SII Own Funds	**103,069**	**104,248**
Solvency Capital Requirement ('SCR')	**73,653**	**75,773**
Minimum Capital Requirement ('MCR')	18,413	18,943
SCR coverage ratio	**140%**	**138%**
MCR coverage ratio	531%	492%

The key valuation differences for Own Funds between FHE Group and FLL are as follows:

- The value of FFML within the solo balance sheet of FLL is based on IFRS valuation restricted to 10% of unrestricted Own Funds. The value of FFML within FHE Group is based on sectoral rules and is not impacted by the 10% restriction. See Section E.1 for further details.

The key differences for the SCR between FHE Group and FLL are with regards to net assets held on the FHE balance sheet (principally a defined benefit pension scheme), the expense margin charge by FHE to FLL and the treatment of FFML. See Section E.2 for further details.

The objective of the Group's capital management is to maintain sufficient Own Funds to cover the SCR and MCR with an appropriate buffer. The Group carries out regular reviews of the Solvency Ratio as part of the Group's risk monitoring and capital management system.

See Section E for further details on the capital management of the Group.

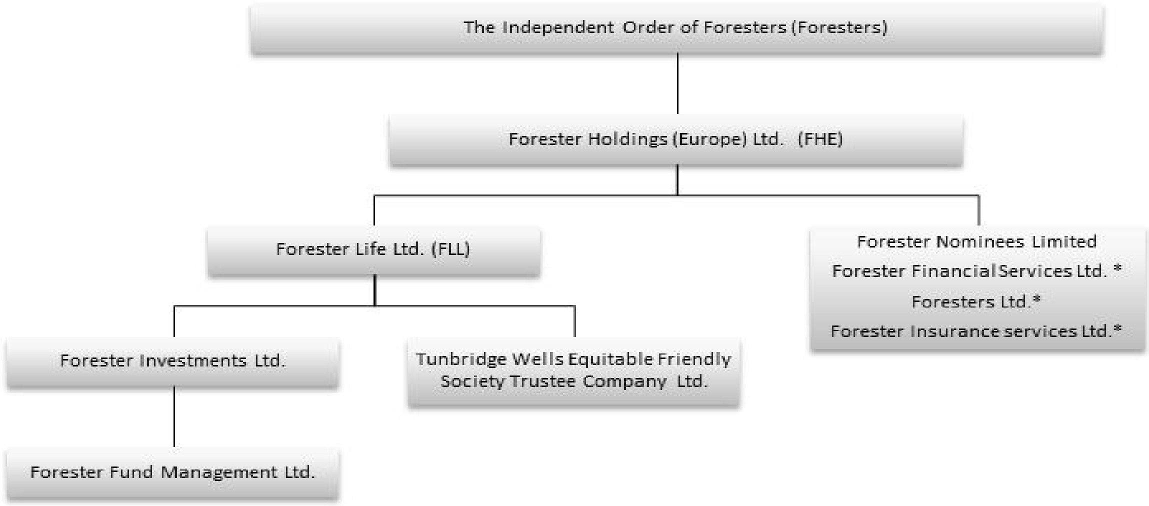
A Business and Performance

Section A is unaudited

A.1 Business

A.1.1 Group structure

The full UK corporate structure including the overseas parent is shown below. The Independent Order of Foresters ('IOF', 'the Enterprise') is a Canadian based entity and is the ultimate parent of the Foresters worldwide group. Foresters Holdings (Europe) Ltd ('FHE') is a private limited company and is the parent company of the UK Group.



*dormant

Forester Holdings (Europe) Ltd ('FHE') is the UK insurance holding company

- Forester Life Ltd ('FLL'): This is an insurance company authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority ('FCA') and the Prudential Regulation Authority ('PRA')
- Forester Fund Management Ltd ('FFML'): This is an asset management business authorised and regulated by the Financial Conduct Authority ('FCA')

All UK subsidiaries are wholly owned. The principal operating subsidiaries are FLL and FFML. Forester Investments Ltd ('FIL') is an intermediate UK holding company and the remaining entities are non-trading or dormant.

A.1.2 Company auditors

All non-dormant entities within the Group are audited by KPMG LLP, contact details as follows:

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

Tel: +44 20 7311 1000
Fax: +44 20 7311 3311

A.1.3 Supervisory authority

The supervisory authority of both FLL and FHE is the PRA, contact details as follows:

Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA
Tel: +44 20 7601 4444

The supervisory authority for FFML is the FCA, contact details as follows:

Financial Conduct Authority
25 The North Colonnade
London
E14 5HS
Tel: +44 20 7066 1000

A.1.4 Material lines of Business

The material Solvency II lines of business of the Group are as follows:

- Index-linked and unit linked insurance
- Insurance with profit participation
- Health insurance
- Other life insurance

All of the Group's business is conducted in the UK

A.1.5 Significant business or other events that have occurred during the period

During the year the Group concentrated its efforts on continuing to enhance its infrastructure to prepare for the next stages of delivering on its long term strategy including system migration and the transfer of the business of FFML into FLL, which occurred in January 2017. The strategy continues to be expansion through organic growth, both via direct salesforce and direct to the customer, and acquisition of third party books of business.

The Group has continued to operate effectively in a highly competitive market. Over 76% of the Group's new business is derived from a suite of stakeholder unit-linked products, including Stocks & Shares Individual Savings Accounts (ISAs) sold via a direct sales force providing basic advice. Additionally, our direct and internet sales of unit linked products have started contributing more significantly to the new business in 2016 (over 7.7%). The remaining new business flows mainly from top ups of Child Trust Funds through FFML on a direct marketing basis, primarily over the internet.

Sales for FLL, measured by the accepted method of counting single premiums and contributions as 10% of amount received for the year were £37.9m, 15.5% higher than 2015's total of £32.8m. Sales for FFML were £7.4m down 20.5% from £9.3m in 2015, a decrease driven by policies getting close to maturity and a change in regulation allowing Child Trust Funds to be transferred to Junior ISAs (JISAs). Overall contributions and premium income were £321.2m, 3.8% lower than 2015 (£333.8m) as the contributions from the closed book of with-profits funds declined by 13.2%.

Total assets under management rose by 11.8% to £3.8bn (2015: £3.4bn). This was driven by a significant increase in gross investment returns driven by favourable markets and following the outsourcing of investment management to Schroders at the beginning of the year.

Operating expenses increased to £61.3m (2015: £37.5m) mainly due to costs related to the transfer of FFML business to FLL. This will result in significant cost savings going forward given that our in-house expenses for managing the business will be substantially lower than the outsourced service provider. Offsetting the increase in expenses is £3.2m worth of cost savings due to the full amortisation of the initial costs incurred as part of initial Capita outsourcing arrangement.

The Company's regulatory solvency capital coverage position decreased from 194% to 140% on a Solvency II basis as the initial costs for transfer of FFML into FLL have been reflected in 2016 numbers. This remains in excess of our risk appetite and the position is expected to improve as the cost savings of bringing CTF book in house are realised in future.

During 2017 all of the business of FFML has been transferred into the Company. FFML will apply to be de-authorised as a regulated entity following this transfer.

A.1.6 Related party transactions

Related party transactions within the Group arise as follows

- FHE incurs substantially all the maintenance operating costs for the Company's UK business and recharges the appropriate share to FLL for settlement in cash.
- FLL owns the building housing the UK Head Office and charges rent to FHE.
- FLL employs all of the salesforce employees and FHE employs Foresters UK Head Office employees and acts as principal employer for the pension scheme in the UK ('FGEPS').
- FLL has an excess of loss reassurance treaty with its ultimate parent company Foresters in respect of large sums assured on individual life contracts. Settlement is made quarterly through FHE.
- FHE previously contracted with FLL to provide permanent health insurance for Foresters UK employees. Premiums are no longer paid but claims may be made in respect of coverage previously provided.

Operating costs recharged by FHE to other companies within the FHE Group (including a charge in respect of salaries, pension contributions and other pension costs) were £30.1m (2015: £23.1m). Rent charged to FHE by FLL was £0.2m (2015: £0.2m). Intercompany creditor balances at YE 2016 with FHE were £4.8m (2015: £2.7m)

All related party transactions have taken place at terms that would exist in arm's length transactions.

There are no other loans or guarantees provided by the Company to related parties.

During the year FFML paid a dividend of £9.5m to FIL, who in turn paid this to FLL.

A.2 Underwriting performance

Since the Company prepares its financial statements in accordance with IFRS, the underwriting performance information given in this section is on an IFRS basis. Qualitative and quantitative information on the Group and Company's underwriting performance by line of business as shown in the financial statements with a comparison to the previous reporting period is detailed below:

A.2.1 Written premiums

The following table details written premiums during the year with a comparison to the prior year as per the IFRS financial statements of the Company:

('£,000)	**2016**		**2015**	
	Gross	**Net**	**Gross**	**Net**
Life contracts	35,386	34,654	40,190	39,314
Pension contracts	1,279	1,272	1,128	1,119
Total	**36,665**	**35,926**	**41,318**	**40,433**
Participating contracts	31,643	31,643	36,496	36,496
Non-participating contracts	4,418	3,686	3,557	2,681
Unit linked contracts	604	597	1,265	1,256
Total	**36,665**	**35,926**	**41,318**	**40,433**
Periodic premiums	35,160	34,421	39,965	39,080
Single premiums	1,505	1,505	1,353	1,353
Total	**36,665**	**35,926**	**41,318**	**40,433**

Net written premiums have decreased as the ring-fenced funds are in run-off and therefore premiums are declining year-on-year.

All business is written within the UK.

A.2.2 Claims incurred

The following table details claims incurred during the year with a comparison to the prior year as per the IFRS financial statements of the Company:

('£,000)	**2016**	**2015**
Gross policyholder benefits and payments	93,980	92,187

Gross change in insurance contract liabilities	(3,631)	(53,373)
Ceded change in insurance contract liabilities	(270)	780
Total	**90,079**	**39,594**

A.3 Investment performance

Since the Company prepares its financial statements in accordance with IFRS, the investment performance information given in this section is on an IFRS basis. Qualitative and quantitative information on the Company's investment performance by asset class with a comparison to the previous reporting period is detailed below:

('£,000)	**2016**	**2015**
Interest income		
Cash and cash equivalents	33	255
Bonds and other fixed term securities	19,284	26,954
Loans to policyholders	292	300
Total interest income	**19,609**	**27,509**
Dividend income	1,972	26,763
Realised gains	59,134	6,431
Unrealised gains/(losses)	114,463	-49,954
Net return on financial assets	**195,178**	**10,749**
Net rental income	231	263
Realised gains	-	-
Unrealised gains/(losses)	985	755
Net return / (loss) on investment properties	**1,216**	**1,018**
Investment expenses	-2,628	-864
Total investment income	**193,766**	**10,903**
Change in investment contract liabilities	(119,653)	(1,501)
Total investment income net of change in investment contract liabilities	**74,113**	**9,402**

Investment income has increased significantly in comparison to the prior period. This is driven by a significant increase in gross investment returns driven by favourable markets and following the outsourcing of investment management to Schroders at the beginning of the year.

The increase in investment contract liabilities mirrors the increase in investment performance during the year. Offsetting this increase in the change in insurance contract liabilities, in 2016 the methodology for calculating insurance contract liabilities was changed to be in line with Solvency II.

A.4 Performance of other activities

Since the Company prepares its financial statements in accordance with IFRS, the performance of other activities information given in this section is on an IFRS basis. Qualitative and quantitative information on the Company's performance of other activities with a comparison to the previous reporting period is detailed below:

('£,000)	2016	2015
Fee income	36,854	35,521

Fee income relates to the annual management charges levied on the investment business. The fee income is largely unchanged when comparing 2016 to 2015. This is not directly comparable to the increase in investment income shown above as the fee income is calculated based on the value of assets under management ('AUM') over the year on a monthly basis, which can fluctuate significantly.

B System of governance

Section B is unaudited

B.1 General information on the system of governance

The Company's organisational structure and relationship to its parent is clearly defined, with the roles of Chairman of the Board and the Chief Executive Officer ('CEO') clearly differentiated and separate. The Chairman is responsible for leading the Board while the CEO is responsible for implementing strategy and managing the Company through an executive team. There have been no material changes in the system of governance over the reporting period.

The structure of the Board and Board Committees of the Company is set out below:

<u>FLL and FHE Board</u>

The Board of each company within the Group has the following general responsibilities:

- Within Foresters Financial overall enterprise strategy, to develop and maintain the strategy of the company and ultimately to be responsible for the management and oversight of the company's business by reference to its agreed risk appetite.

- To ensure that the company's business is conducted with integrity and in compliance with general statutory and regulatory provisions, so as to protect the respective interests of policyholders, creditors and other stakeholders.

- To comply with the policies of Foresters Financial insofar as they apply to the UK companies.

- To comply as appropriate with the requirements of the primary regulators being the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) and those of the parent company's regulator where applicable.

The Board's specific responsibilities include the following and are exercised within the framework of Foresters Financial overall strategy, and its enterprise wide policies, as applicable:

- Strategic planning
- Risk management
- Capital Management

- Investment policy
- Significant transactions, contracts or expenditures
- Financial reporting
- Ring Fenced Funds
- Approval of key documents and policies-
- Corporate governance structure
- Board membership
- Appointment and Oversight of the UK Group CEO
- Internal Control and Management Information systems
- Prevention of fraud
- Standards of business conduct and ethical behaviour
- Records
- Board performance and effectiveness

Audit & Compliance Committee

The Audit & Compliance Committee acts as a committee of the Boards of all of the active Forester UK companies, these being Forester Holdings (Europe) Limited (FHEL), Forester Life Limited (FLL), Forester Investments Limited (FIL) and Forester Fund Management Limited (FFML), hereinafter collectively referred to as the UK Group Companies.

The Audit & Compliance Committee has been delegated responsibility (by the Board) for ensuring the integrity of each company's:

- financial reporting, including any regulatory financial reports;
- compliance function;
- systems of internal control; and
- internal and external audit functions.

In doing so, it will provide regular reports to the respective Boards on its activities together with accompanying recommendations for action as appropriate.

The Committee is authorised by the Board to investigate any activity within its terms of reference. The Committee is authorised to obtain independent professional advice where necessary, at the Company's expense, and to require the provision of any information from any Director or employee of the Company. All employees are to cooperate as requested by the Committee.

The Committee is drawn from the Independent Non-Executive Directors that sit on the Forester Life Limited (FLL) Board of Directors and at least one member will have recent, relevant financial experience. Other Board directors will typically be invited to be in attendance.

The Committee meets as and when it deems necessary, provided that it shall meet at least four times each year in order to provide input to the quarterly UK Group Companies' Board meetings. Other than in an emergency, at least two days' notice of any additional meeting shall be given to all members of the committee.

The following individuals attend at all meetings unless requested otherwise:

- the Chief Finance Officer;
- the Chief Risk Officer;
- the Chief Internal Auditor;
- the Chief Compliance Officer and Company Secretary;

- the Chief Actuarial Officer; and
- the Chief Actuary

Financial Reporting and Internal Control

In carrying out its mandate for financial reporting and internal control, the Committee is responsible for:

- with respect to financial statements:
    - reviewing and, when satisfied as to completeness, fairness and conformity with generally accepted accounting principles, recommending to the Board, approval of the annual audited financial statements and returns required by regulatory authorities. This includes, but is not limited to making inquiries of the external auditors whether their annual audit has been effectively carried out and completed, and whether accounting policies and disclosures used in the financial statements, and any changes thereto from the previous year are appropriate;
    - reviewing and monitoring accounting and regulatory developments and reviewing and approving management's recommendations on accounting policies and changes to accounting policies, and asking the auditors for their comments and views where appropriate;
- inquiring as to the independence/objectivity of the internal and external auditors, taking into consideration relevant UK (and where appropriate Canadian) professional and regulatory requirements.
- reviewing and approving the external auditors' engagement letter and audit plan for the UK Group Companies and recommending to the respective Board's the compensation of the external auditor, including any fees with respect to approved non-audit related work (e.g., tax advisory services) and approval of any special work within a policy that provides the parameters for such work;
- assessing the performance of the external auditors with respect to the UK Group Companies and recommending to the UK Board, the appointment or discharge of the external auditors whilst also having regard for consulting fees;
- reviewing the external auditor, internal auditor, and regulatory reports, and management letters, and obtaining satisfaction that any issues raised are appropriately resolved by management;
- exercising an active oversight role with respect to the internal control and internal audit function with the principal activities being:
    - meeting regularly with the Chief Internal Auditor, and Senior Management of UK Group Companies to discuss the effectiveness of the internal control procedures including controls related to the identification, prevention and detection of fraud;
    - meet at least once a year with the external auditors to discuss the effectiveness of internal controls;
    - to approve internal audit plans for the UK Group Companies with the Chief Internal Auditor and Senior Management, with the principal aim of ensuring that any such plans are responsive to the risk profile of the organisation;
    - assessing the performance of the internal audit function for the UK Group;
    - making inquiries to satisfy itself that internal audit objectives and goals, staffing plans, financial budgets and audit timetables provide for adequate support of the Committee's own goals and objectives; and
    - reviewing summary reports prepared by the internal audit function of reviews carried out and to consider management responses to any findings and thereafter to monitor progress against agreed corrective actions;

    - review at least annually the audit charter that is approved by the Shareholder.

- requesting Internal Audit to perform special duties, investigations, or other services on matters of interest or concern to the Committee as and when necessary;
- receiving and reviewing any quality assurance reviews of the Foresters Internal Audit functions, (which should take place at least every five years) to provide the Committee with the assurance that the internal audit operations conforms to appropriate standards such as the Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing;
- overseeing and monitoring compliance with the UK Group Companies' outsourcing policy and related regulatory guidelines;
- ensuring that the financial reporting and internal control framework remain responsive to emerging business and regulatory requirements such as the Solvency II initiative;
- to review arrangements by which staff may, in confidence raise concerns about possible improprieties in matters of financial reporting or other matters, with the objective of ensuring that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action (whistleblowing)

Compliance

In carrying out its mandate for monitoring the Compliance function, the Committee is responsible for:

- the monitoring and review of the effectiveness of Compliance, both generally and against the stated roles and responsibilities of Compliance;
- approval of an effective annual compliance programme with the Chief Compliance Officer;
- reviewing any reports on the UK Group Companies by the PRA or FCA, or any other regulator and to consider management responses to any findings and thereafter to monitor progress against agreed corrective actions;
- reviewing the Compliance monitoring reports (which should include information regarding complaints and TCF) quarterly, or as they are issued, and to discuss and consider problems and reservations arising from compliance monitoring.

Other

In addition to the foregoing to:

- evaluate its own collective performance at least annually;
- review annually these terms of reference and either recommend changes to the Board or confirm to the Board that no changes are required.

Risk & Investment Committee

The Risk & Investment Committee acts as a committee of the Boards of all of the UK Group Companies

The Risk & Investment Committee is responsible on behalf of the Boards of the UK Group Companies for ensuring the integrity of each company's:

- investment strategies and performance monitoring;
- risk management practices; and
- capital management.

In doing so, it provides regular reports to the respective Boards on its activities together with accompanying recommendations for action as appropriate.

The Committee is authorised by the Board to investigate any activity within its terms of reference. The Committee is authorised to obtain independent professional advice where necessary, at the Company's expense, and to require the provision of any information from any Director or employee of the Company. All employees are required to cooperate as requested by the Committee.

The Committee meets as and when it deems necessary, provided that it meets at least four times each year in order to provide input to the quarterly UK Group Companies' Board meetings.

The following individuals attend at all meetings unless requested otherwise:

- the Chief Finance Officer;
- the Chief Risk Officer;
- the Chief Internal Auditor;
- the Chief Compliance Officer and Company Secretary;
- the Chief Actuarial Officer; and
- the Chief Actuary.

Investment Strategy

In carrying out its mandate for investment strategy, the Committee is responsible for:

- formulating and recommending to the Boards appropriate investment policies, strategies and procedures for the UK Group Companies, including determining performance benchmarks, consistent with the Companies' business plans and appetites for investment risk, having regard to liabilities, relevant regulatory requirements and the reasonable expectations of customers and taking account of the recommendations of the Chief Actuary and the With Profits Actuary;
- reviewing and recommending to the Boards amendments to such policies, strategies and procedures from time to time;
- ensuring that such policies, strategies and procedures are being followed and that:
  a) the interests of both policyholders and the shareholder are adequately protected;
  b) applicable regulatory requirements are fully complied with; and
  c) (subject to (a) and (b)) investment decisions are consistent with the declared strategic objectives and financial interests of the Foresters Group, in its capacity as the owner of the UK Group;
- acting as a forum for the reporting and discussion of the UK Group Companies' investment performance, including the performance of the UK Investment Funds;
- considering and recommending to the Boards decisions on matters that may arise from time to time in relation to the conduct of the UK Group Companies' investment business, which will most readily contribute to the performance, protection and security of all investment funds under the management of the Forester UK Group, including, at least annually, the asset allocation criteria within which the Companies' fund managers are required to operate;
- reviewing the terms of any proposed contract for the appointment of any external fund manager and to making recommendations on such appointment to the Board; and

- reviewing the appointments of all external fund managers on a rolling basis to consider the appropriateness of their ongoing appointment having regard to their performance compared with those of their peers and the terms of their respective contracts.

To assist the Committee in its consideration of the above, the Committee receives at each meeting such formal written or oral reports as it may request, and will use those reports as the basis for its own reports to the Boards. These formal written reports will in any case include a report from the Chief Financial Officer showing the degree to which the UK Group Companies' investment policies, strategies, and procedures have been duly complied with, and the extent to which those strategies, policies and procedures and the Companies' investment performance:

- adequately protect the interests of customers and policyholders
- satisfy regulatory requirements, and
- are consistent with the approved business plans of the Forester UK Group.

Risk management

In carrying out its mandate for risk management, the Committee is responsible for:

- reviewing each UK Group Company's risk management framework, including its risk appetite, tolerances and policies by reference to current and relevant information and making such recommendations to the Board thereon as considered necessary;
- considering whether appropriate arrangements are in place to effectively manage and mitigate risks affecting UK Group Companies, including whether risk management functions have appropriate resources and authority to ensure compliance with Group policies and procedures;
- reviewing each UK Group Company's risk management framework, including its risk appetite, tolerances and policies by reference to current and relevant information and making such recommendations to the Board thereon as considered necessary;
- considering whether appropriate arrangements are in place to effectively manage and mitigate risks affecting UK Group Companies, including whether risk management functions have appropriate resources and authority to ensure compliance with Group policies and procedures;
- reviewing each UK Group Company's risk management framework, including its risk appetite, tolerances and policies by reference to current and relevant information and making such recommendations to the Board thereon as considered necessary;
- considering whether appropriate arrangements are in place to effectively manage and mitigate risks affecting UK Group Companies, including whether risk management functions have appropriate resources and authority to ensure compliance with Group policies and procedures;
- reviewing at least quarterly the risk exposures facing each UK Group Company as well as the actions being taken to manage and/or mitigate these risks;
- considering the completeness of the risk profile presented and evaluating potential emerging or new risk issues facing the UK Group Companies;
- considering whether risk exposures are being managed within approved risk appetite and tolerance levels and reviewing the adequacy of management actions and plans where levels of risk are in excess of tolerances;
- challenging whether additional actions may be necessary to mitigate material risk exposure or respond to emerging risk issues; and providing a report to the next scheduled Board meeting (or sooner if considered necessary) of its conclusions as a result of consideration of the foregoing, together with recommendations for action as considered appropriate.

- to assist the Committee in its consideration of the above, the Committee will receive at each meeting such formal written or oral reports as it may request, which will include the following:
    - report of risk exposures measured against approved tolerances;
    - details of the risk assessment process that has been carried out across the UK Group Companies or, if not, the areas of deficiency;
    - a statement from the Chief Risk Officer as to whether approved risk policies, appetites and standards have been complied with and, in the event of any breaches, what actions have been taken or are planned to address them; and
    - a summary of any significant risk events and material near misses which might have resulted in risk tolerances being exceeded.

Capital management

In carrying out its mandate for capital management, the Committee is responsible for:

- overseeing the updating of the UK Group's Own Risk and Solvency Assessment ('ORSA') and Forward Looking Assessment of Own Risk ('FLAOR') in accordance with the UK Group's ORSA Policy;
- considering on an ongoing basis whether the Solvency II standard formula remains a proxy for the risk profile of the UK Group and to make recommendations to the Board of FHE as appropriate;
- making recommendations to the Board of FHE regarding the Internal Capital Target for the UK Group;
- reviewing the adequacy and appropriateness of stress and scenario tests (including reverse stress testing) linked to the capital setting exercise and where appropriate recommending any further stress or scenario tests necessary; and
- reviewing the effects on capital of specific events occurring and / or instances where assumptions material to the UK Group Companies' business plans are compromised and making recommendations to the Board as considered appropriate.

Other

In addition to the foregoing the Committee shall:

- evaluate its own collective performance at least annually;
- review annually these terms of reference and either recommend changes to the Board or confirm to the Board that no changes are in its view required.

With-Profits Fund Advisory Panels

As the Company manages three closed With-Profits funds it has established With-Profits Advisory Panels. Each Panel acts in an advisory capacity to inform decision-making by the Board in relation to the management of that Fund. Each Panel acts in accordance with its own terms of reference, regulations affecting the management of with-profits business and in particular the fund's Principles and Practices of Financial Management ('PPFM').

The Advisory Panels, which have no executive decision-making authority, are authorised to consider any matter and to make recommendations to the Board it deems appropriate within its terms of reference. It thus acts in an advisory capacity to inform decision-making by the *Board* in relation to the management of the Fund

The responsibility of the Advisory Panel is to provide an independent view on the management and operations of the Fund and, in particular, adherence to the terms and conditions outlined in the *Transfer Instrument*. Specifically, its responsibilities include the need to assess, report on and give advice (and, where relevant, recommendations) to the *Board* on:

- whether it considers FLL has met its regulatory responsibilities to the policyholders and in particular, its obligations to pay close regard to their reasonable expectations;
- the way in which the Fund is managed and whether this is in accordance with these Principles and Practices of Financial Management ('PPFM');
- whether FLL has addressed appropriately and effectively the conflicting rights and interests of with-profits policyholders and other policyholders or stakeholders of the Fund in a way that has paid due regard to their interests and has treated them fairly in the management of their policies, the Fund and any proposed actions affecting them;
- the treatment of debits and credits to the Fund and the consistency of their treatment in line with the *Transfer Instrument*;
- any other issues with which the policyholders might reasonably expect the advisory panel to be involved; such that its assets are able to cover its liabilities and its capital and *solvency* requirements. However, under the terms of the *Transfer Instrument*, if either the Fund or any of the FLL Funds is unable to meet its liabilities, the other funds may provide capital support on such terms as the FLL *Board* considers appropriate, fair and reasonable, taking into account the relevant regulatory requirements, the views of the advisory panel and the advice of the Chief Actuary of FLL and the FLL with profits actuary for the affected FLL Long term Business Funds

There have not been any material changes in the system of governance over the reporting period.

B.1.1 Remuneration policy

The Group's policy is to ensure that total remuneration of the executive director is competitive with that of comparable organisations in the financial sector. As far as practicable the policy aims to provide a strong link between pay and performance without encouraging inappropriate risk taking.

The key objectives of the Group's remuneration policy are to consider the following principles in respect of the Group's remuneration arrangements to ensure they:

- promote effective risk management,
- avoid encouraging risk taking that exceeds risk tolerance limits,
- align with business and management strategy
- avoid conflict of interest, and
- allow for clear, transparent and effective governance

In addition to the above principles which apply to all employees, certain additional requirements apply to employees who either effectively run the Group or whose activities have a material impact on the Group's risk profile.

The additional requirements are as follows:

- the balance between fixed and variable components is such that the fixed element represents a sufficiently high portion of the total remuneration
- a substantial portion of variable remuneration requires a deferred component of a period not less than three years
- performance-related variable remuneration is based on a combination of the performance of the individual, the business unit concerned and the overall result of the Group
- consideration of performance is based on financial and non-financial criteria.
- a downwards adjustment for measurement of performance as a basis for variable remuneration for exposure to current and future risks
- any termination payments to relate to performance over the whole period of activity and do not reward failure
- any variable remuneration of employees engaged in the control functions of risk, compliance, internal audit and actuarial is independent from operational units submitted to their control.

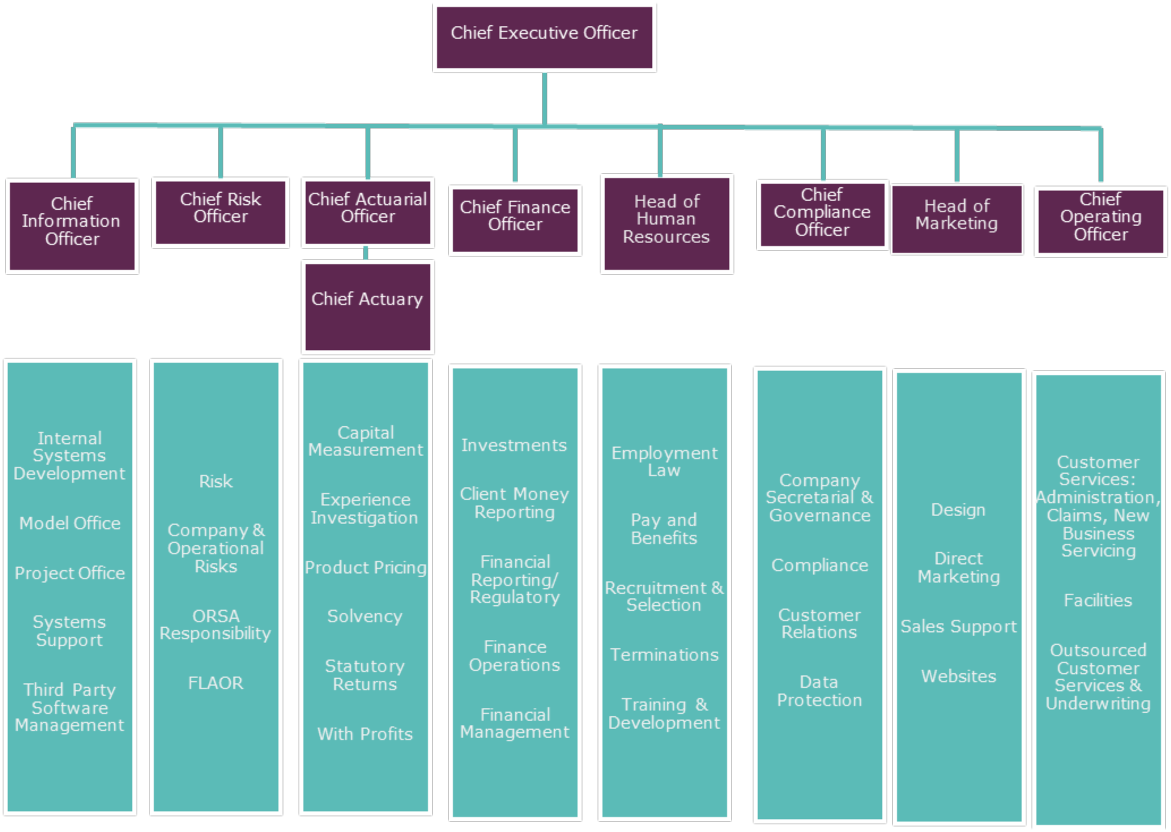
Independent non–executive directors of the Company received remuneration totalling £0.1m during the year (2015: £0.1m)

B.1.3 Key functions

The Senior Insurance Managers Regime ('SIMR') provides a regulatory framework for similar standards of fitness and propriety, conduct and accountability to be applied to individuals in positions of responsibility at insurers as applied for banks and large investment firms. The Group operates a governance map, which aims to be a clear and coherent document. Key objectives of the map are to:

- provide a list of key functions;
- the names of the persons who effectively run the Group;
- a summary of the significant responsibilities allocated to such persons;
- a summary of where responsibilities are allocated to more than one person, details of how those responsibilities are shared or divided between the persons concerned;
- reporting lines and lines of responsibility;
- how the Group's management and governance arrangements fit together with those of its group, the extent to which governance arrangements are provided by or shared with other members of the Group; and
- for such persons listed as effectively running the Group, details of the reporting lines and lines of responsibility to persons who are employees or officers of other group members or to committees or other bodies of the group or other group members.

The following chart details the key functions of the Group and the reporting lines to the CEO:



B.2 Fit and proper requirements

The Group operates a Fitness and Propriety policy. The key objectives of this policy are as follows:

- provide a consistent framework and language for the assessment and maintenance of the fitness and propriety of the senior management of the Group;
- establish minimum standards for fitness and propriety of the senior management of the Group and oversight of these standards to ensure their continued effectiveness;
- provide guidance to the circumstances when individuals would not be considered fit and proper

The regular cycle of appraisals and performance reviews provides the baseline for the on-going assessment of fitness and propriety.

The Fit and Proper requirement applies to the senior management roles within the firm. In this context, senior management roles mean persons effectively running the firm or performing or holding a key function as shown in Section B.1.3.

The assessment of Fitness and Propriety falls under three main headings:

- Competency and Capability
- Honesty, integrity and reputation
- Financial Soundness

Competency and Capability

Senior management are required to have the relevant skills, knowledge and expertise in order to effectively carry out their functions. Prior to appointment the Group must satisfy itself that it has verified the knowledge, competency and experience of the senior manager and they are relevant to the role. Senior managers are also expected to be competent in the following:

- Market Knowledge;
- Business Strategy and Models;
- Risk Management and Controls;
- Financial Analysis and Controls;
- Governance, Oversight and Controls, and
- Regulatory Framework and Requirements

Honesty, integrity and reputation

Senior managers are in positions of influence and authority and therefore need to act with honesty, integrity and be of sufficient repute as not to have adverse impact on the firm. The key risk is the potential for financial crime, susceptibility to bribery and corruption and associated crimes such as money laundering. All senior managers are subject to a DBS (previously Criminal Records Bureau) check which provides details of any unspent and spent convictions and such information is compared with any disclosure from the senior manager. An individual cannot act as a senior manager if they are an undischarged bankrupt.

Financial Soundness

An individual cannot act as a senior manager if they are an undischarged bankrupt or currently subject to an Individual Voluntary Arrangement ('IVA')

B.3 Risk management system including the ORSA

The UK Group's approach to risk management and its interaction with the decision making process is managed through its Risk Management Framework which is explained in detail in the Risk Management Policy and the supporting Risk Appetite Framework document. The practical application of the Policy and the Risk Appetite Framework on a day to day basis is explained in the Risk Management Process document. The key aspects of the risk management framework are outlined below. This constitutes the context in which the ORSA is performed.

Risk Management Culture

Effective risk management is fundamental to the UK Group in order to ensure that assurance is obtained regarding the management of significant risks and therefore fully informed business decisions are made, capital is managed efficiently, returns are generated for policyholders, mandatory obligations are met and that the company has effective and efficient core processes Senior management sets an appropriate tone at the top by promoting ethical behaviour and demonstrating a commitment to risk management.

Risk Appetite

Risk appetite is defined as the amount of risk the UK Group is willing to take in the pursuit of achieving its strategic objectives. Risk appetite is set by the Board and is used to ensure that business decisions take account of the UK Group's ability to accept and manage risks and to guide management actions. Through the Risk Management Framework which includes the Risk Appetite Framework, the Group has formally established and communicated its risk appetite.

Risk appetite is used to ensure that the UK Group does not take on more risk than the capital base allows. One of the key risk appetite statements relates to maintaining an appropriate buffer of capital resources over capital requirement (the higher of the SCR or economic capital requirement for the ORSA) to meet the internal capital target.

To avoid these appetites being breached, inner and outer limits have been established, expressed as tolerances and limits. These are trigger points indicating when action should be taken to bring the UK Group back within risk appetite. All risk appetites and limits are well within risk capacity.

Roles and Responsibilities within the Risk Framework

The Group adopts a "three lines of defence" model as discussed in the Summary to the SFCR

The Executive has oversight of the risks for the areas for which they are responsible. A bottom up and top down approach is taken, with business areas maintaining risk registers which are reviewed monthly by the risk department, and the Chief Executive Officer maintaining an Executive level risk register.

The Risk & Investment Committee is made up of Non-executive Directors, although other members of the Board and the Executive Committee are invited to attend. The Committee meets at least four times a year.

The Risk & Investment Committee is responsible for advising the Board on the Group's overall risk appetite, and for the risk strategy. The Committee oversees the risk framework, risk activity and resources; it oversees the effectiveness of the risk management procedures, including the Executive level risks and the steps being taken to mitigate them.

Risk identification, assessment and management

Risk identification
The Executive Leadership Team evaluate risks for their respective areas of responsibility, including risks which are outside the control of the UK Group. In addition the risk department meets with Risk Owners to provide oversight and challenge of risks, which are recorded on business area risk registers. Each Risk Owner owns their risk register and they are responsible for the completeness and accuracy of the information contained in it.

Risk assessment
Each risk identified is evaluated and given a score based on the likelihood of the risk materialising and the impact if it was to occur, based on the UK's risk assessment matrix. Inherent risk, an assessment of the likelihood and impact before any controls are taken into consideration, and residual risk, which takes into account mitigating controls are both recorded.

Risk mitigation
Risk Owners provide details of any mitigating factors/controls in place against each risk. Residual scores are then applied to each risk, to show the score once controls/mitigation has been applied.

Risk response
Actions are added to risks on registers where existing controls are not sufficient to mitigate the risk or are not effective. Actions are also recorded in minutes of the relevant meeting.

Emerging Risks
The Risk and Compliance functions are responsible for reviewing potential emerging risks. An assessment of these risks is presented to the Executive Leadership Team and the Risk & Investment Committee.

Risk monitoring and reporting

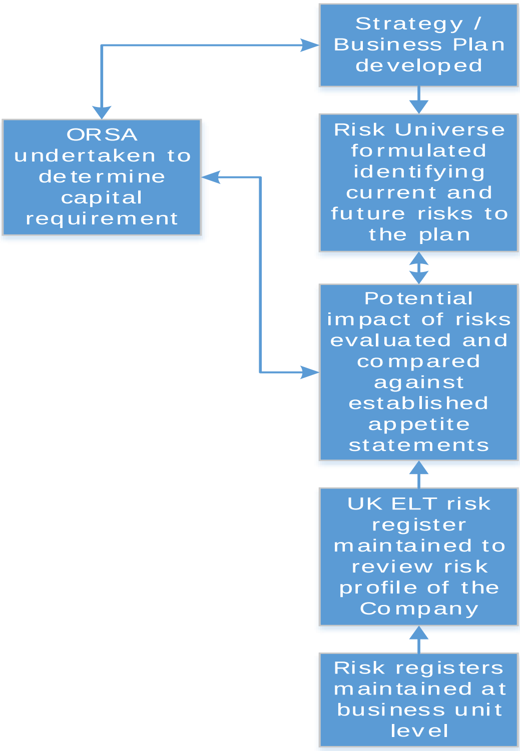
Executive level risks
A risk report, designed to give sufficient oversight of the risk management framework and risk profile is presented monthly to the Executive and quarterly to the Risk & Investment Committee.

Committee updates
Effective risk management requires engagement and communication from the Board level down, as well as from the Executive to the Board. The Risk Team provides an update on risk matters to the Executive Committee and to the Risk & Investment Committee. The areas covered regularly include the risk profile, emerging risks, updates on significant projects, and a summary of events and potential losses. Ad hoc reports are provided as required. The Chief Risk Officer has free and unfettered access to members of the Risk & Investment Committee and the Board.

ORSA Process
The ORSA can be defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage, and report the short and long term risks the UK Group faces or may face and to ensure that its appetite for these risks is conversant with its capital and commercial aspirations. This includes the Forward Looking Assessment of Own Risks (FLAOR) which considers the risks to which the successful implementation of the business plan is exposed over its currency which in the UK Group's case is 3 years. This is to ensure that the internal and regulatory capital requirements will not be impaired, or if it is indicated that they will be, that management actions are in place to mitigate the position.

The Board and the Risk & Investment Committee play an integral role in the oversight of the ORSA at all levels. The annual ORSA is undertaken in parallel with the annual business planning process so that the risks identified as part of the planning process can be taken into account within the ORSA to ensure that solvency needs and internal capital targets will be met and risk appetites observed. The Internal Audit function provides independent assurance regarding the integrity of the annual ORSA process.

The ORSA process is outlined in the ORSA policy. The key aspects are outlined below.



As part of the annual business planning process the risks are identified that could have an immediate impact on the plan or could do so on a forward looking basis over the currency of the plan.

These risks are then evaluated and compared to the UK Group's stated risk appetite. One of the Board's key determinants of risk appetite is by reference to the capital requirement generated by these risks from both a regulatory and internal capital target perspective. The Board has concluded that the standard formula prescribed under the Solvency II legislation for calculating the Solvency Capital Requirement (SCR) accords, in the main, with the risk profile of the UK Group in calculating its solvency needs at the required 1:200 year level.

The robustness of the capital output from the standard formula and the ORSA / FLAOR is scrutinised utilising scenario testing. A number of plausible scenarios, parameterised at the 1 in 200 level are developed based on events, the features of which respond to the key risks to which the business is exposed.

The results from the scenarios will be compared with the ORSA and the Internal Capital Target (ICT) to ensure that the ICT can withstand the effect of the scenario occurring. In circumstances where it is found that the tolerance levels applicable to the ICT would be breached should the scenario occur then the reasons for this are evaluated and recommendations developed for consideration by the Risk & Investment Committee

The results of the ORSA, together with the ongoing confirmation that the capital assessment continues to be conversant with the UK Group's risk profile and stated appetite levels, are integral to strategic decision making by executive management and the Board.

B.4 Internal control system

The Board has oversight responsibility for the management of risk within the Group. As such the Board provides oversight to ensure that the identified risks to which the business is exposed are being managed to a level commensurate with its stated risk appetite. The Board gains assurance that these responsibilities are met through the development and maintenance by the senior management of an internal control framework. The control framework, and the basis upon which it operates, is articulated in a range of policies and procedures.

The Internal Control Policy establishes the basis of the internal control framework and seeks to provide a framework to oversee that:

- Identified risks are managed to a level commensurate with the Board's risk appetite;
- Relevant laws and regulations are complied with;
- Data and information made available internally or externally is accurate, timely, complete, reliable and consistent;
- The Group's assets and resources, including its people, systems and data / information (including data that is held on behalf of its members and customers) are adequately protected, including instances where functions are outsourced to third parties; and
- Control processes have been established that call for management and employees to carry out their duties and responsibilities with integrity and in an efficient and effective manner.

Based on information provided by management and independently by the Risk, Compliance and Internal Audit functions, the Board is able to form a view whether the internal control framework remains appropriate and if not what actions need to be taken as a result.

<u>Control environment</u>

The Board and Senior Management lead by example in communicating the importance of internal control and expected standards of conduct. The Board is assisted in carrying out its duties by various Committees and senior management as set out above.

<u>Information and communication</u>

Satisfactory communication of information is necessary for Board, management and employees to carry out their internal control responsibilities effectively. The key principles relating to information and communication are therefore:

- Information must be relevant and of a quality to support effectively the development and maintenance of the internal control framework; and
- Information must be communicated effectively and in a timely manner in order to ensure that all staff understand their duties and responsibilities (including instances where matters require escalation) in the context of internal controls and so that the internal control framework remains relevant to the Board's objectives and risk appetite.

Monitoring activities

This includes the process for evaluating adequacy of the internal control framework and reporting any findings or deficiencies. The key principles are as follows:

- Evaluations are carried out by control owners within business areas and oversight functions on an ongoing basis to ensure that the internal control framework is current and functioning as intended and remedial action taken if considered necessary as soon as possible; and
- Independent reviews of the internal control framework must be undertaken by Internal Audit utilising a risk based approach.

B.4.1 Compliance Function

The Compliance function seeks to assess and consider whether the Group adheres to all applicable legal and regulatory requirements and internal rules and policies governing its operations as applicable to conduct risk and FCA requirements.

The key responsibilities of the Compliance function are to:

- assess whether the compliance process is running effectively and to monitor that the statutory, regulatory and supervisory requirements are being met;
- monitor whether effective compliance controls and procedures are followed and whether corrective action is taken when compliance breaches are identified;
- identify, assess, advise on, monitor and report to the Board on compliance risks; provide compliance management education and tools to management and staff;
- monitor compliance with internal policies and standards; and
- promote an appropriate compliance culture.

B.5 Internal audit function

The Internal Audit function is provided by the IOF Group Internal Audit team. It is implemented through the following process:

An audit plan is created on an annual basis and ensures sufficient evidence will be obtained to evaluate the effectiveness of the control environment across the business. The audit plan considers those operations most affected by recent or expected changes, in processes or systems, including changes following acquisitions, restructures and new ventures. The proposed plan is flexible so that adjustments can be made during the year as a result of changes in management strategies, external conditions or major risk areas. Any proposed changes or update in the plan are reported to the Audit & Compliance Committee (“ACC”) for their review and agreement before they are incorporated into ongoing work. The ACC review and approve the plan at least annually;

Based on the annual plan, the internal audit activity evaluates the adequacy and effectiveness of controls encompassing the business’ governance, operations, and information systems. This includes:

- Effectiveness of the controls over the operations;
- Reliability of financial and management reporting;
- Safeguarding of assets; and
- Compliance with laws, regulations, and contracts.

The Board of Directors ("Board") requires that the Chief Internal Auditor ("CIA") performs sufficient audit work and gathers other available information during the year so as to form a judgement regarding the adequacy and effectiveness of the control environment. The CIA communicates overall judgement regarding the Company's control environment to the ACC.

The internal audit function of Foresters is managed by the Enterprise Chief Internal Auditor ("CIA"), who is an employee of the business, has no responsibility for any other function across the business, and reports administratively to the Executive Vice-President ("EVP") & Chief Financial Officer ("CFO") at Enterprise level and has free and unrestricted access to the President and Chief Executive Officer ("CEO"), the Chair of the UK and Canadian Audit & Compliance Committee ("ACC")s, and will report directly to the ACC. This reporting structure ensures independence of the internal audit function.

B.6 Actuarial function

The Group operates an Actuarial Function Policy which outlines the manner and principles under which the Chief Actuary delivers its mandate with the Group.

This policy covers the sections described below.

B.6.1 Actuarial Function Responsibilities

The Chief Actuary's broad responsibilities are ensuring the long term financial stability of Foresters Financial and ensuring adequate customer protection through solvency.

The role of Actuarial spans the first and second line of defense. It provides inputs for the day-to-day management and control of risks in the first line, and oversees the business operations in the second line.

In particular, the Chief Actuary is required to fulfil the following regulatory requirements:

- Solvency II Directive (Article 48)
- Delegated Acts (Articles 272 and 308)
- EIOPA Guidelines on System of Governance

Calculation of technical provisions

The Chief Actuary provides:

- the calculation of the technical provisions, in accordance with the methodologies and regulations; and
- the validation of the technical provisions,

The Chief Actuary reports on:

- the appropriateness of the methodologies relative to the SII requirements;
- the appropriateness of the models for the purposes of calculation;
- the assumptions in the calculation of technical provisions; and
- the sufficiency and quality of data used.

The Chief Actuary provides a quarterly report on the reliability and adequacy of the technical provisions.

Experience Analyses

The Chief Actuary conducts an experience analysis for each of the risks which are material to the FLL fund in question:

- An annual experience analysis at a detailed product level, for the purposes of setting assumptions; and
- A quarterly experience analysis to monitor actual versus experienced persistency for key products, and to provide management information.

Effective implementation of the risk-management system

The Chief Actuary contributed to the effective implementation of the risk management system through:

- Modelling risks underlying the calculation of the capital requirements on a quarterly basis;
- Contributing to the ORSA process through risk identification, capital measurement and stress and scenario testing including reverse stress testing The ORSA, including the forward looking assessment, is performed at least annually and following a significant change in risk profile. This included but is not limited to an acquisition or divesture of a business, a significant change in market conditions or a significant change to the type of level of new business.
- Monitoring solvency on a continuous basis;
- Projecting solvency requirements under stresses and scenarios;
- Developing mitigating actions to protect solvency; and
- Provides data to enhance and report against risk appetite statements, limits and tolerances.

Broader responsibilities of the Chief Actuary

The Chief Actuary provides first line responsibilities:

- Product and Pricing support for the business;
- Determining reinsurance arrangements;
- Support to the With Profits Actuary on all actuarial aspects of their role, including bonus setting;
- Contributing to Investment and Asset/Liability Strategy;
- Contributing to Business Planning;
- Determining Reserves for UK IFRS;
- Determining Reserves and Capital on the Canadian regulatory regime;
- Analysing earnings by source;
- Developing and productionising actuarial models;
- Developing and productionising asset and liability data processes;
- Managing the relationship with Tunbridge Wells Retirement Benefit Scheme Trustees and Scheme Actuary.

B.6.2 Actuarial Function Reporting

Quarterly Actuarial Valuation Report

The Chief Actuary provides a quarterly report covering:

- Methodology and assumptions used for the quarterly valuation
- Any changes in methodology and assumptions, and the impact
- Technical provisions, capital requirements and solvency on a Solvency II basis.
- Reserves on a Canadian and UK IFRS basis
- Analysis of Change in reserves – the change in surplus based on actual versus expected cashflows during the analysis period, and change in reserves by risk driver.

Annual Actuarial Function Report

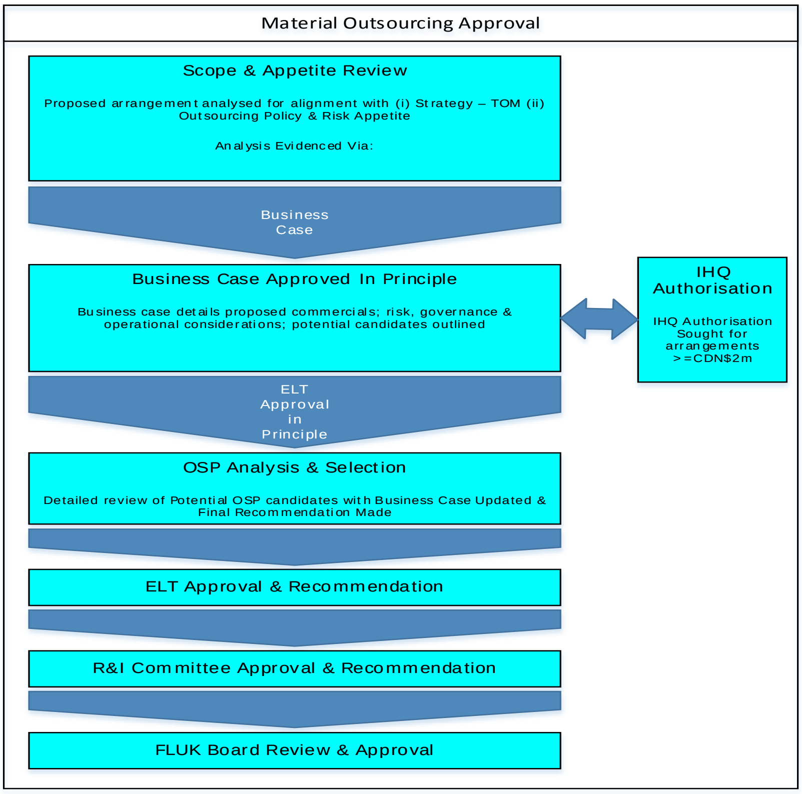
The Chief Actuary provides as annual Actuarial Function Report following the completion of the year-end results. The report covers actuarial opinion on the calculation of the technical provisions, assumptions, data, risk and uncertainty associated with the technical provisions, business and risk environment.

B.7 Outsourcing

The Group operates an Outsourcing Policy, which sets out the principles, rules and guidance for any material outsourcing activity entered into by any entities within the Group. The key objectives of the policy are:

- To establish minimum and consistent standards for entering into, managing and exiting the outsourcing of material Group functions
- To define and allocate responsibilities to ensure that these standards are upheld at all times, and;
- To ensure that the risks associated with entering into such outsourcing arrangements are effectively managed both at inception and on an ongoing basis.

Entering into any new material outsourcing arrangements requires the consideration of a range of business, commercial and risk appetite criteria. The diagram below provides a high level representation of the process which must be adhered to for all material outsourcing arrangements.



The Group must assure itself of the expertise and experience of the outsourced service provider. There should be an initial capability analysis of the proposed provider to ensure that they would be capable, and have demonstrated capability of, meeting their financial, regulatory and service obligations.

Monitoring and reporting against material outsourcing arrangements provide the Group's senior management with assurances that (i) all current outsourcing arrangements remain within FL UK's risk appetite, and (ii) that they are performing within expected tolerances. It is the responsibility of each outsourced service owning executive to ensure that:

- Clear contact, reporting and escalation processes are in place to manage the day-to-day relationship within a 'business-as-usual' environment;
- Material outsourced service providers are providing key performance data & breach reporting per their contractual obligations;
- Material issues raised are being reviewed by the relevant FL UK governance body;
- If specific governance arrangements are in place with the OSP, that the relevant FL UK person(s) are engaged and can input to that process;
- the outsourced service provider maintains its 'credit worthiness' and does not pose a material credit risk to the Group

B.7.1 Material outsourced services

The administration of the FFML business was performed by Capita, however following the transfer of the FFML business to FLL in January 2017, the remaining material outsourcing relationships are as follows:

- Investment management – (Schroders, Aberdeen Asset Management, Invesco, Fidelity, Henderson, Royal London, Insight, Aviva, Scottish Widows)

- Underwriting (Morgan Ash)

These outsourced service providers are based in the UK

C Risk Profile

Section C is unaudited

C.0 Overview of the company risk profile

The UK Group business's primary focus is on investment type products: unit linked products written within the insurance company; child trust funds, written in the FFML investment subsidiary; and four ring fenced funds, two of which have fixed charges to policyholders. It has a smaller portfolio in traditional life insurance, protection and health products. The unit linked business and protection business are open to new business.

The UK Group's business is split between shareholder business and policyholder business. The shareholder business primarily covers the administration of investment business, management of demographic risks including lapse risk of business written in the Ongoing Business Fund, management of the risk of burn-through of the with-profit funds, and the management of two defined benefit schemes. The impact of these risks directly impacts profitability and available capital within the UK Group. The policyholder business covers the administration of four ring-fenced funds, the risks of which are generally passed onto the policyholder, and which impact the capital held within the ring-fenced funds themselves.

The UK Group is exposed primarily to the variance in the margin between charges earned on funds under management and administration expenses within the investment business. Its secondary risks are underwriting risks linked with traditional life and health products and the costs of providing guarantees within the with-profit funds.

The principal basis used to measure and assess the UK Group's exposure to risk is the Solvency II Solvency Capital Requirement (SCR) using standard formula methodology and the Own Risk and Solvency Assessment (ORSA) along with sensitivity and stress testing of key risks.

As part of the ORSA, scenario testing, stress testing and reverse stress testing are conducted to assess the UK Group's surplus position under various conditions. This testing demonstrated that the UK Group maintains sufficient capital to withstand severe shocks with respect to the risks.

The key risks are classified as underwriting, market, credit, liquidity, operational and strategic risks.

C.1 Underwriting risk - Life insurance (including health similar to life)

The UK Group's key underwriting risks are lapse risk and expense risk. It is exposed to variances in lapse and expense experience, relative to the expected experience on which pricing and reserving is based. It is also exposed to future systematic trends and volatility in underwriting risks, which are not allowed for in the pricing or reserving assumptions.

Higher lapses for investment products decrease the charges earned; lower lapses for with profit products increase the potential costs of options and guarantees. The UK Group accepts these risks, monitors experience quarterly, and reviews assumptions annually. By the nature of the business model, the UK Group is exposed to expense risk from expense inflation and / or the inability to achieve revenue growth to support its expense base, coupled with external factors such as an increase in regulatory costs. As such expense risk is accepted as a strategic risk. The general approach taken is to manage expense risk to an acceptable level, through a combination of sound corporate and risk governance and strong systems and controls.

The business planning process assesses the effect of different levels of inflation on the plan outcomes. Given the materiality of the exposure, stresses are applied at the 1-in-200 level to simulate an expense increase of 12.5% aligned with an inflationary increase of 1% per annum under the ORSA. The Group is exposed to variance in mortality, longevity and morbidity experience and future trends in its portfolio, though overall exposure is low. The morbidity risks arise in long-term health underwriting business in the TWF and OBF, the longevity arises in the annuity portfolios in the TWF and OBF, and the two defined benefit pension schemes, and there is a small mortality risk across the majority of products. The Group monitors the experience of these products annually, and manages the morbidity risk through external reinsurance and internal reinsurance with the Group's Canadian parent.

C.2 Market risk

The Group's key market risks are equity risk and currency risk, and its secondary risks are interest rate movements and credit spread-widening, through its investment products.

Falls in the investment portfolios reduce the charges earned, which are linked to value of the portfolios. The Group is exposed to short term crashes and longer term declines in the value of portfolios, along with uncertainty associated with market volatility.

As well as the potential reduction in charges earned from investment portfolios, the Group has some direct exposure to market risk in the asset portfolios backing protection and annuities policies, and surplus assets and the cost of options and guarantees. The UK Group also has a direct exposure to potential falls in the value of assets underlying the staff closed defined benefit pension scheme. If losses reach a level at which the solvency of the ring fenced funds is impaired FL UK would be required to inject capital to make good the position.

The Group accepts the market risk associated with its investment products, and manages these risks through compliance with investment policies and procedures, with escalation of breaches, regular governance meetings with investment managers, and an annual review of investment strategies. It manages the market risk associated assets backing protection and annuities portfolios by maintaining strong credit quality and duration matching.

The Group is exposed to changes in the yield curve, which impacts the present value of future charges, held as an asset on the balance sheet, and the value of the costs of options and guarantees in the with-profit funds. The Group accepts this risk, measures and monitors the exposure to interest rate risk on a quarterly basis, and more frequently as necessary.

The Group holds a diversified portfolio to minimise concentration, and manages this through investment management agreements and quarterly monitoring.

C.3 Credit risk

The UK Group takes credit risk positions in its investment and insurance portfolios through its investments in government bonds and corporate debt. In the linked business and the ring fenced funds' credit risk is assumed by the customer. The UK Group has an indirect exposure through the potential loss of revenue derived from annual management charges on funds under management. There is a direct exposure to potential losses as a result of credit risk in the shareholder funds.

The UK Group, additionally, has some exposure to credit risk through secured loans to policyholders, collateralised against their plan value. It manages its exposure by reviewing the portfolio regularly.

Limits and tolerances are set for Gilts and Corporate Bonds for each fund.

Assessment of the impact of interest rate changes and falls in equity markets is carried out as part the UK Group's stress testing programme linked to the ORSA and the SCR. The output of this assessment is reviewed by the Board.

The UK Group manages its credit risk by investing in investment grade bonds only, with credit ratings of BBB- or higher. It monitors its internal fund management and the external fund manager's portfolio for compliance monthly and reviews the investment strategy annually. The FFML funds are primarily invested in equities with low exposure to fixed income, and all pursue pre-defined investment strategies.

C.4 Counterparty risk

There is the risk of counterparty default from policyholders, reinsurers, bond issuers and banks, including custodians.

The UK Group reinsures its health risks with Swiss Re, Hanover Re and the Independent Order of Foresters. While the UK Group is exposed to failure of reinsurers, the overall level of exposure is low. The UK Group monitors the reinsurance premiums and claims on a quarterly basis.

The UK Group utilises banking arrangements with banks of ratings, equal to or higher than P-1 (Moody's) or A-1 (S&P).

Derivatives are used in a number of the UK Group's funds, within Investment Policy guidelines based on the principles of risk reduction, efficient portfolio management, tactical asset allocation, obtaining or hedging market exposures and cash flow management. The UK Group does not hold derivatives for speculative purposes, and outright short selling is not allowed.

The UK Group is exposed to risk arising from the failure of derivative counterparties.

Most transactions are contracted and documented under ISDA (International Swaps and Derivatives Association, Inc.) agreements. Such agreements are designed to provide a legally enforceable set-off in the event of default, which reduces credit exposure.

Exposures to counterparties and exposures arising from aggregated holdings are measured and monitored daily by Schroders and monthly by the UK Group.

C.5 Liquidity risk

Liquidity risk is the risk that the UK Group, although solvent, is unable to make available sufficient resources to meet its financial obligations as they fall due. The Group has no appetite for liquidity risk. As a consequence, the UK Group maintains sufficient controls in order to mitigate liquidity risk.

The UK Group manages this risk through a monthly monitoring of short term liquidity, analysis of lapse and claims variance, liability duration analysis and stress and scenario testing.

C.6 Operational risk

Operational risk is defined as losses from inadequate or failed internal processes, systems or human performance, or from external events, such as natural disasters or accidents. The Group is exposed to Operational Risk (including Conduct Risk) simply by being 'open for business'. Operational risk does not diversify with other risks under Solvency II.

The main drivers of the operational risk for the UK Group are: business continuity failure; process risk; key person dependencies; cyber/IT security; key supplier risks/outsourcing; and external risks which cover legal, competitor, reputation and regulatory change.

Operational risk is managed through the risk management framework. The key aspects are a positive risk management culture, governance through the three lines of defence model, a strong control environment including executing risk response actions to address identified gaps or weaknesses and on-going monitoring of the effectiveness of risk management actions.

C.7 Changes to the risk profile in the reporting period

The Group's business mix has been relatively stable over the year. However the risk profile has been modified through a series of internal management actions.

1) The Group has broadened its investment strategy, incorporating global equities and global bonds, with some exposure to derivatives and currency risk. The investment strategy is adopted to improve the risk/return profile of the business.

    2) The Group has made a change to distribution of risks associated with one of the defined benefit pension schemes. The scheme was within the TW with-

profits fund, and up until 1 July 2016, the TW policyholders bore the risks of the scheme. After this date, some of the pension scheme risk has been transferred to the Ongoing Business Fund.

3) The Group ring-fenced a portfolio of deposit administration business, now known as the Deferred Pension Fund, on 1 September 2016. This formally redistributes the investment and insurance risks from the shareholder to the policyholder.

C.8 Future changes to risk profile

The Group transferred the FFML business to FLL, converting the policies from asset management to unit linked policies, with a 1% death benefit on 1 January 2017. This has changed the risk profile in a number of key ways:

(i) The expense profile for the FFML moved from a fixed contractual administration expense with Capita to a variable internal expense.

(ii) The operational risk associated with Capita as an outsourcer is reduced, but other internal operational risks could potentially increase.

(iii) The Group holds a higher amount of capital for unit linked policies held directly in the business; previously the FFML business was treated as a strategic holding.

The UK Group views the changing regulatory environment and the impacts of technology on distribution channels, as two particular risks, which could impact the business model.

D Valuation for Solvency Purposes

D.1 Assets

The basic principle of valuing assets under Solvency II is to determine the amount at which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

The general principles for measuring asset valuations under Solvency II are as follows:

- Wherever possible, the fair value of assets must be based on a mark to market approach, based on readily available prices in orderly transactions that are sourced independently.
- Where marking to market is not possible, mark to model procedures should be used (marking to model is any valuation which has to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input). When marking to model, undertakings will continue to maximise the use of

relevant observable inputs and minimise the use of unobservable inputs. We do not currently have any mark-to-model assets

There have been no changes made to the asset recognition and valuation bases used or to estimations during the reporting period.

The following table details the IFRS and Solvency II valuation of the assets of the FLL at YE 2016:

(£'000)	FLL IFRS valuation	FLL Solvency II valuation
Intangible assets	12,170	0
Deferred tax asset	5,369	5,369
Property, plant and equipment held for own use	5,450	5,450
Holdings in related undertakings, including participations	51,800	19,062
Financial investments and cash	1,889,730	1,888,854
Loans to policyholders	5,373	5,373
RI share of technical provisions	6,155	6,135
Receivables	10,933	8,282
Total assets	**1,986,980**	**1,938,525**

We are exempted from producing IFRS Financial Statements at the FHE Group level. Reconciliations of IFRS to Solvency II assets movements for FLL and FHE Group are set out below:

(£'000)	FLL	FHE Group
IFRS assets	**1,986,980**	**1,984,211**
Intangible assets	(12,170)	(42,414)
Valuation adjustment - FFML	(32,738)	(13,448)
RI share of TPs	(20)	(20)
Re-classes	(3,527)	(3,527)
Solvency II assets	**1,938,525**	**1,924,802**

Asset valuation differences

D.1.1 Intangible assets

Intangible assets under IFRS relate to management contracts and deferred acquisition costs.

Intangible assets can only be recognised under Solvency II if the asset can be sold separately and it is possible to demonstrate that there is a value for the same or similar assets based on the valuation methodology required for Solvency II purposes.

Our intangible assets do not meet this definition and therefore are eliminated in the Solvency II balance sheet.

D.1.2 Deferred tax asset

The IFRS deferred tax asset ('DTA') relates to carried forward losses related to the transfer of net assets from FFML to FLL, due to occur in 2017. There are sufficient future profits available from the FFML business to justify holding the DTA. The forecast future profits relating to the business of FFML are monitored regularly to ensure that we have sufficient future profits available to utilise the DTA and is therefore also recognised under Solvency II. There are no time restrictions on the use of the DTA

D.1.3 Property, plant and equipment held for own use

This asset relates to the Company/ Group's freehold title to its property. The property was initially measured at the purchase price including transactions costs. It is subsequently measured at fair value with changes in value recorded in investment income. Properties are appraised annually by a qualified and independent third party based on the market value of similar properties.

As the property is held at fair value under IFRS, there is no difference in the valuation under Solvency II

D.1.4 Holdings in related undertakings, including participations

This asset corresponds to the Company/ Group's investment in its indirect subsidiary FFML

Under Solvency II, the valuation is calculated based on a look-through approach to the fair values of the underlying assets and liabilities of its direct ('FIL') and indirect ('FFML') subsidiary. The value of the FFML participation within FLL is further restricted within Own Funds to 10% of the excess of assets over liabilities on a Solvency II basis (see Section E.1 for further details).

For FHE Group the investment in FFML is included as a participation and valued under the sectoral rules for credit institutions. Under this measurement deferred tax assets are not permitted.

Reconciliations of the investment in FFML from IFRS to Solvency II Own Funds for FLL and FFML are set out below:

(£'000)	FLL	FHE Group
IFRS investment in FFML	**51,800**	**19,062**
Deferred tax assets	0	(13,448)
Goodwill/ intangible element of IFRS valuation	(32,738)	0
Solvency II investment in FFML	**19,062**	**5,614**
Own Funds restriction	(8,447)	0
Own Funds relating to investment in FFML	**10,615**	**5,614**

D.1.5 Financial investments and cash

Financial investments and cash are measured at fair value under both IFRS and Solvency II. The fair value of publically traded equities is determined using quoted market bid prices. For non-publically traded bonds, fair value is determined using an indicative price supplied by a broker. The fair value of publically traded equities is determined using quoted market bid prices. The carrying value of cash and cash equivalents approximates their fair value.

All valuations of financial investments and cash are either Level 1 or Level 2 based valuations. Valuations under Level 1 are based on quoted market prices in active markets for identical assets or liabilities. An active market is a market for a security with a high trading volume. Valuations under Level 2 are based on observable inputs other than Level 1 prices, such as quoted market prices for similar, but not identical, assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable, such as interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment spreads, credit risks, and default rates.

D.1.6 Loans to policyholders

Loans to policyholders are carried at cost less any impairment. Given the short term nature of these assets (due within one year), this is a reasonable approximation of fair value.

D.1.7 RI share of technical provisions

Please see Section D.2 for a discussion of RI Share of technical provisions

D.1.8 Receivables

Receivables (both trade and insurance) are carried at cost less any impairment. Given the short term nature of these assets (due within one year), this is a reasonable approximation of fair value.

D.1.9 Significant Estimates

There are no significant assumptions and judgments applied when calculating the Solvency II valuation of assets other than the ones already described above.

D.2 Technical provisions

D.2.1 Technical provisions by material line of business

The Group values the technical provisions, as the best estimate reserves plus a risk margin as set out in the Solvency II rules.

The overall technical provisions by line of business are shown below:

(£'000)	Health	Life (excl. index-linked and unit-linked)	Index-linked and unit-linked	FLL	FHE
Best estimate liabilities	23,481	645,495	1,020,819	1,689,795	1,687,993
Risk margin	95	2,788	31,152	34,035	34,169
Gross technical provisions	**23,576**	**648,283**	**1,051,971**	**1,723,830**	**1,722,162**
Reinsurance recoverables	(6,063)	(73)	-	(6,135)	(6,135)
Net technical provisions	**17,514**	**648,210**	**1,051,971**	**1,717,695**	**1,716,027**

The most significant proportion of the business is unit-linked line of business written in OBF, covering unit linked ISAs, child trust fund and Junior ISAs. The majority of life line of business is with-profits business, written in TWF, CWF, WPF and DPF. The FHE technical provisions are lower than the FLL technical provisions, due to a consolidation adjustment removing a service charge between FLL and FHE.

D.2.2 Valuation Methodology

The best estimate liabilities ('BEL') are calculated by discounting future cash-flows on in-force business, using best estimate demographic assumptions and the prescribed risk-free interest rate for investment assumptions and discounting.

The cash-flows cover future premiums for in-force contracts within the contract boundary, associated guaranteed benefits, tax, expenses for administration, commission and investment return. The contract boundary is defined as the point where there is no discernible insurance benefit for additional premiums under the current contract.

The with-profits, value of guaranteed benefits includes the sum assured and declared annual bonuses to date, and the value of future expenses. It excludes the value of future annual bonuses and final bonus. It is net of the value of future premiums. Discretionary benefits apply only to with-profits business and are equal to total asset share, cost of guarantees, cost of smoothing and cost of financial options less the value of guaranteed liabilities.

The best estimate liability is calculated gross of reinsurance, with the reinsurance valued as an asset.

The risk margin is the cost of holding the Solvency II capital requirement for non-hedgeable risks on in-force business in all future years. The cost of capital is 6% per annum, which is set by EIOPA.

The company is **not** making use of:

- the Matching adjustment, as described in Article 77c of the final version of the Directive 2009/138/EC
- the Volatility adjustment, as described in Article 77d of the final version of the Directive 2009/138/EC
- the Transitional Measures on Risk-free Rate, Equity and Technical Provisions, as described in Articles 308b, 308c and 308d of the final version of the Directive 2009/138/EC

D.2.3 Assumptions

The key insurance assumptions are lapse and expense assumptions. Lapses are monitored quarterly and the assumptions set annually using internal data, relevant to the particular product group. Administration expenses are reviewed monthly and assumptions set annually based on the Group's budget and future trends in expenses. Investment expenses are reviewed monthly and set annually, though largely reflect contractually agreed expenses. Other insurance assumptions such as mortality or morbidity are reviewed annually, using internal and external data as appropriate.

The key investment assumptions are investment growth, the discount rate and inflation. Investment growth and the discount rate use the Solvency II risk free rate, specified by EIOPA and updated quarterly. The Group does not use a volatility adjustment or a matching adjustment for the discount rate on any lines of business. Price inflation is set with reference to the long term differential between nominal and real yields. Expense inflation is set at price inflation plus 1%.

D.2.4 Uncertainty of Cash-flows

The best estimate liability is defined as the probability-weighted average of the present value of future cash flows on a market consistent basis. The Group adopts a deterministic approach to value liabilities, as the risks are largely symmetrical for most lines of business. The with-profits business contains options and guarantees. To value these options and guarantees a stochastic approach is used across a large range of risk neutral economic scenarios. Actuarial judgement is exercised in the assumptions setting and modelling processes.

D.2.5 Solvency II and IFRS valuation differences

The following table details the UK IFRS and the Solvency II valuation of FLL technical provisions valued as at 31 December 2016. The material differences between the bases and assumptions used in the Solvency II and IFRS valuation of liabilities relate to treatment of negative non-unit reserves for unit-linked products, the treatment of the surplus in the with-profit funds and the risk margin approach is different between two calculations. Best estimate assumptions are aligned between IFRS and Solvency II.

(£'000)	Health	Life (excl. index-linked and unit-linked)	Index-linked and unit-linked	Total FLL
Gross IFRS liabilities	**29,636**	**698,460**	**1,105,544**	**1,833,639**
Unit-Linked adjustment[1]	-	-	(84,725)	(84,725)
With-Profits adjustment[2]	-	(29,451)	-	(29,451)
Insurance & Annuities adjustment[3]	-	(8,453)	-	(8,453)
Classification differences [4]	(6,155)	(15,061)	-	(21,216)
SII Best estimate liabilities	**23,481**	**645,495**	**1,020,819**	**1,689,795**
Risk Margin	95	2,788	31,152	34,035
Gross technical provisions	**23,576**	**648,283**	**1,051,971**	**1,723,830**

(1) The unit-linked adjustment is the recognition of negative reserves under Solvency II. Under IFRS, recognition of future profits is prohibited. Hence the IFRS non-unit reserves are zero while under Solvency II the 'best estimate' of liabilities means that negative non-unit reserves are allowed and reserves can be less than surrender amounts.

(2) The with-profit adjustment is the recognition of own funds in the ring-fenced funds. Under IFRS, the Fund for Future Appropriations (FFA) represents the amount of assets held over realistic liabilities, effectively the Estate. The Estate is included in the IFRS reserves, but excluded from the Solvency II technical provisions, and treated as own funds, albeit restricted.

(3) The Insurance and Annuities adjustment is the removal of the risk margin in the IFRS calculation which is replaced by the Solvency II risk margin.

(4) The adjustment contains the differences in the reserves classification between IFRS and Solvency II.

The movements for FHE are materially the same as for FLL as shown above.

D.2.6 Reinsurance recoverable

The Company has three reinsurance arrangements in place:

- Protection business written in the OBF before 2000
- Protection business written in the OBF since 2000 (the only treaty open to new business)
- Various business lines in the TWF (mainly sickness policies)

As discussed in the section C, mortality and morbidity risks are not significant for the Company. Moreover, a high proportion of reinsured business in the OBF is reinsured on a risk-premium basis, so any reinsurer default will have a minimal impact on the business.

The value of the reinsurance asset is modelled as the best estimate of expected reinsurance recoveries less reinsurance premiums due. On the grounds of materiality, this is modelled for TWF only. Both the recoveries and premiums due should be adjusted for expected counterparty default. However, the company assumes this to be constant over time and to be equal zero because reinsurance arrangements have been placed only with large, multinational reinsurers with a good credit rating. The approach is deemed reasonable given the volume of business being reinsured. The Group has no special purpose vehicles as defined in the Directive 2009/138/EC.

D.2.7 Changes since previous reporting period

The Solvency II methodology and assumptions have been refined over the 2016. The assumptions have been reviewed as part of the annual basis, and updated as necessary.

The methodology for calculating the risk margin has been refined to allow for a more realistic projection of future capital requirements, using risk drivers.

Two structural changes are reflected in the valuation as at 31 December 2016. The deferred pension business in the OBF has been ring-fenced into a separate fund (DPF). TW RBS deficit has been distributed between TWF and OBF. This Scheme resides within the TWF, and has a volatile deficit which resulted in uncertainty in managing TWF. A ‘stop-loss’ reinsurance arrangement has been implemented between TWF and OBF, in order to cap the liability for TWF and help stabilise the fund.

No further changes to Technical Provisions methodology have been applied.

D.3 Other liabilities

The basic principle of valuing other liabilities under Solvency II is to determine the amount at which a liability could be transferred or settled between knowledgeable willing parties in an arm's length transaction.

There have been no changes made to the other liability recognition and valuation bases used or to estimations during the reporting period.

The following table details the IFRS and the Solvency II valuation of the other liabilities of the FHE Group at YE 2016:

(£'000)	FLL IFRS valuation	FLL Solvency II valuation
Pension benefit obligations	7,818	7,818
Deferred tax liabilities	2,257	11,070
Debts owed to credit institutions	1,061	1,061
Payables	43,366	39,835
Total other liabilities	**54,501**	**59,784**

We are exempted from producing IFRS Financial Statements at the FHE Group level. Reconciliations of IFRS to Solvency II other liabilities movements for FLL and FHE Group are set out below:

(£'000)	FLL	FHE Group
IFRS other liabilities	**54,501**	**55,417**
Deferred tax liabilities	8,810	3,107
Re-classes	(3,527)	(3,527)
Solvency II other liabilities	**59,784**	**54,997**

Other liability valuation differences IFRS v SII

D.3.1 Pension benefit obligations

FLL has a defined benefit plan that was acquired as part of the TW acquisition. All expenses of this scheme and the cost of eliminating the scheme deficit are charged to the TW Fund. Management put a stop-loss arrangement in place from the 1 September 2016 whereby the TW RFF pays a reinsurance premium to the OBF and in return any increase to the pension deficit greater than £5.7m is borne by the OBF rather than the TW RFF. All future increases to the pension deficit will be borne by the OBF through the reinsurance arrangement.

FLL also has a small closed defined benefit pension scheme, which is administered by FHE

Please see pages 35-37 in the FLL Financial Statements and pages 18-20 in the FHE Financial Statements for further information on the valuation, valuation assumptions and scheme assets of the pension schemes detailed above.

IFRS measurement principles for pension benefit obligations are consistent with Solvency II, and therefore there is no difference in the valuation measurement. The pension scheme liabilities are valued on an annual basis in accordance with IAS 19.

D.3.2 Deferred tax liabilities

Deferred tax liabilities are accounted for using the liability method, whereby tax expected to be payable or recoverable is calculated on temporary differences arising between the carrying amounts of assets and liabilities under IFRS and the tax assets and liabilities calculated under the regulations of HMRC. The difference in the valuation relates to the change in the tax base of the carrying amount of the assets and liabilities of the Company/ Group under Solvency II compared to IFRS.

D.3.4 Debts owed to credit institutions

Debts owed to credit institutions relate to cash overdrafts and are measured at fair value,

D.3.5 Payables

Payables (both trade and insurance) are carried at cost less any impairment. Given the short term nature of these assets (due within one year), this is a reasonable approximation of fair value.

E Capital Management

E.1 Own Funds

Insurers regulated under Solvency II are required to hold a solvency margin or buffer to cover the risk of their assets not being sufficient to cover their liabilities. Own Funds represent the net assets of the Company available to cover the Solvency Capital Requirement ('SCR').

Own funds are divided into 3 'tiers' based on both 'permanence' and 'loss absorbency' (Tier 1 being the highest quality and Tier 3 the lowest). Tier 1 is further divided into 'restricted' and 'unrestricted'. The regulations impose limits on the amount of each tier that can be held to cover the SCR with the aim of ensuring that the items will be available if needed to absorb any losses that might arise.

The Group's objectives in managing its capital are:

- to match the profile of its assets and liabilities closely, taking account of the risks inherent in the business;
- to maintain financial strength sufficient to support new business growth in line with the Company's business plan;
- to satisfy the contractual entitlements of its policyholders and the requirements of its regulators;
- to ensure financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth;
- to manage exposure to changes in interest, inflation and exchange rates

The Group currently has sufficient capital resources available to meet all its present capital requirements.

The following table details the Eligible Own Funds by Tier for FLL

('000)	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Ordinary share capital	68,500	68,500	0	0	0
Members' contributions	24,189	24,189	0	0	0
Surplus Funds	47,649	47,649	0	0	0
Reconciliation reserve	(34,191)	(34,191)	0	0	0
Deferred tax assets	5,369	0	0	0	5,369
Deductions for participations in financial and credit institutions	(8,447)	(8,447)	0	0	0
Total Eligible Own Funds for meeting the SCR	**103,069**	97,000	0	0	5,369
Tier 3 deduction	(5,369)	0	0	0	(5,369)
Total Eligible Own Funds for meeting the MCR	**97,700**	**97,700**	**0**	**0**	**0**

The following table details the Eligible Own Funds by Tier for FHE Group

('000)	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Ordinary share capital	56,020	56,020	0	0	0
Members' contributions	29,189	29,189	0	0	0
Surplus Funds	47,649	46,352	0	0	0
Reconciliation reserve	(33,980)	(33,980)	0	0	0
Deferred tax assets	5,369	0	0	0	5,369
Total Eligible Own Funds for meeting the SCR	**104,248**	**98,879**	**0**	**0**	**5,369**
Tier 1 deduction	(5,615)	(5,614)	0	0	0
Tier 3 deduction	(5,369)	0	0	0	(5,369)
Total Eligible Own Funds for meeting the MCR	**93,264**	**93,264**	**0**	**0**	**0**

Group Eligible Own Funds to meet the SCR increased from £94.7m (unaudited) to £104.2 m during the reporting period. The increase in Own Funds is driven by an increase in the future profits of unit-linked business and positive investment returns offset by accrual costs related to the transfer of the administration of FFML business into FLL

A reconciliation of Eligible Own Funds to meet the SCR between FLL and FHE Group is set out below

(£'000)	
FLL Q4 2016 Own Funds	**103,069**
Reduction in FFML valuation	(5,001)
Additional Deferred Tax	6,008
FHE Arms length charge	1,668
Pension benefit obligations	(1,789)
Other FHE assets	293
FHE Group Q4 2016 Own Funds	**104,248**

E.1.1 Ordinary share capital

This represents ordinary shares of £1 each. The ordinary shares carry full voting rights and qualify for dividends. There are no restrictions on the repayment of ordinary capital other than as imposed by the Companies Act 2006

E.1.2 Members' contributions

This represents the capital contribution of the Company. The capital contribution represents the surplus contained within the long term business fund at the date of transfer of long-term business from the Independent Order of Foresters (30 September 1995), which is not attributable to with-profits business. It is not distributable, however given that this amount relates entirely to FLL and FLL contributes to almost 100% of the Group SCR there is insignificant risk that we will need to transfer capital between FLL and other entities within the FHE Group. Therefore there are no further restrictions for transferability/ fungibility for this amount in Own Funds

E.1.3 Surplus funds

Surplus funds represent the Own Funds related to the ring-fenced funds ('RFFs') less the SCR related to these funds

E.1.4 Reconciliation reserve

The reconciliation reserve for FLL is broken down as follows:

(£'000)	Total
Movement in net assets (IFRS to Solvency II), less Own Funds related to RFFs	9,719
Adjustment for restricted own fund items in respect of ring-fenced funds	(43,395)
IFRS retained earnings	782
Other valuation difference	(1,297)
Total	**(34,191)**

The reconciliation reserve for FHE Group is broken down as follows:

(£'000)	Total
Movement in net assets (IFRS to Solvency II)	5,843
Adjustment for restricted own fund items in respect of ring-fenced funds	(43,395)
IFRS retained earnings	4,869
Other valuation difference	(1,297)
Total	**(33,980)**

E.1.4.1 Movement in net assets (IFRS to Solvency II)

This represents the change in the value of balance sheet assets and liabilities from an IFRS to a Solvency II basis net of Own Funds related to RFFs. See Section E.1.1 for further details

E.1.4.2 Adjustment for restricted own fund items in respect of ring-fenced funds

This represents the excess of assets over liabilities over and above the SCRs for the ring-fenced funds within the Company. As these are ring-fenced they are not available to cover losses from elsewhere within the Company. Therefore eligible own funds are restricted for this amount.

E.1.4.3 IFRS retained earnings

This represents the IFRS accumulated profit

E.1.5 Deferred tax asset

This represents the carried forward losses related to the transfer of net assets from FFML to the company, due to occur in 2017. Deferred tax assets are classed as Level 3 capital.

E.1.5 Deductions for participations in financial and credit institutions

This represents the restriction of the valuation of the investment in FIL in the eligible own funds of FLL. The maximum value allowed in Eligible Own Funds for participations in financial and credit institutions is 10% of the Tier 1 unrestricted own funds on a Solvency II basis. The calculation of this restriction is as follows:

('000)	Total
Excess of assets over liabilities (Solvency II)	154,912
Ring-fenced fund restriction	(43,394)
Non tier 1 items	(5,369)
Total	106,148
10% of total	10,615
SII valuation of FIL	19,062
Deduction required	**(8,447)**

E.1.6 Movements in equity (IFRS v Solvency II)

The following waterfall graph details the key movements in equity between IFRS and Solvency II Eligible Own Funds to meet the SCR at YE 2016.

IFRS Equity	**98,840**
Change in TPs	66,389
Subsidiary adjust	(41,177)
Deferred tax adjust	-8,813
Intangibles	(12,170)
Solo SII Own Funds	**103,069**
Group subsidiary adjust	(5,008)
Group deferred tax adjust	6,008
Group other adjusts	179
Group SII Own Funds	**104,248**

E.1.6.1 Change in TPs

This movement represents the change in net technical provisions from an IFRS valuation to a Solvency II valuation. Please see Section D.2 'Technical Provisions' for further detail.

E.1.6.2 Subsidiary

This movement represents the change in the valuation of the Company/ Group's investment in Forester Investments Limited ('FIL') from IFRS to Solvency II. FIL is a 100% owned subsidiary of the Company. Please see Section D.1 'Assets' for further detail.

E.1.6.3 Deferred tax

This movement represents the change in the valuation of the deferred tax liability of the Company/ Group based upon the asset and liability valuation changes mentioned in this Section of the report. Please see Section D.3 'Other Liabilities' for further detail.

E.1.6.4 Intangibles

This movement represents the elimination of intangible assets from the Solvency II balance sheet. Please see Section D.1 'Assets' for further detail.

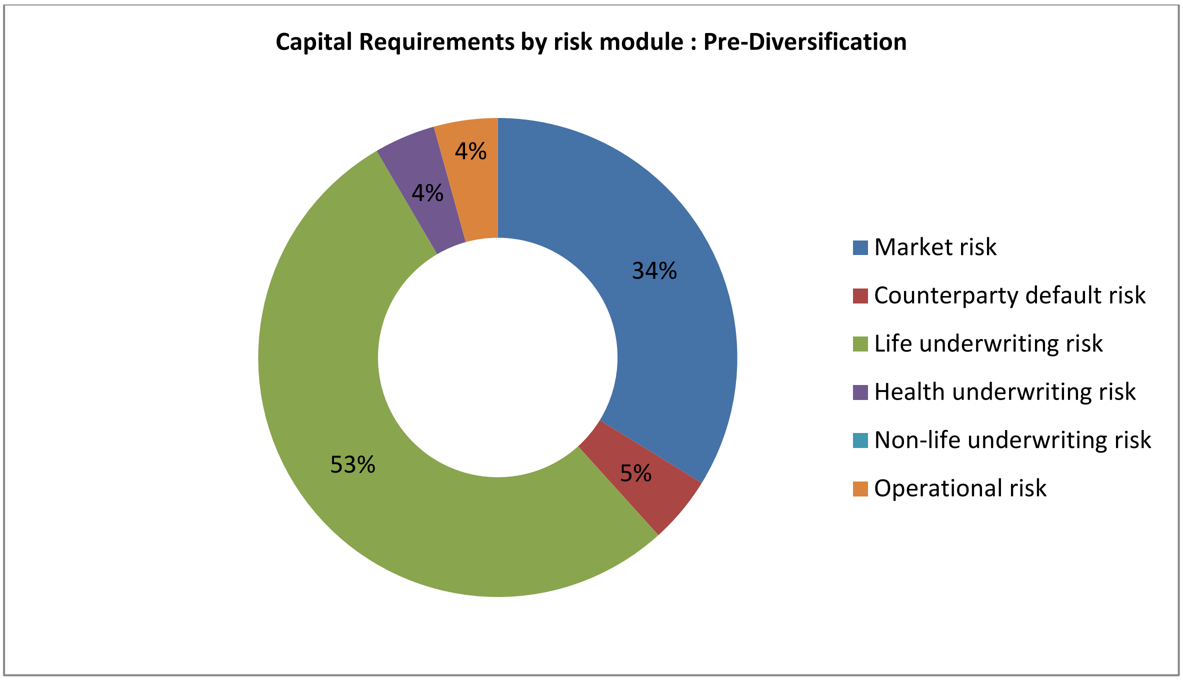
E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Group uses a standard formula approach to calculate the capital requirements for the business, in accordance with Solvency II regulations. The standard formula has been assessed to be suitable for the business. The Solvency Capital Requirement ('SCR') is the amount of Own Funds that the Group is required to hold under Solvency II regulations, such that the Group can meet its obligations to policy holders and beneficiaries over the following 12 months with a 99.5% probability. The Minimum Capital Requirement ('MCR') is the minimum level of security below which the amount of financial resources should not fall.

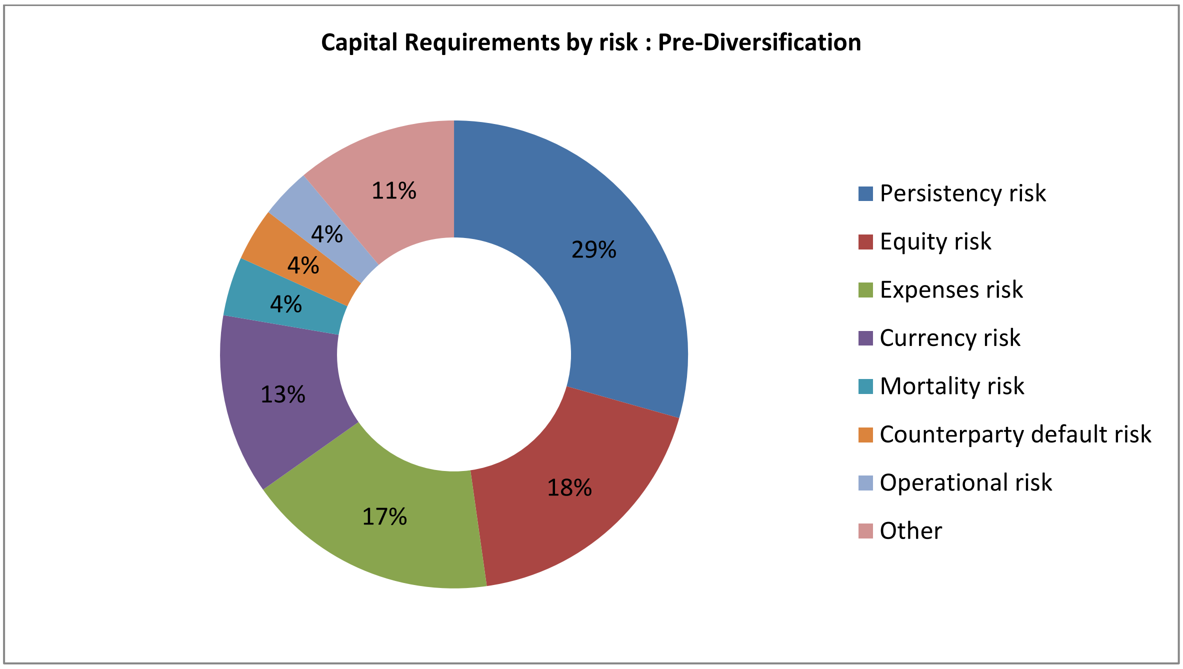
E.2.1 Solvency Capital Requirement

The total Group undiversified capital requirement at 31 December 2016 is £116m, and diversified is £76m, with 36% diversification of risk across the portfolio.

The distribution of the undiversified net Group SCR by risk module is as follows:



The distribution of the undiversified net Group SCR by key risks is as follows:



The key risk modules for the company are the Market and Life Underwriting Risk modules. The most significant exposure is to Equity risk, Currency Risk, Persistency Risk and Expense Risk, as set out in section C of this report.

Forester Life benefits primarily from the correlation between market and life risk modules.

The Group uses management actions within the With Profits Funds to reduce the impact of stressed events, and hence reduce the need to hold capital.

There is no material difference between FLL and FHE risk profile.

Group Solvency Capital Requirement method

The Group Solvency Capital Requirement is calculated using method 1 – Accounting Consolidation based method as mentioned in Article 230 of Solvency II Directive. This method considers the Group as a single entity.

The SCR for non-insurance entities is added separately to the SCR for the insurance entities to obtain the consolidated Group SCR. The company's Group SCR is split between types of entity as shown in the table below. FHE Group does not have any non-controlled participations or residual undertakings. FHE Group includes FFML which is treated as an investment company.

SCR split by type of entity:	**('000)**
Insurance entities	73,979
Other financial sector entities	1,800
Non-controlled participations	-
Residual undertakings	-
Total FHE SCR	**75,779**

FHE has one non-profit fund and four ring-fenced funds, within FLL and one investment subsidiary, FFML. Under Solvency II, ring-fenced funds and non-insurance entities do not diversify with the rest of the Group. This means that no diversification benefits arise between the funds.

The key valuation differences for the SCR between FHE Group and FLL are as follows:

- Pensions liability – The defined benefit pension scheme (FGEPS - as described in section 1.4) is held at the Group level, and not reflected in the FLL Solo level. The pension scheme deficit for FGEPS is stressed with market stresses, and included in the Group SCR.
- FHE expense margin – The FLL Solo Entity capital requirements reflect an expense margin charged by FHE. This margin is removed in the calculation of the FHE SCR as it is an intra-group transaction.
- FFML – In the FLL Solo Entity capital requirements, FFML is treated as a strategic investment, valued at net assets with some restrictions around recognition. In the Group capital requirements, the current FFML sectoral capital requirement is held. Separate capital on a Solvency II basis is not calculated. More details about FFML can be found in section D.1.4.

E.2.2 Minimum Capital Requirement

The MCR for FHE at YE16 is £18.9m, and own funds can cover this by 4.92 times. The SCR for FHE is £76m and own funds can cover this by 1.38 times. The MCR is calculated in accordance with the Article 129 of the final version of the Directive 2009/138/EC.

(£'000)	Total FLL	Total FHE
Own funds	103,069	104,248
DTA	(5,369)	(5,369)
Investment in credit institution	0	(5,614)
Own funds less DTA	97,700	93,265
MCR	**18,413**	**18,945**
MCR coverage ratio	**5.31**	**4.92**
SCR	**73,653**	**75,779**
SCR coverage ratio	**1.40**	**1.38**

Inputs into the MCR calculation:

('000)	Total FLL	Total FHE
AMCR	3,332	3,332
Linear MCR	17,097	17,074
SCR	73,653	75,779
Combined MCR	18,413	18,945
MCR	**18,413**	**18,945**

E.2.3 Material changes over the reporting period[1]

The Group SCR increased from £51.4m to £75.8m during the reporting period. This is on account of changes in investment strategy, market movements, new business and methodology changes.

The primary drivers of the increase in SCR are as follows:

- Equity risk has increased due to increase in equity exposure on account of c15% rise in FTSE100 in 2016;
- Equity risk has also increased due to removal of transitional measures on the equity stress at YE16;
- Lower yields have increased the risk capital across all risks; and
- Currency risk has increased due to a change in strategy.

The following methodology changes have had a minor impact on the YE16 SCR:

[1] This subsection is unaudited.

- Policyholder loans have been included in counterparty default risk and “un-modelled” reserves have also been stressed;
- Treatment of risk mitigating impact of derivatives has changed, with no credit being taken;
- Equity, interest rate and spread risk calculation processes have been refined;
- Capital requirements for deferred pensions are now determined separately as these were ring-fenced as at September 2016.

E.2.4 Other information

The Company is not making use of:

- any material simplified calculations within standard formula risk modules (there is only small amount of unmodelled reserves being calculated approximately in a separate spreadsheet);
- any undertaking-specific parameters within standard formula parameters;
- any capital add-ons;
- the duration-based equity risk sub-module in the SCR calculation;
- any transitional measures, as described in Articles 308b, 308c and 308d of the final version of the Directive 2009/138/EC.

F Templates

The following QRT are required for the SFCR:

QRT reference	QRT name	Entity
S.02.01	Balance Sheet	Group and Company
S.05.01	Premiums, claims and expenses	Group and Company
S.05.02	Premiums, claims and expenses by country	Group and Company
S.23.01	Own Funds	Group and Company
S.25.01	Solvency Capital Requirement – for undertakings on Standard Formula	Group and Company
S.28.01	Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity	Company
S.32.01	Undertakings in the scope of the group	Group

These templates are included at the end of this report

G Validations

Forester Holdings (Europe) Limited

Approval of the Solvency and Financial Condition Report

Financial period ended 31 December, 2016

We certify that:

1. the Solvency and Financial Condition Report ('SFCR') has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations; and

2. we are satisfied that

(a) throughout the financial year in question, the Group has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the Group; and
(b) it is reasonable to believe that, at the data of the publication of the SFCR, the Group has continued to comply, and will continue comply in future

H Approval by the Administrative, Management or Supervisory Body 'AMSB' of the SFCR and reporting templates

Director

Date: 18 MAY 2017

Report of the external independent auditor to the Directors of Forester Holdings (Europe) Limited ('the Group') and Forester Life Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Except as stated below, we have audited the following documents prepared by the Group and the Company as at 31 December 2016:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report as at 31 December 2016, ('**the Narrative Disclosures subject to audit**'); and

- Group templates S02.01.02, S23.01.22, S25.01.22, S32.01.22 and Company templates S02.01.02, S12.01.02, S23.01.01, S25.01.21, S28.01.01 ('**the Templates subject to audit'**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**Relevant Elements of the Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- The 'Business and performance', 'System of governance' and 'Risk profile' sections of the Solvency and Financial Condition Report;

- Information relating to 31 December 2015 voluntarily disclosed by the Company in the 'Valuation for solvency purposes' and 'Capital management' sections of the Solvency and Financial Condition Report;

- Group templates S05.01.02, S05.02.01;

- Company templates S05.01.02, S05.02.01;

- the written acknowledgement by the Directors of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement**');

- Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with PRA rules other than those implementing the Solvency II Directive or in accordance with an EU instrument other than the Solvency II regulations. ('**the sectoral information'**).

To the extent the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

Respective responsibilities of directors and auditor

As explained more fully in the Responsibility Statement, the Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the

PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

The Directors are also responsible for such internal control as they determine 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.

Our responsibility is to audit, and express an opinion on, the Relevant Elements of the Solvency and Financial Condition Report in accordance with applicable law and International Standards on Auditing (UK and Ireland) together with ISA (UK) 800 and ISA (UK) 805. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Relevant Elements of the Solvency and Financial Condition Report

A description of the scope of an audit is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the Relevant Elements of the Solvency and Financial Condition Report

In our opinion, the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report of the Group and Company as at 31 December 2016 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Emphasis of Matter - Basis of Accounting

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 in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Opinion on other matter prescribed by the PRA Rulebook

In our opinion, in accordance with Rule 4.2 of the External Audit Chapter of the PRA Rulebook, the **sectoral information** has been properly compiled in accordance with the PRA rules and EU instruments relating to that undertaking from information provided by members of the Group and the relevant insurance group undertaking.

Matters on which we are required to report by exception

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Group and Company statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The purpose of our audit work and to whom we owe our responsibilities

This report of the external auditor is made solely to the company's directors, as its governing body, in accordance with the requirement in Rule 4.1(2) of the External Audit Part of the PRA Rulebook and the terms of our engagement. We acknowledge that the directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the company's directors and issued in accordance with the requirement set out in Rule 4.1(2) of the External Audit Part of the PRA Rulebook and to facilitate the discharge by the PRA of its regulatory functions in respect of the company, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1(2) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company through its governing body, for our audit, for this report, or for the opinions we have formed.

KPMG LLP

KPMG LLP
15 Canada Square,
London,
E14 5GL
18 May 2017

- The maintenance and integrity of the Forester Holdings (Europe) Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the website.

- Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

Appendix – relevant elements of the Solvency and Financial Condition Report that are not subject to audit

Group and solo standard formula

The relevant elements of the Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of Group template S.23.01.22
  - Rows R0410 to R0440 – Own funds of other financial sectors
- The following elements of Group template S.25.01.22
  - Rows R0500 to R0530 – Capital requirement for other financial sectors (Non-insurance capital requirements)
- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited

General information

Participating undertaking name	Forester Holdings (Europe) Limited
Group identification code	213800AMTA655R8UKE64
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	31 December 2016
Currency used for reporting	GBP
Accounting standards	The group is using IFRS
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.23.01.22 - Own Funds
S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula
S.32.01.22 - Undertakings in the scope of the group

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	5,369
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	6,258
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	765,434
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	5,614
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	513,337
R0140	*Government Bonds*	267,992
R0150	*Corporate Bonds*	245,345
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	246,482
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	1,111,014
R0230	Loans and mortgages	5,373
R0240	*Loans on policies*	5,373
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	6,135
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	6,135
R0320	*Health similar to life*	6,063
R0330	*Life excluding health and index-linked and unit-linked*	73
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	2,762
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	3,977
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	18,480
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	1,924,802

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	0
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	0
R0550	*Risk margin*	0
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	671,099
R0610	*Technical provisions - health (similar to life)*	23,547
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	23,452
R0640	*Risk margin*	95
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	647,552
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	644,778
R0680	*Risk margin*	2,774
R0690	Technical provisions - index-linked and unit-linked	1,051,063
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	1,019,763
R0720	*Risk margin*	31,300
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	9,607
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	5,063
R0790	Derivatives	0
R0800	Debts owed to credit institutions	1,611
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	14,059
R0830	Reinsurance payables	127
R0840	Payables (trade, not insurance)	24,531
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	1,777,160
R1000	**Excess of assets over liabilities**	147,643

S.05.01.02

Premiums, claims and expenses by line of business

Life

		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									
R1410	Gross	2,810	33,401	170,001	3,701					209,912
R1420	Reinsurers' share	0	4,847	0	191					5,038
R1500	Net	2,810	28,554	170,001	3,510					204,874
	Premiums earned									
R1510	Gross	2,810	33,401	170,001	3,701					209,912
R1520	Reinsurers' share	0	4,847	0	191					5,038
R1600	Net	2,810	28,554	170,001	3,510					204,874
	Claims incurred									
R1610	Gross	3,572	82,908	120,924	5,151					212,555
R1620	Reinsurers' share	0	1,027	0	0					1,027
R1700	Net	3,572	81,881	120,924	5,151					211,528
	Changes in other technical provisions									
R1710	Gross	0	0	148,962	0					148,962
R1720	Reinsurers' share	0	0	0	0					0
R1800	Net	0	0	148,962	0					148,962
R1900	**Expenses incurred**	434	6,643	29,110	32,007					68,195
R2500	**Other expenses**									9,993
R2600	**Total expenses**									78,187

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
R1400								
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	209,912						209,912
R1420	Reinsurers' share	5,038						5,038
R1500	Net	204,874	0	0	0	0	0	204,874
	Premiums earned							
R1510	Gross	209,912						209,912
R1520	Reinsurers' share	5,038						5,038
R1600	Net	204,874	0	0	0	0	0	204,874
	Claims incurred							
R1610	Gross	212,555						212,555
R1620	Reinsurers' share	1,027						1,027
R1700	Net	211,528	0	0	0	0	0	211,528
	Changes in other technical provisions							
R1710	Gross	148,962						148,962
R1720	Reinsurers' share	0						0
R1800	Net	148,962	0	0	0	0	0	148,962
R1900	**Expenses incurred**	68,195						68,195
R2500	**Other expenses**							9,993
R2600	**Total expenses**							78,187

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	56,020	56,020		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0				
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	29,189	29,189		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	47,649	47,649			
R0080	*Non-available surplus funds at group level*	0				
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0				
R0130	Reconciliation reserve	-33,980	-33,980			
R0140	Subordinated liabilities	0		0	0	0
R0150	*Non-available subordinated liabilities at group level*	0				
R0160	An amount equal to the value of net deferred tax assets	5,369				5,369
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at group level*	0				
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities**	5,614	5,614			
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	5,614	5,614	0	0	0
R0290	**Total basic own funds after deductions**	98,633	93,264	0	0	5,369
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0380	Non available ancillary own funds at group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial insitutions, alternative investment fund manager, financial institutions	5,614	5,614			
R0420	Institutions for occupational retirement provision	0				
R0430	Non regulated entities carrying out financial activities	0				
R0440	**Total own funds of other financial sectors**	5,614	5,614	0	0	0

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	98,633	93,264	0	0	5,369
R0530	Total available own funds to meet the minimum consolidated group SCR	93,264	93,264	0	0	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	98,633	93,264	0	0	5,369
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	93,264	93,264	0	0	
R0610	**Minimum consolidated Group SCR**	18,945				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	492.30%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	104,248	98,879	0	0	5,369
R0680	**Group SCR**	75,779				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	137.57%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	147,643
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	
R0730	Other basic own fund items	138,227
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	43,395
R0750	Other non available own funds	
R0760	**Reconciliation reserve**	-33,980
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	92,292
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	92,292

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Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	134,213		
R0020	Counterparty default risk	5,110		
R0030	Life underwriting risk	56,658		
R0040	Health underwriting risk	5,865		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-27,737		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	174,110		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	4,133
R0140	Loss-absorbing capacity of technical provisions	-104,263
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	73,979
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	75,779
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	71,021
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	2,952
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0470	Minimum consolidated group solvency capital requirement	18,945
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	1,800
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	1,800
R0520	*Institutions for occupational retirement provisions*	0
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0
	Overall SCR	
R0560	SCR for undertakings included via D&A	0
R0570	**Solvency capital requirement**	75,779

S.32.01.22

Undertakings in the scope of the group

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	GB	213800AMTA655R8	LEI	FORESTER HOLDINGS (EUROPE) LIMITED	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	PRIVATE LIMITED COMPANY	Non-mutual	The Prudential Regulation Authority (PRA)
2	GB	549300X68R3WVQC	LEI	FORESTER LIFE LIMITED	Life insurance undertaking	PRIVATE LIMITED COMPANY	Non-mutual	The Prudential Regulation Authority (PRA)
3	GB	213800IWY3L7J2G2	LEI	FORESTER INVESTMENTS LIMITED	Other	PRIVATE LIMITED COMPANY	Non-mutual	The Prudential Regulation Authority (PRA)
4	GB	213800GL8DBVQOL	LEI	FORESTER FUND MANAGEMENT LIMITED	Credit institution, investment firm and financial institution	PRIVATE LIMITED COMPANY	Non-mutual	The Prudential Regulation Authority (PRA)
5	GB	2138003ZBIVRPGRL	LEI	FORESTER FINANCIAL SERVICES LIMITED	Other	PRIVATE LIMITED COMPANY	Non-mutual	The Prudential Regulation Authority (PRA)
6	GB	213800BXHUSXNB8	LEI	FORESTER INSURANCE SERVICES LIMITED	Other	PRIVATE LIMITED COMPANY	Non-mutual	The Prudential Regulation Authority (PRA)
7	GB	213800SGSAQ7WM	LEI	FORESTERS LIMITED	Other	PRIVATE LIMITED COMPANY	Non-mutual	The Prudential Regulation Authority (PRA)
8	GB	213800ZI2NX4SMXS	LEI	FORESTER NOMINEES LIMITED	Other	PRIVATE LIMITED COMPANY	Non-mutual	The Prudential Regulation Authority (PRA)
9	GB	213800WGUYTZDR	LEI	TUNBRIDGE WELLS EQUITABLE FRIENDLY SOCIETY	Other	PRIVATE LIMITED COMPANY	Non-mutual	The Prudential Regulation Authority (PRA)

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Undertakings in the scope of the grou

			Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	213800AMTA655R8	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
2	GB	549300X68R3WVQ	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
3	GB	213800IWY3L7J2G	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
4	GB	213800GL8DBVQOL	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
5	GB	2138003ZBIVRPGRL	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
6	GB	213800BXHUSXNB8	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
7	GB	213800SGSAQ7WM	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
8	GB	213800ZI2NX4SMXS	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
9	GB	213800WGUYTZDR	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation

General information

Undertaking name	Forester Life Limited
Undertaking identification code	549300X68R3WVQGCJN80
Type of code of undertaking	LEI
Type of undertaking	Life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2016
Currency used for reporting	GBP
Accounting standards	The undertaking is using IFRS
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	5,369
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	5,450
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	778,882
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	19,062
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	513,337
R0140	*Government Bonds*	267,992
R0150	*Corporate Bonds*	245,345
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	246,482
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	1,111,014
R0230	Loans and mortgages	5,373
R0240	*Loans on policies*	5,373
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	6,135
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	6,135
R0320	*Health similar to life*	6,063
R0330	*Life excluding health and index-linked and unit-linked*	73
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	2,762
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	5,520
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	18,020
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	1,938,525

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	0
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	0
R0550	*Risk margin*	0
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	671,859
R0610	*Technical provisions - health (similar to life)*	23,576
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	23,481
R0640	*Risk margin*	95
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	648,283
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	645,495
R0680	*Risk margin*	2,788
R0690	Technical provisions - index-linked and unit-linked	1,051,971
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	1,020,819
R0720	*Risk margin*	31,152
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	7,818
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	11,070
R0790	Derivatives	0
R0800	Debts owed to credit institutions	1,061
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	14,056
R0830	Reinsurance payables	127
R0840	Payables (trade, not insurance)	25,652
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	1,783,614
R1000	**Excess of assets over liabilities**	154,912

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		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	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross	2,810	33,401	170,001	3,701					209,912
R1420	Reinsurers' share	0	4,847	0	191					5,038
R1500	Net	2,810	28,554	170,001	3,510					204,874
	Premiums earned									
R1510	Gross	2,810	33,401	170,001	3,701					209,912
R1520	Reinsurers' share	0	4,847	0	191					5,038
R1600	Net	2,810	28,554	170,001	3,510					204,874
	Claims incurred									
R1610	Gross	3,572	82,908	120,924	5,151					212,555
R1620	Reinsurers' share	0	1,027	0	0					1,027
R1700	Net	3,572	81,881	120,924	5,151					211,528
	Changes in other technical provisions									
R1710	Gross	0	0	148,962	0					148,962
R1720	Reinsurers' share	0	0	0	0					0
R1800	Net	0	0	148,962	0					148,962
R1900	**Expenses incurred**	392	6,643	29,110	28,921					65,067
R2500	**Other expenses**									9,993
R2600	**Total expenses**									75,059

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
R1400								
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	209,912						209,912
R1420	Reinsurers' share	5,038						5,038
R1500	Net	204,874	0	0	0	0	0	204,874
	Premiums earned							
R1510	Gross	209,912						209,912
R1520	Reinsurers' share	5,038						5,038
R1600	Net	204,874	0	0	0	0	0	204,874
	Claims incurred							
R1610	Gross	212,555						212,555
R1620	Reinsurers' share	1,027						1,027
R1700	Net	211,528	0	0	0	0	0	211,528
	Changes in other technical provisions							
R1710	Gross	148,962						148,962
R1720	Reinsurers' share	0						0
R1800	Net	148,962	0	0	0	0	0	148,962
R1900	**Expenses incurred**	65,067						65,067
R2500	**Other expenses**							9,993
R2600	**Total expenses**							75,059

S.12.01.02

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	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		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	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**										0						0
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole										0						0
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**	534,956		1,020,819	0		103,853	6,686			1,666,314		23,481				23,481
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						73				73		6,063				6,063
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	534,956		1,020,819	0		103,780	6,686			1,666,241		17,418	0			17,418
R0100	**Risk margin**	1,066	31,152			1,721					33,940	95					95
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole										0						0
R0120	Best estimate										0						0
R0130	Risk margin										0						0
R0200	**Technical provisions - total**	536,023	1,051,971			112,260					1,700,254	23,576					23,576

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	68,500	68,500		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	24,189	24,189		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	47,649	47,649			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-34,191	-34,191			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	5,369				5,369
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	8,447	8,447	0	0	
R0290	**Total basic own funds after deductions**	103,069	97,700	0	0	5,369
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	103,069	97,700	0	0	5,369
R0510	Total available own funds to meet the MCR	97,700	97,700	0	0	
R0540	Total eligible own funds to meet the SCR	103,069	97,700	0	0	5,369
R0550	Total eligible own funds to meet the MCR	97,700	97,700	0	0	
R0580	**SCR**	73,653				
R0600	**MCR**	18,413				
R0620	**Ratio of Eligible own funds to SCR**	139.94%				
R0640	**Ratio of Eligible own funds to MCR**	530.60%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	154,912
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	145,707
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	43,395
R0760	**Reconciliation reserve**	-34,191
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	92,292
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	0
R0790	**Total Expected profits included in future premiums (EPIFP)**	92,292

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	133,765		
R0020	Counterparty default risk	5,110		
R0030	Life underwriting risk	56,549		
R0040	Health underwriting risk	5,869		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-27,722		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	173,571		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	4,136
R0140	Loss-absorbing capacity of technical provisions	-104,053
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	73,653
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	73,653
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	70,695
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	2,958
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	0

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

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	17,097

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	390,788	
R0220	Obligations with profit participation - future discretionary benefits	152,926	
R0230	Index-linked and unit-linked insurance obligations	1,020,819	
R0240	Other life (re)insurance and health (re)insurance obligations	119,127	
R0250	Total capital at risk for all life (re)insurance obligations		1,347,178

	Overall MCR calculation	C0070
R0300	Linear MCR	17,097
R0310	SCR	73,653
R0320	MCR cap	33,144
R0330	MCR floor	18,413
R0340	Combined MCR	18,413
R0350	Absolute floor of the MCR	3,332
R0400	**Minimum Capital Requirement**	18,413