Solvency and Financial Condition Report

CNP Europe Life DAC

FOR THE FINANCIAL YEAR ENDING
31st December 2023

Classified as Internal

SUMMARY

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INTRODUCTION

This document is the *Solvency and Financial Condition Report* ("**SFCR**") undertaken by **CNP Europe Life DAC,** referred to hereafter as "**the Company**" or **"CEL"**. The report is intended to provide essential information about the solvency and financial position of the Company as at 31st December 2023, including information on the governance of the Company and the management and mitigation of associated risks over the reporting period.

As at 31st December 2023, the Company is rated *low* under the Probability Risk and Impact SysteM ("**PRISM**") risk rating of the Central Bank of Ireland ("**CBI**").

Regulatory background

This report is required by the regulatory regime for European (re)insurance companies, known as Solvency II Directive (**"the Directive"**), and is prepared in accordance with all the requirements of the Delegated Regulations and the European Insurance and Occupational Pensions Authority ("**EIOPA**") Guidelines. Article 51 of the Directive 2009/138/EC sets out the requirement for undertakings to publicly disclose a "*report on their solvency and financial condition*" on an annual basis – the Solvency and Financial Condition Report.

Submission and Disclosure

This report is disclosed to the public in accordance with Article 301 of the Delegated Regulation which sets out the requirements regarding the publication of the SFCR. Accordingly, the Company will publish a copy of the latest report on its corporate website (*www.cnplife.ie*) no later than the 7th of April 2024 and will keep the SFCRs available to any party who requests them for up to 5 years following the disclosure date. A copy of the SFCR will also be submitted to the CBI within the timeline specified above.

Structure of the report

This document is prepared in accordance with the proposed structure of the SFCR as outlined in Annex 10 of the Delegated Regulation. This document is structured as follows:

- *Section A* provides details on the business of the Company and an assessment of the Company's performance over the reporting period;
- *Section B* provides a description of the system of governance of the Company;
- *Section C* provides details on the risk profile of the Company and the management of risk exposures;
- *Section D* describes the valuation of the assets and liabilities of the Company for solvency purposes;
- *Section E* provides details on the calculation of capital requirements, and outlines the Company's approach to capital management; and
- *Appendix A* contains the required Quantitative Reporting Templates ("**QRTs**") for the Year End 2023 for information purposes.

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The Company

CNP Europe Life Designated Activity Company ("CEL" or "The Company") is a fully owned subsidiary of CNP Assurances SA ("CNP" or the "Group").

The Company does not receive new premiums as it is closed to new business. In October 2014, the shareholder of CNP Europe Life DAC, in the absence of a strategic plan for new business for the Company, requested that the Company cease writing new business and that it be placed into a run-off position. The Directors formally resolved to put the Company into run-off. On 30th October 2014 the Company submitted a Notification to the Central Bank of Ireland ('CBI') in respect of a change of business plan.

The exact nature and time scale of this run-off is dependent on the operational constraints of exiting the existing business obligations of the Company but it is expected that this run-off should be completed by 2025 as per current Business Plan.

The Board and Management of the Company are cognisant of policyholder reasonable expectations and any run-off plans will ensure that policyholder interests will be fully protected in any transfer of the business.

The main risks and uncertainties faced by the Company have been mostly related to the run-off of existing business and optimization of operating expense. During 2021 the Company moved to a new outsourced model in which certain key activities of the day-to-day administration are now provided by another Group company based in Ireland, CNP Santander Insurance Services Ireland Limited ('CNPSISIL'). This change was designed to provide a significant reduction of the risks associated with small scale, principally key person dependency and staff attrition, while also significantly reducing the operating cost. It is the overall objective of the Shareholder, Directors, and the Management to accomplish an orderly run-off of the Company. It is the Shareholders stated commitment to ensure that all obligations of the Company are fully met throughout the run-off process and customer/policyholder interests are fully protected.

At 31.12.2023, CEL's Eligible Own Funds were determined to be €12.830m and its SCR was determined to be €3.210m, resulting in solvency coverage of 400%. Since the MCR is greater than our SCR (the absolute floor of the MCR is €4.0m), it is important to also note our solvency coverage using the MCR; 321%. In both cases, the Company is well capitalised and expects to continuously meet the regulatory requirements over the duration of the business plan.

The Company has obtained the CBI's approval regarding the derogation of the requirement for a separate Risk Committee. This derogation may be reviewed by the CBI in light of the run-off progress. Where this report refers to the Risk Committee, it should be noted that this function is now performed by the Board.

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A. BUSINESS AND PERFORMANCE

A.1 BUSINESS

Name and legal form

The name of the Company is CNP Europe Life Designated Activity Company.

The Company is a designated activity company limited by shares, therefore, a private company limited by shares registered under Part 16 of the Companies Act 2014.

The Company's registered number is: 305512

The Company's operating and registered address is: 2nd Floor, Three Park Place, Hatch Street Upper, Dublin 2, Ireland

The Legal Identifier Code of the Company is: 635400VBRWZ7L36SLG55

Supervisory authority

The Company is regulated by the Central Bank of Ireland ("CBI").

CBI registered address is: Central Bank of Ireland, PO Box 559, New Wapping Street, North Wall Quay, Dublin 1, Ireland.

The Directors regard CNP Assurances S.A., a Company incorporated in France, as the Parent Company of CNP Europe Life DAC. CNP Assurances S.A. is the sole group into which the results of CNP Europe Life DAC are consolidated. CNP Assurances SA is regulated by the Autorité de Contrôle Prudentiel et de Resolution (the independent administrative authority which monitors the activities of banks and insurance companies in France).

External Auditor

Mazars Chartered Accountants and Registered Auditors.

Registered Office: Block 3 – Harcourt Centre, Harcourt Road, Dublin 2, Ireland.

Firm Registration Number: AI221855

Shareholders structure

The Company is wholly owned by CNP Assurances S.A., rated A+ by Standard and Poor's since 2021.

CNP Assurances is 100% owned by La Banque Postale. Le Groupe La Poste owns all of La Banque Postale's capital and voting rights, except for one share held by the Chairman of the Supervisory Board. Following completion of the project to create a large public financial group, Le Groupe La Poste is now 66%-owned by Caisse des Dépôts and 34% by the French State.

If part of a group, details of the position within the legal structure of the group

The Company is a 100% owned subsidiary of CNP Assurances S.A, a Company incorporated in France.

Registered Office: CNP Assurances S.A., Issy-les-Moulineaux, 4 promenade Cœur de Ville, 92130, France.

Material line of business and geographical areas

During 2023, the Company had only one line of business, composed of the insurance of deferred and immediate annuities related to a pension business in the UK. This UK pension business is fully reinsured by Solen Versicherungen AG.

Significant business or external events over the reporting period

In April 2021, the company outsourced a number of its functions such as Risk, Compliance, Finance, Actuarial, Operations & Administration, to CNP Santander Insurance Services Ireland Limited ('CNPSISIL'), a majority-owned subsidiary of the Shareholder, through an arms-length intragroup outsourcing arrangement.

The Internal Audit Function has been outsourced to an experienced professional within an internationally recognised audit firm. This operating model has successfully made use of the significantly greater scale of CNPSISIL to secure continuity and protect the interests of the remaining customers by ensuring there is sufficient strength and depth in the organisation responsible for their annuity policies.

As of the present moment, the situation in Ukraine remains highly dynamic and continues to draw global attention. The impact of recent events, including the Russian invasion, has significant implications for businesses and economies worldwide, particularly in Europe. This unfolding crisis, occurring in close proximity to the aftermath of Brexit and the Covid-19 pandemic, has the potential to introduce new risks and strain to already stretched economies.

The Company has diligently assessed the risks it faces in light of the Ukraine situation, taking into account guidance from the CBI and their expectations for Irish financial services companies. The overall risk assessment remains categorized as Low. However, vigilance is crucial, and the Company will continue to closely monitor developments and adapt its strategies as necessary

A.2 UNDERWRITING PERFORMANCE

The Company is closed to new business and received no new premiums in the year.

A.3 INVESTMENT PERFORMANCE

Shareholder funds continue to be held predominantly in Euro and in cash in the period under review. Due to the continued increase in interest rates during 2023 and following a request from the Directors in 2022 to avail of the higher interest rates without jeopardising liquidity or taking on additional credit risk, the yield on these funds has increased significantly. The company had deposit interest income of €429k (2022: €85k) earned on the two 12-month deposits placed with DZ Bank and Barclays.

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A.4 PERFORMANCE OF OTHER ACTIVITIES

The Company had no other material income over the reporting period.

The Company incurred expenses as follows:

Other Expenses	2023 Euro '000s	2022 Euro '000s
Operating expenses	520	985
Foreign exchange Gain/(Losses)	(1)	(16)

Overall, the Company recorded an improved net Profit & Loss before Tax (‘PBT’) result of €1.70m (2022 €46).

A.5 ANY OTHER INFORMATION

The Company has no other material information to report.

B. SYSTEM OF GOVERNANCE

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

Structure of the Company's Board of Directors

The Company is classified as a Low-Risk firm under the Central Bank of Ireland's risk-based framework for the supervision of regulated firms, known as PRISM or Probability Risk and Impact SysteM and is subject to the Central Bank of Ireland's Corporate Governance Requirements for Insurance Undertakings 2015.

The Company's Board of Directors is composed of one Executive Director (the CEO) and four Non-Executive Directors, two of whom are Non-Executive Directors from the Group and two of whom are Independent Non-Executive Directors. The Chairman of the Board is a Group appointed Non-Executive Director.

Board of Directors at 31st December 2023:

D. Miseray (Group Non-Executive Director and Chairperson) (French)
S. Cariou Hellec (Group Non-Executive Director) (French)
A. Beckwith (Executive Director and CEO) (British)
C. McGettrick (Independent Non-Executive Director)
G. Murphy (Independent Non-Executive Director)

Company Secretary:

C. Durkan

The role of the Board is to carry out its duties and obligations as set out in statute and common law and has the ultimate responsibility for the compliance, by the undertaking, with the law. It is thus incumbent on the Board to ensure that an adequate system of governance is in place given the nature, scale and complexity of the operations. In performing this role, the Board is obliged to provide strategic guidance for the Company and effective oversight of management. The Board shall always retain ultimate authority over management of the Company.

The Board has approved the establishment of an Audit Committee. The Company has obtained the CBI's approval regarding the derogation of the requirement for a separate Risk Committee considering the run-off progress. Where this report refers to the Risk Committee, it should be noted that this function is now performed by the Board.

The Company has established the four key independent control functions required under the Corporate Governance Requirements for Insurance Undertakings 2015 – Risk Management, Compliance, Actuarial and Internal Audit. These functions are responsible for providing oversight of and challenge to the business and for providing assurance to the Board in relation to the Company's control framework.

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Outsourced Operating Model

While services and functions have been outsourced, the Company and specifically the Board retain full responsibility. Under this model, the Company retains an experienced CEO, who is responsible for the operational oversight of the outsourcing arrangement, and for the overall monitoring of the outsourced model in conjunction with the Board.

The Company operates an outsourced operating model, regulated by a single outsourcing service agreement, whereby the Finance, Actuarial, Risk, Compliance and operational functions are outsourced to an Irish domiciled entity within the CNP Group, CNP Santander Insurance Services Ireland Limited.

References to the above functions within this report are carried out by the appointed personnel in CNP Santander Insurance Service Ireland required to provide their professional service to CNP Europe Life as per defined service level agreement in place.

The Internal Audit Function is outsourced to an experienced professional within an internationally recognised audit firm.

Risk Function

The responsibilities of the CRO include, but are not limited to, the following matters:

- Supporting the CEO and Board with the strategic risk management vision;
- Assisting the CEO and Board in defining the risk management strategy;
- Assisting the effective operation of an overall risk management system;
- Monitoring the risk management system;
- Maintaining a firm-wide and aggregated view of the risk profile;
- Ongoing assessment of the Company's solvency requirement;
- Identification, assessment and mitigation of risks in the business; and
- Ensuring full adherence to Solvency II regulatory requirements.

Compliance Function

- The Compliance Function interacts with other functions, being a second line of defence of the Company, and contributes to reinforcing the risk control framework of the Company. The function is responsible for the management, monitoring and reporting of compliance risks to which the Company is exposed. The function is led by the Head of Compliance who reports directly to the CEO and Chairperson of the Board Risk Committee. The responsibilities of the Head of Compliance include, but are not limited to, the following matters: Promoting and embedding within the Company a culture of compliance consistent with the principles of the Code of Conduct;
- Establishing written guidance on the appropriate implementation of compliance laws, rules and standards through policies and procedures and other documents, internal codes of conduct and practice guidelines;

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- Monitoring of new regulations, regulatory changes and guidance issued by regulatory and supervisory authorities in order to assess the impact of these on the Company;
- Identifying, documenting and assessing compliance risks associated with the business activities of the Company;
- Ensuring ongoing compliance with regulatory requirements through risk-based monitoring and reviews;
- Reviewing policies and procedures on a planned basis from the viewpoint of effective compliance and advising as to steps necessary to ensure compliance;
- Arranging annual training for directors and management on compliance matters;
- Overseeing the resolution of identified compliance issues and reporting on the investigation and remediation of issues to management and the Board;
- Liaising with external bodies including regulatory authorities, insurance associations and external experts;
- Reporting compliance matters and significant instances of non-compliance to the Board; And
- Monitoring Compliance within the Company and its service providers, making recommendations where change is required.

Actuarial Function

The responsibilities of the Head of Actuarial Function ("HoAF") and the Actuarial Function, in line with guidance from the Central Bank of Ireland, include, but are not limited to, the following matters:

- Coordinating the calculation of the firm's technical provisions;
- Assessing the consistency of the internal and external data used in the calculation of technical provisions against the data quality standards as set in Solvency II;
- Continuous monitoring of the solvency position of the Company and the required level of statutory reserves;
- Reporting on the solvency position of the Company; and
- The provision of advice, support, and recommendations to the Company on the ORSA (Own Risk and Solvency Assessment) process.

Internal Audit

The Internal Audit Function operates in accordance with the Standards for Professional Practice of Internal Auditing as adopted by the institute of Internal Auditors in the UK and Ireland and other relevant codes of conduct and is independent from the operational functions.

As a *third line of defence* and as an independent, objective assurance and consulting activity, the Internal Audit Function assists the Company in accomplishing its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The responsibilities of Internal Audit include, but are not limited to, the following:

- Developing an annual risk based Internal Audit Plan;
- Independently and critically evaluating and reporting on the effectiveness and efficiency of internal control;

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- Evaluating the organisation’s compliance with policies, procedures, best practice, legislation and regulations;
- Preparing an Internal Audit Report following each audit; and
- Putting in place a follow up procedure to keep track of remedial actions taken by management to address control deficiencies noted.

Internal Audit carry out their responsibilities through the development and execution of a risk based Internal Audit Plan. Reviewed findings, along with recommendations for improvement, are documented and reported to the Board and the Audit Committee in line with the Internal Audit Policy. Recommendations shall include the envisaged period of time to remedy the shortcomings and the persons responsible for doing so.

Material changes in the system of governance that have taken place over the reporting period

In 2016, the Company obtained the CBI’s approval regarding the derogation of the requirement for a separate Risk Committee. This approval was renewed in December 2023. Where this report refers to the Risk Committee, it should be noted that this function is now performed by the Board.

Effective from April 2021, CNP Europe Life DAC entered into a service level agreement whereby the Company’s Key Functions are outsourced to an Irish domiciled entity within the CNP Group, CNP Santander Insurance Services Ireland Limited, Irish-based subsidiary of CNP Group. This agreement has proved successful and continued to be in place in 2023. There were no further material changes in the system of governance in 2023.

Information on the remuneration policy and practices regarding administrative, management, or supervisory body and employees

The policy is aligned with CEL’s strategic ambitions and objectives, and with its financial performance and results targets. The reference compensation package is determined by level of responsibility.

The package includes fixed and variable remuneration, and fringe benefits such as pension contributions, death in service benefit, medical insurance, and permanent health insurance.

A specific scheme has been established for “material risk takers” concerned by the new remuneration rules contained in Solvency II. Solvency II stipulates that a substantial portion of the variable remuneration paid to material risk takers should contain a flexible, deferred and modular component, in order to be aligned with the company’s strategy and with the principles of sound and effective risk management.

Within CNP Europe Life, the following persons qualify as material risk takers:

- Persons who effectively run the business
  - The Chief Executive Officer
- The heads of the key support and control functions
  - The Head of Actuarial Function*

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- The Chief Risk Officer*
- The Head of Compliance*
- The Head of Internal Audit*

**these functions have been outsourced under the responsibility of the CEO so in this particular circumstance the individuals are not considered to be subject to the CEL Remuneration Policy as the material risk is ultimately the responsibility of the CEO.*

The Company pays contributions into an Approved Executive Retirement Scheme on behalf of the CEO (defined contribution). Once the contributions have been paid, the company has no further payment obligations. The contributions are recognised as an expense when they are due.

The Company previously operated a Group Retirement Scheme into which it paid pension contributions on behalf of permanent employees. However, as there are no remaining active employees in the scheme, the Company issued notice to the Trustees, that it is no longer willing to support the scheme and the scheme has since been wound up.

Information about material transactions during the reporting period with Shareholders

The Company did not have any material transactions during the reporting period with Shareholders.

B.2 FIT AND PROPER REQUIREMENTS

The Company has a Fitness and Probity Policy which sets out the principles by which CNP Europe Life DAC shall ensure that individuals who effectively run the Company or have other key functions, known as Pre-Approval Control Functions ("**PCFs**") and Controlled Functions ("**CFs**"), are fit and proper in order to manage the duties and responsibilities related to their key roles appointments.

The Company, as a regulated financial service provider, is obliged, pursuant to Section 21 of the Central Bank Reform Act 2010, to satisfy itself on reasonable grounds that an individual performing or proposed to be appointed to any of the CF roles is compliant with the Standards. According to the Fitness and Probity Standards (Code issued under *Section 50* of the *Central Bank Reform Act, 2010*), the Company must ensure that all persons who hold or are to hold the position of PCF or CF fulfil the following requirements:

- their professional qualifications, knowledge, and experience are adequate to enable sound and prudent management (fit);
- they are of good repute and integrity (proper); and
- they are financially sound.

Each proposed individual is required to certify that they are aware of the Fitness and Probity Standards and agree to abide by those Standards. In addition, persons in CF and PCF roles are requested to confirm whether they are aware of any issues that may put their fitness or probity in doubt.

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The Board of Directors is committed to ensuring that the Company shall not permit any person to perform a CF/PCF role unless the person has agreed to abide by the Standards and the Company is satisfied on reasonable grounds that the person complies with the Standards.

B.3 RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT (ORSA)

Risk Management System

Risk is defined as the uncertainty that CEL faces in successfully implementing its strategies and objectives. This includes all internal and external events, acts or omissions that have the potential to threaten the execution of CEL's Business Plan. Risk Management is a continuous process that is used in the implementation of CEL's overall strategy. It enables an appropriate understanding of the nature and significance of the risks to which the company is exposed, including its sensitivity to those risks and its ability to mitigate them.

CEL's Risk Management System comprises the following:

1. A clearly defined Risk Management System that includes risk management objectives, key risk management principles, the general risk appetite of the Company and the assignment of risk management responsibilities within the Company;
2. Written policies for the material risks faced by the Company (documented separately);
3. A Risk Management Framework to identify, assess, manage, monitor and report on all material risks that the Company is or might be exposed to;
4. Reports on the material risks faced by the Company and on the effectiveness of its Risk Management System are submitted to the Board;
5. Appropriate reporting procedures and feedback loops that ensure that information on the Risk Management System, which is coordinated and challenged by the Risk Function, is actively monitored and managed by all relevant staff and the Board of Directors (or its designated committee); and,
6. The implementation of an effective Own Risk and Solvency Assessment (ORSA) process.

The processes conducted on a top-down risk management basis are:

- Risk Appetite – the Risk Appetite is reviewed on a regular basis.
- Business Strategy – CEL's business strategy is summarised in the Risk Appetite and is the key driver for formulating the risk appetite.
- Risk Assessments – Risk Assessments are performed as part of the annual business planning process.

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The processes conducted on a bottom-up risk management basis are:

- A review of how the current business is performed to identify the key processes. Process risks and controls are identified and documented in the Risk Register.
- A risk assessment review is conducted, including a Risk and Control Self-Assessment (RCSA).
- The CRO performs an independent review and challenge of the RCSA based on their knowledge of the business, internal audit and external audit report findings.
- The CRO reports the findings of the RCSA and a summary assessment of the results (Risk Profile) to the Board and Risk Committee.
- The Corporate Risk Register is assessed at least annually to determine if there are any significant changes to CEL's risk profile which would result in having to re-run the ORSA.
- Similarly, changes to the Risk Appetite, Business Strategy and Strategic Risk Assessments are considered to determine if the ORSA needs to be run on an exceptional basis.

The main objective of the Risk Management System is to ensure that all significant risks are identified, assessed, monitored, and controlled within the agreed risk appetite.

The Risk Management strategy is derived from CEL's business strategy whereby CEL is in the run-off stage of its lifecycle. CEL's strategic risk focus is to monitor and manage the risks associated with its business strategy. CEL uses a number of mechanisms to achieve its Risk Management Strategy as outlined in this Risk Management System including, CEL's Risk Appetite Statement, its Risk Management Framework, risk governance, policies and risk management reporting.

The Risk Appetite Statement formalises the level of risk CEL is willing to accept in pursuit of its strategic objectives. The framework provides a risk-based view of the strategy of the organisation using both quantitative and qualitative statements to define the organisation's desired level of risk.

CEL's ORSA process provides the link between CEL's risk profile, its Risk Appetite, its business strategy and its overall solvency requirements. Stress tests and sensitivity analysis are performed to provide an adequate basis for the assessment of the overall solvency needs and to plan future business changes, ensuring that they are within the Board's pre-determined risk appetite.

A formal ORSA is prepared and approved by the Board on an annual basis. In the event of any material changes to the business during the year a new ORSA is prepared and presented to the Board.

CEL uses a variety of techniques to identify risks within the organisation including Risk and Control Self Assessments (RCSAs). A key component of the Risk Control Cycle is the RCSA process, described below as follows. From time to time, CEL conducts risk and control self-assessments (RCSAs). The RCSA involves identifying the impact and likelihood of risks occurring and using this to grade the risks on a scale of 1-4 with 4 being defined as "Very High". Output from the RCSA is documented in the form of the Risk Register and includes mitigation plans where relevant. Risks without appropriate mitigation plans will represent the Residual Risk.

The top 10 risks from the Risk Register are reported to the Risk Committee at each of its meetings.

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The Risk Management system is overseen by the Risk Management function. CEL has an independent Risk Function charged with oversight, review and supervision of the identification, measurement, management, reporting and monitoring of risk within the organisation.

The function is headed by the CRO, who:

- Is responsible for developing and maintaining CEL's Risk Management System, framework and policies;
- Has independent oversight of all risk management activities;
- Provides independent reporting to the RC on risk issues, including the risk profile of CEL;
- Provides independent reporting to CNP's Group's Risk function; and
- Provides independent assurance to the Chief Executive Officer and the RC that key risks are identified and managed by the executive management.

Description of ORSA process, including how it is integrated into the organisational structure and decision-making processes.

The ORSA report provides the Company's own view of its risks and capital needs and must contain at least an assessment on the link between the ORSA and the strategy of the entity, the business development and the capital management plan. The processes used are developed with appropriate and adequate techniques, are proportionate to the nature, scale and complexity of the risks inherent in the business and are tailored to fit into the Company's organisational structure and risk management system.

The Board uses the ORSA process in order to gain a comprehensive picture of the risks the Company is exposed to or could face in the future and to understand how these risks could translate into capital needs or alternatively require mitigation actions.

The Actuarial Function will contribute to the effective implementation of the ORSA, with regards to the risk modelling underlying the calculation of the capital requirements as well as inputting into the stress and scenario testing. As required under CBI Guidelines, the Head of Actuarial Function will provide an Actuarial Opinion to the Board on the ORSA report.

The key activities in the ORSA process can be categorised as follows:

- Business planning;
- Risk identification and assessment; and
- Technical calculations and analysis.

The key components of the ORSA have been set out chronologically below, i.e. we can observe the various steps in the transition from the ORSA Policy to the ORSA Report.

An indicative overview of the ORSA process is provided below:

1. Setting the Risk Appetite
2. Corporate Strategy
3. Risk Assessment – Strategic Risk Assessment and Corporate Risk Register

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4. Balance Sheet projection
5. Capital model results and analysis
6. Stress and scenario analysis
7. Assessment of own funds
8. Production of draft ORSA Report
9. Discussion of ORSA results with CEO
10. Production of final ORSA Report
11. Submission to Risk Committee/Board
12. Submission to Central Bank of Ireland.

The results of the ORSA form an important input into CEL's decision making process, particularly around the strategic and capital aspects.

Possible recommendations arising from the ORSA process might include enhancements to the process itself or changes to the risk appetite, capital management, business strategy, product development, investment strategy or reinsurance programme. The risk profile of the Company is impacted by its Run-off status and any recommendations are made within this context.

Frequency of ORSA

The ORSA is run on at least an annual basis ahead of the year end or on the occurrence of events which may result in a material change to CEL's risk profile and result in triggering a non-routine ORSA. The ORSA is prepared to coincide with the business planning cycle, thereby allowing CEL to review its strategy and amend future business plans due to changes such as underwriting, price of reinsurance etc.

Determination of Own Solvency Needs

CEL's Risk Appetite defines the solvency levels which the Company must keep in order to manage its risks within the tolerance levels of the Company. The Risk Appetite is considered over business plan projection period, with a minimum level of solvency cover required at each future year under adverse stress scenarios in an ORSA environment. The Risk Appetite is key in defining the interaction between the Company's capital management activities and its risk management system.

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B.4 INTERNAL CONTROL SYSTEM

The Company defines Internal Control as a process of business control and management implemented by the Board of Directors, management and all personnel, designed to provide reasonable assurance of:

- Effectiveness and efficiency of operations.
- Reliability of financial and non-financial information.
- An adequate control of risks.
- A prudent approach to business.
- Compliance with laws and regulations, and internal policies and procedures.

Risk, Actuarial, Internal Audit and Compliance are the key Control Functions in CEL. These Control Functions are tasked with overseeing the effectiveness and efficiency of CEL's internal control systems, the reliability of CEL's financial reporting and compliance with applicable laws, regulations and administrative provisions.

CEL's Internal Audit function provides independent assurance to the Audit Committee, Risk Committee and the Board of Directors on the adequacy and effectiveness of CEL's internal control systems.

The Head of Compliance of CEL is responsible for the management of the Compliance Function. The Compliance Function is granted full unrestricted access to any and all of CEL's records (manual or electronic), physical properties and employees relevant to any function under review. Such access being in accordance with all relevant legislative requirements including data protection.

The Compliance Function is authorised to communicate directly, and on its own initiative, to the Board and the members of both the Audit & the Risk Committees. The Head of Compliance, Chief Actuary and CRO shall provide information on the Company's internal control in the quarterly reporting to the Board, and on an ongoing basis to the CEO.

The Board is ultimately responsible for compliance by the Company with its legal and regulatory obligations and for creating the compliance culture within the Company. The Compliance Function is authorised to obtain the necessary assistance of all departments of CEL as required.

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B.5 INTERNAL AUDIT FUNCTION

The Internal Audit Function operates in accordance with the Standards for Professional Practice of Internal Auditing as adopted by the institute of Internal Auditors in the UK and Ireland and other relevant codes of conduct and is independent from the operational functions.

Without prejudice to the responsibility of the Board of CEL, the Audit Committee assumes responsibility for monitoring the effectiveness of the Internal Audit Function.

The Head of Internal Audit (HIA) is responsible for the management of the Internal Audit Function. The HIA shall be authorised to obtain the necessary assistance in all departments of CEL as required.

The HIA shall be authorised to communicate directly, and on its own initiative, to the Board and the members of both the Audit & the Risk Committees. The Internal Audit Function, led by the HIA, shall report administratively to the Chief Executive Officer (CEO).

The Internal Audit Function reports directly to the Chairperson of the Audit Committee of the Company for functional purposes. This reporting arrangement protects both the authority and the independence of the Internal Audit Function allowing to Internal Audit a direct and unrestricted access to senior management and the Board.

The Internal Audit Function shall have operational independence, and shall have no direct responsibility, authority or involvement in the activities it reviews with the exception of its legal and compliance obligations.

B.6 ACTUARIAL FUNCTION

The Actuarial Function of the Company reports to the Board and works closely with the CNP Group Actuarial and Risk Functions.
The HoAF is responsible for, but not limited to:

- Providing the Actuarial Opinion on Technical Provisions (AOTP) to the CBI
- Providing the Board with an Actuarial Opinion regarding the risks and the adequacy of the scenarios, including financial projections, considered as part of each ORSA process of CEL. This report shall be submitted to the CBI on request,
- Assessing the sufficiency and quality of the data used in the calculation of technical provisions,
- Expressing an opinion on the adequacy of reinsurance arrangements,
- Comparing best estimates against experience,
- Advising the Board on appropriateness of allocation of surplus of assets over liabilities to policyholders,
- Monitoring CEL's compliance with requirements relating to disclosure of information to policyholders.
- Reporting to the Board.

The HoAF oversees the tasks of the Actuarial Function as per Article 48 of the Solvency II Directive. Specific tasks may, on occasion, involve the use of a calculation agent and/ or use of CNP Group resources.

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B.7 OUTSOURCING

The Company's Board approved outsourcing policy states that the Company must ensure that any outsourcing does not:

- Unduly increase operational risk; and
- Negatively affect service to customer.

This policy further states that the Company must determine for each outsource arrangement whether the arrangement is material or not.

Material outsourced activities are defined as:

- activities of such importance that any weakness or failure in the provision of these activities could have a significant effect on CELs ability to meet its regulatory responsibilities, deliver services to policyholders and/or to continue in business;
- any other activities requiring a licence from the relevant supervisory authority;
- any activities having a significant impact on its risk management; and
- the management of risks related to these activities.

Typically, an outsourced arrangement will be material if it involves any of the following activities:

- the investment of assets or portfolio management;
- claims handling;
- the provision of regular or constant compliance, internal audit, accounting, risk management or actuarial support;
- the provision of material data storage;
- the provision of on-going, day-to-day systems maintenance or support; and
- the ORSA process.

The list of the critical functions or activities outsourced by the Company are:

<table>
<tr><th>Service</th><th>Operating country</th><th>Jurisdiction</th><th>Intra group</th></tr>
<tr><td>Third Party Policy Administration</td><td>UK</td><td>UK</td><td>No</td></tr>
<tr><td>Head of Internal Audit</td><td>Ireland</td><td>Ireland</td><td>No</td></tr>
<tr><td>Legal & Company Secretariat</td><td rowspan="7">Ireland</td><td rowspan="7">Ireland</td><td rowspan="7">Yes</td></tr>
<tr><td>Operations & TPA Administration</td></tr>
<tr><td>Compliance (PCF-15)</td></tr>
<tr><td>Risk Management & Internal Control (PCF-14)</td></tr>
<tr><td>IT Infrastructure & Cyber Security</td></tr>
<tr><td>Finance & Reporting (PCF-11)</td></tr>
<tr><td>Actuarial (PCF-48)</td></tr>
</table>

Classified as Internal

Outsourcing arrangements which would not be classified as material includes the following:

- the provision of advisory services to the undertaking, and other services which do not form part of the undertaking’s insurance or reinsurance activities, such as legal advice, the training of personnel and the security of premises and personnel;
- the purchase of standardised services, including market information services and the provision of price feeds;
- the provision of facilities support, such as cleaning or catering; and
- the provision of elements of human resources support, such as recruiting temporary employees and processing the payroll.

The Board of Directors retain full responsibility for all Outsourced Activities. The Board has delegated ownership of this outsourcing policy to CEL’s Chief Executive Officer.

The Board is ultimately responsible for ensuring that:

- there is adequate oversight and governance within CEL in relation to outsourcing;
- the Outsourcing policies and the procedures set out are appropriate to the Company and the Board shall review the Outsourcing Policy at least annually, and ensure that recommendations for improvements are adequately incorporated;
- proposals to outsource activities are approved where they are within the scope of the Outsourcing Policy;
- if an outsourced activity is material, the Board along with the Board Risk Committee must approve the outsourcing arrangement.

B.8 ANY OTHER INFORMATION

The Company has assessed its corporate governance system and has concluded that it effectively provides for the sound and prudent management of the business, which is proportionate to the nature, scale, and complexity of the operations of a company which is closed to new business.

Classified as Internal

C. COMPANY RISK PROFILE

The Company is categorised as "Low" risk by the CBI, using its PRISM methodology.

The company's risk register is reviewed regularly as part of the Risk Management Process. The 'Risk Quantification' is used as a method to rank the risks rather than to provide meaningful quantitative insight into the risks.

Overall, the risk profile of the Company can be considered as Low; below are reported the Top 5 Risks at YE 2023:

- Counterparty risk on default of reinsurer
- Operational Risk
- Cyber Risk
- Counterparty risk on deposit accounts
- Delays/changes to the run-off plan

The Company's risk profile can be considered quantitively through its SCR where it uses the Standard Formula to calculate its SCR. (See section E.2). At 31.12.2023, the Company's SCR was €3.210m compared with €2.583m at 31.12.2022. The increase in SCR is largely due to the increase in market concentration risk as a result of the transfer of Ulster Bank balances to Barclay's during 2023. The counterparty default risk also increased as a result of this change.

C.1 UNDERWRITING RISK

The Company's underwriting risk is limited to its in-force portfolio. Underwriting risk in respect of mortality and longevity is largely managed through use of reinsurance on the pension portfolio.

C.2 MARKET RISK

The company is exposed to market risk on its shareholder funds, including those held to back its solvency margin, and cash reserves. The investment of these funds is governed by the Investment Policy. The movement in shareholder funds is reviewed at least on a quarterly basis as part of the determination of the solvency ratio and is overseen by the Board of Directors.

The Company remains exposed to market risk on deposit accounts and foreign exchange (FX) risk in respect of its UK pension liabilities, although this is largely mitigated through its reinsurance program.

Risk concentration exists in the form of cash deposits placed with credit institutions. As at 31.12.2023, the Company had €14.8m in deposits and €2.0m in cash and cash equivalents where these amounts in total are invested with two institutions, both with credit rating A Year End 2023.

Risk concentration also exists in the reinsurance of pension business. However, this is mitigated by the collateral held.

The SCR (Market) was €2.389m at 31.12.2023 (€1.728m at 31.12.2022).

Classified as Internal

C.3 CREDIT RISK

The primary credit risk exposure for the Company lies in relation to counterparty risk associated with its reinsurance arrangements and its cash holdings in banks.

Reinsurance

Reinsurance is placed in accordance with the company's reinsurance policy. A reinsurance arrangement is established to cover benefit payments related to the Shell pension business, with the reinsurance being provided by Shell-owned Solen Versicherungen AG. The reinsurance arrangement is supported by assets held in a collateral account which is monitored monthly using an Asset Adequacy Test (AAT) process – if the level of cover should fall below the required value, then the reinsurer is contractually required to top cover up. Those assets do not belong to CEL. The monthly Asset Adequacy Tests would quickly identify any deterioration. In the event Solen's rating should fall or the AAT test is failed, there are arrangements in place to ensure the CEO and Board are notified immediately.

Banking

The Company's cash deposits are held in approved financial institutions. The security of these deposits is regularly reviewed by management and Board/Risk Committee.

As at 31.12.2023 the Company's SCR Counterparty risk was calculated to be €0.946m (€0.750m at 31.12.2022) where this relates primarily to the cash deposits.

C.4 LIQUIDITY RISK

As the bulk of the Company's Own Funds are held in short term cash deposits, the Company has very low exposure to liquidity risk. As the Company is closed to new business and has no regular premium business, no allowance is made in respect of the expected profit on future premiums.

C.5 OPERATIONAL RISK

The company outsources the administration of its products to Third Party Administrators (TPA) and has contracts in place to protect itself in the event of financial loss due to processing or data errors, fraud, and negligence.

The company retains two main TPAs, one for the administration of the in-force policies and the other for the oversight and management of the Company's operations in Ireland. A contract is in place and monitored through monthly SLA's, periodic client service review meetings and reports and quarterly governance meetings.

The control environment of TPA's is key in the mitigation of Operational Risk. Thus, the company expects its external Third-Party Administrators to have achieved internationally recognised standards or accreditations such as ISO 9001 and SAS 70.

Classified as Internal

Operational risk also arises in connection with the Company's outsourced model, particularly considering the planned run-off. In April 2021, the Company entered into a critical intragroup arrangement with CNPSISIL to which a number of functions are outsourced. Thus, the risks associated with small scale, key person dependency, and staff attrition have been significantly reduced. One key risk mitigant is that as a sister company, majority-owned by the same ultimate parent company, the Company can benefit from an open and transparent relationship with the service provider which would not have been as possible if the work was outsourced to an external party. Service delivery is carefully monitored by the CEO who establishes a formal governance framework with CNPSISIL within which service standards and SLAs are closely monitored and overseen by the Company's CEO on an ongoing basis. The arrangements with CNPSISIL also provide a reliable, secure, and properly controlled environment for the hosting and management of the Company's records and data. Business continuity and disaster recovery arrangements have been strengthened as the services available within the outsourcing arrangement will be very comprehensive and should prove to mitigate any foreseeable BCM risk.

The Company's SCR (Operational) risk was assessed as €0.165m at 31.12.2023 (€0.174m at 31.12.2022) as determined by the Standard formula.

C.6 OTHER MATERIAL RISKS

Cyber Risk is recognised as a critical area of concern by the Company, warranting close monitoring. It is also regarded as one of the key subjects for consideration by the Board and management. While the Board and management are cognisant that the run-off status of the Company does not diminish exposure to Cyber Risk, diligent monitoring of this risk occurs through effective oversight of outsourcing arrangements where Company data are exposed. Additionally, ad-hoc reviews such as Internal Audit assessments, contribute to this vigilant approach.

While the Board and management acknowledge that the exposure to Cyber Risk is not substantial, it remains incumbent upon CEL to ensure that the security measures for data and the overall IT infrastructure is appropriate and tailored to the nature and complexity of the Company, taking into account the outsourced business model. While prudently acknowledging that Cyber Risk has ascended in the Company's hierarchy of risks during the reporting period, it is important to note that this risk is not deemed significant for CEL. Furthermore, the IT service providers utlised by the Company are assessed to have robust security protocols in place.

C.7 ANY OTHER INFORMATION

Measures Used to Assess Risk Exposure

Risk exposure is reviewed on a regular basis primarily by considering the top 10 risks. These are quantified and ranked according to an assessment of Impact multiplied by the Probability of occurrence over a one-year timeframe.

Classified as Internal

Material Risks

The top risks are reviewed regularly and include but are not limited to the following:

Risk	Description	Comments
Counterparty risk on default of reinsurer	Financial	Exposure to the reinsurer continues to be monitored closely as one of the Company's most significant counterparties. Credit rating checks and AAT are completed monthly; both satisfactory over the year and monitored on an ongoing basis.
Operational	Operational	Risk related to operational activities of the Company, overseen by the CEO and key functions holders
Cyber Risk	Operational	A brief assessment of Cyber Risk has been included in section C.6 A satisfactory Internal Audit review was undertaken in 2022.
Counterparty risk on deposit accounts	Financial	Cash balances are held in accordance with our risk appetite. The Company maintains such funds on short term deposits and can move these monies at short notice if needs be, thus mitigating this risk.
Delays/changes to the run-off plan	Operational & Financial	New management action is in place which supports the business plan and takes into consideration key assumption that the Shell scheme will be transferred in 2025. Progress is reviewed regularly by the Board/shareholder.
Outsourced model risk	Operational	The outsourcing arrangement with CNPSISIL, effective 1st April 2021, is considered satisfactory after almost three years in place. The CEO oversees the outsourcing arrangement with formal review performed on a quarterly basis.
Key man risk & business continuity	Operational	The risk is now largely mitigated through the outsourcing arrangement with CNPSISIL. Business continuity and disaster recovery arrangements have been strengthened with the services available within the outsourcing arrangement.
Internal Fraud	Operational	The risk of potential loss based on maximum transferable amount from the Company's bank accounts. Business processes are in place which mitigate the risk: Fitness & Probity, AML, user account management.
External Fraud	Operational	The risk of potential loss from fraud events such as pension payment collections after death of pensioner, impersonation/phishing. Business processes are in place which mitigate the risk: compliance risk assessment, AML, operations managing relationship with TPA.
IT infrastructure / service failure	Operational	The risk is now largely mitigated through the outsourcing arrangement with CNPSISIL. The business processes and controls in place at the service company for this risk include: IT risk & vendor management framework, IT risk register, BCP testing.

Investment of Assets in accordance with Prudent Person Principle

Overall responsibility for the management of the Company's exposure to risk is vested in the Board. The Company is required to apply the Prudent Person principle in respect of its investments and has ensured that its investment policy and asset acceptability framework are aligned with this Principle, for all new asset choices.

Classified as Internal

Risk sensitivity

The Company's risk appetite involves projecting the Balance Sheet and SCR over the business plan period on stress scenarios. In order to maintain its risk appetite, the company must have solvency coverage in excess of an agreed level on all projected scenarios, in each future year. These stress scenarios are considered in the ORSA.

When considering the stress scenarios, key risks are identified and stressed accordingly. In particular:

- Counterparty risk is stressed by assuming that all counterparties are instantaneously downgraded.
- Expense risk is stressed by assuming that all base expenses increase by a defined amount.
- The interest rate stress scenarios are provided by CNP Group.

In addition, the Company conducts stress testing at a point in time for a number of stresses, namely considering the TPs and solvency coverage with:

- Discount Rates +1%
- Discount Rates -1%
- Expenses increase by 25%
- Business Plan extended by 2-years
- Longevity Stress

Under the most adverse of these scenarios, the Company's solvency coverage is 269% (expenses increase by 25%). This is the MCR ratio, which is more penal than the SCR ratio, as the MCR is larger than the SCR in the base case and all sensitivities.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 ASSETS

The valuation of assets on a solvency basis is largely the same as for the Financial Statements, with the same methodology and assumptions used. The exception is that the discount rates used in the calculation of the reinsurance assets for the Financial Statements allow for a 2.5% margin of prudence.

Asset Class	Value at 31.12.2023 Euro	Value at 31.12.2022 Euro
Deposits other than cash equivalents	14,782,683	14,932,939
Reinsurance recoverables	33,916,342	34,416,393
Cash and cash equivalents	2,057,707	2,430,782
Other	604,028	14,726
Total	**51,360,760**	**51,794,840**

Classified as Internal

Note that for YE 2023, all future Reinsurance recoverables (i.e. relating to claims and commissions) were mapped to Reinsurance recoverables. As the receivable should relate to amounts past due only the current mapping is deemed appropriate.

Basic financial assets, including trade and other debtors, cash and cash equivalents, and short-term deposits, are recognised at transaction price (including transaction costs). The average payment period of debtors is less than three months. The carrying amount of trade and other receivables are reviewed at each balance sheet date to determine whether there is any indication of impairment.

Other financial assets, including investments in equity instruments and investments in government bonds, are initially measured at fair value, which is normally the transaction price. Such financial assets are subsequently measured at fair value and the changes in fair value are recognised in profit or loss.

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the Company estimates the fair value by using a valuation technique.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the financial asset expire or are settled, or (b) substantially all of the risks and rewards of ownership of the financial asset are transferred to another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.

D.2 TECHNICAL PROVISIONS

Technical Provisions are shown below together with the prior year comparative, split by Best Estimate and Risk Margin:

Solvency II Liabilities	31.12.2023 Euro '000s	31.12.2022 Euro '000s
Best Estimate	**36,728**	**38,627**
Pensions	36,728	38,627
Risk Margin	**854**	**882**
Pensions	854	882
Technical Provisions	37,582	39,509
Other Liabilities	949	861
Total Liabilities	**38,531**	**40,370**

Classified as Internal

The reduction in Technical Provisions over the reporting period is largely due to the roll forward. The roll forward of the valuation date has an impact of -€2.0m on the BEL reflecting the fact that one year of payments has been made and the population has aged by one year.

The BEL includes an Expense Overrun Reserve, to provide for the Company's expenses between the valuation date and the expected transfer of the business in 2025. The roll forward of the Expense Overrun Reserve contributes to the reduction in Technical Provisions. The Risk Margin reduced slightly over the year as the underlying SCR for non-hedgeable risks reduced (in line with the run-off of the portfolio).

Valuation Methodology

Best Estimate

CEL uses a deterministic approach for the calculation of its Best Estimate Liability. The Best Estimate Liability is calculated gross of any reinsurance.

For its pensions business, CEL uses per policy model points to project the future benefits of each policy taking account of the best estimate of inflation in each future year, and the survival rates of each policyholder. The projected amounts are discounted using the GBP discount rates to obtain the BEL. The projection horizon used in the calculation of the Pension Claims BEL covers the full lifetime of all the cashflow required to settle the obligations related to the Company's insurance contracts. Cashflows are projected on a monthly basis.

Per policy expenses are projected on a best estimate mortality basis with allowance for expense inflation. A separate expense BEL is determined by projecting the per policy expenses taking account of inflation and discounting the projected amounts to the valuation date. Euro and GBP cashflows are determined separately and discounted using Euro and GBP discount rates respectively. The projection horizon used in the calculation of the Pension Expenses BEL covers the full lifetime of all the cashflows required to settle the obligations related to the Company's insurance contracts. Cashflows are projected on a monthly basis.

In addition to the Best Estimate Liability in respect of the pensions business, an Expense Overrun reserve is also held to provide for additional expense outgo during the Company's Business Plan timeframe. Future expenses are assumed to be in line with the Company's Business Plan which reflects agreements with third parties for the provisions of services. Cashflows are projected on an annual basis.

Risk Margin

The Solvency II requirements outline a hierarchy of five approaches to the calculation ranging from full projection of all future SCRs (with no simplifications) to a very simplistic approach which approximated the risk margin by calculating it as a percentage of the BEL.

CEL's approach is to project the future SCR by projecting the run-off of the SCR components in line with the run-off of appropriate BEL drivers (i.e., the third of the five possible approaches) net of reinsurance. CEL has assumed that unavoidable market risk is nil. CEL assumes that market risks can be hedged and so these are not included in the risk margin calculation. Credit risk for reinsurance contracts is included in the projected SCR for the risk margin calculation.

Main Assumptions

Discount rates

The Euro and GBP risk free spot rates are those published by EIOPA. The Volatility Adjustment or Matching Adjustment are not used.

Euro discount rates are used for determining the Euro related liabilities including the BEL in respect of all per policy expenses. UK discount rates are used when determining UK related liabilities, i.e., the BEL in respect of the pension benefits and UK related admin costs.

Credit Risk Adjustment – Discount rates

The credit risk adjustments as specified by EIOPA are included in the Euro and GBP discount rates. As at 31.12.2023 the CRA was 10 bps for Euro and 0 bps for GBP liabilities.

Benefit Inflation

Inflation rates are derived by observing Euro and GBP break-even swap rates at 31/12/2023 at available durations and interpolating for interim durations using a spline methodology. The observed rates are 'BPSWIT CMPL Currency' break even rates at 31/12/2023.

Pension benefits are inflated at rates set out in the benefit specification using UK RPI.

Expense Inflation

Expenses are inflated using the inflation rates derived for Benefit Inflation. UK related expenses (e.g., TPA costs) are inflated using UK rates whilst Euro related expenses (e.g., per policy expenses) are inflated using Euro rates. An additional inflation margin applies in respect of the UK TPA costs to reflect the difference between wage inflation and RPI.

Counterparty Default in respect of Reinsurance

Further to Article 81 of the Solvency II Directive, counterparty default risk is considered in the context of reinsurance recoverables. Article 42 of the Delegated Acts specifies that collateral may be used as a risk mitigating technique when assessing the loss given default. In view of the collateral held, CEL does not make any deductions to reinsurance recoverables for counterparty default (see below). Deduction is however made to the projected reinsurance commission to reflect the credit risk of its pension reinsurance counterparty. CEL holds collateral in respect of its reinsurance arrangements with its pension reinsurance counterparty. The collateral is in the form of a floating charge over a custodial account. The reinsurer may invest the collateral in accordance with the agreed investment policy. A buffer is held over and above the best estimate liability to absorb the effects of any fall in the market value of the collateral held.

Classified as Internal

Mortality – UK Pension Portfolio

Males: 115% S1PMA with 1.5% longevity improvement rate within the CMI 2012 projection model
Females: 110% S1PFA with 1.25% longevity improvement rate within the CMI 2012 projection model

Annual Per Policy Expenses Assumed:

A market consistent amount is determined.

Expense Overrun Reserve

This is calculated by projecting the additional operating expenses of the Company over the Business Plan timeframe.

Level of uncertainty associated with the value of technical provisions.

The Technical Provisions consist of a Best Estimate Liability and a Risk Margin.

The calculation of the Best Estimate Liability is based on a number of assumptions, some of which are more important than others.

In particular, the following assumptions are noted:

- The timeframe and management expenses underpinning the Business Plan have been used in calculating the Expense Overrun Reserve. Should there be an increase in the expense base or an extension of the timeframe, this would result in this reserve increasing.
- Mortality and Longevity improvement assumption on UK pensions business. Given the duration of the liabilities, the value of the BEL is sensitive to any changes in the underlying assumption. It should be noted however, that the impact on the Own Funds of the Company is limited due to the equal and offsetting effect of the Reinsurance Asset held in respect of recoverables.

Given the nature of the Company's business and use of reinsurance, any variation in technical provisions is unlikely to have any significant impact on the Company's financial strength.

Differences Relative to Financial Statements Valuation of Technical Provisions:

The table below shows the difference between the SII and GAAP results at 31.12.2023:

Technical Provisions UK Pensions (31.12.2023)	SII Euro '000s	GAAP Euro '000s
Pension claims and Expenses	33,867	34,156
Expense Overrun Reserve	2,861	3,153
Total ex Risk Margin	**36,728**	**37,309**
Risk Margin	854	0
Total Technical Provisions	**37,582**	**37,309**

The difference between the Solvency and GAAP valuations can be explained by the fact that the GAAP discount rates allows for a 2.5% margin of prudence. There is also additional prudence in the GAAP valuation Expense Overrun Reserve. When the corresponding reinsurance asset is taken into account and the net position considered, the difference is small.

Adjustments and Transitional Measures

No use is made of the Matching Adjustment, Volatility Adjustment or any Transitional Measures.

Recoverables from reinsurance contracts

The table below shows the NPV of projected reinsurance recoverables:

Reinsurance Recoverables	31.12.2023 Euro '000s	31.12.2022 Euro '000s
Shell recoverables	30,635	31,290
Shell commission receivable	3,281	3,127
Total	**33,916**	**34,416**

Recoverables are valued using the same basis, methodology and assumptions as the Best Estimate Liability in respect of claims.

Material Changes in Relevant Assumptions during Reporting Period

There were no material changes in assumptions over the year. The expenses feeding the Expense overrun reserve were updated in line with the latest Company business plan, as well as the Per policy expenses and TPA costs however the impact is not material.

D.3 OTHER LIABILITIES

Other liabilities at Year End 2023 are shown below:

Other Liabilities	31.12.2023 Euro '000s	31.12.2022 Euro '000s
Reinsurance payables	10	19
Payables (trade, not insurance)	939	842
Any other liabilities, not elsewhere shown	0	0
Total	**949**	**861**

D.4 ALTERNATIVE METHODS FOR VALUATION

Classified as Internal

The company does not use any alternative methods for valuation.

E. CAPITAL MANAGEMENT

E.1 OWN FUNDS

The Company aims to manage its Own Funds both cautiously and prudently in accordance with the CNP Group Watch-list. It is the Company's policy to hold all assets backing Own Funds in Euro and to consider the duration of the capital requirement which they are backing when selecting appropriate assets. The Company conducts its business plan over a 3-year time horizon. This is set in the context of the run-off position of the Company.
All Own Funds are Tier 1.

The Own Funds increased in the Reporting Period by €1.405m from €11.425m at 31.12.2022 to €12,830 at 31.12.2023. A breakdown in the movement in Own Funds is shown below:

Own Funds Movement Analysis	31.12.2023 Euro '000s
Opening Position	11,425
Profit/ Loss in 2023 (GAAP)	1,704
Adjustment in respect of GAAP Account	-342
Change in VIF	15
Change in Risk Margin	28
Change in Deferred Tax Liability	
Other	
Closing Position	12,830

The Break-Down of Own Funds at 31.12.2023 is shown below:

SII Own Funds	31.12.2023 Euro
Called up share capital	3,809,314
Reconciliation Reserve	9,020,699
Eligible Own Funds	**12,830,013**

As at 31.12.2023, the Eligible amount of funds to cover the SCR was €12.830m.

The Equity shown in the company's financial statements (GAAP Equity) is broken down as follows:

Capital & Reserve	31.12.2023 Euro '000s
Called up share capital	3,809
Profit and loss account brought forward	7,795
Profit and loss account for the financial year	1,704
Shareholders' funds	**13,308**

Classified as Internal

The table below shows a bridge between the shareholders equity under GAAP and the excess of assets over liabilities as calculated for solvency purposes:

Reconciliation From GAAP Equity to SII NAV 31.12.2023	Euro '000s	Balance Euro '000s
GAAP Equity		13,308
Less SII Risk Margin	-854	12,454
Plus VIF under SII	49	12,503
Plus Release of prudence in GAAP reserves	327	12,830
SII A-L		12,830

The GAAP results include some prudence in the calculation of technical provisions relative to Solvency II basis, principally in the:

- Discount rates where the GAAP valuation rates include a 2.5% margin for prudence
- Certain expense inputs in the valuation of the Expense Overrun Reserve are prudent in the GAAP valuation.

No basic own funds are subject to transitional arrangements.

The Company does not hold any Ancillary Own Funds.

Deduction from Own Funds:
None.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

At 31.12.2023, the SCR of the Company was €3.210m and the MCR was €4.0m.

The standard formula is used to calculate the SCR. The following table shows the SCR at 31.12.2023 by risk module with comparative figures at 31.12.2022.:

Solvency Capital Requirement	31.12.2023 Euro '000s	31.12.2022 Euro '000s
Interest		94
Currency	420	397
Concentration	2,352	1,674
Market SCR	**2,389**	**1,728**
Longevity	37	30
Expense	650	783
Life SCR	**660**	**791**
Default SCR	**946**	**750**

Classified as Internal

BSCR	**3,045**	**2,409**
Operational SCR	**165**	**174**
SCR	**3,210**	**2,583**
MCR	**4,000**	**4,000**

The SCR of €3.210m at 31.12.2023 is higher than the amount of €2.583m at 31.12.2022. This is largely due to the increase in market concentration as a result of the transfer of Ulster Bank balances to Barclay's during 2023. The counterparty default risk also increased as a result of this change.

Simplified calculations are not used in calculating the SCR. No USPs are used. The Company is not subject to any Capital Add-Ons. The Company does not use an internal model.

In respect of the MCR, the minimum amount of €4.0m applies. The MCR is greater than the SCR.

E.3 USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

The duration-based equity risk sub-module has not been used in the calculation of the Solvency Capital Requirement.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

No internal or partial internal model has been used in the calculation of the Solvency Capital Requirement.

E.5 NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

The Company complied with all requirements in respect of meeting its MCR and SCR during the reporting period.

E.6 ANY OTHER INFORMATION

The Company has no other material information to report.

APPENDIX 1: ANNUAL QUANTITATIVE REPORTING TEMPLATES:

This Annex publicly discloses the following quantitative reporting templates in respect of the year ended 31st December 2023:

QRT*	Description
S.02.01.01	Balance Sheet
S.05.01.01	Premiums, Claims and Expenses by line of business
S.12.01.01	Life and Health SLT Technical Provision
S.23.01.01	Own Funds
S.25.01.01	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

**QRTs figures are fully presented in €, as reported to the Central Bank of Ireland.*

Classified as Internal

Balance sheet

S.02.01.03

		Solvency II Value	Statutory accounts value
		C0010	C0020
Assets			
Goodwill	R0010		
Deferred acquisition costs	R0020		
Intangible assets	R0030		-
Deferred tax assets	R0040		-
Pension benefit surplus	R0050		-
Property, plant & equipment held for own use	R0060	-	-
Investments (other than assets held for index-linked and unit-linked funds)	R0070	14,782,683.35	14,932,938.79
Property (other than for own use)	R0080		-
Participations	R0090		-
Equities	R0100	-	-
Equities - listed	R0110		-
Equities - unlisted	R0120		-
Bonds	R0130	-	-
Government Bonds	R0140	-	-
Corporate Bonds	R0150	-	-
Structured notes	R0160		-
Collateralised securities	R0170		-
Investment funds	R0180		-
Derivatives	R0190		-
Deposits other than cash equivalents	R0200	14,782,683.35	14,782,683.35
Other investments	R0210	-	-
Assets held for index-linked and unit-linked funds	R0220	-	-
Loans & mortgages	R0230	-	-
Loans & mortgages to individuals	R0250		-
Other loans & mortgages	R0260		-
Loans on policies	R0240		-
Reinsurance recoverables from:	R0270	34,416,393.15	35,685,918.61
Non-life and health similar to non-life	R0280	-	-
Non-life excluding health	R0290		-
Health similar to non-life	R0300		-
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	34,416,393.15	35,685,918.61
Health similar to life	R0320		-
Life excluding health and index-linked and unit-linked	R0330	33,916,341.68	34,15,528.81
Life index-linked and unit-linked	R0340		-
Deposits to cedants	R0350	-	-
Insurance & intermediaries receivables	R0360	-	-
Reinsurance receivables	R0370	-	-

Classified as Internal

Receivables (trade, not insurance)	R0380	-	-
Own shares	R0390	-	-
Amounts due in respect of own fund items or initial fund called up but not yet paid	R0400	-	-
Cash and cash equivalents	R0410	2,057,706.59	2,057,706.59
Any other assets, not elsewhere shown	R0420	604,028.54	604,028.54
Total assets	**R0500**	51,360,760.15	51,599,947.28
Liabilities			
Technical provisions – non-life	R0510	-	-
Technical provisions – non-life (excluding health)	R0520	-	-
TP calculated as a whole	R0530	-	
Best Estimate	R0540	-	
Risk margin	R0550	-	
Technical provisions - health (similar to non-life)	R0560	-	-
TP calculated as a whole	R0570	-	
Best Estimate	R0580	-	
Risk margin	R0590	-	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	37,581,784.68	37,581,784.68
Technical provisions - health (similar to life)	R0610	-	-
TP calculated as a whole	R0620	-	
Best Estimate	R0630	-	
Risk margin	R0640	-	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	37,581,784.68	37,581,784.68
TP calculated as a whole	R0660	-	
Best Estimate	R0670	36,727,593.68	
Risk margin	R0680	854,191.00	
Technical provisions – index-linked and unit-linked	R0690	-	-
TP calculated as a whole	R0700	-	
Best Estimate	R0710	-	
Risk margin	R0720	-	
Other technical provisions	R0730		3,153,318.66
Contingent liabilities	R0740	-	-
Provisions other than technical provisions	R0750	-	-
Pension benefit obligations	R0760	-	-
Deposits from reinsurers	R0770	-	-
Deferred tax liabilities	R0780	-	-
Derivatives	R0790	-	-
Debts owed to credit institutions	R0800	-	-
Financial liabilities other than debts owed to credit institutions	R0810	-	-
Insurance & intermediaries payables	R0820	-	-
Reinsurance payables	R0830	9,680.67	9,680.67
Payables (trade, not insurance)	R0840	939,281.59	939,281.59
Subordinated liabilities	R0850	-	-

Subordinated liabilities not in BOF	R0860	-	-
Subordinated liabilities in BOF	R0870	-	-
Any other liabilities, not elsewhere shown	R0880		
Total liabilities	**R0900**	38,530,746.93	38,257,809.72
Excess of assets over liabilities	**R1000**	12,830,013.22	13,342,137.56

Life
S.05.01.01.02

		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										
Gross	R1410									
Reinsurers' share	R1420									
Net	R1500									
Premiums earned										
Gross	R1510									
Reinsurers' share	R1520									
Net	R1600									
Claims incurred										
Gross	R1610				1,860,526.37					1,860,526.37
Reinsurers' share	R1620				1,860,526.41					1,860,526.41
Net	R1700				-0.04					-0.04
Expenses incurred	R1900				24,556.86					24,556.86
Administrative expenses										
Gross	R1910				329,489.07					329,489.07
Reinsurers' share	R1920									
Net	R2000				329,489.07					329,489.07
Investment management expenses										
Gross	R2010				-279,481.63					-279,481.63
Reinsurers' share	R2020									
Net	R2100				-279,481.63					-279,481.63
Claims management expenses										
Gross	R2110				0.00					0.00
Reinsurers' share	R2120									
Net	R2200				0.00					0.00
Acquisition expenses										

Classified as Internal

Gross	R2210									
Reinsurers' share	R2220				25,450.58					25,450.58
Net	R2300				-25,450.58					-25,450.58
Overhead expenses										
Gross	R2310									
Reinsurers' share	R2320									
Net	R2400									
Balance - other technical expenses/income	R2510									1,759,786.36
Total technical expenses	R2600									1,784,343.22
Total amount of surrenders	R2700									

S.12.01.01

Life and Health SLT Technical Provisions

				Index-linked and unit-linked insurance		Other life insurance				Health insurance (direct business)	
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Total (Life other than health insurance, incl. Unit-Linked)		Contracts without options and guarantees	Contracts with options or guarantees
		C0030	C0040	C0050	C0060	C0070	C0080	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010										
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020										
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	R0030					36,727,593.68		36,727,593.68			
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0040					33,916,341.68		33,916,341.68			
Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses	R0050					33,916,341.68		33,916,341.68			
Recoverables from SPV before adjustment for expected losses	R0060										
Recoverables from Finite Re before adjustment for expected losses	R0070										
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080					33,916,341.68		33,916,341.68			
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090					2,811,252.00		2,811,252.00			

Classified as Internal

Risk Margin	R0100				854,191.00			854,191.00			
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	R0110										
Best estimate	R0120										
Risk margin	R0130										
Technical provisions - total	R0200				37,581,784.68			37,581,784.68			
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0210				3,665,443.00			3,665,443.00			
Gross BE for Cash flow											
Cash out flows											
Future guaranteed and discretionary benefits	R0230				30,634,866.58			30,634,866.58			
Future guaranteed benefits	R0240										
Future discretionary benefits	R0250										
Future expenses and other cash out-flows	R0260				6,092,727.10			6,092,727.10			

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	3,809,314.00	3,809,314.00			
Share premium account related to ordinary share capital	R0030	0.00				
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0.00				
Subordinated mutual member accounts	R0050	0.00				
Surplus funds	R0070	0.00				
Preference shares	R0090	0.00				
Share premium account related to preference shares	R0110	0.00				
Reconciliation reserve	R0130	**9,020,699.22**	**9,020,699.22**			
Subordinated liabilities	R0140	0.00				
An amount equal to the value of net deferred tax assets	R0160	0.00				
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0.00	0.00			
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230	0.00				
Total basic own funds after deductions	R0290	**12,830,013.22**	**12,830,013.22**	0.00	0.00	0.00
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0.00				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0.00				
Unpaid and uncalled preference shares callable on demand	R0320	0.00				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0.00				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0.00				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0.00				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0.00				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0.00				
Other ancillary own funds	R0390	0.00				
Total ancillary own funds	R0400	0.00			0.00	0.00

Classified as Internal

Available and eligible own funds						
Total available own funds to meet the SCR	R0500	12,830,013.22	12,830,013.22	0.00	0.00	0.00
Total available own funds to meet the MCR	R0510	12,830,013.22	12,830,013.22	0.00	0.00	
Total eligible own funds to meet the SCR	R0540	12,830,013.22	12,830,013.22	0.00	0.00	
Total eligible own funds to meet the MCR	R0550	12,830,013.22	12,830,013.22	0.00	0.00	
SCR	R0580	**3,209,723.30**				
MCR	R0600	**4,000,000.00**				
Ratio of Eligible own funds to SCR	R0620	**3.9972**				
Ratio of Eligible own funds to MCR	R0640	**3.2075**				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	**12,830,013.22**
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	0.00
Other basic own fund items	R0730	3,809,314.00
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	**9,020,699.22**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	0.00

S.25.01.01

Solvency Capital Requirement - for undertakings on Standard Formula

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
Market risk	R0010	2,389,144.27	2,389,144.27	
Counterparty default risk	R0020	945,799.86	945,799.86	
Life underwriting risk	R0030	660,078.12	660,078.12	
Health underwriting risk	R0040	0.00	0.00	
Non-life underwriting risk	R0050	0.00	0.00	
Diversification	R0060	-950,553.12	-950,553.12	
Intangible asset risk	R0070	0.00	0.00	
Basic Solvency Capital Requirement	R0100	3,044,449.13	3,044,449.13	

Calculation of Solvency Capital Requirement

		Value
		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	0.00
Operational risk	R0130	165,274.17
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	0.00
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	3,209,723.30
Capital add-on already set	R0210	
Solvency capital requirement	R0220	3,209,723.30
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation (*)	R0450	
Net future discretionary benefits	R0460	

Classified as Internal

S.28.01.01

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

		C0010
MCRNL Result	R0010	0.00

Background information

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

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	76,974.30

Classified as Internal

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0.00	
Obligations with profit participation - future discretionary benefits	R0220	0.00	
Index-linked and unit-linked insurance obligations	R0230	0.00	
Other life (re)insurance and health (re)insurance obligations	R0240	3,665,443.00	
Total capital at risk for all life (re)insurance obligations	R0250		

Overall MCR calculation

		C0070
Linear MCR	R0300	76,974.30
SCR	R0310	3,209,723.30
MCR cap	R0320	1,444,375.49
MCR floor	R0330	802,430.83
Combined MCR	R0340	802,430.83
Absolute floor of the MCR	R0350	4,000,000.00
Minimum Capital Requirement	R0400	4,000,000.00