



# Solvency and Financial Condition Report 2022

Phoenix Life Assurance Europe DAC,  
part of the Phoenix Group  
For the year ended 31 December 2022

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## Summary

# Directors' responsibility statement

### Introduction and background

This document sets out a Solvency and Financial Condition Report ('SFCR') for Phoenix Life Assurance Europe DAC ('PLAE' or 'the Company') for the year ended 31 December 2022, to satisfy the requirements of Solvency II. The SFCR and the accompanying Quantitative Reporting Templates ('QRTs') provide detailed information of the Company's business and performance, governance, risk profile and capital position.

PLAE is a new company, incorporated in December 2020 and authorised by the Central Bank of Ireland ('CBI') in September 2022 to carry out long-term insurance business in Ireland. Following successful applications to the Irish and UK courts in October and November 2022, certain non-UK insurance business from elsewhere in the Phoenix group was transferred into PLAE on 1 January 2023. As at 31 December 2022, the balance sheet date on which this report is based, PLAE did not therefore have any policyholders or technical provisions.

The purpose of the report is to assist all stakeholders to understand the capital position of the Company under Solvency II as at 31 December 2022. In 2016, the Solvency II regulatory regime came into force for insurers across the European Union ('EU'). Under Solvency II, every insurer is required to identify its key risks and hold sufficient capital to withstand adverse outcomes from those risks. The capital required to withstand these outcomes is the Solvency Capital Requirement ('SCR'). The SCR is calibrated so that the likelihood of a loss exceeding the SCR is less than 0.5% over one year. This ensures that capital is sufficient to withstand broadly a '1 in 200 year event'. The capital resources available to meet the requirements are called Own Funds.

The main purpose of holding capital is to provide security to policyholders and other customers. As at 31 December 2022, the Company was strongly capitalised under Solvency II, as Own Funds are significantly higher than the SCR, as set out in the Capital Management section of this Summary. As at 31 December 2022 the Company's Solvency II surplus over the SCR is €227m, with a ratio of eligible own funds to SCR of 4,034%.

Please note that, due to the nature of the information displayed in tables throughout this report, there may be rounding differences in some cases.

### Section A – Business and performance

The Company is a designated activity company which has limited liability by shares. It is incorporated, registered, and domiciled in Ireland. The Company's main activities will consist of the management of life assurance and pension products originally sold in Ireland, Sweden, Norway, Germany, and Iceland. The Company is authorised and regulated by the CBI.

The Company's immediate parent is ReAssure Limited ('RAL'), a company incorporated and resident in the United Kingdom. RAL is a subsidiary of Phoenix Group Holdings plc ('PGH'). A simplified PGH Group structure chart is presented in section A.1.2.1.

The performance of the Company, as set out in section A, is described using results as presented in the IFRS financial statements.

The operating profit/loss measure is stated after adjustments to exclude the impact of short-term economic variances and items considered to occur outside the normal course of business.

An operating loss of €(0.3)m (2021: n/a) was recorded for 2022. This is as expected due to the Company not having any insurance business until 2023. Further details on the components and the key drivers of the operating result are included in section A.2.

### Section B – System of governance

The Company established a system of governance during 2022, in anticipation of the long-term insurance business transferring in. It includes the Risk Management Framework ('RMF') of policies, controls, and practices by which it meets all the requirements of sound, risk-based management. The Company operates under its RMF in line with the Phoenix Group harmonised framework.

The system of governance was approved by the PLAE Board in December 2022.

The Chief Risk Officer has concluded that the system of governance put in place by the Board is adequate given the nature, scale and complexity of the risks which the Company will be exposed to.

### Section C – Risk profile

The Company operates a standardised RMF, for the identification and assessment of the risks it may be exposed to, and the amount of capital that should be held in relation to those exposures. Following a Standard Formula Appropriateness Assessment carried out as part of the CBI authorisation process, PLAE assesses its capital requirements on a Standard Formula basis. Therefore, the Solvency II position of the Company and the results presented in this SFCR are based on the Standard Formula.

The risk profile of the Company as at 31 December 2022 reflects the absence of any long-term insurance business at that date. The only Standard Formula risk exposure, for which solvency capital is held, relates to market risk and credit risk on cash deposits in the Company's bank account and liquidity funds managed by its asset managers.

The chart below shows the composition of the Company's undiversified SCR as at 31 December 2022.

Risk profile



The definitions of the risk categories are provided in Section C with further details on the SCR set out in section E.2.1.

## Summary continued

### Section D – Valuation for solvency purposes

For the purposes of Solvency II reporting, the Company applies the Solvency II valuation rules to value its assets, technical provisions and other liabilities. The principle that underlies the valuation methodology for Solvency II purposes is to recognise assets and liabilities at an amount for which they could be exchanged, transferred, or settled by knowledgeable and willing third parties in an arm's length transaction.

As at 31 December 2022 there are no technical provisions as the Company did not hold any insurance business as at this date.

The excess of assets over liabilities measured on a Solvency II basis for the Company is set out in the table below:

	2022 €'000	2021 €'000
Excess of asset over liabilities	232,329	n/a

Section D provides further information on the description of the bases, methods and main assumptions used in the valuation of assets and other liabilities.

### Section E – Capital management

The capital position for the Company at 31 December 2022 is presented in the table below:

Solvency II capital position	2022 €'000	2021 €'000
Eligible Own Funds	232,329	n/a
SCR	5,759	n/a
Solvency II surplus	226,570	n/a
Solvency Cover	4,034%	n/a

As at 31 December 2022, the Company's Solvency II surplus over the SCR is €227m, with a ratio of Eligible Own Funds to SCR of 4,034%. The Company held Own Funds in excess of both the SCR and Minimum Capital Requirement ('MCR') throughout the reporting period and, therefore, fully complied with regulatory capital requirements.

Further details regarding the Company's capital position are set out in Section E.1.

### Quality of Own Funds

Eligible Own Funds represent the available capital to support the SCR.

All of the Company's Eligible Own Funds are unrestricted Tier 1, and are comprised of ordinary share capital, share premium account related to ordinary share capital, surplus funds and the reconciliation reserve.

### Sensitivities and scenario analysis

As part of the Company's internal risk management processes, the Solvency II surplus is ordinarily tested against a number of financial scenarios. In the absence of any long-term business at 31 December 2022, a limited number of analyses have been performed for this SFCR but a full set of sensitivities and scenario analyses will be performed for the YE 2023 SFCR.

### Future developments

Certain long-term insurance business from elsewhere in the Phoenix Group transferred into PLAE on 1 January 2023. Post transfer the Company solvency ratio is above the level of 150% required by its capital policy.

### Directors' responsibility statement

Approval by the Board of Directors of the Solvency and Financial Condition Report.

Financial period ended 31 December 2022.

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report in all material respects in accordance with the CBI rules and the Solvency II regulations.

The Directors are satisfied that:

- throughout the financial year to 31 December 2022, the Company has complied in all material respects with the requirements of the CBI rules, including Solvency II regulations as applicable to the Company; and
- it is reasonable to believe that in respect of the period from 31 December 2022 to the date of publication of the Solvency and Financial Condition Report, the Company has continued to comply, and will continue so to comply in future.

For and on behalf of the Board of Directors



**Mike Woodcock**  
Chief Executive Officer  
29 March 2023

# Business and performance

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## Section A – Business and performance

### A.1 Business

#### A.1.1 Information regarding the Company

PLAE was established in Ireland in December 2020 and was authorised by the CBI to transact insurance business from September 2022.

Following the UK's withdrawal from the EU, UK insurance companies are no longer permitted to administer non-UK insurance business. PLAE was therefore set up to receive the non-UK long-term insurance business from Phoenix Life Limited ('PLL') and ReAssure Life Limited ('RLL'), both UK insurance companies within the Phoenix group. The business transferred into PLAE under two separate Schemes of Transfer, a UK Scheme under Part VII of the Financial Services and Markets Act 2000 (in the UK) and an Irish Scheme under Section 13 of the Assurance Act 1909 (in Ireland). The UK Scheme was sanctioned by the UK court in October 2022 and the Irish Scheme was sanctioned by the Irish court in November 2022. The business transferred into PLAE on 1 January 2023.

The Company is an insurance undertaking and its main activities consist of the management of life assurance and pension products originally sold in Ireland, Sweden, Norway, Germany and Iceland. As at 31 December 2022, the Company was a wholly-owned subsidiary of RAL, which is itself wholly owned by PGH.

The Company is incorporated in Ireland under the Companies Act 2014 (as amended).

The Company is authorised by the CBI to transact life insurance business in Ireland and cross-border life assurance business in the EU under the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. 485 of 2015).

With regard to the conduct of business requirements, the Company operates within the CBI's Consumer Protection Framework. For business in Germany, conduct is supervised by Bundesanstalt für Finanzdienstleistungsaufsicht ('BaFin') and the Finanzmarktaufsicht ('FMA'). In Sweden conduct is overseen by the Finansinspektion (the Swedish Supervisory Authority), in Norway by the Finanstilsynet (The Financial Supervisory Authority of Norway), and in Iceland by Seðlabanki Íslands (the Central Bank of Iceland).

The Company's supervisor is the CBI, North Wall Quay, Spencer Dock, Dublin, Ireland. The CBI applies group supervision under Solvency II to PLAE at the level of PGH.

The Company's external auditor is Ernst & Young Ireland with offices in Harcourt Centre, Harcourt Street, Dublin 2.

## Section A – Business and performance continued

### A.1 Business continued

#### A.1.2 Company and Group structure

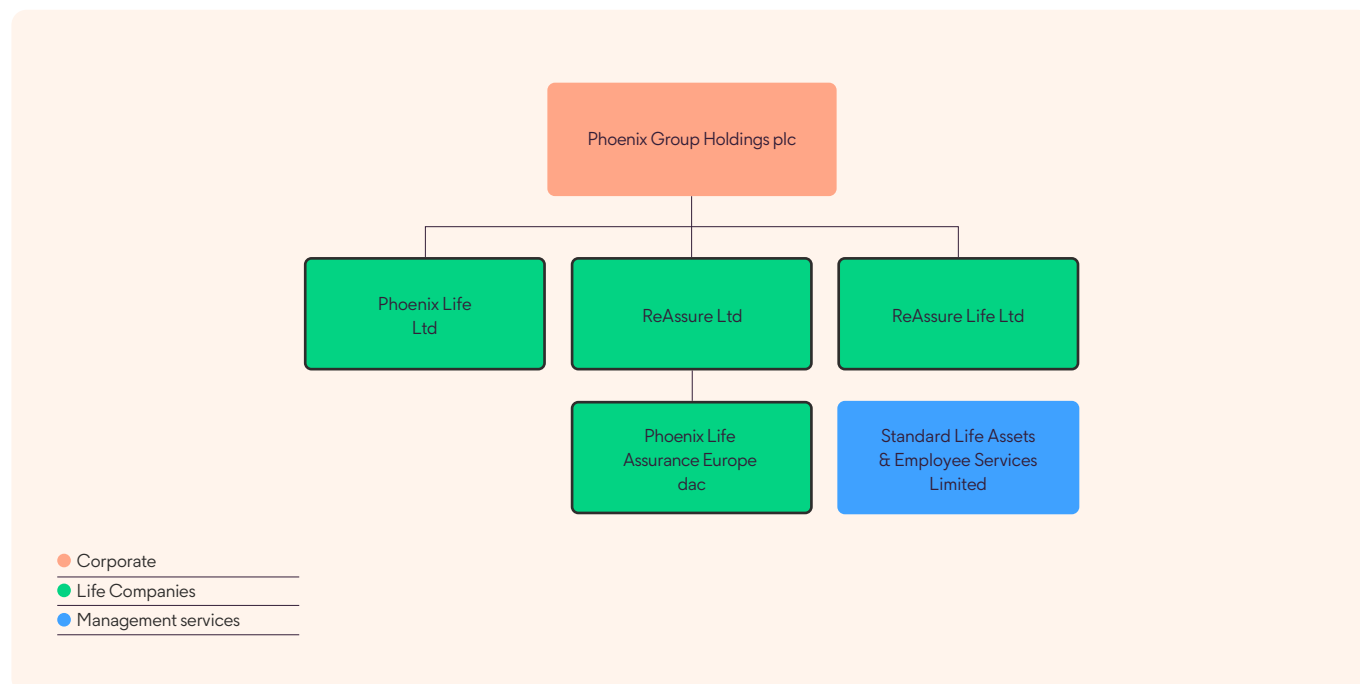
##### A.1.2.1 Legal Structure of the Group

A simplified Phoenix Group structure chart as at 31 December 2022 is provided below, showing the Company's position within that structure. All shareholdings are 100%. N.B. a complete Group structure chart can be found in the Group's SFCR.

Subsequent analysis of financial information in this section relates to the Company only.

Phoenix Group Structure Chart – Summary  
31 December 2022

Shareholdings are 100%



##### A.1.2.2 Governance and Organisation

PLAE is a wholly owned subsidiary of RAL, which in turn is a subsidiary of PGH.

Standard Life Assets & Employee Services Limited (Irish Branch) ('SLAESL') is a company within the Phoenix Group and is the principal outsource service provider for the Company. SLAESL is incorporated in Scotland and has a branch in Dublin. SLAESL provides personnel to the Company who in turn provide services to the Company. These include, inter alia, customer services, risk & compliance, finance, actuarial, tax, legal, HR, Internal Audit and IT services.

Some of these services are subcontracted by SLAESL to other Phoenix Group companies and to Diligenta, a company external to the Phoenix group. Further detail on outsource service providers is set out in section B.7.

The Company has largely adopted the policies of the Phoenix Group in relation to governance and risk management.

Further information on the governance structure is provided in Section B.

## Section A – Business and performance continued

### A.1 Business continued

#### A.1.3 Material lines of business and geographical areas

##### A.1.3.1 Material Lines of Business

There are four Solvency II lines of business which are based on the characteristics of the different products administered. The business which transferred into the Company on 1 January 2023 covers each of the four categories in the table below.

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

##### A.1.3.1.1 Insurance with-profit participation

The insurance with-profit participation line of business is comprised of conventional with-profit products and unitised with-profit products.

A with-profit, or participating, policy is one where the policyholder participates in the profits of the fund. An insurer aims to distribute part of its profit to the with-profit policyholders in the form of bonuses. The value of such distributions is based on, among other things, the performance of the underlying pool of assets.

Under a conventional with-profits product a guaranteed benefit is set at the time the policy is issued to be paid on a date or events specified. Regular bonuses may be added to the guaranteed benefit over the term of the policy. In addition, a final bonus may be paid.

Under a unitised with-profit product contractual benefits are determined by reference to the number of units allocated under the relevant policy. The number of units allocated increases on payment of premiums. Typically, for this type of policy, unit prices grow at a guaranteed minimum growth rate plus any (additional) bonus growth rate. The unit value of a policy is normally guaranteed as a minimum payout in specific circumstances. In addition, a final bonus may be payable when benefits are taken.

For both types of policy, pay-outs are usually 'smoothed' to lessen the impact of changes in the underlying value of the assets in the short term.

The with-profit policies which transferred on 1 January 2023 into PLAE from PLL are all 100% reinsured back into PLL. These reinsurance agreements have the effect that the former PLL with-profits policyholders receive benefits consistent with those they would have received had they not transferred from PLL.

##### A.1.3.1.2 Index-linked and unit-linked insurance

The value of unit-linked products is linked directly to the performance of the underlying assets. The policyholder typically bears all the investment risk with unit-linked products. The benefits attributable to the policyholder are determined by reference to the investment performance of a specified pool of assets.

Customers do not legally own the underlying assets or the units themselves; they own a contract (the policy) with a right to a benefit. The value of that benefit is determined by reference to the price of their chosen fund.

The investment elements of the unit-linked funds which transferred into PLAE on 1 January 2023 from PLL and RLL are all 100% reinsured back into PLL and RLL. These reinsurance agreements have the effect that the unit-linked policyholders of PLAE will be invested in the same funds as they were as PLL and RLL policyholders, and will therefore receive benefits consistent with those they would have received had they not transferred from PLL or RLL.

##### A.1.3.1.3 Health insurance

The Company's health insurance business comprises standalone critical illness products which typically pay out on diagnosis of a critical illness as defined in the policy. These policies transferred into PLAE from RLL.

##### A.1.3.1.4 Other life insurance

Other life insurance includes all remaining underwritten business and includes protection policies and annuity business.

The majority of the business included in this line of business is annuity business. Annuities generally provide a specified income stream over the life of the policyholder. The protection business includes term assurance which pays out a lump sum on death, and critical illness riders on other policies such as pension policies.



## Section A – Business and performance continued

### A.1 Business continued

#### A.1.3 Material lines of business and geographical areas continued

##### A.1.3.2 Geographical Areas

The Company is headquartered in Ireland and manages and administers life assurance and pension products to customers in Ireland, Sweden, Norway, Germany, and Iceland. The approximate number of policies by territory which transferred into the Company on 1 January 2023 are shown in the table below. All policies are serviced by SLAESL.

	Number of policies transferring into PLAE
Ireland	17,500
Sweden	4,500
Norway	1,000
Germany	1,000
Iceland	1,000

#### A.1.4 Significant business and other events over the reporting period

In May 2022 €5.9m was injected into PLAE from RAL to cover PLAE's MCR of €3.7m<sup>1</sup> in advance of authorisation. In September 2022 the CBI granted authorisation of PLAE to transact insurance business. In October 2022 a further €211.7m was injected into PLAE from RAL. In December 2022 an additional €15m was injected into PLAE from RAL. Taken together, these amounts were deemed sufficient to ensure PLAE would be capitalised to the level required by its capital policy after allowing for the long-term business which transferred into the Company on 1 January 2023. Based on information available since 1 January 2023, management are comfortable that PLAE continues to be capitalised above the 150% solvency ratio required by its capital policy.

#### A.1.5 Significant events after the reporting period

On 1 January 2023 certain non-UK long-term business from PLL and RLL transferred into PLAE, and the related reinsurance agreements, between PLL and PLAE, and between RLL and PLAE, became effective. The business which transferred is described in section A.1.3.1.

### A.2 Underwriting performance

The Company had no insurance contracts during the reporting period and therefore no underwriting performance. Capital of €232.6m was injected into PLAE during 2022. Investment income was €0.5m and management expenses of €0.9m were incurred. At 31 December 2022, the Company had available capital resources of €232.3m (2021: n/a) as measured on a Solvency II basis, and its SCR was €5.8m. The solvency coverage ratio as at 31 December 2022 was 4,034% (2021: n/a%).

#### A.2.1 Operating profit

A summary of the Company's performance during the year ended 31 December 2022 is presented below and in sections A.3 and A.4. The information below is presented on an operating profit basis and reconciles to the IFRS result in the financial statements.

	Section Reference	2022 €'000	2021 €'000
Operating profit/(loss)	A.2.1	(334)	n/a
Adjusted for the following items:			
Total investment return variances and economic assumption changes	A.4	-	n/a
Other non-operating items	A.4	-	n/a
IFRS profit/(loss) before tax attributable to owners		(334)	n/a
Tax (charge)/credit		-	n/a
Less: tax attributable to policyholders' returns		-	n/a
Tax credit attributable to owners		-	n/a
IFRS profit/(loss) for the year attributable to owners		(334)	n/a

Operating profit/loss is used as a performance measure of the underwriting activities of the Company and is considered an appropriate measure of the underlying performance of the Company as it excludes the impact of short-term economic volatility and other one-off items which, due to their size or nature, are not indicative of long-term operating performance. Given the Company had no insurance contracts in the reporting period, the operating loss consists only of investment return on invested assets and expenses incurred during 2022.

<sup>1</sup> The absolute floor of the MCR was increased from €3.7m to €4.0m in October 2022.

## Section A – Business and performance continued

### A.2 Underwriting performance continued

#### A.2.2 Analysis of operating profit

All of the operating loss of the Company arises in Ireland.

	€'000
Operating Income	558
Operating Expenses	(891)
Operating profit before tax	(334)

The operating loss in 2022 of €0.3m arises because expenses incurred during 2022 are larger than the investment return on invested assets.

The split of operating profit by line of business is not relevant given there was no long-term insurance business within the Company during the reporting period.

### A.3 Investment performance

The Company uses investment return as a measure of investment performance. The following table shows the Company's investment return for the year ended 31 December 2022:

	2022 €'000	2021 €'000
Investment income		
Interest income on loans and deposits at amortised cost	-	n/a
Other interest income on instruments at amortised cost		n/a
Interest income on financial assets designated at fair value through profit or loss on initial recognition	9	n/a
Dividend income	549	n/a
Rental income	-	n/a
Foreign exchange gains on instruments at amortised cost	-	n/a
Net Investment income	558	n/a

#### A.3.1 Investment income and expenses

Net investment return in the year was a gain of €558k (2021: n/a).

### A.4 Performance of other activities

There were no other income or expense items not included within operating profit.

	2020 €'000	2020 €'000
Other income and expense items		
Total investment return variances and economic assumption changes	-	n/a
Other non-operating items	-	n/a
Total other income and expenses	-	n/a

#### A.4.1 Analysis of investment return variances and economic assumption changes

In the absence of technical provisions in the reporting period, there is no analysis of investment return variances and economic assumption changes.

### A.5 Any other information

The Company is preparing for the introduction of the new insurance accounting standard, IFRS 17, which will change the way companies measure their insurance contracts and investment contracts with discretionary participation features ('DPF'), impacting profit emergence patterns and adding complexity to valuation processes, data requirements, assumption setting and reporting.

There is no further material information to be disclosed regarding business and performance.

# System of governance

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## Section B – System of governance

### B.1 General information on the system of governance

This section provides information on the system of governance in place for the Company. Details on the structure of the Board and committees are provided, with a description of their main roles and responsibilities, as well as a description of the main accountabilities and responsibilities of all key functions.

#### B.1.1 Overview

During 2022 the Company established a system of governance, which includes the RMF of policies, controls and practices by which it meets all the requirements of sound, risk-based management. The Company's RMF is derived from the Phoenix Group harmonised framework.

The system of governance comprises:

- **Governance framework** – how we manage our business including the role of the Board and its committees;
- **Organisational and operational structure** – how we structure our business and define roles, responsibilities, and reporting lines to ensure that appropriate spans of control operate throughout the organisation;
- **Risk management system** – a risk-based approach to managing our business. It includes the methods and processes we use to manage risks consistently. We refer to our risk management system as the RMF; and
- **Internal control system** – contains a range of processes, captured within the Company's policies, to manage risks at the highest level, how we assess impact and likelihood of risks and how we determine the effectiveness of our key controls.

The effectiveness of the system of governance and RMF will be reviewed each year and updated where necessary.

The Company has a clearly defined system of governance and RMF as at 31 December 2022. In addition to the established Board, there are two Board Committees – an Audit Committee and a Risk Committee. In addition to the Board Committees there are four management committees:

- Executive Committee ('ExCo');
- Customer Committee;
- Finance and Technical Committee; and
- Relationship and Operations Committee.

A graphical representation of these committees and the inherent decision-making structure can be seen in the following section.

## Section B – System of governance continued

### Section B – System of governance continued

#### B.1 General information on the system of governance continued

##### B.1.2 System of governance

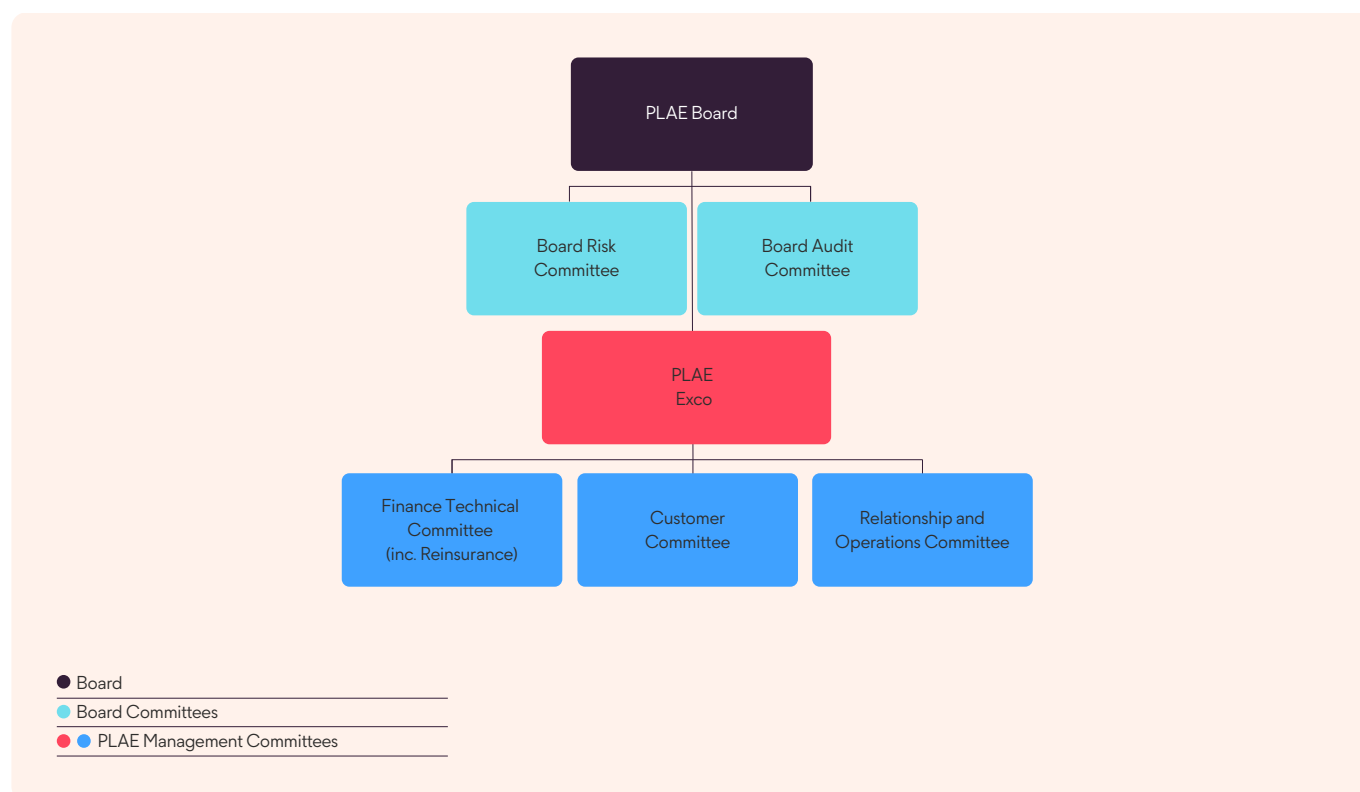
The governance framework provides a structure to support compliance with the Company's regulatory and Corporate Governance Requirements obligations. The Company's governance framework is approved by the Board, kept under regular review and documented in the Board Charter. The Company Secretary reviews the Board Charter and the Terms of Reference for each Board Committee annually, taking into account developments in regulatory guidance and corporate governance best practice, and recommends any changes to the Board, for its approval.

The framework consists of the following key elements which are discussed further in this section:

- Decision making structure;
- The Function of the Company Board;
- The Role of Non-Executive and Executive Directors;
- Board committees;
- The Executive and Executive committees;
- Scheme of Delegation;
- Code of conduct;
- Prudent Person Principle;
- Fitness and Probity regime; and
- Remuneration.

#### Company governance structure chart

The diagram below provides a high-level illustration of the Company's governance structure as at 31 December 2022.



## Section B – System of governance continued

### B.1 General information on the system of governance continued

#### The function of the Company Board

PLAE is an insurance company and is operated in accordance with its Board Charter.

The Board's role is to organise and direct the business of PLAE in a manner designed to further the best interests of the Company, having regard to the interests of its shareholders, customers and other stakeholders, while complying with its legal, regulatory and fiduciary duties and corporate governance requirements, including those duties and requirements set out under the Companies Act 2014 (as amended), the Company's Constitution and Articles of Association, Board Charter and the Corporate Governance Requirements 2015.

Under the Corporate Governance Requirements, PLAE is required to have a minimum of five directors. The majority of the Board may be composed of group directors or a combination of group directors and independent non-executive directors and have at least two independent non-executive directors. The PLAE Board currently comprises five directors, as follows:

- Three independent non-executive Directors;
- One non-executive Director; and
- One Executive Director.

The Chairman of PLAE is one of the independent non-executive Directors. Board composition and the skills and competencies of the Board are kept under regular review and assessed at least annually as part of the Board effectiveness review. The Board shall meet as often as is appropriate to fulfil its responsibilities effectively and prudently. The Company's Board must refer certain matters to the RAL Board and the PGH Board. The Board of Directors has ultimate responsibility for the RMF, further details of which can be found in section B.3.

The Board is collectively responsible for:

- determining the Company's objectives and strategy;
- ensuring that the necessary financial and human resources, including succession plans at Board and executive level, are in place to allow the Company to achieve its objectives;
- ensuring the Company has a Remuneration Policy that is in line with the risk strategies of the Company;
- ensuring the Company has an adequate and effective internal control framework, that includes well-functioning risk management, compliance, actuarial and internal audit functions as well as appropriate financial reporting and accounting frameworks;
- determining the amounts, types and distribution of internal capital and own funds adequate to cover the Company's risks;
- ensuring that robust and transparent corporate and management structures with effective communication and reporting channels are in place to allow the Company to achieve its objectives;
- determining policies applicable to the Company, including approving Company policies and adopting Group policies;
- determining and overseeing the strategy for the on-going management of material risks and establishing and maintaining a framework of internal controls that enables the financial and operational risks of the Company to be assessed and managed;
- monitoring progress by the Company towards the achievement of its objectives and compliance by the Company with approved plans and policies;
- reporting to relevant stakeholders on the Company's activities;
- appointing Board committees to meet the Company's requirements and relevant corporate governance standards;
- delegating clearly defined authorities to the Chairperson, the Chief Executive, Board committees and otherwise as the Board will determine from time to time; and
- formally reviewing its own effectiveness as well as the effectiveness of its Committees.

#### The role of Non-Executive and Executive Directors

The role of the Non-Executive Directors is to participate fully in the work of the Board including advising, supporting and challenging management as appropriate. Their roles and responsibilities are set out in the Board Charter, in the Companies Act 2014 (as amended), the Corporate Governance Requirements 2015 and in the independent non-executive Directors' letters of appointment.

Executive Directors' duties are to manage the day-to-day business of the Company with the other members of the Executive team, within the parameters set out by the Board and in the Board Charter. They also have separate responsibilities as members of the Board. Their roles and responsibilities are also set out in the Board Charter, the Companies Act 2014 (as amended) and in the Corporate Governance Requirements 2015.

Executive and Non-Executive Directors have the same statutory responsibilities.

## Section B – System of governance continued

### B.1 General information on the system of governance continued

#### Board Committees

The Board is supported in the oversight of the System of Governance – including the ERM Framework, the Own Risk and Solvency Assessment ('ORSA') process and the system of internal controls – by the Audit Committee and the Risk Committee. Further details regarding these two committees are set out in the table below.

Committee	Role, duties and responsibilities
Audit Committee	<p>The role of the Audit Committee is to consider and to make appropriate recommendations to the Board on:</p> <ul style="list-style-type: none"> <li>Financial reporting documentation including: draft financial statements (including significant reporting issues and judgments), financial returns to regulators and any significant financial information contained in any document for Board approval;</li> <li>The Company's regulatory reporting, including Solvency II capital position and related messaging, as disclosed in the Annual Report and Financial Statements, the Regular Supervisory Report ('RSR'), annual SFCR and the year-end Quantitative Reporting Templates ('QRTs');</li> <li>The Company's internal and external audit arrangements, including the independence of the external audit firm; and</li> <li>The Company's internal controls over financial and regulatory reporting, money laundering and financial crime.</li> </ul> <p>The Audit Committee meets at least four times a year to coincide with the Company's financial reporting and audit cycle. Members of the Committee are appointed by the Board. The Committee shall be made up of at least three members and all members of the Committee shall be Non-Executive Directors with the majority being independent Non-Executive Directors.</p>
Risk Committee	<p>The role of the Risk Committee is to provide oversight and challenge, and advice to, the Board on:</p> <ul style="list-style-type: none"> <li>The Company's material risk exposures, current risk strategy and future risk strategy and their impact on capital;</li> <li>The structure, implementation and maintenance of the Company's ERM Framework and its suitability to react to forward-looking issues and the changing nature of risks;</li> <li>The Company's Risk Function, Risk Appetite Framework ('RAF'), and changes to both the RAF and the quantitative risk limits;</li> <li>The due diligence on risk issues and aspects of major investments, major product developments and other corporate transactions;</li> <li>Regulatory Compliance and Regulatory Reporting matters;</li> <li>Material actuarial matters affecting the Company;</li> <li>The annual review of the appropriateness to the Company of Group policies and review any proposed new or amended Group policies and determine whether they should be recommended to the Board for adoption by PLAE; and</li> <li>The Company's ORSA including steering how the ORSA is to be performed and challenging the results.</li> </ul> <p>The Risk Committee meets at least four times a year to coincide with the Company's reporting cycle and otherwise as required by the Board or Committee. Members of the Committee are appointed by the PLAE Board. The Committee shall be composed of a majority of Non-Executive Directors, independent Non-Executive Directors or a combination of both. Appointments of Directors to the Committee shall be for a period of up to three years, which may be extended for two additional three year periods.</p>

#### Executive Committee ('ExCo')

PLAE ExCo is the main management committee, which manages the business of PLAE on a day-to-day basis according to the delegated authorities of and with the PLAE Chief Executive Officer ('CEO').

The PLAE CEO has the ultimate executive responsibility for PLAE's operations, compliance and performance. The PLAE ExCo is a management committee which assists the CEO and other PLAE PCF Holders in the performance of their duties. The PLAE Board Delegations of Authority define the limits of authority for the PLAE CEO, PLAE Head of Finance ('HoF') and other PLAE ExCo members.

The purpose of the PLAE ExCo as delegated from the PLAE Board is to:

- Develop and implement the Company strategy and operational plans;
- Monitor operating and financial performance;
- Prioritise and allocate resources appropriately;
- Monitor outsourcing oversight, projects, the assessment and control of risks, regulatory change and financial crime; and
- Develop and implement the corporate culture.

## Section B – System of governance continued

### B.1 General information on the system of governance continued

#### Scheme of Delegation

Delegated authority is an important control that allows the business to operate in a controlled but efficient and effective manner by giving individuals clear accountability for specific activities. The PLAE Board can delegate, where appropriate, all or part of its authority to an individual Director, Board Committee or other individuals competent to carry out that task.

The Phoenix Delegated Authorities framework outlines the delegated authorities that have been assigned to appropriate senior representatives to apply to settlement transactions across the Group. PLAE will operate in line with the group Delegated Authority Framework.

In line with the Phoenix Delegated Authorities framework, the PLAE Board have approved delegations necessary to enable the management of its banking relationships and provide investment and administrative instructions to Investment Managers, Custodians and Fund Administrators.

#### Code of Conduct

Good governance within the Company is predicated on the ethical behaviour of the organisation's staff. In recognition of this, PLAE has adopted the Group Code of Conduct which provides guidance on the high standards of ethical behaviour expected from staff to fulfil the Company's aim of becoming the trusted home for the financial future of customers.

#### Prudent Person Principle

The Prudent Person Principle is a set of qualitative requirements used to govern investment decisions and asset allocations. In particular, it sets out the expectation that insurers will exercise prudence in relation to the acquisition and holding of assets and places responsibility on the insurer to decide whether the nature of any investment is appropriate and to be able to show that it has systems and controls to hold and manage any such investments.

The Company's policies state the standards that business units must comply with in managing the key risks that threaten the achievement of the Company's strategy and business objectives. A range of these standards are directly relevant to the requirements of the Prudent Person Principle and are primarily contained in the following policies:

- Market Risk Management policy;
- Credit Risk Management policy;
- Insurance Risk Management policy;
- Capital Management policy; and
- Liquidity and Funding Policy.

Policy compliance reporting on the Company's internal risk management system, called Governance & Compliance Manager ('GCM'), demonstrates whether the Company has been compliant with the relevant policy standards and, as a consequence, with the requirements of the Prudent Person Principle. Further details on Prudent Person Principle compliance can be found in Section C, Risk Profile.

#### Remuneration

The Company relies on the Phoenix Group to oversee its remuneration policy. The Phoenix Group has a remuneration approach that aims to attract, motivate, and retain employees of high calibre to deliver sustained performance consistent with strategic goals, appropriate risk management, the Company's values and promote the long-term success of the Company. The remuneration approach ensures that total compensation is positioned appropriately against external benchmarks with an appropriate and balanced proportion of variable pay and aligned to the long-term success of the Company.

The Phoenix Group Remuneration Policy is overseen by the PGH Remuneration Committee. The purpose of the Remuneration Committee is to determine, review and make recommendations to the Board regarding the Group Remuneration Policy together with all remuneration related framework policies.

The Remuneration Committee will determine the Group Remuneration Policy which shall govern all material elements of remuneration of employees including salary, variable pay, pension contributions and benefits in kind and the alignment on incentives and rewards with the Company's culture and ensure that the Group Remuneration Policy and practices are designed to support strategy and promote long-term sustainable success. Remuneration within Phoenix Group is designed in such a way as to promote sound and effective risk management and not encourage risk-taking that exceeds the risk tolerance limits of the Company.

The PLAE Board will consult with the Group Remuneration Committee as appropriate and will satisfy themselves that the bonus structure for PLAE is not excessive and that it does not drive inappropriate risk taking.



## Section B – System of governance continued

### Fixed and variable elements of remuneration

Employee remuneration is composed principally of fixed and variable elements of reward as follows:

(a) Fixed reward:

- Fixed remuneration: salary (and cash allowances, if appropriate)
- Benefits (including pension)

(b) Variable reward: bonus, including the Phoenix Group Deferred Bonus Share Scheme where awards in excess of a predefined limit for senior employees are delivered in shares with a three-year vesting period. Senior employees may also be awarded a long-term incentive award.

Appropriate ratios of fixed to variable remuneration will be set to ensure that fixed and variable components of total remuneration are appropriately balanced; and the fixed component is a sufficiently high proportion of total remuneration to allow the Company to operate a fully flexible policy on variable remuneration components including paying no variable remuneration component. Bonus awards are contingent upon the company meeting various business targets set at the start of each year.

Executive Directors and non-independent Non-Executive Directors are members of Phoenix pension schemes. The schemes are defined contribution and operated through Standard Life Asset and Employment Services Limited. Independent Non-Executive Directors have no supplementary pension or early retirement scheme with PLAE.

### All employee share plans

Employee share ownership is promoted through two initiatives:

- The Phoenix Share Incentive Plan; and
- The Phoenix Irish Sharesave Plans.

### B.1.3 Overview of organisational and operational structure

The Company has established a well-defined organisational and operational structure with clearly defined roles, responsibilities and reporting lines in relation to its business activities and risk management.

Each business within PGH, including PLAE, maintains a list of all of its decision-making committees. Each committee operates under its own terms of reference, which sets out its authority, purpose, scope, and quorum details. The purpose of a quorum rule is to give decisions made by a committee enough authority to allow binding action to be conducted.

The Company's governance functions include Risk and Compliance, Internal Audit and Actuarial who have responsibility for monitoring, reviewing, challenging, and reporting on the status of the Company's risks on an ongoing basis.

### Three lines of defence

The Company operates a "three lines of defence" model of risk management, with clearly defined roles and responsibilities for individuals and committees:

- First line: Day-to-day risk management is delegated from the Board to the CEO and, through a system of delegated authorities, with specified limits, to business managers. The role of business managers in the first line is to establish, own and operate the key elements of the risk control processes.
- Second line: The role of the second line is performed by the PLAE Risk and Compliance Function. The second line is responsible for providing effective advice and challenge to the business stakeholders in the first line, providing oversight of risk management activities and ensuring that risks are being identified, assessed, controlled, monitored and reported appropriately. The second line also undertakes independent assurance reviews, as set out in the annual plan which is approved by the Board Risk Committee.
- Third line: The role of the third line is performed by Group Internal Audit ('GIA'). GIA provides independent verification of the adequacy and effectiveness of governance, risk management and internal controls.

## Section B – System of governance continued

### B.2 Fit and proper requirements

Under the CBI's Fitness and Probity regime, only individuals who are deemed to be fit and proper can carry out Controlled Functions ('CF'). Pre-Approval Controlled Functions ('PCF') are a subset of CFs which require approval from the CBI prior to the candidate being appointed to the role.

PLAE carries out due diligence and 'fit and proper' checks before appointing people to CFs and PCFs. PCFs include new Directors (including non-executive Directors), Executives and other roles specified by the CBI. The checks are fully documented and include an assessment of whether the person is 'fit' based on professional and formal qualifications, knowledge and relevant experience for the responsibilities of the role; and 'proper' based on honesty, financial soundness, character and criminal record.

A Competency and Capability review is conducted to ensure that individuals carrying out PCF and CF roles are fit to carry out the role and individuals are asked to review the Fitness and Probity Standards and re-certify that they comply with those Standards.

### B.3 Risk management system

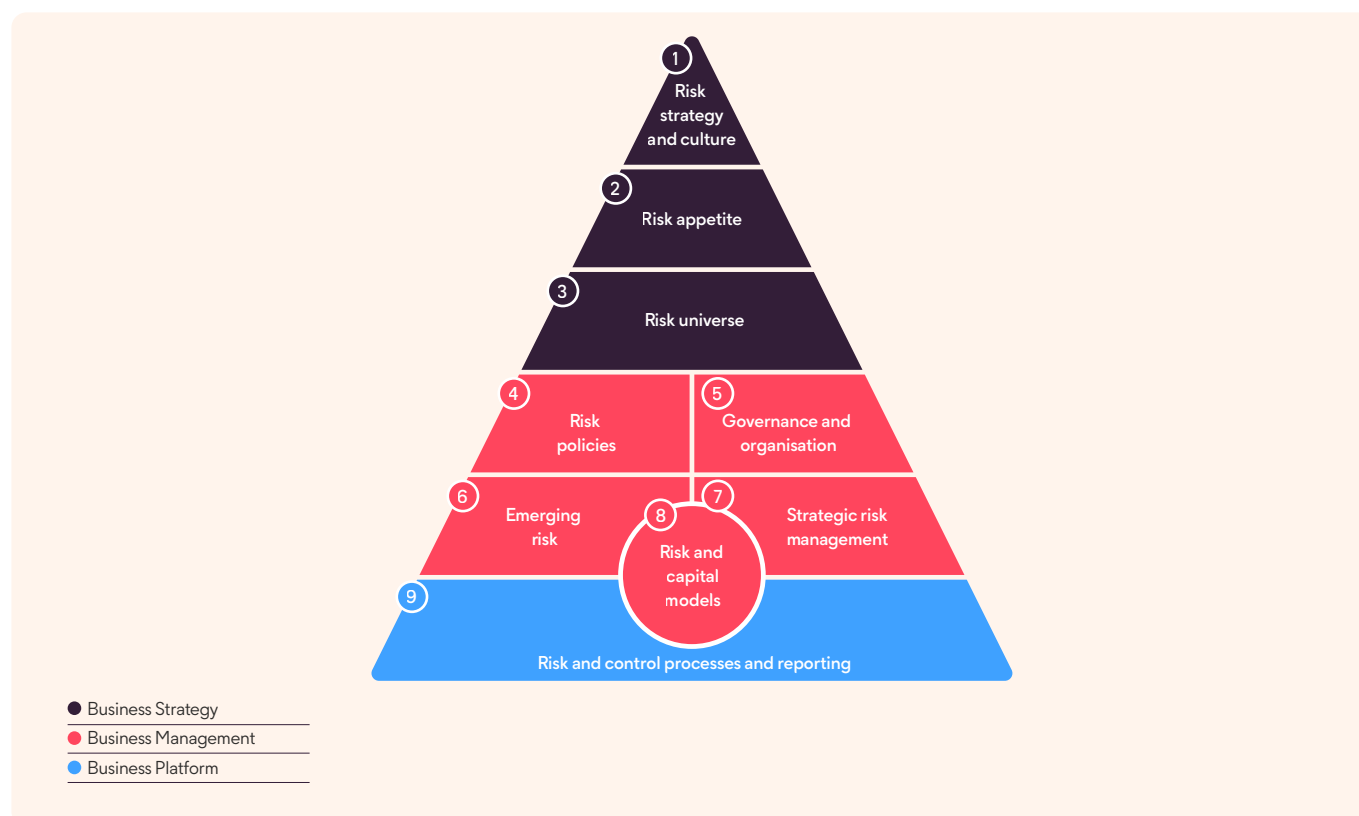
The Company's risk management system is part of the wider system of governance and includes the RMF and the ORSA.

#### B.3.1 Risk Management Framework

PLAE's RMF enables the business to operate in line with its strategic objectives whilst also ensuring controlled risk taking and informed decision making that improves customer outcomes and delivers long-term value for shareholders. The RMF embeds proactive and effective risk management across PLAE.

At the heart of the RMF is the "three lines of defence" model, as set out in B.1. This model covers the detailed day-to-day risk management by those in the first line, with second, and third line oversight and assurance provided to the Board by the Risk and Internal Audit Functions, respectively.

PLAE's approach to risk management is aligned to the Phoenix Group RMF (see diagram below). The RMF encompasses the processes, controls, and measures in place to ensure risks are being identified and managed effectively and that PLAE is appropriately rewarded for the risks it takes.



## Section B – System of governance continued

### B.3 Risk management system continued

All of the RMF components are interconnected and work together to provide the Company with a holistic framework encouraging proactive and pre-emptive risk management across the business. It is made up of nine core components as follows:

#### Risk Strategy & Culture

The Company's Risk Strategy is an overarching view of how risk management is incorporated into business-as-usual activity consistently across all functions from decision-making to strategy implementation. Risk Culture is the sum of our shared values, behaviours and attitudes towards risks faced by our customers and shareholders: it reflects the way that we think and act, both individually and collectively.

#### Risk Appetite

The Risk Appetite establishes the risk boundaries within which the Company is prepared to operate and sets the tolerance for delivery against its objectives. There are currently six Risk Appetite statements, relating to: Capital, Cash Flow, Conduct, Control, Shareholder Value and Sustainability.

#### Risk Universe

The range of risks faced by the Company, classified according to the following categories: Strategic, Market, Credit, Insurance, Financial Soundness, Customer or Operational Risk. The Group Risk Universe comprises three defined levels of risk. These levels are set out in section C.5.

#### Risk Policies

A set of policies that contain the minimum control objectives that each area of the business must adhere to and report compliance against through the operation of local processes and procedures. Each Policy is the responsibility of a member of the Executive Committee who is charged with overseeing compliance with the Policy.

#### Governance & Organisation

Overall responsibility for the RMF rests with PLAE's Board. A consistent 'three lines of defence' model with clearly defined roles and responsibilities for all components. Risk accountability and ownership is embedded in Line 1.

#### Emerging Risk

PLAE defines an emerging risk as a new or increasing risk that has low probability, and/or an uncertain outcome, and that could have a significant impact on PLAE's ability to deliver its strategy or on its key risk exposures. The aim of the emerging risk process is to identify risks before they emerge or substantially increase in onerousness, and to plan so that management is able to respond quickly as they become an active business concern. PLAE identifies, assesses, controls and monitors emerging risk as part of its risk management processes

#### Strategic Risk Management

Strategic risk comprises those risks which threaten the achievement of the strategy through poor strategic decision-making, implementation or response to changing circumstances. The Company recognises that core strategic activity brings with it exposure to strategic risk. However, it seeks to proactively review, manage and control these exposures.

#### Risk & Capital Models

A continuous process is followed for the identification and assessment of risk types and the resilience of our capital position in relation to these. The Company continually strives to enhance its internal risk and capital models and its modelling has to be sufficiently accurate to enable appropriate ranking and management of risks.

#### Risk & Control Processes & Reporting

Identification, assessment, management, and reporting of risks, including learning lessons from incidents, is undertaken, across the 3 lines of defence, and reported through management committees to the relevant Boards. A regular dynamic Management Assessment of Risks drives the risk review cycle.

## Section B – System of governance continued

### B.3 Risk management system continued

#### B.3.2 Own risk and solvency assessment

The Own Risk and Solvency Assessment ('ORSA') in PLAE is embedded throughout the RMF and is defined as a set of individual inter-linked risk, capital and strategic processes that occur throughout the year; these processes are embedded in strategic decision-making within PLAE and are consistent with the Phoenix group approach.

The PLAE ORSA provides:

- A linkage between strategy, risk, capital and stress testing, as well as the effectiveness of management actions required to meet strategic objectives;
- Processes to identify, assess, control, and monitor risks which the company faces;
- An understanding of current and potential risks to the business; this includes both financial and non-financial risks under base and stressed scenarios;
- The Company's appetite to accept these risks and how PLAE manages them; and
- A forward-looking internal assessment of PLAE's solvency position in respect of its current risk profile and how it is likely to change with the proposed business plan and strategy.

The ORSA does not serve to calculate an SCR; its purpose is to assess the solvency needs of the Company in the light of the forward looking assessment of risks.

The ORSA process culminates in the creation of the ORSA report. An ORSA report is produced at least annually and ad hoc ORSA reports will be produced should a trigger event occur, such as a major change in business strategy.

The main objectives of the ORSA report are to:

- Understand the current risk profile of the business and anticipated changes over the business planning horizon;
- Determine the Overall Solvency Needs through the ORSA process;
- Understand the gap between SCR and risk profile, thereby determining the appropriateness of the Standard Formula for the calculation of SCR;
- Inform the business, capital, dividend and investment strategies; and
- Understand how the future risk profile, own funds and Solvency Coverage Ratio changes under different scenarios; and demonstrate continuous compliance with regulatory capital requirements and requirements in relation to the calculation of technical provisions.

### B.4 Internal control system

The Company's internal control system contains a range of processes which are captured under its Conduct and Operational Risk framework as part of the risk control process element of the RMF.

#### B.4.1 Conduct and operational risk framework

A key feature of the RMF is the Risk Universe, upon which the Risk Policy framework is based. The Risk Policy framework incorporates key risks and Minimum Control Standards relating to each policy and key risk. The RMF also features a holistic Risk and Control Self-Assessment approach and Incident and Breach Management procedures. Tracking of action plans and key risk indicators also forms part of the framework.

The Company will implement the Conduct and Operational Risk framework during 2023. Once the implementation has been completed, the framework will comprise the following processes outlined below:

- Business risk profiles;
- Risk policy framework;
- Risk assessment including risk registers;
- Risk and Control self-assessment;
- Incident and breach management;
- Action plan management; and
- Key risk indicators.

#### Business Risk Profiles

A Business Risk Profile ('BRP') is a Line 1 report for a particular risk category which provides an overview of how well that risk is managed. BRPs contain a risk definition, qualitative and quantitative assessments of risks, details of key controls, key risk indicators and any relevant internal or external loss data. They also contain details of the top-down and bottom-up emerging risks and action plans to improve risk mitigation.

BRPs exist for each material Level 2 or Level 3 risk category and each BRP has an identifiable Risk Owner in Line 1. The Risk Owner is responsible for ensuring that the BRP is completed, and they are supported in this by Risk Champions within their area. Risk Owners update most BRPs on a quarterly basis.

## Section B – System of governance continued

### B.4 Internal control system continued

#### Risk policy framework

The policy framework helps the Company to achieve the high-level business objectives by providing a structure to help articulate how the code of conduct, governing principles and all the policies and procedures fit together to make sure that the business and employees operate within approved limits and standards, as defined by the Board.

The fair treatment of customers is integral to all our business activities and of fundamental importance. As such, policies are implemented with their specific impact on the customer in mind. This framework provides a structured process for developing and implementing policies consistently across the business.

#### Risk assessment including risk registers

Risk assessment is the process whereby operational risks which might adversely affect the Company's ability to meet its stated business objectives are identified, assessed and managed, in order to minimise any adverse impact. Conducting the risk assessment process increases the likelihood of meeting our business objectives and plans because we have identified up-front what can go wrong and have taken actions to prevent this.

It is mandatory for all areas of the business to establish, own and operate risk assessment processes. The recording, ongoing monitoring and management of the risks identified through these processes is enabled by 'risk registers' which are held on the GCM system.

The registers detail a range of information captured through the risk assessment process including: a description of the risk; details of the likely causes and impacts; an assessment of the risk in impact and likelihood terms; details of the responses to the risk; and details of the 'owner' for each risk. Responsibility for implementing a risk assessment process including appropriate responses, and the creation and ongoing management of a risk register rests with leaders and managers of each area of the business.

#### Risk and Control Self-Assessment

Risk and Control Self-Assessment ('RCSA') is a self-assessment tool, its purpose being to ensure that the risks that exist in key processes and the primary controls within them are documented and subject to regular assessment by business owners. The assessments include:

- the inherent likelihood and impact of key risks;
- the likelihood and impact of those risks following actions taken and controls put in place to mitigate against them;
- a review of the adequacy of the design of the suite of controls;
- an assessment of the actual performance of those controls;
- evidence to support control performance; and
- an overall control effectiveness conclusion.

The results of the RCSA certification process feed into the BRPs and provide senior management with assurance over the awareness of risks, and the effectiveness and quality of the control environment operated across the key business processes.

RCSA results may also lead to designing new procedures or changing existing procedures to reduce the probability of control failures.

#### Incident and Breach Management

An incident is a risk that has materialised as a result of a deficiency in our system of internal control, or an external event and a breach is an incident that has gone beyond the appetites set for risks. Since they can have a significant impact on the Company's reputation and performance, we aim to identify and understand these quickly to ensure that an appropriate response is taken. The GCM system is used to log any incidents and breaches that occur and ensure action plans are put in place for corrective action.

#### Action Plan Management

Action plan management is an important aspect of the conduct and operational risk control framework. Its purpose is to:

- Ensure that control improvement work is identified, what is required is clearly expressed, ownership is clear and target dates are set;
- Demonstrate active management of the control environment;
- Prioritise control improvement work; and
- Provide progress on work to allow source owners to determine the impact of outstanding issues.

## Section B – System of governance continued

### Key Risk Indicators

The Company's key risk indicators ('KRIs') aim to identify potential issues before they materialise and are used as a monitoring tool to provide a snapshot of the current business exposure to specific risks.

KRIs are a blend of control indicators and other management information that is focused on a particular risk. The key differential of a KRI is that the metric has a direct correlation to an increase or decrease in probability, impact, or exposure to a specific risk.

KRIs assist both business management and risk management functions by providing a tool to:

- Monitor risks by measuring trends or performance of KRIs;
- Provide an early warning to enable proactive rectifying action and help to minimise exposure to losses;
- Promote a proactive risk culture by providing a trigger for management action; and
- Bring objectivity to the risk process.

All the outputs from our conduct and operational risk control framework flow through to the other stages of the ERM framework, such as the risks being reflected in our risk and capital models.

### B.4 Internal control system continued

#### B.4.2 Risk and Compliance functions

The Risk and Compliance functions are second line of defence functions and are embedded into the Company's strategic and operational decision making. The functions promote informed decision-making and controlled risk-taking that improve customer outcomes and deliver long-term value for shareholders.

The Risk and Compliance functions achieve this by:

- Providing guidance, advice, challenge, review, and assurance of key activities;
- Developing Regulatory relationships that help deliver the business strategy;
- Ensuring that Compliance activities are undertaken; and
- Designing and implementing a risk management framework that supports the execution of business strategy.

The Risk function is led by the Chief Risk Officer ('CRO'), who reports to the PLAE CEO. The Compliance function, led by the Head of Compliance, also reports to the PLAE CEO. The PLAE CRO also has access to the chairperson of the Risk Committee and regularly attends Board Risk Committee meetings.

Support is also provided by Group functions.

#### B.4.3 Regulatory compliance

The Company's Regulatory Compliance policy requires the business to provide assurance that they are complying with the relevant regulations.

The Regulatory Compliance policy sets out the standards the business must adhere to in complying with the relevant regulations. These standards are in place to prevent non-compliance. The Head of Compliance is the policy sponsor, while the policy is owned by the Local Compliance Team.

The assessment of the adequacy of the measures adopted to prevent non-compliance is a continuous process and follows an annual cycle starting and ending at annual policy review. The assessment includes:

- Board review and approval of the policy standards to apply in the following year;
- A self-assessment of compliance with the Board approved policy. Where this highlights areas of non-compliance, action plans are set up to ensure compliance (along with appropriate timescales);
- A review of the above assessment by the policy sponsor. This review will consider the evidence provided to show compliance, the action plans and other information already reported in the GCM system;
- A review of the policy standards and benchmarks by the policy owner. This review considers the cases of non-compliance (or near misses) reported over the year and the adequacy of the current standards and benchmarks in reducing the numbers and controlling the impact of these cases; and
- Board review and approval of the revised policy standards resulting from the above review.

## Section B – System of governance continued

### B.5 Internal Audit function

Internal Audit activities for the Company will be provided by the Group Internal Audit ('GIA') function. The primary role of GIA will be to support the Board and Executive Management to protect the assets, reputation, and sustainability of the organisation. This will be achieved by assessing whether all significant risks are identified and appropriately reported, assessing whether they are adequately controlled and challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

GIA will operate in compliance with the International Standards for the Professional Practice of Internal Auditing, the Internal Audit Code of Ethics and the Guidance on Effective Internal Audit in the Financial Services Sector and guidance provided by the European Confederation of Institutes of Internal Audit ('ECIIA').

#### B.5.1 Roles and responsibilities of Internal Audit

The GIA scope will be unrestricted and there will be no aspects of the organisation which GIA is prohibited from reviewing. Key business risk areas and industry themes identified both internally and externally, will be prioritised to receive more extensive coverage, regular ongoing review and opinion formation.

The function has several responsibilities including producing, delivering and reporting on the annual Internal Audit plan.

#### B.5.2 Reporting

GIA will attend, and issue reports to the Company's Audit Committee and any other governing bodies and Board committees as appropriate.

GIA's reporting to the Audit Committee will include significant control weaknesses, root-cause and relevant 'lesson learned' analysis, themes and a view on the adequacy of management's remediation plans. GIA will provide an opinion on the strength of the design and operation of the Risk Management/Internal Control Framework (and adherence to the risk appetite framework across the business).

### B.6 Actuarial function

The actuarial function has the following responsibilities:

- **Technical provisions:** co-ordinate calculation of technical provisions; ensure the appropriateness of the methodologies and underlying models used as well as assumptions made in the calculation of the technical provisions; inform the Board of the adequacy of calculation; provide opinion on the adequacy of technical provisions;
- **Underwriting:** prepare an opinion on overall underwriting policy;
- **Reinsurance:** prepare an opinion on adequacy of reinsurance arrangements;
- **With Profits:** obtain an annual opinion from the With-Profits Actuary that PLAE policyholders have been treated in the same way as non-transferring policyholders and have been treated fairly in accordance with the scheme rules and raise any concerns in relation to the operation of the with-profits business to the PLAE Board; and
- **Risk management:** contribute to an effective risk management system; provide an opinion to the Board on the range of risks and adequacy of the scenarios considered as part of the ORSA.

In addition to the above which are required by the Solvency II Directive delegated acts and guidelines, the Actuarial function also performs the following functions:

- **Assumptions and methodology:** assess whether the methodologies used in the calculation of the technical provisions and SCR are appropriate for the business. Review and propose changes to methodologies, having regard to the available data;
- **IFRS actuarial liabilities:** recommend to the Board methodology and assumptions for the calculations of IFRS actuarial liabilities;
- **Investment Oversight:** oversight and management of investment decisions relating to PLAE's shareholder funds and funds backing annuities;
- **Capital and liquidity management:** monitor and manage capital and liquidity; and
- **With-Profits and Reinsurance Management:** monitor management of the with profits funds and compliance with relevant regulations. Oversee the adequacy and effectiveness of reinsurance arrangements.

In addition to the requirements of Solvency II, the Actuarial Function is subject to the requirements of the CBI's Domestic Actuarial Regime.

## Section B – System of governance continued

### B.7 Outsourcing

The Company's Sourcing and Procurement Policy and Supplier Management Governance Process set the standards that the Company must comply with for outsourcing arrangements.

The Company expressly retains responsibility for meeting all relevant regulatory and legal requirements by the outsource providers and includes the requirement for the implementation of appropriately robust governance structures. The Sourcing and Procurement Framework also highlights that customer outcomes must be considered at the outset and throughout the lifecycle of any outsourcing arrangement.

For each 'strategic, critical or important' (material) outsourcing arrangement (as defined in the Third-Party Management Risk Policy), an Executive Sponsor, and Supplier Relationship Manager are appointed. In addition, outsourced control functions (as per CBI fitness and probity definitions) are required to satisfy the fitness and probity requirements.

Suppliers of material outsourced services are classified and managed in line with the Supplier Management Model Framework (SMM). PLAE will be adopting the SMM for the oversight of its critical outsourcer SLAESL. PLAE will attend the Governance Forums for SLAESL and other third-party suppliers, where appropriate, and will receive segregated PLAE MI as part of this process.

PLAE will also implement quarterly forums with SLAESL to review the services being delivered, and to ensure they are being conducted in line with the agreed service levels and obligations within the MSAs.

PLAE employs the majority of its staff through SLAESL. SLAESL and other service companies also provide intra-group hub services in respect of various functions, including sales, operations, marketing, actuarial, compliance, IT, human resources, facilities, tax, legal, internal audit and finance.

The key activities are managed through service relationships and formally reported at least quarterly as per our SMM process.

The table below sets out the Company's main outsource partners, the services they provide, their classification, and their locations.

Supplier	Main Service(s) Provided	Category of Outsourcer	Supplier Location
SLAESL	Internal Audit, Tax, Legal, Customer services, Staff, Facilities, IT& Cyber support, Portfolio management, Investment governance, Risk and Compliance, Capital & Risk Management, Finance, Supplier management	Critical	Ireland / UK
RUKSL	IT outsourcing	Critical	UK
Diligenta	IT outsourcing	Critical	UK
Capita	IT outsourcing	Critical	UK
SS&C	Policy administration services	Critical	Ireland
Abrdn	Investment management services	Critical	UK
HSBC	Custodian and fund accounting services	Critical	Ireland / UK
PWC	Head of Actuarial Function	Critical	Ireland

### B.8 Any other information

There is no further information relevant to the Company's system of governance.



# Risk profile

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## Section C – Risk profile

### Risk profile

Section B.3 sets out the risk management system including information on how the RMF is implemented and integrated into the organisational structure and decision-making processes of the Company.

This section provides information on the risk profile of the Company, including for each category of risk, a description of the risks, a description of the measures used to assess these risks, material risk exposures, concentrations and risk mitigation techniques. Some sensitivity analyses are also provided. As at 31 December 2022, prior to the transfer of insurance business into PLAE on 1 January 2023, the only risks to which PLAE was exposed, for which capital is held under the Standard Formula SCR, were market and credit risks, arising from cash balances in company bank accounts and investments in liquidity funds held by the Company's investment managers. However, for completeness, all risks to which the Company is exposed post transfer are described below.

The Company's principal risks and uncertainties are also described in the directors' report in the 2022 Annual Financial Statements.

Risk	Description	More detail included in section
<b>Demographic Risk</b>	The risk that arises from more or fewer people dying or becoming seriously ill than anticipated. It also includes more or fewer people lapsing their policies than expected.	C.1 Underwriting risk
<b>Expense Risk</b>	Expense The risk that expense levels are higher than planned or revenue falls below that necessary to cover actual expenses. This can arise from unexpected increases in the running costs of the Company or unexpected increases in expense inflation, either Company specific or relating to economic conditions. Expense risk can reflect an increase in liabilities or a reduction in expected future profits.	C.1 Underwriting risk
<b>Financial Market Risk</b>	The risk that arises from the Company's exposure to financial assets. It results from market movements which may impact the face value, income or cashflows related to assets held, or to changes in the value of liabilities linked to market movements.	C.2 Market risk
<b>Credit Risk</b>	The risk of exposure to loss if a counterparty fails to perform its financial obligations, including failure to perform those obligations in a timely manner.	C.3 Credit risk
<b>Liquidity Risk</b>	The risk that the Company is unable meet financial obligations as they fall due or can do so only at excessive cost.	C.4 Liquidity risk
<b>Operational Risk</b>	The risk of adverse consequences for the Company's business resulting from inadequate or failed internal processes, people or systems, or from external events. This includes conduct risk as defined below.	C.5 Operational risk
<b>Conduct Risk</b>	The risk that through our behaviours, strategies, decisions and actions the Company delivers unfair outcomes to our customers/clients and/or poor market conduct.	C.6 Other material risks
<b>Strategic Risk</b>	Risks which threaten the achievement of the strategy through poor strategic decision-making implementation or response to changing circumstances.	C.6 Other material risks

The risks above are covered in this section, which follows a prescribed format and order. Sections C.1 to C.6 provide information on specific material risks to which the Company is exposed. Section C.7 covers information which applies across these material risks.

Capital held in respect of these risks is described in Section E. Please see Quantitative Reporting Template S.25.01.01 to see the split of the SCR by risk category.

The table below shows the composition of the actual Company undiversified SCR, calculated in accordance with the Standard Formula:

Risk profil	Section reference	PLAE SCR 31 December 2022	PLAE SCR 31 December 2021
Underwriting risk	C.1	0%	n/a
Market risk	C.2	35%	n/a
Credit risk	C.3	65%	n/a
Liquidity risk	C.4	0%	n/a
Operational risk	C.5	0%	n/a
Other risks	C.6	0%	n/a
Total		100%	n/a

The only Standard Formula risk capital amounts held at 31 December 2022 fall into the Market risk and Credit risk categories above. The credit risk capital held is in respect of counterparty default risk through the exposure to the Company's bank account deposits and exposure through liquidity funds managed by its investment managers. The Company does not hold SCR for liquidity or other risks, as explained further in Section C.4.1 and C.6.1.

Further details on the nature of each risk category are set out in their respective sections below. More details regarding the SCR are set out in section E.2.

## Section C – Risk profile continued

### C.1 Underwriting risk

#### C.1.1 Risk exposure

Underwriting risk refers to the risk that the frequency or severity of insured events may be worse than expected and includes expense risk. The main sources of underwriting risk are:

Risk Source	Description
Lapse Risk	Adverse movement in either surrender rates or persistency rates on policies, leading to losses. This includes the risk of greater than expected policyholder option exercise rates giving rise to increased claims costs.
Mortality Risk	Higher than expected number of deaths experienced on life and protection products or greater than expected increase in mortality rates.
Longevity Risk	Lower than expected number of deaths experienced on annuity products or greater than expected improvements in annuitant mortality.
Catastrophe Risk	Once-off catastrophic event causing a sharp spike in mortality rates.
Expense Risk	Unexpected timing or value of expenses incurred.

In the absence of any Technical Provisions as at 31 December 2022, the Company had no exposure in respect of underwriting risk. Post transfer, the Company's key underwriting risk will be longevity risk on its annuity portfolio. Sections C.1.2 to C.1.4 below describe the position of the Company on a post-transfer basis.

#### C.1.2 Risk measurement

The Company uses several methods to assess and monitor underwriting risk exposures both for individual types of risks insured and the overall risks. These methods include the Solvency II Standard Formula, experience analyses, external data comparisons, sensitivity analyses, scenario analyses and stress testing.

The risk capital requirement for underwriting risk is assessed using the Standard Formula model, which is calibrated to withstand a stress equivalent to a 1-in-200-year event.

#### C.1.3 Risk concentration

The Company is not exposed to any material concentration of underwriting risk on its annuity portfolio as no individual policyholder contract size is large enough to represent a material concentration as a proportion of the Company's total risk exposure.

#### C.1.4 Risk mitigation

Reinsurance is used within the Company primarily to reduce risk exposures arising on With-Profits policies. The reinsurance arrangements with PLL eliminate the Company's underwriting risk exposure in respect of these policies. There is also a small amount of reinsurance on the retained German business, where some rider benefits on policies are reinsured to third parties.

For business retained within PLAE, such as the annuity business, underwriting risks are managed through the use of appropriate and active pricing and regular monitoring of experience. The Company also has a RAF which limits the amount of exposure to individual risks.

The Company will actively monitor its actual experience on longevity and persistency, along with other underwriting risks. This will give timely identification of any significant divergence from long-term trends, which can enable the underlying causes to be identified and appropriate actions implemented.

#### C.1.5 Sensitivity analysis

In the absence of any underwriting risk at 31 December 2022, no sensitivity analysis has been performed. As part of the Company's internal risk management processes the impact of a number of underwriting risk scenarios on the SCR will be performed during 2023 and summarised in next year's SFCR.

## Section C – Risk profile continued

### C.2 Market risk

#### C.2.1 Risk exposure

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market influences. Market risk includes the following categories of risk:

Risk Source	Description
<b>Equity Risk</b>	The risk of reduction in earnings and/or value, from unfavourable movements in equity asset values.
<b>Property Risk</b>	The risk of adverse property market movements which could result in a financial loss.
<b>Interest Rate Risk</b>	The risk that the fair value of future cash flows of a financial instrument will fluctuate relative to the respective liability due to the impact of changes in market interest rates and the associated guarantees on certain insurance contracts.
<b>Spread Risk</b>	The risk of reduction in earnings and/or value, from unfavourable movements in the spread between corporate bond yields and swap rates used to discount insurance liabilities.
<b>Currency Risk</b>	The risk of reduction in earnings and/or asset and liability values arising solely as a consequence of changes to currency exchange rates. This risk category also covers the risk of a change in swap rates in one currency, relative to the swap rate in another currency.
<b>Concentration Risk</b>	The risk that holdings in single assets or groups of associated assets magnify the market risk due to the concentrated nature of the exposure, due to a lack of diversification.

As there were no insurance liabilities as at 31 December 2022, interest rate risk and spread risk arise only on the assets in the liquidity funds held by the investment managers.

The table below shows the split of the undiversified SCR in respect of market risk for the Company.

Components of Market Risk	31 December 2022	31 December 2021
Equity Risk	0%	n/a
Property Risk	0%	n/a
Interest Rate Risk	15%	n/a
Spread Risk	20%	n/a
Currency Risk	0%	n/a
Concentration Risk	0%	n/a
Total Market Risk	35%	n/a

#### C.2.2 Risk measurement

The Company uses several methods to assess and monitor market risk exposures both for individual market risk categories and for the aggregate exposure to all market risks. These methods include monitoring of asset portfolio composition, interest rate mismatch metrics, strategic asset allocation, and hedge effectiveness. In addition, risk is measured using the Standard formula, sensitivity analyses, scenario analyses and stress testing.

The risk capital requirement for market risk is assessed using the Standard Formula model, which is calibrated to withstand a stress equivalent to a 1-in-200-year event.

As at 31 December 2021, market risk represented 35% of the Company's total undiversified SCR.

#### C.2.3 Risk concentration

Market risk concentrations are monitored via the Company's RAF which limits the amount of exposure it has to individual counterparties.

## Section C – Risk profile continued

### C.2 Market risk continued

#### C.2.4 Risk mitigation

Several financial risk mitigation techniques are available to the Company post transfer including:

Risk Mitigation Technique	Description
<b>Diversification</b>	Where possible investments are diversified across class, industries and counterparties.
<b>Cashflow Matching</b>	In the case of the immediate annuity portfolios assets with similar cash flows to the liabilities are selected to minimise the risk of reinvesting cash flows at adverse prices. Company expenses are also cashflow matched with appropriate assets.
<b>Hedging</b>	Hedging programmes utilising derivative instruments are not currently used by the Company but remain an additional option to mitigate exposure to interest rate risk.

#### C.2.5 Sensitivity analysis

As part of the Company's internal risk management processes, the impact of several market risk scenarios on the SCR is monitored. These sensitivities incorporate some modelling approximations and results are indicative. The results of such stress testing on the Company's SCR are provided below.

	Own Funds (€'000)	SCR (€'000)	SCR Ratio (%)
Base: 31 December 2022	232,329	5,759	4,034%
Following a 100 basis point widening of credit spreads	231,904	5,752	4,032%
Following a 100 basis point interest rates rise	231,904	5,780	4,012%
Following a 100 basis point interest rates fall	232,760	5,737	4,057%

In the absence of any Technical Provisions at 31 December 2022, these sensitivities only affect the asset side of the balance sheet and have very little impact on Own Funds, the SCR and hence the solvency ratio.

### C.3 Credit risk

#### C.3.1 Risk exposure

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. These obligations can relate to both on and off-balance sheet assets and liabilities. Credit risk includes the following categories of risk:

Risk Source	Description
Investment counterparty risk	The risk of reduction in earnings and/or value, arising from counterparty defaults on investments such as bonds, derivatives and cash deposits.
Reinsurance counterparty risk	The risk of reduction in earnings and/or value, arising from the failure of a reinsurance counterparty to meet its contractual obligations by way of default or delayed claim settlements.

The table below shows the split of the undiversified SCR in respect of credit risk for the Company

Components of Credit Risk	31 December 2022	31 December 2021
Investment counterparty risk	65%	n/a
Reinsurance counterparty risk	0%	n/a
Total Credit Risk	65%	n/a

The only Standard Formula credit risk capital held by PLAE as at 31 December 2022 is in the Investment counterparty risk category. The capital held is in respect of counterparty default risk arising through the Company's bank account cash deposits and through exposure to liquidity funds managed by the Company's asset managers.

The Company's bank account is with a counterparty whose credit rating was reaffirmed at A in September 2022. The liquidity funds carry a AAA credit rating.

#### C.3.2 Risk measurement

Several methods are used to assess and monitor credit exposures. These methods include monitoring of asset portfolio composition and single name counterparty monitoring. In addition, risk is measured using the Standard Formula, sensitivity analyses, scenario analyses and stress testing.

The risk capital requirement for credit risk is assessed using the Standard Formula, which is calibrated to withstand a stress equivalent to a 1-in-200-year event to a 99.5% confidence level over a one-year period.

## Section C – Risk profile continued

### C.3.3 Risk concentration

Concentration of credit risk exists where the Company has significant exposure to an individual counterparty or a group of counterparties with similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. Counterparty credit risk is monitored by the counterparty limits contained within the investment guidelines and investment management agreements.

As at 31 December 2022, the largest credit counterparty exposures to a single name counterparty in the Company's asset portfolio were to the Company's asset managers who are responsible for managing the liquidity funds of €215m at 31 December 2022 and to the bank which manages the Company's bank account where deposits total ca. €6m.

After the transfer in of insurance business on 1 January 2023, the Company has reinsurance counterparty risk exposure arising from the reinsurance agreements with PLL and RLL.

The liquidity fund exposure was significantly reduced in February 2023 as €118m of the cash deposits were reinvested in high quality government bonds to match the Company's expense reserves.

### C.3.4 Risk mitigation

The Company manages its exposure to credit risk, including concentration risk in-line with its Credit Risk Policy. This helps to mitigate the Company's credit risk by ensuring that appropriate processes, controls, and governance is in place to monitor, report and manage all aspects of credit risk (including concentration risk).

The ongoing effectiveness of credit risk mitigation is monitored on a regular basis by the Board Risk Committee.

### C.3.5 Sensitivity analysis

As part of the Company's internal risk management processes, the impact of a credit risk scenario on the SCR is monitored. This sensitivity incorporates some modelling approximations and results are indicative. The result of such stress testing on the Company's Own Funds, SCR and solvency ratio is provided below.

	Own Funds (€'000)	SCR (€'000)	SCR Ratio (%)
Base: 31 December 2022	232,329	5,759	4,034%
Following a one letter deterioration in counterparty credit ratings	232,329	10,296	2,256%

The scenario of a downgrade in counterparty credit ratings increases the counterparty default risk capital held in respect of the liquidity funds and bank account deposits. This increases the overall SCR leading to a reduction in the solvency ratio.

## C.4 Liquidity risk

### C.4.1 Risk exposure

Liquidity risk is defined as the failure of the Company to maintain adequate levels of financial resources to enable it to meet its obligations as they fall due. The Company has exposure to liquidity risk as a result of normal business activities, specifically the risk arising from an inability to meet short-term cash flow requirements.

The Company does not hold risk capital against liquidity risk. Liquidity risk is managed by holding an appropriate proportion of the assets in liquid form, with the proportion determined based on periodic investigations into liquidity requirements, which include consideration of cash flows in normal conditions, as well as investigation of scenarios where cash flows differ markedly from those expected (primarily due to significant changes in policyholder behaviour).

### C.4.2 Risk measurement

Liquidity risk is measured by comparing the level of liquid assets with the amount required to maintain the normal monthly level of cash flows over the business planning period, with allowance made for any expected non-recurring cashflows.

### C.4.3 Risk concentration

Liquidity risk for PLAE will arise primarily from the following key sources:

- Reinsurer default or delay in settling outstanding amounts due to PLAE;
- Operational risk events;
- Mass lapse events;
- Longevity risk on annuity business;
- Asset defaults (beyond best estimate) on assets exposed to credit risk which support the Company's annuity liabilities; and
- Very short-term pre-funding of large investments or switches.

The Company will not be exposed to material concentrations of liquidity risk due to holding sufficient liquidity to cover fluctuations in cash outflows arising from these areas.

## Section C – Risk profile continued

### C.4.4 Risk mitigation

For annuity business, liquidity risk is primarily managed by holding a range of diversified instruments which are assessed against estimated cash flow and funding requirements.

Assets are held which are specifically chosen with the intention of matching the expected timing of annuity payments. The Company actively manages and monitors the performance of these assets against liability benchmarks and liquidity risk is minimised through the process of planned asset and liability matching.

The Company undertakes regular assessments of its cash flow requirements under normal conditions, as well as considering scenarios where cash flows differ markedly from those expected (primarily due to extreme policyholder behaviour). In addition, the Company performs periodic reviews of its liquidity risks and performs stress testing on these risks to define minimum liquid asset requirements. These liquid asset requirements are monitored against available liquidity and tangible assets across various time horizons, with the outcomes reported through regular management information. This mitigates the risk that the Company does not have appropriate liquidity under severe stress conditions.

The Company is required to monitor, assess, manage, and control liquidity risk in accordance with the relevant principles within the Company's risk policy framework. Oversight is provided both at a Phoenix Group level and within the Company. In addition, the Company benefits from membership of a larger group to the extent that, centrally, the Phoenix Group:

- Coordinates strategic planning and funding requirements;
- Monitors, assesses, and oversees the investment of assets within the Phoenix Group;
- Monitors and manages risk, capital requirements, and available capital on a group-wide basis; and
- Maintains a committed £1.25bn (currently undrawn) Revolving Credit Facility.

As a result of the policies and processes established with the objective of managing exposure to liquidity risk, the Company expects to be able to manage liquidity risk on an ongoing basis.

### C.4.5 Expected profits in future premiums

Own Funds are used to cover the SCR (see more details in section E.1). Post transfer of the long-term insurance business into PLAE, the value of liabilities included within Own Funds takes into account expected future premium payments even if the policyholder is not contractually committed to making the payments. This methodology for valuing liabilities therefore implicitly allows for any Expected Profits In Future Premiums ('EPIFP') which reduces the liability value and increases Own Funds.

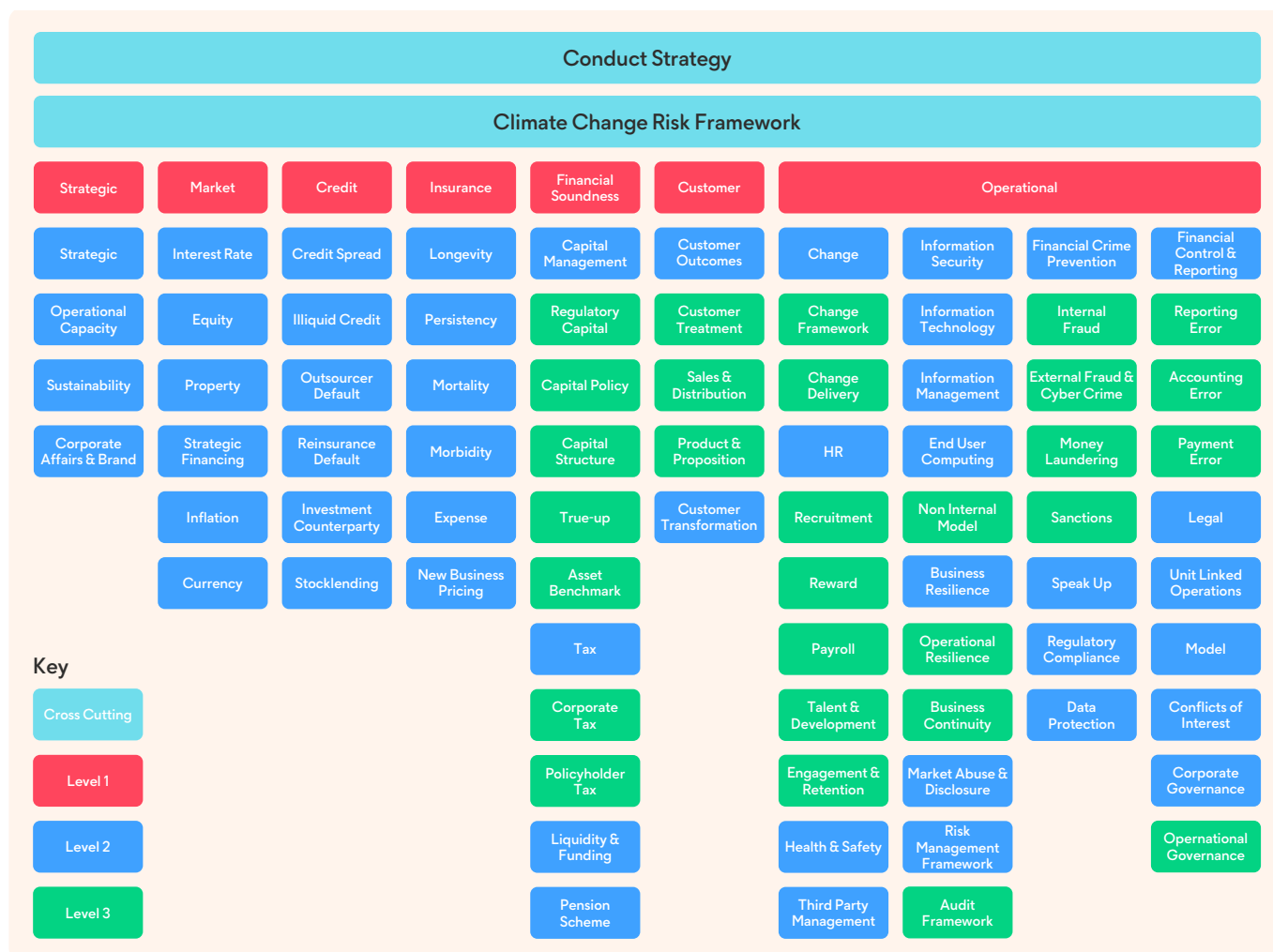
As at 31 December 2022, prior to the transfer of insurance business into PLAE, the Company's EPIFP is zero.

## Section C – Risk profile continued

### C.5 Operational risk

#### C.5.1 Risk exposure

Operational risk is defined as the risk of loss or adverse consequences for the business resulting from inadequate or failed internal processes, people or systems, or from external events. The Company uses the Phoenix Group ‘Risk Universe’, illustrated in the diagram below, which classifies the various risk exposures under categories in three levels of detail. Conduct risk and Climate Change risk are overarching risks that span all of the categories. Climate impacts are also considered as part of the ORSA process. Sustainability issues are captured under the Strategic risk category in the Risk Universe. PLAE relies on Group sustainability initiatives and implements them locally as required.



PLAE defines conduct risk as the risk that through behaviours, strategies, decisions and actions the firm delivers unfair outcomes to customers and/or poor market conduct. The Board, regulators and customers expect PLAE to be able to manage Conduct Risk by ensuring that through behaviours, strategies, decisions and actions, PLAE does the right thing by placing customers at the heart of what PLAE does and pay due regard to treating them fairly.

Effective Conduct Risk management benefits all stakeholders as it allows the Company to identify and address both emerging and crystallised conduct risks in a timely manner. By identifying all risks that have a conduct impact, PLAE can help to protect customers, ensure they continue to receive fair outcomes and ensure good market conduct. It also helps avoid potential conduct costs including fines, remediation, legal fees or reputational damage.

Operational risk most closely reflects the different sources of conduct risk. The key material operational and conduct risks within the Risk Universe are captured within the following categories:

- Sourcing and procurement – the risk of reductions in earnings and/or value through financial or reputation loss associated with outsourced partners, third party suppliers, or managing material internal suppliers to provide the service required by the business (either through their own organisational failure, or simply substandard performance);
- Regulatory compliance – the risk the risk of having the ‘licence to operate’ withdrawn by a regulator, or having conditions applied (retrospectively or prospectively) that adversely impact the economic value of the firm. This includes reductions in earnings and/or value through either financial or reputational loss.



## Section C – Risk profile continued

### C.5 Operational risk continued

- Legal – the risk of financial or reputational loss that can result from lack of awareness or misunderstanding of, ambiguity in, or reckless indifference to, the way law and regulation apply to the business, its relationships, processes, products and services;
- Financial crime and anti-bribery – the risk to the organisation or customer from fraud, cyber crime, money laundering, terrorist financing, corruption and bribery or international sanctions violations;
- Information technology – the risk of reductions in earnings and/or value through financial, operational, or reputational loss associated with inappropriate use of Information Technology, including failing to manage service availability or to design appropriate services;
- Human resources – the risk of reduction in earnings and/or value, through financial or reputational loss from inappropriate staff behaviour, industrial action or Health & Safety issues. Loss can also be incurred through failure to recruit, retain, train, reward or incentivise appropriately skilled staff to achieve objectives and/or through failure to take appropriate action as a result of staff under performance;
- Business continuity – the risk of reductions in earnings and/or value, through financial or reputation loss resulting from a failure to plan for the continuity of operations associated with a systems failure, loss of premises, equipment, or people;
- Change – the risk of reputational damage, loss of investor confidence and/or financial loss arising from the impact of a significant change initiative or a number of change initiatives running at the same time, creating an adverse effect on business conditions and/or customer. This includes changes to processes, the development and implementation of new IT systems and/or delivery channels, the development of new products and the failure of change initiatives and/or new strategies to meet the required business case. This also includes the cost of inherent delays or failure to deliver benefits; and
- Operational risk and control framework – this captures the additional operational risk the Company would be exposed to due to an ineffective risk management framework, from inadequacies or failures. This may be at any level, from the policies and objectives, to resources, processes and activities carried out.

Risk control processes are the practices by which the Company manages financial and non-financial risks within its business. They are used to identify, assess, control and monitor risk.

The Company uses a control framework which comprises: minimum control standards, Risk and Control Self-Assessment, key risk indicators, breach and incident recording and action plan management. The process is supported by the GCM system.

### C.5.2 Risk measurement

The Company uses the Standard Formula calculation for operational risk to contribute to the SCR. This calculation is based on the level of technical provisions held at the valuation date, and the level of expenses incurred on maintaining unit-linked business over the previous 12 months.

As there were no technical provisions on 31 December 2022, no capital was held in respect of the Company's operational risk.

### C.5.3 Risk concentration

Within the Company, operational risks are likely to be concentrated within the outsourcing risk category, given the single service agreement with SLAESL. Apart from outsourcing risk, the largest exposures in other group companies typically lie within the financial control & reporting, financial crime, data protection and regulatory compliance categories. The Company carries out the majority of its operations in offices in Dublin and, via SLAESL, in the UK. Each of these premises has regularly tested business continuity plans and off-site secondary locations where operations can continue in case an incident makes the primary premises unavailable.

### C.5.4 Risk mitigation

The Company's aim is to minimise its exposure to operational risk by use of our control framework as described in Section B. However, there is an acceptance that in order to achieve our business strategy the Company will be exposed to a certain amount of operational risk. In particular as mentioned above, the company is exposed to a concentration of operational risk in the outsourcing risk category. In order to mitigate this, the company implements an outsourcing oversight framework based on the Group "Supplier Management Model". This applies a risk based approach to the oversight of outsourcing, where additional controls are put in place for outsourcers performing critical or important functions. Additionally key services are spread across a number of service providers, to reduce the impact, should an individual provider fail to deliver.

In addition, a number of insurance policies are used to reduce operational risk exposures in practice. The key policies are Crime, Cyber Crime, Professional Indemnity, Premises and Business Interruption and Employer's Liability Cover for all employees.

### C.6 Other material risks

PLAE is not currently exposed to any other material risks. However, a business-wide review of risks will be performed annually as part of the ORSA and any additional risks identified will be reported in next year's SFCR.

## Section C – Risk profile continued

### C.7 Any other information

#### C.7.1 Prudent Person Principle

The Prudent Person Principle ('PPP') is a set of requirements which governs the investments that an insurer is allowed to make. For example, insurers may only invest in assets and instruments whose risks they can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of their overall solvency needs. To avoid repetition, the PPP compliance of all asset classes are described together rather than individually.

The Company's investment risk management framework ensures that assets that will back technical provisions are invested in accordance with the requirements of the PPP, as set out in Article 132 of the Solvency II Directive.

The investment risk management framework is underpinned by the policy framework, which includes Market Risk, Insurance Risk, Credit Risk, Liquidity & Funding, and Capital Management Policies and requires that the risks associated with investments are identified, assessed, controlled, and monitored.

Decisions on significant investment matters (including the types of assets that can be invested in) are the responsibility of the PLAE Board. Any new proposals follow robust governance and review processes to ensure that proper consideration of the risks, benefits, costs, and other implications has been given.

The Company's shareholder and, post transfer, its policyholder assets, must be managed in accordance with requirements that are set by the Company with reference to the nature, term, and other relevant characteristics of the liabilities that they back, along with considerations of the risk characteristics of the assets. Compliance with these requirements is monitored on an ongoing basis and reviewed at least annually to ensure the ongoing appropriateness of existing asset allocations and constraints. Compliance with regulatory requirements such as the CBI's consumer protection rules is also monitored.

There is a Group-wide Conflicts of Interest Policy and localised controls are in place to ensure that where conflicts arise, they are managed appropriately with the best interests of customers in mind.

#### C.7.2 Sensitivity analysis

As part of the Company's RMF, stress and scenario tests will be used extensively to support the assessment of risk and provide an analysis of their financial impact. Some limited sensitivity analyses were provided in sections C.2 and C.3. More comprehensive stress and scenario tests will be summarised in next year's SFCR.

# Valuation for solvency Purposes

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## Section D – Valuation for solvency purposes

This section covers the valuation of assets (section D.1) and other liabilities (section D.3) for the Company's Solvency II balance sheet. The valuation is determined in line with regulations and is consistent with the Phoenix Group. The Balance Sheet SE.02.01.16 is included in Appendix 1.

In accordance with Solvency II valuation regulations and unless expressly stated below, the Company has valued its assets and other liabilities at fair value. In order to establish the fair value of assets and other liabilities, the following principles have been applied:

- Assets have been valued at the amounts for which they could be exchanged between knowledgeable willing parties in an arm's length transaction; and
- Other liabilities have been valued at the amounts for which they could be transferred or settled between knowledgeable willing parties in an arm's length transaction.

Section D.1.2 provides separately for each of the material classes of assets and liabilities (excluding technical provisions), a description of the bases, methods and main assumptions used in their valuation for solvency purposes. All classes of assets and liabilities presented are consistent to the SE.02.01.16 Balance Sheet QRT. The Solvency II value of the assets and liabilities are set out together with a 'Statutory accounts value' column.

The recognition and valuation methods used for the completion of the 'Statutory accounts value' column is used by PLAE in its statutory financial statements in accordance with IFRS.

## Section D – Valuation for solvency purposes continued

### D.1 Assets and liabilities

#### D.1.1 Overview

This section covers the valuation of assets and liabilities on the Company's Solvency II balance sheet.

The table below sets out the Solvency II balance sheet and the 'Statutory accounts value' columns for the Company.

	Note	Solvency II Value €'000	Statutory Accounts Value €'000	Difference €'000
Balance Sheet as at 31 December 2022				
Deferred acquisition costs		–	–	–
Intangible assets		–	–	–
Deferred tax assets		–	–	–
Property, plant and equipment held for own use		–	–	–
Investments (other than assets held for index-linked and unit-linked contracts)			–	
Holdings in related undertakings, including participations		–	–	–
Bonds		–	–	–
Collective Investment Undertakings	1	215,039	215,039	–
Derivatives		–	–	–
Deposits other than cash equivalents		–	–	–
Assets held for index-linked and unit-linked contracts		–	–	–
Loans and mortgages		–	–	–
Reinsurance recoverables		–	–	–
Insurance and intermediaries receivables		–	–	–
Reinsurance receivables		–	–	–
Receivables (trade, not insurance)	2	8,875	8,875	–
Cash and cash equivalents	3	8,861	8,861	–
Total Assets		232,775	232,775	–
Technical provisions (BEL plus risk margin)		–	–	–
Provisions other than technical provisions		–	–	–
Deferred tax liabilities		–	–	–
Derivatives		–	–	–
Debts owed to credit institutions		–	–	–
Insurance and intermediaries payables		–	–	–
Reinsurance payables		–	–	–
Payables (trade, not insurance)	4	447	447	–
Any other liabilities not elsewhere shown		–	–	–
Total Liabilities		447	447	–
Excess of Assets over Liabilities		232,329	232,329	–

At 31 December 2022 there were no differences between the IFRS statutory balance sheet and the Solvency II balance sheet.

#### D.1.2 Asset and liability valuation bases, methods, and main assumptions

The Company's Solvency II valuation principles (including the bases, methods, and main assumptions) for each asset and liability class are set out below. Unless otherwise stated (i.e. where there are differences to the 'Statutory accounts value' column) the valuation methods for IFRS are consistent with the valuation methods of the regulations. Further details on the IFRS valuation principles are set out in the Notes to the IFRS financial statements in the PLAE Annual Reports and Accounts for the year ended 31 December 2022.

## Section D – Valuation for solvency purposes continued

Note	Balance Sheet Item	Valuation Principles
1	Collective investment undertakings	Collective investment schemes are designated at fair value through profit or loss and accordingly are stated at fair value. They are designated at fair value through profit or loss because they are managed and evaluated on a fair value basis in accordance with the Company's stated risk management policies. There is no difference between IFRS and Solvency II valuations.
2	Receivables (trade, not insurance)	Receivables are comprised of related party transactions regarding operational costs for the Company. They are measured at actual cost.
3	Cash and cash equivalents	Cash and cash equivalents are valued at par and comprise of cash balances that are usable for all forms of payments without penalty or restriction. There is no difference between IFRS and Solvency II valuations.
4	Payables (trade, not insurance)	Payables are comprised of related party transactions regarding operational costs for the Company. They are measured at actual cost.

### D.1.3 Analysis of deferred tax

Deferred tax on the Solvency II balance sheet is recognised by reference to expected future taxable profits and valued based on the differences between the carrying value in the balance sheet and its tax base.

From a Statutory Accounts perspective at 31 December 2022, there was no Deferred Tax Asset on PLAE's balance sheet.

### D.2 Technical provisions

The company did not hold any technical provision at 31 December 2022.

### D.3 Other liabilities

The valuation of other liabilities on the Solvency II balance sheet is covered in section D.1.

Further details regarding deferred tax liabilities are set out in section D.1.3.

### D.4 Alternative methods for valuation

This section provides details on the methods and assumptions used to determine the fair values of assets and other liabilities (other than technical provisions). More information about the valuation methods used for accounting purposes, including a fair value hierarchy, is provided in Note 14 of the Company's Annual Financial Statements 2022.

Investments carried at fair value in the Solvency II balance sheet have been valued based upon a three-level hierarchy ('the fair value hierarchy') depending on the valuation techniques used and whether the inputs to those valuation techniques are observable in the market, as follows:

**Level 1:** Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market exists where transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

**Level 2:** Fair values measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** Fair values measured using inputs that are not based on observable market data (unobservable inputs).

#### D.4.1 Alternative valuation methods – assets

The Company did not use alternative valuation techniques for any of its assets.

#### D.4.2 Alternative valuation techniques – liabilities

The Company did not use alternative valuation techniques for any of its financial liabilities.

### D.5 Any other information

There is no further material information to be disclosed regarding the valuation of assets and liabilities for solvency purposes.

# Capital management

**In this section**

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## Section E – Capital management

### E.1 Own Funds

#### E.1.1 Introduction

This section provides information on the Company's Own Funds and SCR.

A Solvency II capital assessment involves valuation of Own Funds in line with Solvency II regulations and a risk-based assessment of the SCR. Solvency II surplus is the excess of Eligible Own Funds over the SCR. The Company holds an amount of Eligible Own Funds that is greater than the SCR to allow for adverse events in the future that may reduce Own Funds and might otherwise cause failure to maintain the minimum level of regulatory capital, the MCR.

#### Key Solvency Metrics

At 31 December 2022, the capital position for the Company is presented in the table below:

	31 December 2022 €'000	31 December 2021 €'000
Eligible Own Funds	232,329	n/a
SCR	5,759	n/a
Solvency II surplus	226,570	n/a
Ratio of Eligible Own Funds to SCR	4,034%	n/a

As at 31 December 2022, the Company's Solvency II surplus over the SCR is €226,570k, with a ratio of Eligible Own Funds to SCR of 4,034%. The ratio at 31 December 2022 reflects the fact that the Company has been capitalised prior to the year-end in anticipation of the business transferring in on 1 January 2023, but has no insurance liabilities at 31 December 2022.

All of the Company's Eligible Own Funds are unrestricted Tier 1, and are principally comprised of ordinary share capital, share premium account related to ordinary share capital and the reconciliation reserve. The Company has sufficient Tier 1 Own Funds to cover the SCR.

All the required SCR quantitative limits have been complied with by the Company, and result in no restrictions nor are any Own Funds required to be relegated to lower tiers. Further details regarding the capital position of the Company are set out in this section.

#### E.1.2 Management of Own Funds

The Company closely monitors its current and projected solvency position and risk exposures and has a series of triggers for further action. The Company's capital position is also tested under a series of stressed scenarios as part of its ORSA process. The Company's capital needs and stresses are considered over a five-year planning horizon on a rolling basis.

The Company actively seeks to ensure that its capital position can be maintained at a viable level to continue to operate the business under stress in order to protect policyholders, customers and other key stakeholders. Within this overriding framework, the Company seeks to optimise its use of capital to maximise returns for shareholders and policyholders at an appropriate level of rewarded risk, and to manage its operations effectively to minimise or eliminate unrewarded risk.

The Company primarily manages its capital position by reference to its Capital Management Risk policy which was approved by the PLAE Board in 2022. This policy defines the Company's capital management risks and sets out the Board's appetite for such risks, how they are identified, monitored, managed, and controlled. The Board delegates the day-to-day oversight and management of these risks to the PLAE Finance Technical Committee.

The PLAE risk function, as second line of defence, is responsible for independently monitoring exposures against capital management risks and reporting on Key Risk Indicators to the Finance Technical Committee and the Risk Committee on a regular basis.

#### E.1.3 Structure and quality of Own Funds

Own Funds are split into Tiers in line with the regulations. There are three 'Tiers' based on both 'permanence' and 'loss absorbency' (Tier 1 being the highest quality). Tier 1 is further divided into 'unrestricted' and 'restricted' Tier 1. Own Funds which are classified as 'unrestricted' Tier 1 include share capital, surplus funds and the reconciliation reserve.

The regulations impose limits on the amount of each Tier that can be held to cover capital requirements with the aim of ensuring that the items will be available if needed to absorb any losses that may arise. Own Funds items need to be sufficient in amount, quality and liquidity to be available when the liabilities they are to cover arise. Items with a fixed duration or a right to redeem early may not be available when needed. Similarly, obligations to pay distributions or interest will reduce the amount available.

All of the Company's Own Funds are Tier 1 funds.



## Section E – Capital management continued

### E.1 Own Funds continued

#### E.1.4 Analysis of solvency position

The table below summarises the PLAÉ solvency position at 31 December 2022. The Own Funds QRT S.23.01.01 can also be found in Appendix 1.

Description	Section Reference	Unrestricted			31 December 2022	31 December 2021
		Tier 1	Tier 2	Tier 3	Total	Total
		€'000	€'000	€'000	€'000	€'000
Ordinary Share Capital	E.1.4.1	10,685	–	–	10,685	n/a
Share Premium account related to Ordinary Share Capital	E.1.4.1	221,978	–	–	221,978	n/a
Reconciliation reserve (pre-availability restrictions)	E.1.4.1	(334)	–	–	(334)	n/a
Net Deferred Tax Assets	E.1.4.1	–	–	–	–	n/a
<b>Excess of Assets over Liabilities</b>		<b>232,329</b>	<b>–</b>	<b>–</b>	<b>232,329</b>	<b>n/a</b>
Subordinated Liabilities	E.1.4.1	–	–	–	–	n/a
<b>Total Basic and Available Own Funds</b>		<b>232,329</b>	<b>–</b>	<b>–</b>	<b>232,329</b>	<b>n/a</b>
Ancillary Own Funds	E.1.4.1	–	–	–	–	n/a
<b>Eligible Own Funds to meet SCR</b>		<b>232,329</b>	<b>–</b>	<b>–</b>	<b>232,329</b>	<b>n/a</b>
SCR	E.2.1				(5,759)	n/a
<b>Solvency II surplus</b>					<b>226,570</b>	<b>n/a</b>
<b>Ratio of Eligible own funds to SCR</b>	<b>E.1.1</b>				<b>4,034%</b>	<b>n/a</b>
<b>Eligible Own Funds to meet MCR</b>					<b>232,329</b>	<b>n/a</b>
MCR					(4,000)	n/a
<b>Excess over MCR</b>					<b>228,329</b>	<b>n/a</b>
<b>Ratio of Eligible own funds to MCR</b>					<b>5,808%</b>	<b>n/a</b>

#### E.1.4.1 Eligible Own Funds

The Company's Eligible Own Funds total €232.3m (2021: n/a) and comprise of ordinary share capital, share premium account related to ordinary share capital and a reconciliation reserve. Further details regarding each Basic Own Funds item are set out below.

#### Ordinary Share Capital

The Company's issued and fully paid ordinary share capital is €10.7m and is treated as Tier 1 unrestricted Own Funds.

#### Share Premium Account Related to Ordinary Share Capital

The share premium account of €222.0m relates to the ordinary share capital and is treated as Tier 1 unrestricted Own Funds.

#### Reconciliation Reserve

The reconciliation reserve is the amount of excess assets over liabilities (valued in accordance with the Solvency II regulations and guidance) that remain once all the other identified elements of basic own funds have been deducted. As such, it serves to ensure that the total of all the individual basic own funds items are equal to the total excess of assets over liabilities and subordinated liabilities. The reconciliation reserve is treated as Tier 1 unrestricted Own Funds. The reconciliation reserve is calculated as follows:

Reconciliation Reserve	31 December 2022	31 December 2021
	€'000	€'000
Excess of Assets over Liabilities	232,329	n/a
Deduct other Basic Own Fund Items		
Ordinary Share Capital	(10,685)	n/a
Share Premium Account related to ordinary share capital	(221,978)	n/a
Net deferred tax asset – Tier 3	–	n/a
Reconciliation Reserve pre-availability restrictions	–	n/a
Ring Fenced Fund Restriction	–	n/a
<b>Reconciliation Reserve Total (as shown on Own Funds QRT)</b>	<b>(334)</b>	<b>n/a</b>

#### Deferred Tax Assets

Under Solvency II regulations and guidance, the value of any net shareholder deferred tax assets must be deducted from Tier 1 Own Funds and recognised as Tier 3. Deferred tax assets and liabilities are netted where legal offset is permitted. At 31 December 2022, there was no net deferred tax asset.

#### Ancillary Own Funds

There were no ancillary own funds as at 31 December 2022.

## Section E – Capital management continued

### E.1 Own Funds continued

#### E.1.4.2 Analysis of Movement in Capital Position

As this is the first year of operation of the Company, there is no prior year against which to perform an analysis of movement in the capital position.

#### E.1.4.3 Reconciliation of IFRS Equity to Excess of Assets over Liabilities

At 31 December 2022 there were no differences between the Company's net assets under IFRS and the excess of assets over liabilities under Solvency II.

### E.2 Solvency capital requirement and minimum capital requirement

#### E.2.1 Solvency capital requirement

The Company's capital position is governed by the Solvency II regulatory regime. Under Solvency II, every insurer is required to identify its key risks – e.g. that equity markets fall – and hold sufficient capital to withstand adverse outcomes from those risks. The capital required to withstand these outcomes is the SCR. The SCR is calibrated so that the likelihood of a loss being greater than the SCR in one year is less than 1 in 200.

The Company's SCR at 31 December 2022 is presented below.

Analysis of SCR – 31 December 2022	Note	PLAE Standard Formula €'000
Underwriting Risk (i.e. insurance risk)	1	–
Market risk	2	2,468
Credit risk	3	4,623
Liquidity risk	4	–
Operational risk	5	–
Other risks	6	–
Total undiversified SCR		7,090
Diversification benefits	7	(1,332)
Total SCR		5,759

The Company's SCR does not include a capital add-on and does not include any impact from the use of undertaking-specific parameters. In addition, no simplified calculations have been used.

The definitions of each of the risks are included in the table below. The components and sources of each of the risks and, of the methods used to assess, measure and monitor each of the risks are included in section C.

## Section E – Capital management continued

### E.2 Solvency capital requirement and minimum capital requirement continued

Note	Risk module	Information
1	Underwriting risk	Underwriting risk (i.e. insurance risk) is the risk that the frequency and severity of insured events may be worse than expected. The main sources of insurance risk are lapse risk, longevity risk and expense risk. More details on these risks are included in section C.1.
2	Market risk	Market risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market influences. More details on these risks are included in section C.2.
3	Credit risk	Credit risk is the risk that a party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. These obligations can relate to both on and off-balance sheet assets and liabilities. More details on these risks are provided in section C.3.
4	Liquidity risk	Liquidity risk is defined as the failure of the Company to maintain adequate levels of financial resources to enable it to meet its obligations as they fall due. More details on these risks are provided in section C.4.
5	Operational risk	Operational risk is the risk of reduction in earnings and/or value, through financial or reputational loss, from inadequate or failed internal processes and systems, or from people related or external events. Details of the sources of operational risk are provided in section C.5.
6	Other risks	There are no other material risks to which PLAE is exposed.
7	Diversification benefits	Diversification arises when the adverse outcome from one risk can be offset by a more favourable outcome from another risk, where those risks are not perfectly correlated. Diversification benefits are determined using a full risk distribution approach. The impact of deferred tax is also included in this item.

#### E.2.2 Changes in SCR

As this is the first year of operation of PLAE, there is no prior year SCR against which to provide an analysis of change.

#### E.2.3 Minimum capital requirement

The MCR applies to EEA-based insurance undertakings. The MCR represents an absolute floor to the level of eligible own funds that the insurance undertaking is required to hold under Solvency II. If the level of own funds falls below the MCR, the CBI would intervene. The MCR should correspond to the amount of capital needed to ensure that the insurance undertakings will be able to meet their obligations over the next 12 months with a probability of at least 85%. It is bound between 25% (or €4.0m, whichever is higher) and 45% of the insurance undertaking's SCR.

As set out in section E.1.4, PLAE's MCR at 31 December 2022 is equal to the absolute minimum of €4,000k (2021: n/a). The components of the overall calculation of the MCR as at 31 December 2022 are:

Calculation of MCR – 31 December 2022	€'000
MCR before the application of floors of caps	0
MCR cap (45% of SCR)	2,591
MCR floor (higher of 25% of SCR or €4.0m)	4,000
MCR (post application of floors of caps)	4,000

As 2022 was the first year of operation of the Company, there is no analysis of change in the MCR.

## Section E – Capital management continued

### **E.3 Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement**

The Company is not using the duration-based equity risk sub-module for the calculation of its SCR.

### **E.4 Differences between the standard formula and any Internal Model used**

The Company is not using any Internal Model for the calculation of its SCR.

### **E.5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement**

Since authorisation of the Company in September 2022, Own Funds have at all times exceeded both the MCR and the SCR and therefore the Company fully complied with capital requirements.

### **E.6 Any other information**

There is no further material information to be disclosed regarding the Company's Own Funds and SCR.

# Appendices and additional information

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## Appendix and additional information

### Appendix 1 – Quantitative reporting templates (31 December 2022)

#### Appendix 1.1 – SE.02.01.16 Balance sheet

		Solvency II value C0010 €'000
<b>Assets</b>		
Intangible assets	R0030	–
Deferred tax assets	R0040	–
Pension benefit surplus	R0050	–
Property, plant & equipment held for own use	R0060	–
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	215,039
Property (other than for own use)	R0080	–
Holdings in related undertakings, including participations	R0090	–
Equities	R0100	–
Equities – listed	R0110	–
Equities – unlisted	R0120	–
Bonds	R0130	–
Government Bonds	R0140	–
Corporate Bonds	R0150	–
Structured notes	R0160	–
Collateralised securities	R0170	–
Collective Investments Undertakings	R0180	215,039
Derivatives	R0190	–
Deposits other than cash equivalents	R0200	–
Other investments	R0210	–
Assets held for index-linked and unit-linked contracts	R0220	–
Loans and mortgages	R0230	–
Loans on policies	R0240	–
Loans and mortgages to individuals	R0250	–
Other loans and mortgages	R0260	–
Reinsurance recoverables from:	R0270	–
Non-life and health similar to non-life	R0280	–
Non-life excluding health	R0290	–
Health similar to non-life	R0300	–
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	–
Health similar to life	R0320	–
Life excluding health and index-linked and unit-linked	R0330	–
Life index-linked and unit-linked	R0340	–
Deposits to cedants	R0350	–
Insurance and intermediaries receivables	R0360	–
Reinsurance receivables	R0370	–
Receivables (trade, not insurance)	R0380	8,875
Own shares (held directly)	R0390	–
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	–
Cash and cash equivalents	R0410	8,861
Any other assets, not elsewhere shown	R0420	–
<b>Total assets</b>	<b>R0500</b>	<b>232,775</b>

## Appendix and additional information continued

### Appendix 1 – Quantitative reporting templates (31 December 2022) continued

#### Appendix 1.1 – SE.02.01.16 Balance sheet continued

		Solvency II value C0010 €'000
<b>Liabilities</b>		
Technical provisions – non-life	R0510	–
Technical provisions – non-life (excluding health)	R0520	–
TP calculated as a whole	R0530	–
Best Estimate	R0540	–
Risk margin	R0550	–
Technical provisions – health (similar to non-life)	R0560	–
TP calculated as a whole	R0570	–
Best Estimate	R0580	–
Risk margin	R0590	–
Technical provisions – life (excluding index-linked and unit-linked)	R0600	–
Technical provisions – health (similar to life)	R0610	–
TP calculated as a whole	R0620	–
Best Estimate	R0630	–
Risk margin	R0640	–
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	–
TP calculated as a whole	R0660	–
Best Estimate	R0670	–
Risk margin	R0680	–
Technical provisions – index-linked and unit-linked	R0690	–
TP calculated as a whole	R0700	–
Best Estimate	R0710	–
Risk margin	R0720	–
Contingent liabilities	R0740	–
Provisions other than technical provisions	R0750	–
Pension benefit obligations	R0760	–
Deposits from reinsurers	R0770	–
Deferred tax liabilities	R0780	–
Derivatives	R0790	–
Debts owed to credit institutions	R0800	–
Financial liabilities other than debts owed to credit institutions	R0810	–
Insurance & intermediaries payables	R0820	–
Reinsurance payables	R0830	–
Payables (trade, not insurance)	R0840	447
Subordinated liabilities	R0850	–
Subordinated liabilities not in BOF	R0860	–
Subordinated liabilities in BOF	R0870	–
Any other liabilities, not elsewhere shown	R0880	–
Total liabilities	R0900	447
Excess of assets over liabilities	R1000	232,329

## Appendix and additional information continued

### Appendix 1 – Quantitative reporting templates (31 December 2022) continued

#### Appendix 1.2– S.05.01.01 Premiums, claims and expenses by line of business

	Line of Business for: life insurance obligations							Life reinsurance		
	Health insurance participation	Insurance with profit	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	obligations stemming from non-life insurance contracts and relating to 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	–	–	–	–	–	–	–	–	
Reinsurers' share	R1620	–	–	–	–	–	–	–	–	
Net	R1700	–	–	–	–	–	–	–	–	
Changes in other technical provisions										
Gross	R1710	–	–	–	–	–	–	–	–	
Reinsurers' share	R1720	–	–	–	–	–	–	–	–	
Net	R1800	–	–	–	–	–	–	–	–	
Expenses incurred	R1900	–	–	–	891	–	–	–	891	
Administrative expenses										
Gross	R1910	–	–	–	870	–	–	–	870	
Reinsurers' share	R1920	–	–	–	–	–	–	–	–	
Net	R2000	–	–	–	870	–	–	–	870	
Invest management expenses										
Gross	R2010	–	–	–	21	–	–	–	21	
Reinsurers' share	R2020	–	–	–	–	–	–	–	–	
Net	R2100	–	–	–	21	–	–	–	21	
Total expenses	R2600	–	–	–	891	–	–	–	891	



## Appendix and additional information continued

### Appendix 1 – Quantitative reporting templates (31 December 2022) continued

#### Appendix 1.2 – S.05.02.01 Premiums, claims and expenses by country

		Home country	Top 5 countries (by amount of gross premiums written) – life obligations					Total Top 5 and home country		
			C0150	C0160	C0170	C0180	C0190		C0200	C0210
			IE	DE	SE	NO	IS			
	R1400	C0220	C0230	C0240	C0250	C0260	C0270	C0280		
Premiums written										
Gross	R1410	–	–	–	–	–	–	–		
Reinsurers' share	R1420	–	–	–	–	–	–	–		
Net	R1500	–	–	–	–	–	–	–		
Premiums earned										
Gross	R1510	–	–	–	–	–	–	–		
Reinsurers' share	R1520	–	–	–	–	–	–	–		
Net	R1600	–	–	–	–	–	–	–		
Claims incurred										
Gross	R1610	–	–	–	–	–	–	–		
Reinsurers' share	R1620	–	–	–	–	–	–	–		
Net	R1700	–	–	–	–	–	–	–		
Changes in other technical provisions										
Gross	R1710									
Reinsurers' share	R1720									
Net	R1800									
Expenses incurred	R1900	891	–	–	–	–	891	–		
Other expenses	R2500		–	–	–	–		–		
Total Expenses	R2600	891	–	–	–	–	891	–		

# Appendix and additional information continued

## Appendix 1 – Quantitative reporting templates (31 December 2022) continued Appendix 1.3– S.12.01.01 Life and health SLT technical provisions

	Index-linked and unit-linked insurance					Other life insurance			Annuities stemming from non-life insurance contracts other than health	Accepted reinsurance-	Total (life other than health insurance, incl. unit-linked)
	Insurance with profit participation	Contracts Insurance with profit participation	Total (life)	Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees	Contracts with options or guarantees	C0090			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
Technical provisions calculated as a whole	R0010	-	-	-	-	-	-	-	-	-	-
Total Recoverables from reinsurance/ SPV and Finite Re after adjustment	R0020	-	-	-	-	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM	-	-	-	-	-	-	-	-	-	-	-
Best Estimate		-	-	-	-	-	-	-	-	-	-
Gross Best Estimate	R0030	-	-	-	-	-	-	-	-	-	-
Total Recoverables from reinsurance/ SPV and Finite Re before adjustment	R0040	-	-	-	-	-	-	-	-	-	-
Total Recoverables from reinsurance/ SPV and Finite Re after adjustment	R0080	-	-	-	-	-	-	-	-	-	-
Best estimate minus recoverables from reinsurance/SPV and Finite Re-total	R0090	-	-	-	-	-	-	-	-	-	-
Risk Margin	R0100	-	-	-	-	-	-	-	-	-	-
Amount of the transitional on Technical Provisions		-	-	-	-	-	-	-	-	-	-
Technical provisions calculated as a whole	R0110	-	-	-	-	-	-	-	-	-	-
Best estimate	R0120	-	-	-	-	-	-	-	-	-	-
Risk margin	R0130	-	-	-	-	-	-	-	-	-	-
Technical provisions – total	R0200	-	-	-	-	-	-	-	-	-	-

## Appendix and additional information continued

### Appendix 1 – Quantitative reporting templates (31 December 2021) continued

		Health insurance (direct business)					Total Health (similar to Life)
		C0160	C0170	C0180	C0190	C0200	
Technical provisions calculated as a whole	R0010	–	–	–	–	–	–
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	R0020	–	–	–	–	–	–
Technical provisions calculated as a sum of BE and RM	–	–	–	–	–	–	–
Best Estimate		–	–	–	–	–	–
Gross Best Estimate	R0030	–	–	–	–	–	–
Total Recoverables from reinsurance/SPV and Finite Re before adjustment	R0040	–	–	–	–	–	–
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	R0080	–	–	–	–	–	–
Best estimate minus recoverables from reinsurance/SPV and Finite Re-total	R0090	–	–	–	–	–	–
Risk Margin	R0100	–	–	–	–	–	–
Amount of the transitional on Technical Provisions		–	–	–	–	–	–
Technical provisions calculated as a whole	R0110	–	–	–	–	–	–
Best estimate	R0120	–	–	–	–	–	–
Risk margin	R0130	–	–	–	–	–	–
Technical provisions – total	R0200	–	–	–	–	–	–

## Appendix and additional information continued

### Appendix 1 – Quantitative reporting templates (31 December 2021) continued

#### Appendix 1.4 – S.22.01.01 Impact of long term guarantees and transitional measures

		Amount with Long Term Guarantee measures and transitionals	Without transitional on technical provisions	Impact of technical provisions	Transitional Without transitional on interest rate	Impact of transitional rate	Without volatility adjustment and without other transitional measures	Impact of volatility adjustment set to zero	Without matching adjustment and without all the others	Impact of matching adjustment set to zero	Impact of all LTG measures and transitionals
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions	R0010	-	-	-	-	-	-	-	-	-	-
Basic own funds	R0020	-	-	-	-	-	-	-	-	-	-
Excess of assets over liabilities	R0030	-	-	-	-	-	-	-	-	-	-
Restricted own funds due to ring-fencing and matching portfolio	R0040	-	-	-	-	-	-	-	-	-	-
Eligible own funds to meet Solvency Capital Requirement	R0050	-	-	-	-	-	-	-	-	-	-
Tier I	R0060	-	-	-	-	-	-	-	-	-	-
Tier II	R0070	-	-	-	-	-	-	-	-	-	-
Tier III	R0080	-	-	-	-	-	-	-	-	-	-
Solvency Capital Requirement	R0090	-	-	-	-	-	-	-	-	-	-
Eligible own funds to meet Minimum Capital Requirement	R0100	-	-	-	-	-	-	-	-	-	-
Minimum Capital Requirement	R0110	-	-	-	-	-	-	-	-	-	-

## Appendix and additional information continued

### Appendix 1 – Quantitative reporting templates (31 December 2022) continued

#### Appendix 1.5– S.23.01.01 Own funds

		Total	Tier 1– unrestricted	Tier 1– restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
		€000s	€000s	€000s	€000s	€000s
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35				–	–	–
Ordinary share capital (gross of own shares)	R0010	10,685	10,685	–	–	–
Share premium account related to ordinary share capital	R0030	221,978	221,978	–	–	–
Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	R0040	–	–	–	–	–
Subordinated mutual member accounts	R0050	–	–	–	–	–
Surplus funds	R0070	–	–	–	–	–
Preference shares	R0090	–	–	–	–	–
Share premium account related to preference shares	R0110	–	–	–	–	–
Reconciliation reserve	R0130	(334)	(334)	–	–	–
Subordinated liabilities	R0140	–	–	–	–	–
An amount equal to the value of net deferred tax assets	R0160	–	–	–	–	–
Other items approved by supervisory authority as basic own funds not specified above	R0180	–	–	–	–	–
Own funds not represented by the reconciliation reserve	R0220	–	–	–	–	–
Deductions						
Deductions for participations in financial and credit institutions	R0230	–	–	–	–	–
Total basic own funds after adjustments	R0290	232,329	232,329			
Ancillary own funds						
Unpaid and uncalled ordinary share capital	R0300	–	–	–	–	–
Unpaid and uncalled initial funds	R0310	–	–	–	–	–
Unpaid and uncalled preference share capital	R0320	–	–	–	–	–
Commitment to subscribe and pay for subordinated liabilities	R0330	–	–	–	–	–
Letters of credit and guarantees under Article 96(2)	R0340	–	–	–	–	–
Letters of credit and guarantees other than under Article 96(2)	R0350	–	–	–	–	–
Supplementary members calls under Article 96(3)	R0360	–	–	–	–	–
Supplementary members calls other than under Article 96(3)	R0370	–	–	–	–	–
Other ancillary own funds	R0390	–	–	–	–	–
Total ancillary own funds	R0400	–	–	–	–	–
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	232,329	232,329			
Total available own funds to meet the MCR	R0510	232,329	232,329			
Total eligible own funds to meet the SCR	R0540	232,329	232,329			
Total eligible own funds to meet the MCR	R0550	232,329	232,329			
SCR	R0580	5,759				
MCR	R0600	4,000				
Ratio of eligible own funds to SCR	R0620	4,034%				
Ratio of eligible own funds to MCR	R0640	5,808%				

## Appendix and additional information continued

### Appendix 1 – Quantitative reporting templates (31 December 2022) continued

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	232,329
Own shares (held directly and indirectly)	R0710	–
Foreseeable dividends, distributions and charges	R0720	–
Other basic own fund items	R0730	232,663
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	R0740	0
Reconciliation reserve	R0760	(334)
Expected profits		
Expected profits included in future premiums (EPIFP) – Life business	R0770	–
Expected profits included in future premiums (EPIFP) – Non-life business	R0780	–
Total EPIFP	R0790	–

## Appendix and additional information continued

### Appendix 1 – Quantitative reporting templates (31 December 2022) continued

#### Appendix 1.6– S.25.01.01 Solvency capital requirement – using the standard formula

		Net solvency capital requirement C0030 €'000	Gross solvency capital requirement C0040 €'000	Allocation from adjustments due to RFF and Matching adjustments portfolios C0050 €'000
Market risk	R0010	2,468	2,468	–
Counterparty default risk	R0020	4,623	4,623	–
Life underwriting risk	R0030	–	–	–
Health underwriting risk	R0040	–	–	–
Non-life underwriting risk	R0050	–	–	–
Diversification	R0060	(1,332)	(1,332)	–
Intangible asset risk	R0070	–	–	–
Basic Solvency Capital Requirement	R0100	5,759	5,759	–
				C0100
<b>Calculation of Solvency Capital Requirement</b>				<b>€'000</b>
Operational risk	R0130			–
Loss-absorbing capacity of technical provisions	R0140			–
Loss absorbing capacity of deferred taxes	R0150			–
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160			–
Solvency capital requirement excluding capital add-on	R0200			5,759
Capital add-on already set	R0210			–
Solvency capital requirement	R0220			5,759
Other information on SCR				
Capital requirement for duration-based equity risk sub-module	R0400			–
Total amount of Notional Solvency Capital Requirement for remaining part	R0410			–
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420			–
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430			–
Diversification effects due to RFF nSCR aggregation for article 304	R0440			–
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450		4–No adjustment	

## Appendix and additional information continued

### Appendix 1 – Quantitative reporting templates (31 December 2022) continued

#### Appendix 1.7– S.28.01.01 – Minimum capital requirement only life or non-life insurance or reinsurance activity (life)

Linear formula component for life insurance and reinsurance obligations				C0040
MCRL Result	R0200			–
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole		Net (of reinsurance/SPV) total capital at risk
			C0050	C0060
Obligation with profit participation – guaranteed benefits	R0210	–		–
Obligation with profit participation – future discretionary benefits	R0220	–		–
Index-linked and unit-linked insurance obligations	R0230	–		–
Other life (re)insurance and health (re)insurance obligations	R0240	–		–
Total capital at risk for all life (re)insurance obligation	R0250	–		–
<b>Overall MCR calculation</b>				<b>C0070</b>
Linear MCR			R0300	–
SCR			R0310	5,759
MCR cap			R0320	2,591
MCR floor			R0330	1,440
Combined MCR			R0340	1,440
Absolute floor of the MCR			R0350	4,000
Minimum Capital Requirement			R0400	4,000

Note: The non-life fields are not shown as the Company does not have any non-life insurance.



## Appendix and additional information continued

### Appendix 2 – Glossary

#### Ancillary own funds

Ancillary own funds shall consist of items other than basic own funds which can be called up to absorb losses.

Ancillary own funds may comprise the following items to the extent that they are not basic own-fund items:

- (a) unpaid share capital or initial fund that has not been called up;
- (b) letters of credit and guarantees;
- (c) any other legally binding commitments received by insurance and reinsurance undertakings.

Where an ancillary own-fund item has been paid in or called up, it shall be treated as an asset and cease to form part of ancillary own-fund items.

#### Assumptions

Variables, which can be economic or non-economic in nature, used in actuarial models to project expected policy cash flows.

#### Best estimate liability

The part of technical provisions representing a probability weighted average of future cash flows, taking account of the time value of money, using an appropriate risk-free interest rate term structure. The calculation is based upon realistic assumptions, using appropriate actuarial and statistical methods and taking account of all future cash inflows and outflows required to settle the insurance obligations.

#### Board

The board of Directors of Phoenix Life Assurance Europe Designated Activity Company.

#### Capital resources (CR)

Capital resources include the assets in excess of liabilities valued on a regulatory basis and certain other components of capital.

#### CBI

The Central Bank of Ireland.

#### Company

Phoenix Life Assurance Europe Designated Activity Company.

#### Delegated regulation

Commission Delegated Regulation supplementing the Solvency II Directive.

#### Director

A director of Phoenix Life Assurance Europe Designated Activity Company.

#### Economic assumptions

Assumptions in relation to future interest rates, investment returns, inflation and tax.

#### Maintenance expenses

Expenses relating to the ongoing maintenance of business. This would include customer service costs, for example.

#### Matching adjustment

An adjustment to the risk-free yield used to calculate the best estimate to reflect where long-term liabilities are backed by assets which closely match the cash flows, where these assets have yields in excess of the risk-free yield and the extent that the assets are expected to be held long term.

#### Non-economic assumptions

Assumptions in relation to future expenses and future lapse, withdrawal, and mortality rates.

#### Own funds

Own funds are the regulatory capital resources of an insurance undertaking or group under Solvency II.

## Appendix and additional information continued

### Option (insurance policy feature)

A benefit feature of an insurance contract that may be selected at the discretion of the policyholder e.g. right to convert a maturity value into an income for life at guaranteed terms.

### PGH

Phoenix Group Holdings plc.

### Reinsurance

Process whereby one entity takes on all or part of the risk covered under a policy issued by an insurance company in return for a premium payment.

### Risk margin

The part of technical provisions in addition to the best estimate liability required to ensure that the value of the technical provisions is equivalent to the amount that insurance undertakings would be expected to require in order to take over and meet the insurance obligations.

### Solvency II Directive

Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

### Solvency capital requirement (SCR)

The economic capital to be held by an insurer in order to ensure that it will still be in a position to meet its obligations to policyholders over the following 12 months, with a probability of at least 99.5% (i.e. limit probability of failure to less than 1 in 200 years).

### Technical provisions

The value attributed to future insurance obligations determined in line with Solvency II regulations, comprising a best estimate liability plus risk margin.

### Technical provisions as a whole

The best estimate and the risk margin are typically calculated separately. Where the future cash flows can be replicated reliably using financial instruments for which a reliable market value is observable (such as unit linked fund values) then the value of technical provisions equals the market value of those financial instruments ('technical provisions as a whole').

### Unit linked

Unit linked refers to a proposition or fund where the customer will buy 'units' of the fund. The value of a unit changes based on the performance of underlying assets, and the number of units in the fund will change depending on the size of the fund.

### Unit linked policy

A policy where the benefits are determined by reference to the investment performance of a specified pool of assets.

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