SOLVENCY AND FINANCIAL CONDITION REPORT 2018

Standard Life Pension Fund, part of Phoenix Group Holdings plc
For the year ended 31 December 2018

PHOENIX GROUP

CONTENTS

SUMMARY

INTRODUCTION AND BACKGROUND

This document sets out a Solvency and financial condition report ('SFCR') for Standard Life Pension Fund Limited ('SLPF' or 'the Company') for 2018, to satisfy the requirements of Solvency II.

The purpose of the report is to assist policyholders and other stakeholders to understand the capital position under Solvency II of SLPF as at 31 December 2018.

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 – 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 'Solvency Capital Requirement', or 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. The Company considers itself to be 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.

A) CAPITAL MANAGEMENT POLICIES AND RISK MANAGEMENT OBJECTIVES

Managing capital is the ongoing process of determining and maintaining the quantity and quality of capital appropriate for the Company and ensuring capital is deployed in a manner consistent with the expectations of our stakeholders. For these purposes, the Board considers our key stakeholders to be the providers of capital (our equity holders and policyholders) and the Prudential Regulation Authority ('PRA'). The Company adopted the liquidity and management policy of Standard Life Aberdeen in the period 1 January 2018 to 31 August 2018. Following the sale of the Company to PGH Group, the Company has continued to adopt its existing capital framework. Harmonisation with the PGH Group capital management framework is due to be completed during 2019.

Further details of the Company's Capital management framework are provided in section E.1.

B) REGULATORY CAPITAL

The Company's capital position under Solvency II is determined by aggregating the assets and liabilities of the Company recognised and measured on a Solvency II basis (being own funds) and comparing this to the Company's Solvency II SCR to determine surplus capital.

The Company's SCR is calculated on the basis of management's own regulator-approved Internal Model. The Solvency II capital resources are also subject to Minimum Capital Requirements ('MCRs'). The MCR represents an absolute floor to the level of Eligible Own Funds that the insurance undertaking is required to hold under Solvency II. The MCR for SLPF is based on the minimum amount of £3.3m.

C) CAPITAL SURPLUS

Our capital surplus is the amount of capital resources (referred to as own funds) that the Company holds in excess of its capital requirement.

The Company is well capitalised under Solvency II with an SCR of £1,711k (2017: £1,750k) representing a solvency cover of 545% (2017: 524%).

The Company's MCR, based on the minimum amount applicable to EEA-based insurance undertakings, is £3,288k (2017: £3,251k) representing cover of 284% (2017: 282%). Eligible Own Funds to meet the MCR are £9,329k (2017: £9,174k) and are tier 1 unrestricted. The Company has no own fund items subject to transitional arrangements.

INTRODUCTION AND BACKGROUND CONTINUED

D) FORMAT OF THE REPORT AND MATERIAL CHANGES

This report is prepared following the structure and headings set out in the Solvency II regulations. A brief outline of each section and details of any material changes in the year to 31 December 2018 are given below. Sections D and E are audited unless otherwise stated. For further details refer to the audit opinion.

Section A Business and performance – this section gives details on how the Company's performance is reported and managed, including details of current year performance. There have been no material changes in the year.

Section B System of governance – this section sets out the overall framework of policies, controls and practices we use to meet all of the requirements of sound, risk-based management. There have been no material changes in SLPF's systems of governance in the year.

Section C Risk profile – this section sets out the material risks to which SLPF is exposed and the techniques used to monitor and manage them. There have been no material changes.

Section D Valuation for solvency purposes – provides information on the valuation of assets and liabilities for the Company's Solvency II balance sheet, with particular focus on how technical provisions are valued. There have been no material changes in the year.

Section E Capital management – this section gives details on SLPF's approach to Capital Management, the composition of Solvency II capital and details of the SCR and MCR. There have been no material changes in the year.

In addition to the above certain QRTs are included in Appendix 1. The Glossary at the end of the report defines the key terms and acronyms used throughout.

DIRECTORS' RESPONSIBILITY STATEMENT

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

Financial period ended 31 December 2018.

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

The Directors are satisfied that:

a) throughout the financial year to 31 December 2018, the Company has complied in all material respects with the requirements of the PRA rules and Solvency II regulations as applicable to the Company; and

b) it is reasonable to believe that in respect of the period from 31 December 2018 to the date of publication of the Solvency and Financial Condition Report, the Company has continued so to comply and will continue so to comply in future.

For and on behalf of the Board of Directors

STEPHEN PERCIVAL
DIRECTOR

11 April 2019

BASIS OF PREPARATION

The QRTs and the disclosures in the SFCR have been prepared in accordance with all applicable PRA Rules and Solvency II regulations, hereafter referred to as 'the regulations'.

Some sections of the SFCR require information based on the recognition and measurement principles applicable under the relevant Generally Accepted Accounting Principles ('GAAP') as presented in the financial statements. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') as adopted by the European Union.

The body of the SFCR is presented in pound sterling rounded to the nearest million, which is consistent with the presentation in the IFRS financial statements of SLAL. The Public Disclosure QRTs in Appendix 1 have been presented in pound sterling rounded to the nearest thousand.

The SFCR excludes disclosures required by the regulations which are not applicable to the Company, which include, but are not limited to:

- information on non-life business;
- information on Solvency II Insurance Special Purpose Vehicles ('SPVs');
- information on significant branches within the meaning of the regulations; and
- Comparatives are included throughout the document, where required by the regulations.

Certain financial information in the SFCR has been rounded. As a result of the rounding, the totals in the tables presented in this SFCR may vary slightly from the data presented in the QRTs in Appendix 1.

SECTION A
BUSINESS AND PERFORMANCE

IN THIS SECTION

SECTION A

BUSINESS AND PERFORMANCE

A.1 BUSINESS

A.1.1 Information regarding the Company

The Company is an insurance undertaking and a wholly owned subsidiary of Standard Life Assurance Limited ('SLAL'). The Company transacts pension fund business and provides management services for pension funds.

The pension fund business consists of non-participating insurance contracts which are reinsured with SLAL. The Company provides services for segregated pension management contracts and charges fees in exchange for managing the clients' pension funds. The fees generated are passed directly to Standard Life Investments Limited ('SLIL') and SLIL bears any associated risk and is the full beneficiary of the business.

The Company's immediate parent is SLAL, a company incorporated in Scotland. The Company's ultimate parent company is Phoenix Group Holdings plc, a company incorporated and resident in the United Kingdom.

The Company is registered in Scotland (Company number: SC46447) and is regulated by UK legislation (e.g. including the Companies Act 2006). As a provider of financial services, the regulation of the Company is through the Prudential Regulatory Authority ('PRA') and the Financial Conduct Authority ('FCA'). The supervisor of the Company is the PRA.

The PRA's and FCA's contact details are provided below:

Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

Financial Conduct Authority
212 Endeavour Square,
London
E20 1JN

The name and contact details for the external auditor of the Company are provided below:

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Ernst & Young LLP were appointed as the Company's external auditor for the year ended 31 December 2018. The Company's external auditor for the year ended 31 December 2017 was KPMG LLP, 20 Castle Terrace, Edinburgh EH1 2EG.

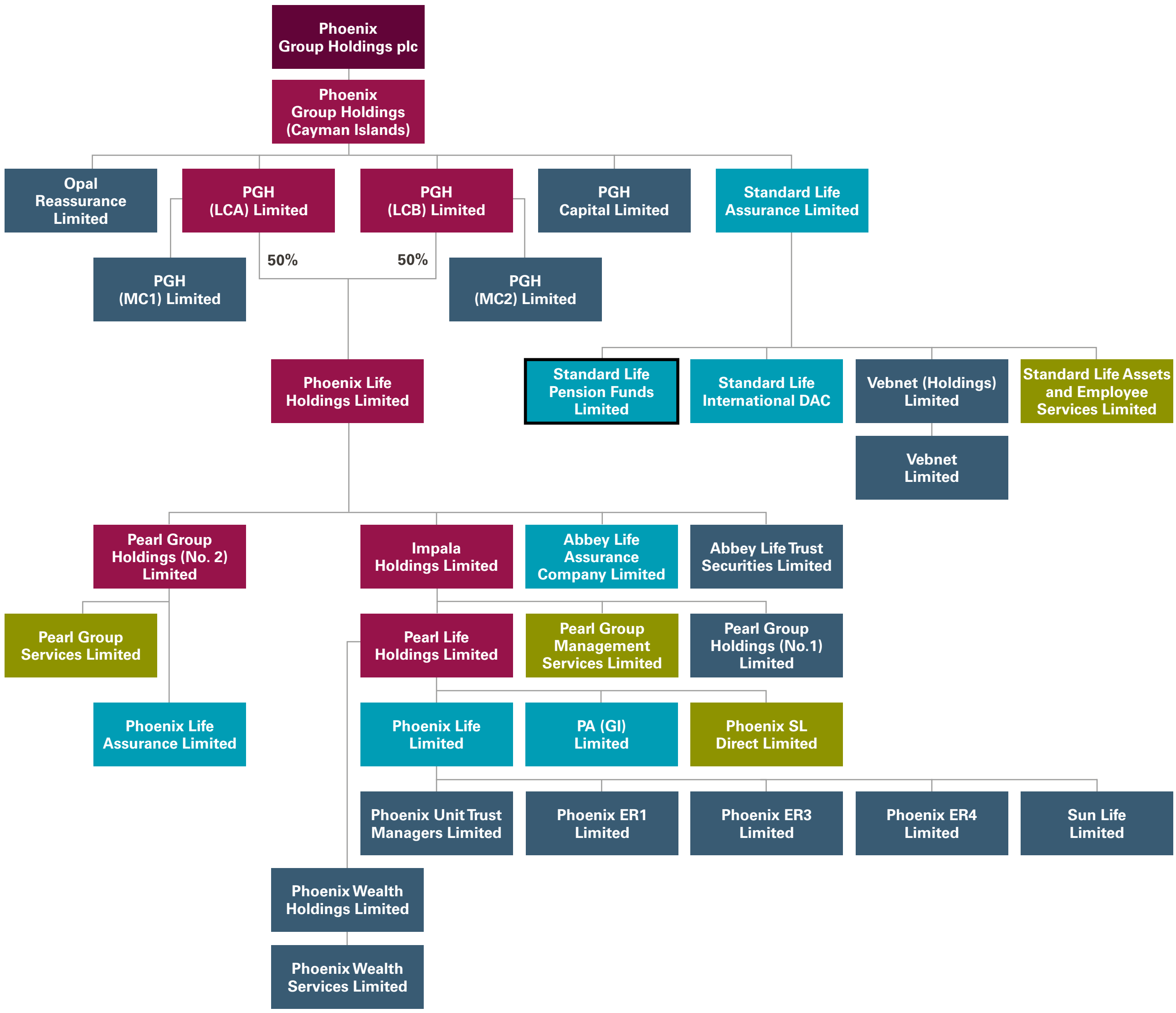
The Standard Life Pension Fund SFCR for the year ended 31 December 2018 is unaudited.

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 2018 is provided below, and shows the Company's position within the legal structure of Phoenix Group. All shareholdings are 100% unless shown otherwise.



- Insurance holding companies
- Management services
- Phoenix Group Holdings plc – the ultimate EEA parent undertaking
- UK or Irish Solvency II regulated insurance companies
- Other companies

A.1.2.2 Governance and organisation

Prior to 31 August 2018, the Company was part of the Standard Life Aberdeen ('SLA') Group and the management of the Company was carried out in a manner consistent with the policies of SLA plc in relation to strategy, governance and risk management.

Following the acquisition of the Company by Phoenix Group on 31 August 2018, the Company has transitioned to a new governance framework.

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

A.1 BUSINESS CONTINUED

A.1.3 Material lines of business and geographical areas

A.1.3.1 Material lines of business

On a Solvency II lines of business basis, as set out in the Delegated Acts, all business written by the Company is categorised as other life insurance.

A.1.3.2 Geographical areas

The Company transacts United Kingdom pension fund business and provides management services for pension funds based in the United Kingdom and the Republic of Ireland.

A.1.4 Significant business and other events

On 31 August 2018, following shareholder, regulatory and other necessary approvals, Phoenix Group Holdings acquired the Company's parent SLAL from Standard Life Aberdeen plc.

In the view of the acquisition by Phoenix Group, the Board approved the transfer of the segregated pension management contracts to SLIL and Aberdeen Asset Management Life and Pensions Limited, both SLA Plc entities, given they will remain the full beneficiaries of the associated business. The transfer of the contracts is by way of novation and each contract requires specific approval from the associated pension scheme. As the contracts have no financial value to the Company it was agreed that no compensation was payable to the Company in exchange for the transfer of these contracts. As at 31 December 2018, 19 out of the 32 contracts had novated with the remainder due to novate during 2019. As contracts novate out of the Company, revenue and expenses in relation to those contracts will no longer flow into and out of the Company. Therefore, the value of revenue and expenses will reduce in future years.

A.2 UNDERWRITING PERFORMANCE

The Company's only material Solvency II line of business is other life insurance.

Appendix 1 sets out the Company's QRT S.05.01.02 Premiums, claims and expenses by line of business.

The following table shows the Company's underwriting performance (net of reinsurance):

	2018 £000	2017 £000
Revenue from contracts with customers	18,700	23,815
Change in reinsurance assets	1,873	313
Change in insurance and participating liabilities	(1,873)	(313)
Administrative expenses	18,700	23,801
Underwriting performance	**–**	**14**
Net investment return	66	29
Profit before tax	**66**	**43**

Revenue from contracts with customers comprises charges received in respect of the management services provided for pension funds. The main component in administrative expenses relates to investment expenses payable to Standard Life Investments Limited in respect of the pension funds business. As noted in A.1.4 as contracts novate out of the Company, these revenue and expenses in relation to those contracts will no longer flow into and out of the Company.

A.3 INVESTMENT PERFORMANCE

The Company uses investment return as a measure of investment performance. The following table shows the Company's investment return by asset class for the year ended 31 December 2018.

	2018 £000	2017 £000
Dividend income	66	29
Net investment return	**66**	**29**

Investment return relates to dividend income received from the Company's holding in the Aberdeen Standard Liquidity Fund (Lux), a money market fund. No gains or losses have been recognised directly in equity.

The Company has no investments in securitisations.

A.4 PERFORMANCE OF OTHER ACTIVITIES

The tax expense/(credit) for the year ended 31 December 2018 was £3k (2017: £(3k)).

The Company has no material leasing arrangements.

A.5 ANY OTHER INFORMATION

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

SECTION B
SYSTEM OF GOVERNANCE

IN THIS SECTION

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 Standard Life Pension Funds ('SLPF').

B.1.1 Overview

SLPF is a wholly owned subsidiary of Standard Life Assurance Limited ('SLAL') and as such it adopts the SLAL system of governance which includes the Enterprise Risk Management ('ERM') framework of policies, controls and practices by which it meets all the requirements of sound, risk-based management. Further details of the system of governance can be found in section B of the SLAL Solvency and Financial Condition Report ('SFCR').

Following the sale of the Company to Phoenix Group Holdings plc ('PGH plc') work has commenced to harmonise the Risk Management Framework ('RMF') and the governance structure of the Company with that of the Group. Work to implement a harmonised framework started following the acquisition and this will continue throughout 2019. 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 ERM framework.
- **Internal control system** – contains a range of processes which are captured under our 'Conduct and Operational Risk framework' and includes 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.

B.1.2 System of governance

The objective of SLAL's Governance Model is to ensure that management is empowered to run the business on a day-to-day basis in accordance with the delegated authority received from the Board, whilst ensuring that Directors are able to discharge their statutory and regulatory responsibilities, and that the Board have appropriate oversight and supervision of the Company's business.

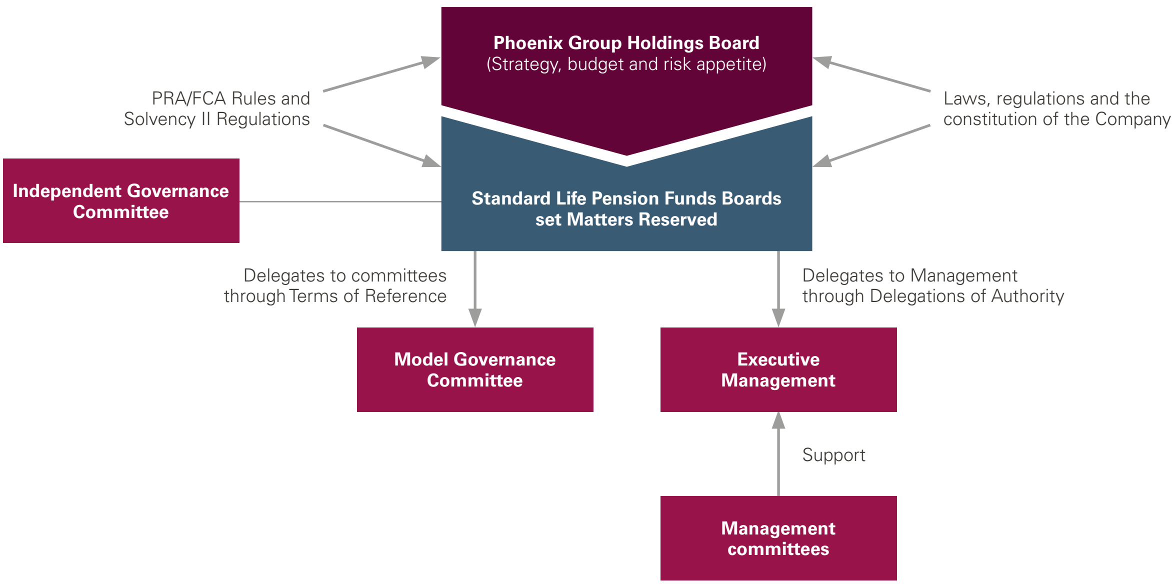
The SLAL system of governance is adopted by SLPF and further details can be found in section B.1.2 of the SLAL SFCR.

SLPF is an insurance company and the SLPF Board responsibilities are in line with the Company's Articles and the Companies Act. SLPF's risks are managed in accordance with the Enterprise Risk Management Framework and details of the framework can be found in section B.3.1 of the SLAL SFCR.

The SLAL Audit Committee had oversight of SLPF during 2018. Details of the SLAL Audit Committee's responsibilities can be found in section B.1.2.3 of the SLAL SFCR.

Board and Committee structure

The diagram below shows the new SLPF Board and delegated Committee structure following the acquisition of SLAL by PGH plc on 31 August 2018.



B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE CONTINUED

B.1.2 System of governance continued

Remuneration

Prior to the acquisition of SLAL by PGH, SLAL and SLPF adopted the remuneration policy and principles of SLA plc. Further details are set out in section B.1.2 of the SFCR for the year ended 31 December 2017 on page 18.

As a company within Phoenix Group, the principles of Phoenix Group-wide remuneration policy apply to SLPF from its date of joining Phoenix Group in 2018.

The Group has one consistent remuneration policy for all levels of employees which is made available to all staff. Therefore, the same remuneration policy principles guide reward decisions for all Group employees, including Executive Directors, although remuneration packages differ to take into account appropriate factors for different areas of the business.

Further details can be found in section B1.6. of the SLAL SFCR.

Senior managers and certification regimes

In December 2018, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA') introduced a new regulatory regime called the Senior Managers and Certification Regime ('SMCR'). The SMCR replaced the Senior Insurance Managers Regime ('SIMR') and the Approved Persons Regime.

The aim of the SMCR is to reduce harm to consumers and strengthen market integrity by making individuals more accountable for their conduct and competence. Further details can be found in section B.2 of the SLAL SFCR.

SLAL carries out initial 'fit and proper' checks before appointing new Directors (including Non-Executive Directors), executives, heads of function or other SIMR, SMCR or PRA/FCA Approved Persons. These individuals are identified as Key Function Holders ('KFHs') and the fit and proper checks require them to meet the standards expected of a 'fit and proper' person. This process also applies to SLPF and further details can be found in section B.2 of the SLAL SFCR.

Code of business conduct

Good governance within SLPF is predicated on the ethical behaviour of the organisation's staff. Further details can be found in section B.2.3 of the SLAL SFCR.

B.2 RISK MANAGEMENT SYSTEM

SLAL's risk management system is part of the wider system of governance and includes the ERM framework, the Own Risk and Solvency Assessment ('ORSA') and the Internal Model.

SLPF has adopted the SLAL ERM framework and an ORSA is produced annually for SLPF. Further details on the risk management system can be found in section B.3 of the SLAL SFCR.

B.3 INTERNAL CONTROL SYSTEM

Following the sale of SLAL to PGH, work has commenced to harmonise the SLAL and PGH Risk Management Frameworks and internal control systems. A harmonised framework will be implemented across the business throughout 2019.

The SLAL internal control system contains a range of processes which are captured under our Conduct and Operational Risk framework as part of the risk control process element of the ERM framework.

SLPF has adopted the SLAL Conduct and Operational Risk framework and further details on the framework can be found in section B.4 of the SLAL SFCR.

B.4 RISK AND COMPLIANCE FUNCTION

The Risk and Compliance function is a second line of defence function and is embedded into strategic and operational decision making. The objective of the Risk and Compliance function is to understand and actively manage the sources and scale of uncertainty to which PGH's strategic objectives are exposed. The consistent application of effective and pre-emptive risk management across our business protects the value of PGH in the short term while encouraging the development of long-term value.

Further details on the Risk and Compliance function can be found in section B.4.2 of the SLAL SFCR.

B.5 INTERNAL AUDIT FUNCTION

Internal Audit activities for SLPF are provided by Phoenix Group Internal Audit ('PGIA'). The primary role of PGIA is to support the Board and Executive Management to protect the assets, reputation and sustainability of the organisation. This is 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.

Further details on Internal Audit can be found in section B.5 of the SLAL SFCR.

B.6 ACTUARIAL FUNCTION

The actuarial function is a first line of defence function and SLPF has the same actuarial function as SLAL.

Further details can be found in section B.6 of the SLAL SFCR.

B.7 OUTSOURCING

The Outsourcing Policy sets the standards that business units must comply with for outsourcing arrangements.

The policy highlights that SLAL retains responsibility for meeting all relevant regulatory and legal requirements and includes the requirement for the implementation of appropriately robust governance structures. The policy also highlights that customer outcomes must be considered at the outset and throughout the lifecycle of any outsourcing arrangement.

The SLAL Chief Risk Officer and the SLAL ERMC have specific roles and responsibilities in relation to the approval and subsequent governance of outsourcing arrangements for SLPF.

Further details can be found in section B.7 of the SLAL SFCR.

B.8 ANY OTHER INFORMATION

None.

SECTION C

RISK PROFILE

IN THIS SECTION

RISK PROFILE

Section B.3 sets out the risk management system including information on how the Risk Management Framework 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.

The undiversified SCR of SLPF is presented below.

Risk profile of SLPF	Section reference	SLPF
Underwriting risk	C.1	98%
Market risk	C.2	2%
Credit risk	C.3	0%
Liquidity risk	C.4	0%
Operational risk	C.5	0%
Other risks	C.6	0%
Total		100%

Sections C.1 to C.6 set out, for each of the risks, a description of the material risks that the Company is exposed to, the risk measurement techniques used to assess these risks, risk concentrations, and a description of risk mitigation techniques used for mitigating these risks.

The Company does not hold SCR for liquidity risk, as explained further in section C.4.1.

More details regarding the SCR are set out in section E.2.

C.1 UNDERWRITING RISK

The only underwriting risk to which the Company is exposed is expense risk. Standard Life Assurance Limited ('SLAL') provides services to the Company in relation to accounting and actuarial reporting. SLAL reserves the right to recharge the Company for these services although in practice it has not recharged in the past, and has stated that it has no intention to do so in the future. Nevertheless a best estimate provision is held for the future value of these expenses, and capital is held for the risk that these expenses are greater than expected.

Immediate and deferred annuity contracts are reinsured with SLAL on a 100% original terms basis. There is no residual underwriting risk to which the Company is exposed in relation to these contracts. The reassurance treaty gives rise to counterparty default risk, which is discussed further in section C.3.

The Company holds funds for Segregated Funds Pension Management Contracts and charges fees in exchange for managing clients' funds. The fees are passed through to Standard Life Investments ('SLI'), which bears any associated risk such as expense or persistency risk. There is no residual risk for the Company in relation to these contracts.

Aside from the annuity reassurance treaty, there are no other underwriting risk mitigation techniques in place.

There are no material underwriting risk concentrations to which the Company is exposed.

C.2 MARKET RISK

The Company has no exposure to market risk. The Company is entirely invested in Aberdeen Liquidity Fund (Lux) – Seabury Sterling Liquidity 2 Fund, which gives rise to credit risk, but not market risk.

C.3 CREDIT RISK

The Company has holdings in unsecured cash, and is exposed to the risk that the issuers of these cash instruments default. The risk is assessed by using a model calibrated to historic probabilities of default and loss given default from suitable indices.

The Company is also exposed to the risk that SLAL defaults on the annuity reassurance treaty (counterparty default risk). The risk is assessed by using a model calibrated to historic probabilities of default for equivalent corporate bonds.

There are no credit risk mitigation techniques in place.

There are no material credit risk concentrations to which the Company is exposed.

C.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.

The Company has no material liquidity risk as its capital is entirely held in cash (through its investment in Aberdeen Liquidity Fund (Lux) – Seabury Sterling Liquidity 2 Fund).

C.4.1 Expected Profits In Future Premiums ('EPIFP')

No future premiums are anticipated in SLPF.

C.5 OPERATIONAL RISK

Operational risk is defined as 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.

In relation to the segregated managed funds business, the Investment Management Agreement ('IMA') between the Company and SLI indemnifies the Company against any losses, costs, claims, damages, liabilities and expenses incurred by the Company arising directly as a result of the negligence, wilful default or fraud of SLI or any delegate or that of its or their employees.

The latest review of the operational risks in the Company concluded that no material operational risks were deemed to arise in the Company.

C.6 OTHER MATERIAL RISKS

There are no other material risks in the Company.

C.7 ANY OTHER INFORMATION

C.7.1 Prudent Person Principle requirements

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 we describe the PPP compliance of all asset classes together rather than individually.

The Company's capital is entirely invested in Aberdeen Liquidity Fund (Lux) – Seabury Sterling Liquidity 2 Fund, a short-term money market fund. This is to ensure the preservation of capital and liquidity by investing in a diversified portfolio of high quality money market instruments.

C.7.2 Sensitivity analysis

Due to the materiality of exposures in the Company qualitative rather than quantitative stress analysis is performed. The exposures are not expected to change significantly over time and the Company continues to be capitalised to a level well in excess of its Solvency Capital Requirement. In the absence of any additional change in investment strategy or any further capital release, we would not anticipate any other material change in capital requirements or resources over time.

C.7.3 Use of special purpose vehicles

Throughout 2018 the Company has not owned any special purpose vehicles.

SECTION D

VALUATION FOR SOLVENCY PURPOSES

IN THIS SECTION

SECTION D

VALUATION FOR SOLVENCY PURPOSES

This section covers the valuation of assets (section D.1), technical provisions (section D.2) and other liabilities (section D.3) on the Solvency II balance sheet for the Company. Their valuation is determined in line with the regulations, and is consistent with Phoenix Group. The Balance Sheet QRT S.02.01.02 is included at Appendix 1.

Section D.1.2 provides separately for each material class of assets and liabilities (excluding technical provisions which are covered in section D.2), a description of the bases, methods and main assumptions used in their valuation for solvency purposes. An explanation of differences to the IFRS financial statements is also provided. All classes of assets and liabilities presented are consistent to the S.02.01.02 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 are as used by companies in their statutory financial statements in accordance with IFRS. Reclassification of line items has taken place, to align disclosures with the Solvency II presentation format and for ease of comparison between the two sets of numbers. This means that the 'Statutory accounts value' column may not directly agree to line items on the financial statements of the Company.

Some of the Company's assets (mainly financial instruments) and liabilities are determined using alternative valuation methods which use non-observable market inputs and follow accepted market practice. Further details are included in section D.4.1.

D.1 ASSETS

D.1.1 Introduction

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

The tables below set out the Solvency II balance sheets and the 'Statutory accounts value columns' for the Company.

D.1.1.1 Balance sheet – Standard Life Pension Funds Limited

Balance sheet as at 31 December 2018	Note	Solvency II value £m	Statutory accounts value £m	Difference £m
Investments (other than assets held for index-linked and unit-linked contracts)	1	**11**	**11**	**–**
Collective Investment Undertakings		11	11	–
Reinsurance recoverables	2	9	8	**1**
Receivables (trade, not insurance)	3	5	5	–
Total assets		**25**	**24**	**1**
Technical provisions (BEL plus risk margin)	4	11	8	3
Reinsurance payables	5	5	5	–
Total liabilities		**16**	**13**	**3**
Excess of assets over liabilities		**9**	**11**	**(2)**

D.1 ASSETS CONTINUED CONTINUED

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

The Group'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 consolidated financial statements in the PGH Annual Report and Accounts for the year ended 31 December 2018. There have been no significant changes to the valuation principles set out below during the year.

Note	Balance sheet item	Valuation principles
1	**Investments (other than assets held for index-linked and unit-linked contracts)**	In line with IFRS, the value of investments (other than assets held for index-linked and unit-linked contracts) is determined using a fair value methodology as follows: • For financial instruments traded in active markets (such as exchange traded securities and derivatives), fair value is based on quoted market prices at the period end provided by recognised pricing services. Market depth and bid-ask spreads are used to corroborate whether an active market exists for an instrument. • Where quoted market prices are not available, quoted market prices for similar assets or liabilities are used to determine the fair value. • Where either of the above are not possible, alternative valuation methods are used to determine fair value. Where discounted cash flow techniques are used, future cash flows are based on contractual cash flows using current market conditions and market-calibrated discount rates and interest rate assumptions for similar instruments. • Certain financial instruments are determined by valuation techniques using non-observable market inputs based on a combination of independent third party evidence and internally developed models. Further details are included in section D.4.1. Further details on each item within investments are outlined below. Holdings in related undertakings, including participations Holdings in related undertakings, including participations comprise of Collective Investment Undertakings where the Company holds a greater than 20% interest (where the interest is less than 20% it is included within 'Collective Investment Undertakings' line) and entities in the Company which are valued using the adjusted equity method, which is further explained below Any investments in Collective Investment Undertakings related to unit-linked contracts are included as assets held for index-linked and unit-linked contracts. Collective Investment Undertakings In both the Company's IFRS statutory accounts and the Solvency II balance sheet, interests in pooled investment funds (referred to as Collective Investments Undertakings Under Solvency II) are held at fair value. The Company receive valuations from investment managers of the underlying funds, based on quoted market prices. Where quoted prices are not available they are estimated using pricing models or discounted cash flow techniques. Where pricing models are used, inputs are based on market-related data at the period end. Further details regarding alternative valuation methods used to value Collective Investment Schemes are included in section D.4.1. Where the Company holds a greater than 20% interest in an investment fund this interest is recognised within 'holdings in related undertakings, including participations'. Where the interest is less than 20% it is included within 'Collective Investment Undertakings'. Any investments in Collective Investment Undertakings related to unit-linked contracts are included as 'assets held for index-linked and unit-linked contracts'.

D.1 ASSETS CONTINUED CONTINUED

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

Note	Balance sheet item	Valuation principles
2	**Reinsurance recoverables**	In the Company's IFRS statutory accounts, reinsurance recoverables are measured using valuation techniques and assumptions that are consistent with the valuation techniques and assumptions used in measuring the underlying policy benefits and taking into account the terms of the reinsurance contract. For Solvency II balance sheet purposes, reinsurance recoverables are valued using the cash flow projection model that is used to calculate the best estimate liabilities. Further details on the calculation approach for Solvency II reinsurance recoverables are included in section D.2.8. The reinsurance assets are adjusted for expected defaults. The payment pattern for reinsurance assets is assumed to be the same as the gross claims payment patterns for this purpose. Any short term variations in actual payments are reflected in the reinsurance recoverable.
3	**Receivables (trade, not insurance)**	In the Company's IFRS statutory accounts, trade and other receivables (including prepayments) are recorded at amortised cost. This approximates the fair value valuation basis under Solvency II for these assets. Accordingly, there are no valuation differences between the IFRS statutory accounts and the Solvency II balance sheet.
4	**Technical provisions**	Details regarding the valuation of technical provisions are covered in section D.2.
5	**Insurance and intermediaries payables Reinsurance payables**	These are short term in nature and are valued at amortised cost. This approximates the fair value valuation basis under Solvency II for these liabilities.

D.2 TECHNICAL PROVISIONS

This section provides separately for each LoB the value of technical provisions, including the amount of the Best Estimate Liability ('BEL') and the risk margin, as well as a description of the bases, methods and main assumptions used in the valuation of technical provisions.

This section also includes a quantitative and qualitative explanation of material differences between the bases, methods and main assumptions used by the Company for the valuation of technical provisions for solvency purposes and those used for their valuation in IFRS.

D.2.1 Introduction

The Company does not apply a matching adjustment, volatility adjustment or transitional measures when calculating technical provisions.

This section provides technical provisions as at 31 December 2018, including the amount of BEL and risk margin.

Table D.2.2.1A technical provisions by line of business

The insurance contracts in the Company consist mainly of deferred and immediate annuities, typically providing an income for life, with various policyholder options selected at outset (single/joint life, guaranteed period, escalation rate). They are reported in the 'other life insurance' line of business under Solvency II.

31 December 2018 **Technical provisions by Line of Business**	**Other life insurance £m**	**Total technical provisions £m**
Best Estimate Liabilities	10	10
Risk margin*	1	1
Gross technical provisions	**11**	**11**

* Unaudited.

The valuation of cash flows is determined at policy level.

This business is written in the UK, with cash flows denominated in sterling.

D.2 TECHNICAL PROVISIONS CONTINUED

D.2.2 Technical provisions by line of business

Table D.2.2.1b Material differences between IFRS and Solvency II technical provisions

The table below outlines separately for each LoB, the material differences between the bases, methods and main assumptions used for Solvency II and those used for IFRS.

	Technical provisions – IFRS to Solvency II reconciliation	Note	Other life insurance £m	Total technical provisions £m
SLPF	**Statutory accounts value technical provisions – gross**		**9**	**9**
	Statutory accounts value reinsurance		(9)	(9)
	Statutory accounts value technical provisions – net		**0**	**0**
	Change to discount curve	1	0	0
	Other	2	1	1
	Solvency II Best Estimate Liabilities – net		**1**	**1**
	Add risk margin		1	1
	Solvency II technical provisions – net		**2**	**2**
	Solvency II reinsurance		9	9
	Solvency II technical provisions – gross		**11**	**11**

An explanation of the material changes between the IFRS valuation for technical provisions and that used for Solvency II is included below:

Note	Item	Description
1	**Change to discount curve**	Liabilities are valued using a discount rate derived from the EIOPA swap curve with a credit risk adjustment of 10bps under Solvency II. For IFRS they are valued using a discount rate from the EIOPA swap curve plus an illiquidity adjustment of 10bps. However, reinsurance recoverables are calculated using the same models and assumptions, which is why the difference in discount curves has no impact.
2	**Other**	The 'other' line contains provisions for: • the potential cost of services Standard Life Assurance Limited (SLAL) provides to SLPF in relation to financial reporting which SLAL can recharge to SLPF (see D.2.4); and • reinsurance counterparty default.

D.2 TECHNICAL PROVISIONS CONTINUED

D.2.3 Bases, methodology and main assumptions used for best estimate liability

The value of technical provisions corresponds to the amount to be paid if the Company's insurance obligations were immediately transferred to another insurance undertaking, making use of and consistent with information provided by the financial markets and generally available data on underwriting risks.

The value of technical provisions is determined as the sum of best estimate liabilities and a risk margin calculated separately.

The risk margin is the additional amount required to ensure that the value of the technical provisions is equivalent to the amount that another insurance undertaking would be expected to require in order to take over and meet the insurance obligations.

The valuation approach is summarised in subsequent sections.

D.2.3.1 Best Estimate Liability ('BEL')

BEL is calculated gross, without deduction for amounts recoverable on reinsurance contracts. Reinsurance recoverables are valued separately, recognised as a reinsurance asset and calculated in the same manner as the BEL (see section D.2.8 for further details).

All assumptions are updated to reflect current economic conditions and demographic experience. Material changes in the relevant assumptions made in the calculation of technical provisions are covered in section D.2.5.

The following section details the methodology and key assumptions used to calculate the BEL.

D.2.3.2 Overview of methodology

A cash flow projection model is used to calculate BEL. This projects cash inflows and outflows required to meet the Company's obligations to policyholders over the lifetime of the policy, taking into account the undertaking's regulatory duty to treat its customers fairly.

The projection of future cash flows is performed using realistic assumptions regarding future experience. The relevant assumptions include expected future trends in mortality and longevity, and an allowance for future expenses.

The model takes account of the time value of money through discounting at an appropriate risk-free rate (see section D.2.3.3 below).

D.2.3.3 Discount rates

For the purpose of calculating the Solvency II technical provisions, nominal discount rates, based on swap rates, prescribed by EIOPA are used. The Company's insurance obligations are denominated in sterling. The rates are based on market data for the first 50 years, after which they converge to the ultimate forward rate which is set by EIOPA and is currently 4.05%.

An adjustment (also specified by EIOPA) is made to the swap curve for credit risk. At 31 December 2018, the sterling credit risk adjustment was minus 10bps at each duration.

D.2.3.4 Contract boundaries

The boundary of an insurance contract (or reinsurance contract) defines the cash flows which must be taken into account when calculating the technical provision in respect of that contract. The Company's contracts are modelled for the full expected lifetime of the policyholders.

D.2 TECHNICAL PROVISIONS CONTINUED

D.2.4 Calculation

The insurance contracts in the Company consist mainly of deferred and immediate Group pension annuities, typically providing an income for life with various policyholder options selected at outset (single/joint life, guaranteed period, escalation rate).

Valuation approach

The BEL is derived using a deterministic discounted cash flow approach. The valuation approach projects the cash flows for each annuity contract and their underlying features, and the BEL is equal to the annuity payments and expenses discounted using the Solvency II sterling yield curve. The projection is carried out using best estimate assumptions, allowing for the relevant survival probabilities. The best estimate assumptions and Solvency II yield curve are described within sections D.2.5 and D.2.3.3.

Annuity payments are calculated based on the specifics of each contract. The benefit payments projected reflect any guarantee period, whether the payment can step up or step down, the level of payment escalation (including RPI and LPI), payment frequency and dependant's benefits. Expenses include renewal, termination and investment expenses, allowing for expense inflation as appropriate.

Best estimate liabilities are calculated excluding any reinsurance cash flows, with a separate valuation of the reinsurance recoveries receivable performed on a consistent basis.

In addition, SLAL provides services to SLPF in relation to financial reporting and reserves the right to recharge SLPF for these services, although in practice it has not recharged to date. Solvency II regulations require each entity to hold provisions for expenses incurred in relation to the policies that it has in-force. Therefore, a best estimate provision is included in the Solvency II technical provisions, using the current annual cost to SLAL of providing these services capitalised over an expected future duration of insurance obligations.

D.2 TECHNICAL PROVISIONS CONTINUED

D.2.5 Demographic and expense assumptions

Non-economic assumptions are determined from annual experience investigations, are subject to detailed internal review and are approved by the Board. Best estimate assumptions are made in respect of future levels of longevity and expenses. These assumptions reflect the Company's best estimates of likely future experience, based on recent experience and relevant industry data as appropriate. The approach is to treat the best estimate assumptions as the median of the range of possible assumptions.

Mortality/longevity assumptions are a combination of base mortality rates, which are set by reference to recent experience and, for annuities, expected future changes in mortality. The latter uses entity-specific considerations, along with data from external sources such as the Continuous Mortality Investigation Bureau ('CMI') in the UK, which produces standard mortality tables and projection bases for mortality improvements.

Best estimate expense assumptions on a per policy basis are derived from an analysis of management expenses. This allows for all expenses incurred in servicing policies, including overheads.

The investment management expense assumptions are derived as the best estimate of the future charges expected to be paid to Aberdeen Standard Investments, reflecting current investment management agreements, varying by the nature of assets backing technical provisions.

The main non-economic assumptions are described below, with an indication of the factors that affect the assumption adopted.

Assumptions used in the valuation of technical provisions are reviewed regularly.

D.2.5.1 Mortality

Mortality	
Other life insurance	Varies by: age, gender, and product.
Longevity	
Other life insurance	Varies by: age, gender, pre or post demutualisation, immediate or deferred annuity.
Proportions married	
Other life insurance	Varies by immediate or deferred annuity.

D.2.5.4 Expense assumptions

Other life insurance	*Maintenance expenses* These include an allowance for both renewal and termination expenses. *Investment expenses* Single assumption derived as the best estimate of the future charges expected to be paid to Aberdeen Standard Investments.

D.2.6 Solvency II long-term guarantee and transitional measures (Unaudited)

The Company does not apply a matching adjustment, volatility adjustment or transitional measures when calculating technical provisions.

D.2 TECHNICAL PROVISIONS CONTINUED

D.2.7 Recoverables on reinsurance contracts

Under Solvency II, reinsurance is defined as business where there is a transfer of risk.

The annuity liabilities in the Company are reinsured by its parent company, SLAL, under a reinsurance treaty. Reinsurance recoverables are calculated using the same models and assumptions as the corresponding best estimate liabilities. The valuation of reinsurance recoverables allows for the possibility of counterparty default.

The Company does not have any special purpose vehicle arrangements.

The amounts recoverable on reinsurance contracts are recognised as a reinsurance asset on the Solvency II balance sheet.

D.2.7.1 Assessment of reinsurers' default risk (counterparty default adjustment)

The valuation of reinsurance recoverables allows for the possibility of counterparty default.

For each reinsurance counterparty, an adjustment is made to reinsurance recoverables for the best estimate of the expected losses due to default of the reinsurance counterparty over the lifetime of the liabilities. The adjustment is calculated for each counterparty exposure as:

- the cumulative expected probability of default over the lifetime of the reinsurance exposure; multiplied by
- an assumption for losses given default.

The probability of default assumption is determined from long-term average default rates for corporate bonds, adjusted for credit conditions as at the valuation date using corporate bond credit spreads (relative to swaps). Loss given default assumptions are specific to the nature of the exposure.

D.2.8 Simplifications

Where it is proportionate, the Company adopts various simplifications in the calculation of BEL. These simplifications may exist within the calculation methodology, or within the valuation models themselves.

Substantially all of the Company's BEL is calculated using probability weighted averages of future cash flows. However, simplified valuation techniques have been used in certain circumstances. These simplifications are typically used where material uncertainty exists around the size, incidence or timing of liability cash flows or, where further model development is required for a more robust assessment.

The Company uses the skills, knowledge and experience of actuaries, accountants and other subject matter experts to perform these assessments, which are carried out in accordance with the Company's internal framework on application of expert judgement.

The proportion of gross BEL calculated using simplified methods was 8.2%.

D.2.9 Uncertainty associated with the value of Technical Provisions

The level of uncertainty associated with the amount of Technical Provisions primarily relates to assumed future experience.

The valuation of liabilities requires assumptions about the future (e.g. longevity/mortality, expenses, economic conditions), which are inevitably the source of some uncertainty. While the approach adopted by the Company leads to its best estimate of future expected experience, there can be a number of alternative similarly justifiable assumptions. For example, a range of assumptions regarding the rate of future improvements in longevity could be considered reasonable.

D.2.10 Risk margin

The value of technical provisions is equal to the sum of a best estimate and a risk margin (plus technical provisions as a whole). The risk margin is held in respect of non-hedgeable risks and is 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.

The risk margin is calculated by determining the cost of providing an amount of Eligible Own Funds equal to the Solvency Capital Requirement ('SCR') in respect of non-hedgeable risks necessary to support the insurance obligations over their lifetime. The cost of capital in this calculation is prescribed.

In theory, the calculation of the risk margin involves a projection of future SCRs. A simplified approach to determining these SCRs is permitted by the regulations and this has been implemented using a risk driver based approach. For each risk and product group, a risk driver is chosen that approximates the expected run-off pattern of the capital relating to that risk. For example, the present value of future expenses at each future date will drive the expense risk capital at that date so this is selected as the risk driver for expense risk. The appropriate risk drivers are regularly reviewed. This ensures that they accurately reflect the size of the risk exposure and that the run-off of the risk driver is consistent with, and materially captures the run-off of, the underlying risk.

D.3 OTHER LIABILITIES

The valuation of other liabilities on the Solvency II balance sheet is covered in section D.1. The valuation of technical provisions is covered in section D.2. Some of the Company's liabilities (mainly financial instruments) are determined using alternative valuation methods which use non-observable market inputs. Further details are included in section D.4.1.

D.4 ALTERNATIVE METHODS FOR VALUATION

The assets held in the Company are cash, trade receivables, and a holding in Seabury Assets Fund Plc – The Sterling VNAV Liquidity Fund. Cash and trade receivables are not valued using an alternative method for valuation ('AVM'). The holding of £11,233k in Seabury Assets Fund Plc – The Sterling VNAV Liquidity Fund is classified as AVM, however we consider the valuation uncertainty to be negligible given the very short term nature of the assets held and the active monitoring performed.

An active market exists where transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The Company regularly compares the adequacy of the valuation of assets and liabilities valued using AVMs against experience.

D.5 ANY OTHER INFORMATION

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

SECTION E
CAPITAL MANAGEMENT

IN THIS SECTION

SECTION E

CAPITAL MANAGEMENT

This section provides information on the Company's Own Funds and SCR, including changes over the reporting period, together with an explanation of the material differences between net assets under IFRS and the Solvency II excess of assets over liabilities.

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 Minimum Capital Requirement ('MCR').

Key Solvency metrics

At 31 December 2018, the capital position for SLPF is presented in the table below:

	31 December 2018	31 December 2017
Eligible Own Funds	9	9
SCR*	2	2
Solvency II surplus	**7**	7
Ratio of Eligible Own Funds to SCR	**545%**	524%
Shareholder capital coverage ratio	**545%**	524%

* Unaudited.

As at 31 December 2018, the Company's Solvency II surplus over the Company SCR is £7 million, with a ratio of Eligible Own Funds to SCR of 545%.

100% 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, surplus funds and the reconciliation reserve. This includes Transitional Measures on Technical Provisions ('TMTP') which are included in the calculation of Basic Own Funds as Tier 1 capital.

The Company does not have any Ancillary Own Funds.

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 section E.1.

Shareholder capital coverage ratio

The Company focuses on the metric of shareholder capital coverage ratio, rather than the regulatory capital ratio, as a more appropriate measure of the extent to which shareholders' Eligible Own Funds cover the associated risk capital. It is defined as the ratio of Eligible Own Funds to SCR.

The Solvency II Shareholder Capital coverage ratio of SLAL is 545% as at 31 December 2018.

E.1 OWN FUNDS

E.1.1 Management of own funds

The Company adopted the liquidity and management policy of Standard Life Aberdeen in the period 1 January 2018 to 31 August 2018. Following the sale of Standard Life Assurance Limited, of which Standard Life Pension Funds Limited is a subsidiary, to PGH Group, the Company has continued to adopt its existing capital framework. Harmonisation with the PGH Group capital management framework is due to be completed by June 2019.

Details of the Company's current liquidity and management policy are provided below.

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. 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 Targets Framework. The key component of the Framework is the intention to maintain a minimum capital coverage under the most onerous of a range of plausible stress scenarios which are reviewed at least tri-annually. The Framework is used to inform all key Board decisions with capital implications, in particular dividend proposals, investment strategy, capital planning and other management actions.

In addition to this, the Company defines limits for those risks which it actively seeks to manage. The risk limits are set with the overriding aim of supporting an overall suitable capital position under stress, with individual limits then set subject to this constraint in order to support the delivery of the business plan.

The solvency position, risk exposures versus limits, and Capital Target Framework status are monitored on an ongoing basis with monthly reports produced for the Board. The report sets out a number of triggers for further action which are monitored and reported upon, many of which relate to capital coverage.

E.1.2 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. The rules on 'tiering' are designed to reflect the existence of such features.

E.1 OWN FUNDS CONTINUED

E.1.3 Analysis of Solvency position

The table below summarises the Standard Life Pension Funds solvency position at 31 December 2018. The Own Funds QRT S.23.01.01 can also be found in Appendix 1.4.

Description	Section reference	Unrestricted Tier 2 £m	Tier 2 £m	Tier 3 £m	31 December 2018 Total £m	31 December 2017 Total £m
Reconciliation reserve (pre-availability restrictions)	E.1.3.1	9	–	–	**9**	**9**
Excess of assets over liabilities		**9**	**–**	**–**	**9**	**9**
Total Basic and Available Own Funds		**9**	**–**	**–**	**9**	**9**
Eligible Own Funds to meet SCR		**9**	**–**	**–**	**9**	**9**
SCR	E.2.1	2	**–**	**–**	**2**	**2**
Solvency II surplus					**7**	**7**
Ratio of Eligible Own Funds to SCR					**545%**	**524%**
Shareholder capital coverage ratio					**545%**	**524%**
Eligible Own Funds to meet MCR		**–**	**–**	**–**	**9**	**9**
MCR					**3**	**3**
Excess over MCR					**6**	**6**
Ratio of Eligible Own Funds to MCR					**284%**	**282%**

E.1 OWN FUNDS CONTINUED
E.1.3 Analysis of Solvency position continued
E.1.3.1 Basic Own Funds
The Company's Basic Own Funds total £9 million and comprise of 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 less than £1 million and is treated as Tier 1 unrestricted Own Funds. The Articles of Association of SLPF allow cancellation of the payment of dividends (or other distributions) on ordinary shares prior to payment in certain circumstances, where it may be necessary or appropriate to do so because of legal, regulatory, capital or solvency requirements.

Reconciliation reserve
The reconciliation reserve is treated as Tier 1 unrestricted Own Funds. Further details regarding the impact of various sensitivities on the excess of assets over liabilities which forms part of the Own Funds calculation are set out in section C.7. The reconciliation reserve is calculated as follows:

	Reconciliation reserve	31 December 2018 £m	31 December 2017 £m
Life Pension	Excess of assets over liabilities	9	9
	Reconciliation reserve pre availability restrictions	**9**	**9**
	Reconciliation reserve total (as shown on Own Funds QRT)	**9**	**9**

Availability restrictions applied to the reconciliation reserve above together with other relevant considerations made in assessing the availability of Group Own Funds are detailed in section E.1.3.3.

E.1.3.2 Availability restrictions
As shown in the reconciliation reserve table above (see section E.1.3.1), the total non-available Group Own Funds are £899 million. Further details on each of the restrictions are included below.

Foreseeable dividends
The Company does not consider the final dividend for 2018 to be a 'foreseeable dividend' as at 31 December 2018, and therefore no deduction has been made from the reconciliation reserve in respect of this dividend.

E.1.3.3 Analysis of movement in capital position
The table below provides an analysis of significant changes in the capital position during the year, including Own Funds, Group SCR and Solvency II surplus.

Analysis of movement in solvency position (£m)	Note	Own Funds £m	Eligible Own Funds after RFF Restriction and other restrictions £m	SCR £m	Solvency II surplus £m
Opening position at 1 January 2018		9	9	2	7
Closing position at 31 December 2018		**9**	**9**	**2**	**7**

During the period there were no significant movements between the opening and closing solvency position.

E.1 OWN FUNDS CONTINUED
E.1.3 Analysis of Solvency position continued
E.1.3.4 Reconciliation of IFRS equity to excess of assets over liabilities

The table below provides an analysis of the key differences between the Group's net assets under IFRS and the excess of assets over liabilities under Solvency II.

	Section	31-Dec-18 £m	31-Dec-17 £m
Total equity per IFRS		**11**	**11**
Valuation differences:			
Assets increase/(decrease):			
Reinsurance recoverables	D.1.2	1	–
Total asset valuation differences		**1**	**–**
Liabilities (increase)/decrease:			
Technical provisions	D.2.2	(3)	(2)
Total liability valuation differences		**(3)**	**(2)**
Excess of assets over liabilities	D.1.2	**9**	**9**

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1 Solvency Capital Requirement

Note that the SCR has not been subject to external audit at 31 December 2018.

The Company's SCR at 31 December 2018 is presented below.

Capital requirements for the Company are determined using SLPF's partial Internal Model.

Analysis of SCR – 31 December 2018	Note	SLPF partial Internal Model £m
Risk categories		
Underwriting risk (i.e. insurance risk)	1	0.0
Market risk and credit risk	2	1.7
Liquidity risk	3	–
Operational risk	4	–
Other risks	5	–
Total undiversified SCR		**1.7**
Diversification benefits	6	(0.0)
Total SCR		**1.7**

The final SCR is not subject to supervisory assessment.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT CONTINUED

E.2.1 Solvency Capital Requirement continued

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.

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 and credit 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. 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
3	**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.
4	**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.
5	**Other risks**	There are no other material risks to which SLAL is exposed.
6	**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.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT CONTINUED

E.2.2 Changes in SCR

There have been no material changes to the SCR over the reporting period.

E.2.3 Minimum Capital Requirement

As set out in section E.1.2.5, the Company's MCR at 31 December 2018 is £3.3 million (2017: £3.3 million).

The MCR for each insurance subsidiary is calculated according to a formula prescribed by the regulations and is subject to a floor of 25% of the SCR or EUR 3.7 million, whichever is higher, and a cap of 45% of the SCR. The MCR formula is based on factors applied to the technical provisions and capital at risk as at 31 December 2018.

The components of the overall calculation of the MCR as at 31 December 2018 are:

Calculation of MCR – 31-Dec-18	SLPF £m
MCR before the application of floors and caps	0.01
MCR cap (45% of SCR)	0.77
MCR floor (higher of 25% of SCR or EUR 3.7m)	3.29
MCR (post application of floors and caps)	**3.29**

The MCR at both the current and previous reporting periods is based on the floor of EUR 3.7 million.

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

E.4.1 Purposes for which SLAL is using its Internal Model

The Internal Model output is used in the following Own Risk and Solvency Assessment processes:

- **Insight and reporting** – regular monitoring of key risk and capital metrics.
- **Business cycle decision-making** – supports key business decisions through our stress and scenario testing programme and the setting of quantitative risk limits and investment benchmarks.
- **Strategic decision-making** – supports the longer-term strategic decisions in running our business, including customer proposition development.
- **Business planning support** – assists in developing our annual business plan by analysing the resilience of our balance sheet to economic scenarios and point in time stresses.

E.4.2 Scope of the Internal Model in terms of business units and risk categories

See section A.1 for a diagram showing the structure of the Company broken down by entities, with each business unit colour coded depending on their treatment under Solvency II.

The coverage of the Internal Model risk categories is based on the risks included in the Company's Enterprise Risk Management Framework ('ERM framework'). SLPF's partial Internal Model covers the subset of risks identified in the ERM framework which are quantifiable and material.

In addition to the risks covered by the ERM framework, sovereign debt basis risk is also included in the Internal Model as required by the Prudential Regulation Authority's Supervisory Statement SS30/15.

The risk categories used in the Internal Model include:

- Equity (including equity implied volatility)
- Basis risk
- Property (including property implied volatility)
- Currency
- Interest rates
- Swaption implied volatility
- Credit (spread, counterparty)
- Gilt swap spread risk
- Longevity (including proportions married for joint-life annuities)
- Persistency mis-estimation and dependent persistency
- Expense risk (including inflation risk not allowed for within the interest rates risk category)
- Mortality mis-estimation and mortality catastrophe
- Morbidity mis-estimation and catastrophe
- Operational risk
- New business risk (adverse variation in business mix or volume over the next year)

A fuller description of material risks is included in section C. The Internal Model does not include liquidity risk, as described in section C.4, given that this risk is more appropriately considered using qualitative techniques.

E.4.3 Integration of the Internal Model into the Standard Formula

There is no integration of the Internal Model into the Standard Formula for the Company.

E.4.4 Calculation of probability distribution forecast

The Company's approach is to calculate the SCR directly from the probability distribution forecast as the value at risk of own funds at a 99.5% confidence level over a one-year time horizon, in line with Solvency II requirements.

For the SLAL partial Internal Model, the probability distribution forecast of changes in value of Own Funds is determined by simulating the joint distribution of changes in the individual risk factors and calculating the change in Own Funds in each simulation. The model consists of a set of functions which describe changes in own funds as a function of changes in risk factors. These functions are calibrated using changes in the values of assets and liabilities obtained by modelling a large number of scenarios using the full actuarial model suite. For pragmatic and materiality reasons the Company uses a correlation matrix as a simplification to the SLAL partial Internal Model approach.

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

E.4.5 Methodology and assumption differences between Standard Formula and Internal Model

The key differences between the methodologies and underlying assumptions used in the Standard Formula and in the Internal Model are as follows for the key features and risk modules:

Feature or Risk Module	Key Differences
Methods used to calibrate the distributions	The methods used to calibrate the distributions for the Internal Model have been developed independently from the Standard Formula. As a result there are differences in each of these from the Standard Formula, in terms of both the granularity of the stress and the level of the stress.
Risk categorisation and granularity	As an Internal Model firm, we have designed our model around the risks to which we are exposed, ensuring that each risk module is constructed with these exposures in mind. This will therefore include risks that are not included in the Standard Formula (see section E.4.9) and the data used to calibrate our stresses (and to help set our correlations) is in line with risks we are exposed to. The granularity of each of the risk modules has also been chosen considering our risk exposures and therefore in many instances the granularity of our stresses is different to that of the Standard Formula.
Aggregation	Our overall approach to aggregating the risk modules to calculate our capital requirements is also different to that used by the Standard Formula; where the Standard Formula approach uses a correlation matrix approach, our Internal Model uses a simulation approach which is described further in sections E.4.6 and E.4.8.
Equity risk	• The Internal Model equity stress is calibrated at a more granular level, using market data. • Standard Formula equity stress includes a dampener to reduce pro-cyclicality.
Credit (spread) risk	• Internal Model stresses are calibrated using market data, and include a split by sector (financial/non-financial) which is not included in Standard Formula stresses.
Longevity risk	• The Standard Formula longevity stress is a 20% reduction in mortality rates. • Our Internal Model stress is calibrated using relevant experience and explicitly allows for future mortality improvements.
Fixed interest risk	• Standard Formula stresses are a proportion of the base yield curve. • Internal Model stresses are absolute stresses which capture changes in level, shape and curvature of the yield curve.
Lapse risk	• The Standard Formula mass lapse stress reflects an instantaneous lapse rate of either 40% or 70%, depending on the nature of the product. • The Internal Model dependent persistency stress incorporates market and operational risk elements and is applied as a multiple of base persistency rates.
Operational risk	• The Standard Formula uses a factor based approach, with weightings applied to different metrics, such as expenses on unit-linked business. • The Internal Model capital requirement is derived using input from business subject matter experts to determine the frequency and severity of operational risk events.

E.4.6 Internal Model approach

The Company's approach is to calculate the SCR as the Value-at-Risk of its own funds subject to a confidence level of 99.5% over a one-year period. This is the same as the risk measure and time period required in Solvency II regulations. To calculate this, we use a simulation approach and look at each of the individual risks and combinations of the risks at multiple probability levels.

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

E.4.7 Nature and appropriateness of data

A range of information is used within the Internal Model; this includes the relevant market data (both current for the valuation date, and the historic data to calibrate stresses), and internal policyholder data used to calculate our liabilities as well as historic policyholder experience to calibrate our underwriting risk stresses. The sources used in each instance have been chosen considering the range of options available and the appropriateness of the data sets for the purpose for which they're used. Where external data is used, this is sourced from reputable suppliers (e.g. Office for National Statistics, Bank of England, Continuous Mortality Investigation). We also have an internal data governance framework, which sets the standard to which the data we use must meet, and is used as a means to escalate any issues appropriately.

E.4.8 Aggregation methodologies and diversification effects used in the Internal Model

For the SLAL partial Internal Model, under several hundred scenarios selected from the risk categories and key combination of risk categories, the balance sheet is stressed using our detailed 'heavy models' of the business. Mathematical formulae called loss functions are then fitted to the balance sheet impact of these selected stresses which allows us to describe the behaviour of the balance sheet under a wide range of scenarios.

We then simulate millions of possible future scenarios from our risk distributions – allowing for the diversification between risks – and assess the impact on the balance sheet using the loss functions. The balance sheet losses for each simulated scenario are then ranked and the SCR is the 99.5th percentile balance sheet loss.

For pragmatic and materiality reasons the Company uses a correlation matrix as a simplification to the SLAL partial Internal Model approach.

The correlations between risks are set using a combination of analysis of historic data (using consistent datasets to that used to calibrate the individual risk distributions) and expert judgement.

E.4.9 Risks not covered by the Standard Formula but covered by the Internal Model

The additional risks that are covered by the Company's Internal Model, but not by the Standard Formula are:

Risk	Description
Equity implied volatility risk	The risk that the expected volatility of equity markets increases.
Property implied volatility risk	The risk that the expected volatility of property markets increases.
Swaption implied volatility risk	The risk that the expected volatility of interest rates increases.
Sovereign spread risk	The risk that AAA rated government bonds fall in value without a corresponding change in swap rates.
Equity basis risk	The risk that the value of our equity investments move out of line with the equity indices used to price the equity derivatives that we have in place (in particular to hedge the equity risk on with profits policyholder guarantees).
Proportion married risk	The risk of mis-estimating the proportion of reversionary annuities where there is a spouse who would be eligible to receive an annuity (if the main life died)
New business risk	The risk that adverse deviations in volume and mix of new business impact the capital position over the one-year time horizon of the capital assessment.

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

The Company held Own Funds in excess of both the SCR and MCR throughout the reporting period and therefore 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.

APPENDIX AND ADDITIONAL INFORMATION

IN THIS SECTION

APPENDIX AND ADDITIONAL INFORMATION

GLOSSARY

ANNUAL OPERATING PLAN ('AOP')	The Group's five-year strategic plan approved by the Board.
ASSET LIABILITY MANAGEMENT ('ALM')	Management of mismatches between assets and liabilities within risk appetite.
BEST ESTIMATE LIABILITY ('BEL')	The probability weighted average of future cash flows, taking into account the time value of money (expected present value of future cash flows), using the relevant interest rate term structure and taking into account economic and non-economic assumptions.
BLACK-SCHOLES	A mathematical model used to calculate the value of an option.
CLOSED LIFE FUND	A fund that no longer accepts new business. The fund continues to be managed for the existing policyholders.
EIOPA	European Insurance and Occupational Pensions Authority.
FAIR VALUE	The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
FINANCIAL CONDUCT AUTHORITY ('FCA')	The body responsible for supervising the conduct of all financial services firms and for the prudential regulation of those financial services firms not supervised by the Prudential Regulation Authority ('PRA'), such as asset managers and independent financial advisers.
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ('GAAP')	A common set of accounting principles, standards and procedures that companies must follow when they compile their financial statements.
INTERNATIONAL FINANCIAL REPORTING STANDARDS ('IFRS')	Accounting standards, interpretations and the framework adopted by the International Accounting Standards Board ('IASB').
INTERNAL MODEL ('IM')	The agreed methodology and model, approved by the PRA, to calculate the Solvency Capital Requirement ('SCR') pursuant to Solvency II.
LINE OF BUSINESS ('LoB')	The applicable lines of business as prescribed by Annex I of Commission Delegated Regulation (EU) 2015/35.
LONG-TERM GUARANTEE MEASURES	The extrapolation of risk-free interest rates, the Matching Adjustment ('MA'), the Volatility Adjustment ('VA'), the extension of the recovery period in case of non-compliance with the SCR, the transitional measures on the risk-free interest rates and the Transitional Measure on Technical Provisions ('TMTP').
LONG-TERM INCENTIVE PLAN ('LTIP')	The part of an executive's remuneration designed to incentivise long-term value for shareholders through an award of shares with vesting contingent on employment and the satisfaction of stretching performance conditions linked to Group strategy.
MANAGEMENT SERVICE AGREEMENT ('MSA')	Contracts that exist between the Phoenix Life and Services Companies or between Services Companies and their operating partners.
MATCHING ADJUSTMENT ('MA')	An allowance, subject to PRA's approval that allows insurers to use a higher discount rate, based on the underlying assets, when valuing liabilities that meet strict eligibility criteria.
OPERATING PROFIT	Operating profit is a non-GAAP measure that is considered a more representative measure of performance than IFRS profit or loss after tax as it provides long-term performance information unaffected by short term economic volatility.
OWN FUNDS	Basic Own Funds comprise the excess of assets over liabilities valued in accordance with the Solvency II principles and subordinated liabilities which qualify to be included in Own Funds under the Solvency II rules. Eligible Own Funds are the amount of Own Funds that are available to cover the Solvency Capital Requirements after applying prescribed quantitative limits and transferability and fungibility restrictions to Basic Own Funds.
PARTIAL INTERNAL MODEL ('PIM')	A methodology of calculating SCR partially on an approved Internal Model basis and partially on a Standard Formula basis.
PART VII TRANSFER	The transfer of insurance policies under Part VII of Financial Services and Markets Act 2000 ('FSMA') 2000. The insurers involved can be in the same corporate group or in different groups. Transfers require the consent of the High Court, which will consider the views of the PRA and FCA and of an Independent Expert.
PRUDENTIAL REGULATION AUTHORITY ('PRA')	The body responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. The PRA and FCA use a Memorandum of Understanding to co-ordinate and carry out their respective responsibilities.
PRINCIPLES AND PRACTICES OF FINANCIAL MANAGEMENT ('PPFM')	A publicly available document which explains how the Company's with-profit business is run. As part of demonstrating that customers are treated fairly, the Board certifies that the PPFM has been complied with.

GLOSSARY CONTINUED

RISK MARGIN	The amount used to ensure that the value of the technical provisions is equivalent to the amount that a Life Company would be expected to require in order to take over and meet insurance and reinsurance obligations.
SOLVENCY II	A new regime for the prudential regulation of European insurance companies that came into force on 1 January 2016.
SOLVENCY II SURPLUS	The excess of Eligible Own Funds over the Solvency Capital Requirement.
SOLVENCY CAPITAL REQUIREMENT ('SCR')	SCR relates to risks and obligations to which the Group is exposed and 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 a broadly '1-in-200' event.
STANDARD FORMULA	A set of calculations prescribed by the regulations for generating the SCR.
TECHNICAL PROVISIONS	The sum of the Best Estimate Liabilities and the risk margin. Technical provisions include Transitional Measures on Technical Provisions where firms have received PRA approval to apply the deduction.
TRANSITIONAL MEASURES ON TECHNICAL PROVISIONS ('TMTP')	An allowance, subject to the PRA's approval, to apply a transitional deduction to technical provisions. The transitional deduction corresponds to the difference between net technical provisions calculated in accordance with Solvency II principals and net technical provisions calculated in accordance with the previous regime. It is expected to decrease linearly over a period of 16 years starting from 1 January 2016 to 1 January 2032. TMTP is an item of Own Funds.

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2018)
Appendix 1.1 – S.02.01.02 Balance sheet

		Solvency II value
		C0010 £000
Assets		
Intangible assets	R0030	–
Deferred tax assets	R0040	–
Pension benefit surplus	R0050	–
Property, plant & equipment held for own use	R0060	–
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	11,233
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	11,233
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	9,470
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	9,470
Health similar to life	R0320	–
Life excluding health and index-linked and unit-linked	R0330	9,470
Life index-linked and unit-linked	R0340	–
Deposits to cedants	R0350	–
Insurance and intermediaries receivables	R0360	–
Reinsurance receivables	R0370	–
Receivables (trade, not insurance)	R0380	4,505
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	1
Any other assets, not elsewhere shown	R0420	–
Total assets	R0500	**25,209**

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2018) CONTINUED
Appendix 1.1 – S.02.01.02 Balance sheet continued

		Solvency II value
		C0010 £000
Liabilities		
Technical provisions – non-life	R0510	–
Technical provisions – non-life (excluding health)	R0520	–
TP calculated as a whole	R0530	–
Best Estimate	R0540	–
Risk margin	R0550	–
Technical provisions – health (similar to non-life)	R0560	–
TP calculated as a whole	R0570	–
Best Estimate	R0580	–
Risk margin	R0590	–
Technical provisions – life (excluding index-linked and unit-linked)	R0600	11,029
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	11,029
TP calculated as a whole	R0660	–
Best Estimate	R0670	10,015
Risk margin	R0680	1,014
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	4,852
Subordinated liabilities	R0850	–
Subordinated liabilities not in BOF	R0860	–
Subordinated liabilities in BOF	R0870	–
Any other liabilities, not elsewhere shown	R0880	–
Total liabilities	R0900	**15,881**
Excess of assets over liabilities	R1000	**9,328**

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2018) CONTINUED

Appendix 1.2 – S.05.01.02 Premiums, claims and expenses by line of business

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

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2018) CONTINUED

Appendix 1.2 – S.05.01.02 Premiums, claims and expenses by line of business continued

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					Line of business for: accepted non-proportional reinsurance		
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written									
Gross – Direct Business	R0110								
Gross – Proportional reinsurance accepted	R0120								
Gross – Non-proportional reinsurance accepted	R0130								
Reinsurers' share	R0140								
Net	R0200								
Premiums earned									
Gross – Direct Business	R0210								
Gross – Proportional reinsurance accepted	R0220								
Gross – Non-proportional reinsurance accepted	R0230								
Reinsurers' share	R0240								
Net	R0300								
Claims incurred									
Gross – Direct Business	R0310								
Gross – Proportional reinsurance accepted	R0320								
Gross – Non-proportional reinsurance accepted	R0330								
Reinsurers' share	R0340								
Net	R0400								
Changes in other technical provisions									
Gross – Direct Business	R0410								
Gross – Proportional reinsurance accepted	R0420								
Gross – Non-proportional reinsurance accepted	R0430								
Reinsurers' share	R0440								
Net	R0500								
Expenses incurred	R0550								
Other expenses	R1200								
Total expenses	R1300								

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2018) CONTINUED
Appendix 1.2 – S.05.01.02 Premiums, claims and expenses by line of business continued

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410									
Reinsurers' share	R1420									
Net	R1500									
Premiums earned										
Gross	R1510									
Reinsurers' share	R1520									
Net	R1600									
Claims incurred										
Gross	R1610				588					588
Reinsurers' share	R1620				588					588
Net	R1700									
Changes in other technical provisions										
Gross	R1710				(1,873)					(1,873)
Reinsurers' share	R1720				(1,873)					
Net	R1800									
Expenses incurred	R1900				18,700					18,700
Other expenses	R2500									
Total expenses	R2600									**18,700**

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2018) CONTINUED
Appendix 1.3 – S.12.01.02 Life and health SLT Technical Provisions

			Index-linked and unit-linked insurance				Other life insurance				
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Accepted reinsurance	Total (life other than health insurance, including unit-linked)
		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 the adjustment for the expected losses due to counterparty default associated to TP as a whole	R0020										
Technical Provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	R0030					1,014		10,015			10,015
Total Recoverables from reinsurance/ SPV and Finite Re after adjustment for expected losses due to counterparty default	R0080							9,470			9,470
Best estimate minus recoverables from reinsurance/ SPV and Finite Re – total	R0090							545			545
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					**11,029**					**11,029**

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2018) CONTINUED
Appendix 1.3 – S.12.01.02 Life and health SLT Technical Provisions continued

		Index-linked and unit-linked insurance					
			Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Accepted reinsurance	Total (life other than health insurance, including unit-linked)
		C0030	C0040	C0050	C0090	C0100	C0150
Technical Provisions calculated as a whole	R0210						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0220						
Technical Provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	R0030						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080						
Best estimate minus recoverables from reinsurance/SPV and Finte Re – total	R0090						
Risk margin	R0100						
Amount of the transitional on Technical Provisions							
Technical Provision calculated as a whole	R0110						
Best estimate	R0120						
Risk margin	R0130						
Technical Provisions – total	R0200						

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2018) CONTINUED
Appendix 1.4 – S.23.01.01 Own Funds

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010 £000s	C0020 £000s	C0030 £000s	C0040 £000s	C0050 £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	50	50		–	
Share premium account related to ordinary share capital	R0030				–	
Initial funds, members' contributions or the equivalent basic Own Fund item for mutual and mutual-type undertakings	R0040				–	
Subordinated mutual member accounts	R0050			–	–	–
Surplus funds	R0070					
Preference shares	R0090			–	–	–
Share premium account related to preference shares	R0110			–	–	–
Reconciliation reserve	R0130	9,279	9,279			
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 from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II Own Funds						
Own Funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II Own Funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230			–	–	–
Total basic Own Funds after deductions	R0290	9,329	9,329	–	–	–
Ancillary Own Funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300				–	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic Own Fund item for mutual and mutual – type undertakings, callable on demand	R0310				–	
Unpaid and uncalled preference shares callable on demand	R0320				–	–
A legally binding commitment to subscribe and pay for subordinate liabilities on demand	R0330				–	–
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340				–	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350				–	–
Supplementary members calls under first sub-paragraph of Article 96(3) of the Directive 2009/138/EC	R0360				–	
Supplementary members calls – other than under first sub-paragraph of Article 96(3) of the Directive 2009/138/EC	R0370				–	–
Other ancillary Own Funds	R0390				–	–
Total ancillary Own Funds	R0400				–	–

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2018) CONTINUED
Appendix 1.4 – S.23.01.01 Own Funds continued

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010 £000s	C0020 £000s	C0030 £000s	C0040 £000s	C0050 £000s
Available and Eligible Own Funds						
Total Available Own Funds to meet the SCR	R0500	9,329	9,329			
Total Available Own Funds to meet the MCR	R0510	9,329	9,329			
Total Eligible Own Funds to meet the SCR	R0540	9,329	9,329			
Total Eligible Own Funds to meet the MCR	R0550	9,329	9,329			
SCR	R0580	1,711				
MCR	R0600	3,288				
Ratio of Eligible Own Funds to SCR	R0620	5.45226				
Ratio of Eligible Own Funds to MCR	R0640	2.83696				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	9,329
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic Own Fund items	R0730	50
Adjustment for restricted Own Fund items in respect of matching adjustment portfolios and ring-fenced funds	R0740	
Reconciliation reserve	R0760	9,279
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 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2018) CONTINUED

Appendix 1.5 – S.25.03.21 Solvency Capital Requirement – for undertakings on full Internal Models

Unique number of component C0010	Components description C0020	Calculation of the Solvency Capital Requirement C0030
100	Market risk	1,705
300	Life underwriting risk	41
701	Operational risk	
801	Other risks	
804	Other adjustments	

Calculation of Solvency Capital Requirement		**C0100**
Total undiversified components	R0110	1,747
Diversification	R0060	36
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	1,711
Capital add-ons already set	R0210	
Solvency Capital Requirement	R0220	1,711
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring-fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF NSCR aggregation for article 304	R0440	

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2018) CONTINUED

Appendix 1.6 – S.28.01.01 – Minimum Capital Requirement only life or non-life insurance or reinsurance activity

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

		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole C0020 £000s	Net (of reinsurance) written premiums in the last 12 months C0030 £000s
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Note: This page is blank as SLPF does not have any non-life insurance.

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2018) CONTINUED

Appendix 1.6 – S.28.01.01 – Minimum Capital Requirement only life or non-life insurance or reinsurance activity continued

Linear formula component for life insurance and reinsurance obligations		C0040
MCRL Result	R0200	11

	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole C0050	Net (of reinsurance/ SPV) total capital at risk C0060
Obligation with profit participation – guaranteed benefits		
Obligation with profit participation – future discretionary benefits		
Index-linked and unit-linked insurance obligations		
Other life (re)insurance and health (re)insurance obligations	545	
Total capital at risk for all life (re)insurance obligation		

Overall MCR calculation

		C0070
Linear MCR	R0300	11
SCR	R0310	1,711
MCR cap	R0320	770
MCR floor	R0330	428
Combined MCR	R0340	428
Absolute floor of the MCR	R0350	3,288
		C0070
Minimum Capital Requirement	R0400	3,288

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