Solvency and Financial Condition Report 2023

Phoenix Life Assurance Europe dac,
part of the Phoenix Group
For the year ended 31 December 2023

Contents

Directors' responsibility statement

Introduction and background

This document sets out a Solvency and Financial Condition Report ('SFCR') for Phoenix Life Assurance Europe DAC ('PLAE' or 'the Company') for the year ended 31 December 2023, to satisfy the requirements of Solvency II. The SFCR and the accompanying Quantitative Reporting Templates ('QRTs') and National Specific Templates ('NSTs') provide detailed information of the Company's business and performance, governance, risk profile and capital position.

PLAE was incorporated in December 2020 and authorised by the Central Bank of Ireland ('CBI') in September 2022 to carry out long-term insurance business in Ireland. Following successful applications to the Irish and UK courts in October and November 2022, certain non-UK insurance business from elsewhere in the Phoenix group was transferred into PLAE on 1 January 2023.

The purpose of the report is to assist all stakeholders to understand the capital position of the Company under Solvency II as at 31 December 2023. In 2016, the Solvency II regulatory regime came into force for insurers across the European Union ('EU'). Under Solvency II, every insurer is required to identify its key risks and hold sufficient capital to withstand adverse outcomes from those risks. The capital required to withstand these outcomes is the Solvency Capital Requirement ('SCR'). The SCR is calibrated so that the likelihood of a loss exceeding the SCR is less than 0.5% over one year. This ensures that capital is sufficient to withstand broadly a '1 in 200 year event'. The capital resources available to meet the requirements are called Own Funds.

The main purpose of holding capital is to provide security to policyholders and other customers. As at 31 December 2023, the Company was strongly capitalised under Solvency II, as Own Funds are significantly higher than the SCR, as set out in the Capital Management section of this Summary. As at 31 December 2023 the Company's Solvency II SCR is €119m, with a ratio of eligible own funds to SCR of 196%.

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

Section A – Business and performance

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

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

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

Further details on the components and the key drivers of the operating result are included in section A.2.

Section B – System of governance

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

The system of governance was approved by the PLAE Board.

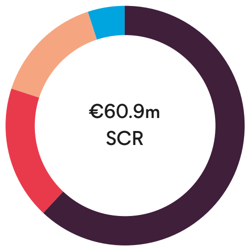
The Chief Risk Officer has concluded that the system of governance put in place by the Board is adequate given the nature, scale and complexity of the risks which the Company will be exposed to.

Section C – Risk profile

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

The chart below shows the composition of the Company's undiversified SCR as at 31 December 2023 .

PLAE SCR %



Underwriting risk	62%
Market risk	18%
Credit risk	15%
Operational risk	5%

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

Section D – Valuation for solvency purposes

For the purposes of Solvency II reporting, the Company applies the Solvency II valuation rules to value its assets, technical provisions and other liabilities. The principle that underlies the valuation methodology for Solvency II purposes is to recognise assets

and liabilities at an amount for which they could be exchanged, transferred, or settled by knowledgeable and willing third parties in an arm's length transaction.

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

	2023 €'000	2022 €'000
Excess of asset over liabilities	119,194	232,329

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

Section E – Capital management

The capital position for the Company at 31 December 2023 is presented in the table below:

Solvency II capital position	2023 €'000	2022 €'000
Eligible Own Funds	119,194	232,329
SCR	60,947	5,759
Solvency II surplus	58,247	226,570
Solvency Cover	196%	4,034%

As at 31 December 2023, the Company's Solvency II surplus over the SCR is €58m, with a ratio of Eligible Own Funds to SCR of 196%. The Company held Own Funds in excess of both the SCR and Minimum Capital Requirement ('MCR') throughout the reporting period and, therefore, fully complied with regulatory capital requirements.

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

Directors' responsibility statement continued

Section E – Capital management continued

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

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

Sensitivities and scenario analysis
As part of the Company's internal risk management processes, the Solvency II surplus is ordinarily tested against a number of financial scenarios.

Going concern
The directors have considered the entity's capital and liquidity position and concluded that it has the ability to continue as a going concern for the foreseeable future. There is a level of uncertainty as to the outcome and timing of future intra group business transfers, which could have a bearing on the going concern assumption. Notwithstanding this uncertainty, the directors are of the opinion that it remains appropriate to prepare the Company's statutory accounts on a going concern basis.

Future developments
The Directors are currently undertaking a review of the Company's business and strategy.

On 27 February 2024, the CBI granted PLAE approval to proceed with a capital reduction, transferring €222m of share premium into other reserves, using the Summary Approval Procedure ('SAP'). With due consideration of the year end 2023 financial and related information, the PLAE Board approved the capital reduction process at its Board meeting on 29 March 2024. This has no impact on the Solvency position of the Company.

Directors' responsibility statement

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

Financial period ended 31 December 2023.

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

The Directors are satisfied that:

a) throughout the financial year to 31 December 2023, the Company has complied in all material respects with the requirements of the CBI rules, including Solvency II regulations as applicable to the Company; and

b) it is reasonable to believe that in respect of the period from 31 December 2023 to the date of publication of the Solvency and Financial Condition Report, the Company has continued to comply, and will continue so to comply in future.

For and on behalf of the Board of Directors

Mike Woodcock
Chief Executive Officer
25 March 2023

Section A – Business and performance

In this section

Section A – Business and performance

A.1 Business

A.1.1 Information regarding the Company

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

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

The Company is an insurance undertaking and its main activities consist of the management of life assurance and pension products originally sold in Ireland, Sweden, Norway, Germany and Iceland. As at 31 December 2023, the Company is a wholly-owned subsidiary of RAL, which is itself wholly owned by PGH.

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

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

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

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

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

Section A – Business and performance continued

A.1 Business continued

A.1.2 Company and Group structure

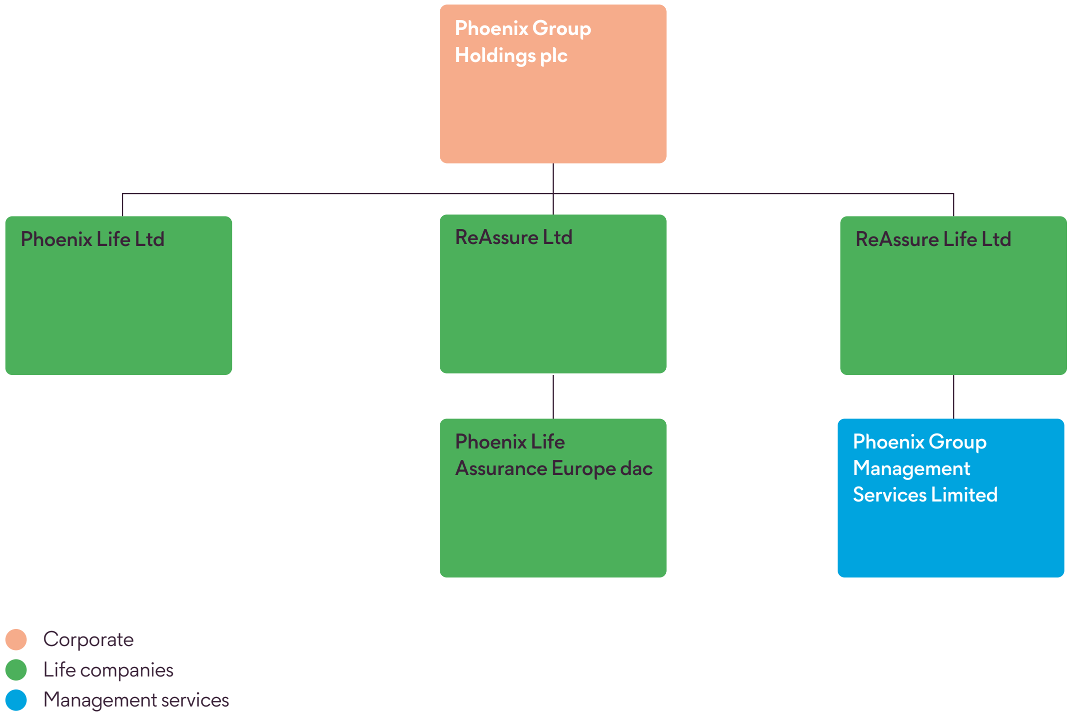
A.1.2.1 Legal Structure of the Group

A simplified Phoenix Group structure chart as at 31 December 2023 is provided below, showing the Company's position within that structure. All shareholdings are 100%, a complete Group structure chart can be found in the Group's SFCR.

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

Phoenix Group Structure Chart – Summary
31 December 2023

Shareholdings are 100%



A.1 Business continued

A.1.2.2 Governance and Organisation

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

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

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

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

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

A.1.3 Material lines of business and geographical areas

A.1.3.1 Material Lines of Business

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

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

A.1.3.1.1 Insurance with-profit participation

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

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

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

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

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

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

A.1.3.1.2 Index-linked and unit-linked insurance

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

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

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

A.1.3.1.3 Health insurance

The Company's health insurance business comprises standalone critical illness products which typically pay out on diagnosis of a critical illness as defined in the policy.

A.1.3.1.4 Other life insurance

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

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

A.1.3.2 Geographical Areas

The Company is headquartered in Ireland and manages and administers life assurance and pension products to customers in Ireland, Sweden, Norway, Germany, and Iceland.

A.1 Business continued

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

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

A.1.5 Significant events after the reporting period

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

A.2 Underwriting performance

The Company's financial statements were prepared in accordance with Irish GAAP. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of the Companies Act 2014, and the European Union (Insurance Undertakings: financial statements) Regulations 2015. GAAP profit broadly equates to premiums less claims (including change in technical provision) and expenses together with investment returns. Given the linkage between the movement of technical provisions and movement in investments, PLAE has defined GAAP profit as its underwriting performance as discussed in this section. A detailed breakdown of the principal components of the GAAP profit is contained in Section A.5.

A.2.1 Profit

A summary of the Company's performance during the year ended 31 December 2023 is presented below and in sections A.3 and A.4. The information below is presented on a GAAP basis. The GAAP result for the year includes €122m of expected losses which arose due to changes in technical provisions as result of the business transfers on 1 January 2023. The Company remains in a strong capital position post these transfers.

	2023 €'000	2022 €'000
Earned premiums, net of reinsurance	12,316	–
Investment income	19,268	549
Unrealised gains on investments	16,557	9
Other income	670	–
Claims incurred net of reinsurance	(39,270)	–
Change in other technical provisions net of reinsurance	(128,790)	–
Net operating expenses	(14,782)	(859)
Investment expenses and charges	(755)	(23)
Other charges	11	(10)
Tax credit on long term business	858	–
Total comprehensive income / (loss) for the year	(133,919)	(334)

A.2.2 Analysis of profit

The Company's performance is split by country below based on Solvency II year end net technical provisions.

Total comprehensive income / (loss) for the year	€'000	%
Ireland	(128,838)	96%
Germany	(1,748)	1%
Sweden	(2,280)	2%
Iceland	1,165	-1%
Norway	(2,673)	2%
Total	**(133,919)**	**100%**

The Company's performance is split by line of business below based on Solvency II year end net technical provisions.

Total comprehensive income / (loss) for the year	€'000	%
Health insurance	(231)	0%
Insurance with profit participation	(40,402)	30%
Index-linked and unit-linked insurance	(30,099)	22%
Other life insurance	(63,186)	47%
Total	**(133,919)**	**100%**

A.3 Investment performance

The Company uses investment return as a measure of investment performance. The following table shows the Company's investment return for the year ended 31 December 2023:

A.3.1 Investment income and expenses

Net investment return in the year was a gain of €35,069k as per table below (2022: €535k).

A.4 Performance of other activities

There were no other income or expense items other than those included within operating profit.

A.4.1 Analysis of investment return

	2023 €'000	2022 €'000
Investment income & Expenses		
Interest income on financial assets designated at fair value through profit or loss on initial recognition	8,381	
Dividend income	6,175	549
Realised gains/losses at fair value through profit or loss	4,712	–
Unrealised gains/losses at fair value through profit or loss	16,557	9
Investment management expenses and charges	(755)	(23)
Net Investment income	**35,069**	**535**

A.5 Any other information

In 2023 The Company adopted Irish GAAP as their reporting basis. There is no further material information to be disclosed regarding 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 the Company. Details on the structure of the Board and committees are provided, with a description of their main roles and responsibilities, as well as a description of the main accountabilities and responsibilities of all key functions.

B.1.1 Overview

During 2023 the Company maintained a system of governance, which includes the RMF of policies, controls and practices by which it meets all the requirements of sound, risk-based management. The Company's RMF is derived from the Phoenix Group harmonised framework.

The system of governance comprises:

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

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

The Company has a clearly defined system of governance and RMF as at 31 December 2023. In addition to the established Board, there are two Board Committees – an Audit Committee and a Risk Committee. In addition to the Board Committees there are four management committees:

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

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

B.1.2 System of governance

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

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

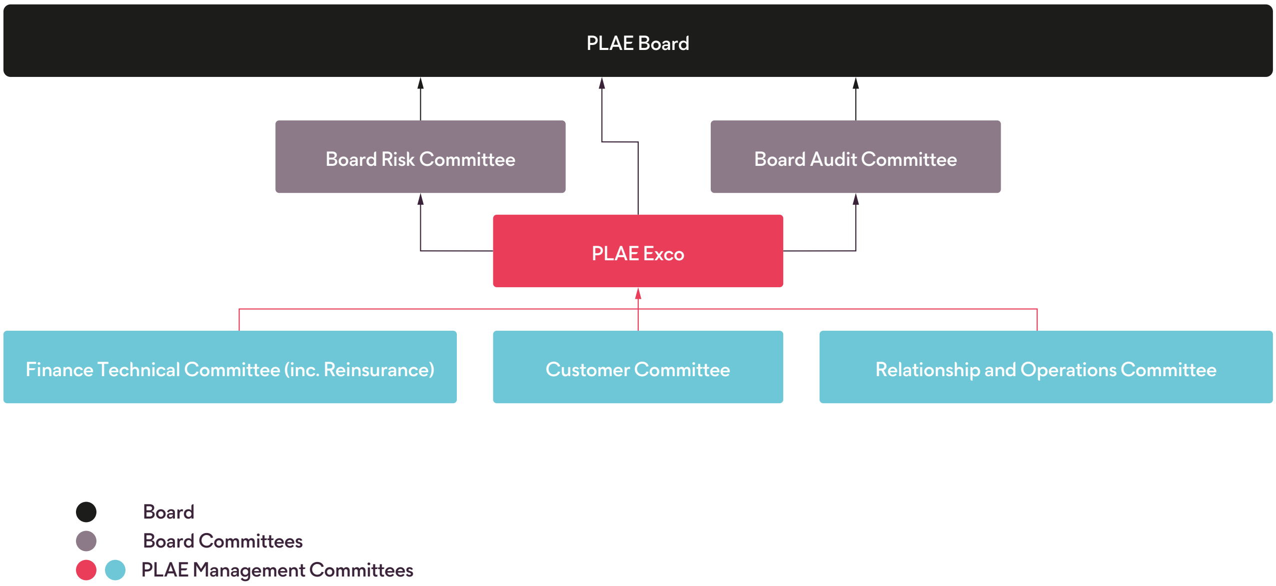
- Decision making structure;
- The Function of the Company Board;
- The Role of Non-Executive and Executive Directors;
- Board committees;
- The Executive and Executive committees;
- Scheme of Delegation;
- Code of conduct;
- Prudent Person Principle;
- Fitness and Probity regime; and
- Remuneration.

B.1 General information on the system of governance continued

B.1.2 System of governance continued

Company governance structure chart

The diagram below provides a high-level illustration of the Company's governance structure as at 31 December 2023.



The function of the Company Board

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

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

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

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

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

The Board is collectively responsible for:

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

B.1 General information on the system of governance continued

B.1.2 System of governance continued

The role of Non-Executive and Executive Directors

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

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

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

Board Committees

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

Committee	Role, duties and responsibilities
Audit Committee	The role of the Audit Committee is to consider and to make appropriate recommendations to the Board on: • Financial reporting documentation including: draft financial statements (including significant reporting issues and judgments), financial returns to regulators and any significant financial information contained in any document for Board approval; • The Company's regulatory reporting, including Solvency II capital position and related messaging, as disclosed in the Annual Report and Financial Statements, the Regular Supervisory Report ('RSR'), annual SFCR and the year-end Quantitative Reporting Templates ('QRTs'); • The Company's internal and external audit arrangements, including the independence of the external audit firm; and • The Company's internal controls over financial and regulatory reporting, money laundering and financial crime. The Audit Committee meets at least four times a year to coincide with the Company's financial reporting and audit cycle. Members of the Committee are appointed by the Board. The Committee shall be made up of at least three members and all members of the Committee shall be Non-Executive Directors with the majority being independent Non-Executive Directors.
Risk Committee	The role of the Risk Committee is to provide oversight and challenge, and advice to, the Board on: • The Company's material risk exposures, current risk strategy and future risk strategy and their impact on capital; • The structure, implementation and maintenance of the Company's ERM Framework and its suitability to react to forward-looking issues and the changing nature of risks; • The Company's Risk Function, Risk Appetite Framework ('RAF'), and changes to both the RAF and the quantitative risk limits; • The due diligence on risk issues and aspects of major investments, major product developments and other corporate transactions; • Regulatory Compliance and Regulatory Reporting matters; • Material actuarial matters affecting the Company; • The annual review of the appropriateness to the Company of Group policies and review any proposed new or amended Group policies and determine whether they should be recommended to the Board for adoption by PLAE; and • The Company's ORSA including steering how the ORSA is to be performed and challenging the results. The Risk Committee meets at least four times a year to coincide with the Company's reporting cycle and otherwise as required by the Board or Committee. Members of the Committee are appointed by the PLAE Board. The Committee shall be composed of a majority of Non-Executive Directors, independent Non-Executive Directors or a combination of both. Appointments of Directors to the Committee shall be for a period of up to three years, which may be extended for two additional three year periods.
Executive Committee ('ExCo')	PLAE ExCo is the main management committee, which manages the business of PLAE on a day-to-day basis according to the delegated authorities of and with the PLAE Chief Executive Officer ('CEO'). The PLAE CEO has the ultimate executive responsibility for PLAE's operations, compliance and performance. The PLAE ExCo is a management committee which assists the CEO and other PLAE PCF Holders in the performance of their duties. The PLAE Board Delegations of Authority define the limits of authority for the PLAE CEO, PLAE Head of Finance ('HoF') and other PLAE ExCo members. The purpose of the PLAE ExCo as delegated from the PLAE Board is to: • Develop and implement the Company strategy and operational plans; • Monitor operating and financial performance; • Prioritise and allocate resources appropriately; • Monitor outsourcing oversight, projects, the assessment and control of risks, regulatory change and financial crime; and • Develop and implement the corporate culture.

B.1 General information on the system of governance continued

B.1.2 System of governance continued

Scheme of Delegation

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

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

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

Code of Conduct

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

Prudent Person Principle

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

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

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

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

Remuneration

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

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

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

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

Fixed and variable elements of remuneration

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

(a) Fixed reward:

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

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

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

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

Section B – System of governance continued

B.1 General information on the system of governance continued

B.1.2 System of governance continued

All employee share plans

Employee share ownership is promoted through two initiatives:

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

B.1.3 Overview of organisational and operational structure

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

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

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

Three lines of defence

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

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

B.2 Fit and proper requirements

Under the CBI's Fitness and Probity regime, only individuals who are deemed to be fit and proper can carry out Controlled Functions ('CF').

Pre-Approval Controlled Functions ('PCF') are a subset of CFs which require approval from the CBI prior to the candidate being appointed to the role.

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

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

B.3 Risk management system

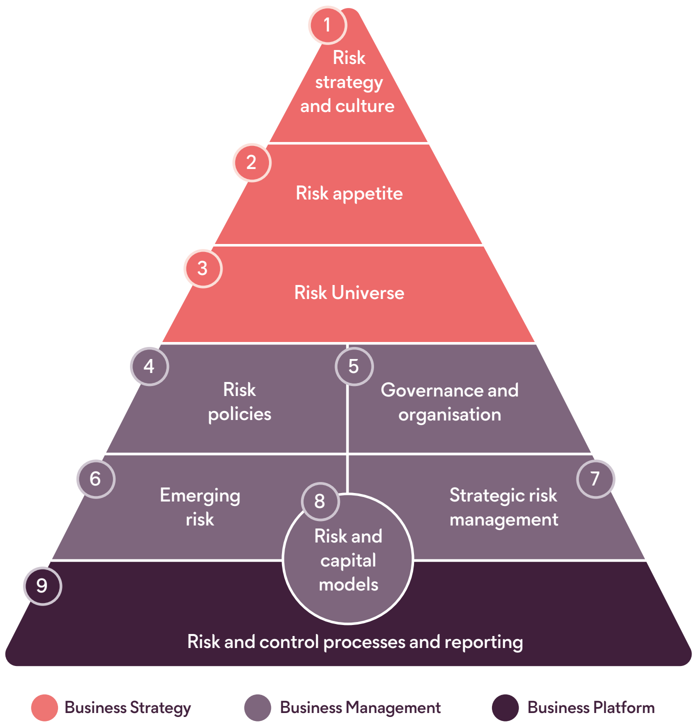
The Company's risk management system is part of the wider system of governance and includes the RMF and the ORSA.

B.3.1 Risk Management Framework

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

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

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



Risk Management Framework (RMF)

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

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

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

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

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

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

Section B – System of governance continued

B.3 Risk management system continued

B.3.1 Risk Management Framework continued

Emerging Risk

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

Strategic Risk Management

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

Risk & Capital Models

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

Risk & Control Processes & Reporting

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

B.3.2 Own risk and solvency assessment

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

The PLAE ORSA provides:

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

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

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

The main objectives of the ORSA report are to:

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

B.4 Internal control system

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

B.4.1 Conduct and operational risk framework

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

The Company began implementation of the Conduct and Operational Risk framework during 2023 and will continue embedding during 2024. Once the implementation has been completed, the framework will comprise the following processes outlined below:

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

B.4 Internal control system continued

B.4.1 Conduct and operational risk framework continued

Business Risk Profiles

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

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

Risk policy framework

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

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

Risk assessment including risk registers

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

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

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

Risk and Control Self-Assessment

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

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

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

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

Incident and Breach Management

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

Action Plan Management

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

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

Key Risk Indicators

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

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

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

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

B.4 Internal control system continued

B.4.1 Conduct and operational risk framework continued
All the outputs from our conduct and operational risk control framework flow through to the other stages of the ERM framework, such as the risks being reflected in our risk and capital models.

B.4.2 Risk and Compliance functions
The Risk and Compliance functions are second line of defence functions and are embedded into the Company's strategic and operational decision making. The functions promote informed decision-making and controlled risk-taking that improve customer outcomes and deliver long-term value for shareholders.

The Risk and Compliance functions achieve this by:

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

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

Support is also provided by Group functions.

B.4.3 Regulatory compliance
The Company's Regulatory Compliance policy requires the business to provide assurance that they are complying with the relevant regulations.

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

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

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

B.5 Internal Audit function
Internal Audit activities for the Company will be provided by the GIA function. The primary role of the GIA will be to support the Board and Executive Management to protect the assets, reputation, and sustainability of the organisation. This will be achieved by assessing whether all significant risks are identified and appropriately reported, assessing whether they are adequately controlled and challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

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

B.5.1 Roles and responsibilities of Internal Audit
The GIA scope will be unrestricted and there will be no aspects of the organisation which GIA is prohibited from reviewing. Key business risk areas and industry themes identified both internally and externally, will be prioritised to receive more extensive coverage, regular ongoing review and opinion formation.

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

B.5.2 Reporting
GIA will attend, and issue reports to the Company's Audit Committee and any other governing bodies and Board committees as appropriate.

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

B.6 Actuarial function

The actuarial function has the following responsibilities:

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

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

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

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

B.7 Outsourcing

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

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

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

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

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

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

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

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

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

B.8 Any other information

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

Section C – Risk profile

In this section

Section C – Risk profile

Risk profile

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

This section provides information on the risk profile of the Company, including for each category of risk, a description of the risks, a description of the measures used to assess these risks, material risk exposures, concentrations and risk mitigation techniques. Some sensitivity analyses are also provided.

The Company's principal risks and uncertainties are also described in the directors' report in the 2023 Annual Financial Statements.

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

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

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

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

Risk profile	Section reference	PLAE SCR 31-Dec-23	PLAE SCR 31-Dec-22
Underwriting risk	C.1	62%	0%
Market risk	C.2	18%	35%
Credit risk	C.3	15%	65%
Liquidity risk	C.4	0%	0%
Operational risk	C.5	5%	0%
Other risks	C.6	0%	0%
Total		**100%**	100%

The Company does not hold SCR for liquidity or other risks, as explained further in Section C.4.1 and C.6.1.

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

C.1 Underwriting risk

C.1.1 Risk exposure

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

Risk Source	Description
Longevity Risk	Lower than expected number of deaths experienced on annuity products or greater than expected improvements in annuitant mortality.
Lapse Risk	Adverse movement in either surrender rates or persistency rates on policies, leading to losses. This includes the risk of greater than expected policyholder option exercise rates giving rise to increased claims costs.
Mortality Risk	Higher than expected number of deaths experienced on life and protection products or greater than expected increase in mortality rates.
Catastrophe Risk	Lower than expected number of deaths experienced on annuity products or greater than expected improvements in annuitant mortality.
Expense Risk	Lower than expected number of deaths experienced on annuity products or greater than expected improvements in annuitant mortality.

C.1.2 Risk measurement

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

The risk capital requirement for underwriting risk is assessed using the Standard Formula model, which is calibrated to withstand a stress equivalent to a 1-in-200-year event which means a stress or shock so bad that it would only happen once every 200 years.

C.1.3 Risk concentration

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

C.1.4 Risk mitigation

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

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

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

C.1.5 Sensitivity analysis

As part of the Company's internal risk management processes the impact of a number of underwriting risk scenarios on the SCR is outlined below.

Due to modelling constraints year end 2023 sensitivities were limited, therefore we have used sensitivities produced for the ORSA process which are based on Q1 2023, and therefore don't completely capture the current risk profile, in particular in relation to assets held backing the annuity book.

Technical Provisions Sensitivity

The following sensitivities relate to the Gross Technical Provisions and are based on information produced for inclusion in the 2023 ORSA.

Assumption	Sensitivity	Change in Modelled Gross BEL	Change in Risk Margin	Change in Gross TP
Base		**932**	**36**	
Longevity	A 10% reduction in annuitant mortality rates with a 1% increase in improvements	(49)	(3)	(52)
Expense	A 10% increase for non-MSA expenses	(4)	(0)	(4)
Inflation	A 200bp increase to 10 year CPI	(15)	(1)	(16)
Inflation	A 50bps increase to 10 year CPI	(4)	(0)	(4)
Lapse	A 20% decrease to lapse rates	2	0	2

PLAE is most sensitive to longevity risk. It is noted that above sensitives were completed as at Q1 2023 however they are expected to give a reasonable insight into the relative importance life underwriting risks as there has been no significant changes to the business held over the period.

C.2 Market risk

C.2.1 Risk exposure

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

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

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

Components of Market Risk	31-Dec-23	31-Dec-22
Equity Risk	3%	0%
Property Risk	0%	0%
Interest Rate Risk	4%	15%
Spread Risk	10%	20%
Currency Risk	1%	0%
Concentration Risk	0%	0%
Total Market Risk	**18%**	**35%**

C.2.2 Risk measurement

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

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

C.2.3 Risk concentration

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

C.2 Market risk continued

C.2.4 Risk mitigation

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

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

C.2.5 Sensitivity analysis

As part of the Company's internal risk management processes, the impact of several market risk scenarios on the SCR is monitored. These sensitivities incorporate some modelling approximations and results are indicative. The results of such stress testing on the Company's SCR as at year end 2023 are provided below.

	Own Funds (€'000)	SCR (€'000)	SCR Ratio (%)
Base: 31 December 2023	119,194	60,947	196%
Following a 50 basis point increase to inflation	115,900	61,167	190%
Following a 100 basis point interest rates rise	131,550	58,878	232%
Following a 100 basis point interest rates fall	103,747	65,804	158%

As can be seen above the company is most sensitive to a fall in interest rates.

C.3 Credit risk

C.3.1 Risk exposure

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

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

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

Components of Credit Risk	31-Dec-23	31-Dec-22
Counterparty Default Risk	34%	65%
Total Credit Risk	**34%**	**65%**

PLAE holds Standard Formula credit risk (counterparty default risk) for reinsurance counterparty default as well as against the risk of default of banks and other counterparties to cash and liquidity funds. The largest risk is that of reinsurer default in relation to the Group reinsurance arrangements for the with profit and unit linked business.

C.3.2 Risk measurement

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

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

C.3.3 Risk concentration

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

The Company is also exposed to concentration of credit risk with outsourced service providers. This is due to the nature of the outsourced services market. The Company operates a policy to manage outsourcer service counterparty exposures and the impact from default is reviewed regularly by executive committees as well as through stress and scenario testing.

As at 31 December 2023 the company's largest credit risk exposure is to Phoenix Group, as the counterparty to a number of reinsurance arrangements. This represents a concentration of credit risk which has been accepted by the Board. Phoenix group is a highly rated counterparty.

C.3.4 Risk mitigation

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

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

C.3 Credit risk continued

C.3.5 Sensitivity analysis

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

	Own Funds (€'000)	SCR (€'000)	SCR Ratio (%)
Base: 31 December 2023	119,194	60,947	196%
Following a one letter deterioration in counterparty credit ratings	117,620	63.968	184%

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

C.4 Liquidity risk

C.4.1 Risk exposure

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

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

C.4.2 Risk measurement

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

C.4.3 Risk concentration

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

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

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

C.4.4 Risk mitigation

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

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

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

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

- Coordinates strategic planning and funding requirements;
- Monitors, assesses, and oversees the investment of assets within the Phoenix Group;
- Monitors and manages risk, capital requirements, and available capital on a group-wide basis; and

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

C.4.5 Expected profits in future premiums

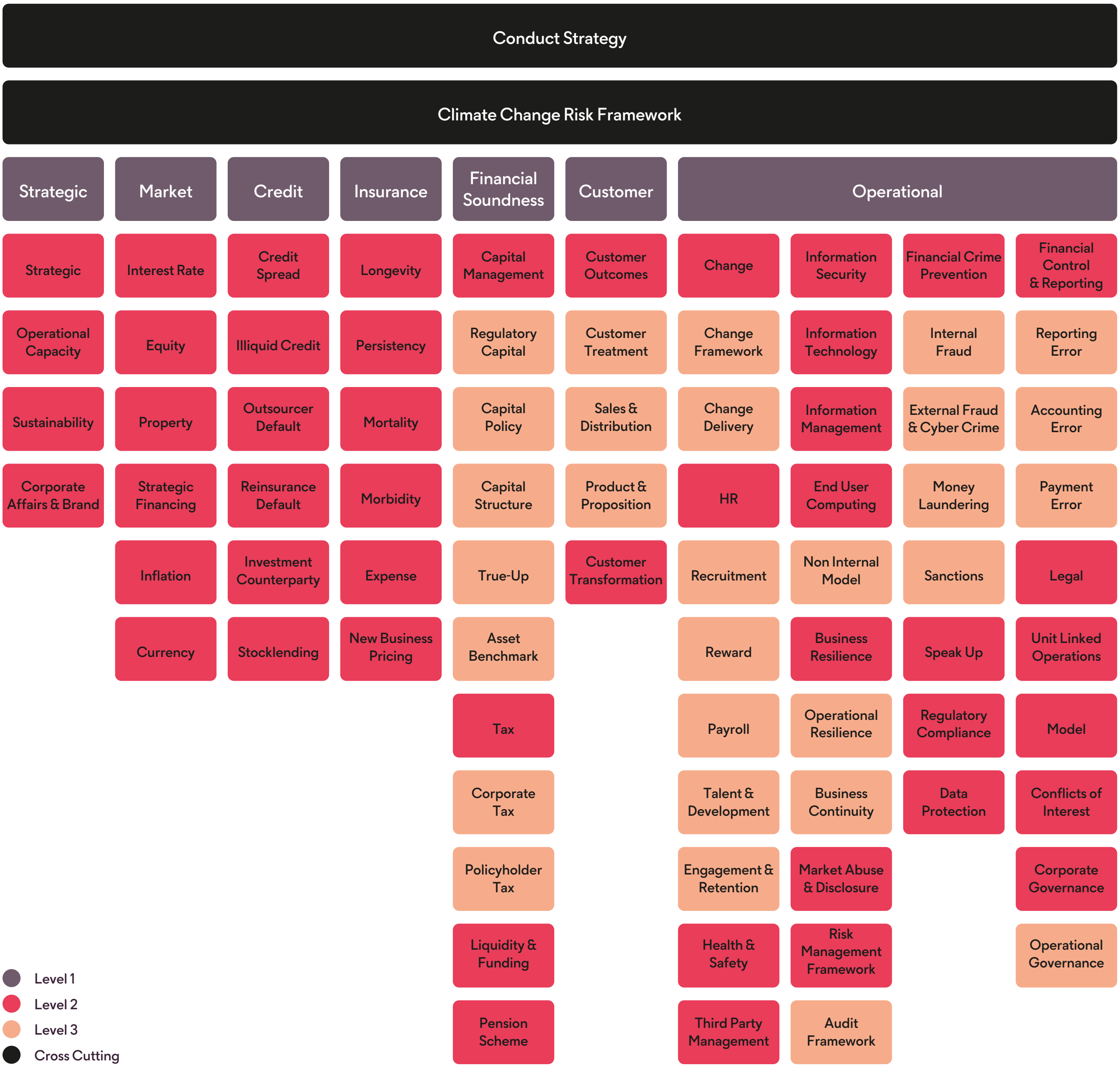
Own Funds are used to cover the SCR (see more details in section E.1). Post transfer of the long-term insurance business into PLAE, the value of liabilities included within Own Funds takes into account expected future premium payments even if the policyholder is not contractually committed to making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

As at 31 December 2023 the Company's EPIFP is €656m.

C.5 Operational risk

C.5.1 Risk exposure

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



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

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

C.5 Operational risk continued

C.5.1 Risk exposure continued

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

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

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

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

C.5.2 Risk measurement

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

The capital held in respect of the Company's operational risk was €4m at 31 December 2023 and represented 5% of the Company's total undiversified SCR as shown in the table at the beginning of section C.

C.5.3 Risk concentration

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

C.5.4 Risk mitigation

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

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

C.6 Other material risks

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

C.7 Any other information

C.7.1 Prudent Person Principle

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

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

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

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

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

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

C.7.2 Sensitivity analysis

As part of the Company's RMF, stress and scenario tests will be used extensively to support the assessment of risk and provide an analysis of their financial impact. Sensitivity analysis related to individual risks has been included in the relevant sections above.

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

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

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

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

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

D.1 Assets and liabilities

D.1.1 Overview

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

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

	Note	Solvency II Value €'000	Statutory Accounts Value €'000	Difference €'000
Balance Sheet as at 31 December 2023				
Investments (other than assets held for index-linked and unit-linked contracts)				
Bonds	1	472,855	472,855	–
Collective Investment Undertakings	2	177,893	177,893	–
Loans and mortgages	3	24	24	–
Reinsurance recoverables	4	432,362	432,362	–
Insurance and intermediaries receivables	5	124	124	–
Reinsurance receivables	5	10,689	10,689	–
Receivables (trade, not insurance)	6	54,106	54,106	–
Cash and cash equivalents	7	33,778	33,778	–
Total Assets		**1,181,829**	**1,181,829**	**–**
Technical provisions (BEL plus risk margin)	8	954,407	938,369	(16,038)
Insurance and intermediaries payables	9	49,551	45,551	–
Reinsurance payables	9	2,125	2,125	–
Payables (trade, not insurance)	10	56,553	56,553	–
Total Liabilities		**1,062,635**	**1,046,597**	**(16,038)**
Excess of Assets over Liabilities		119,194	135,232	(16,038)

The table above reflects presentational adjustments which have been applied to assets and liabilities in the Company's GAAP statutory accounts at 31 December 2023. These adjustments relate to reallocations between technical provisions and long terms business provision, and between insurance and intermediaries payable and payables (trade, not insurance). These reallocations have no impact on valuation.

D.1 Assets and liabilities continued

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

The Company's Solvency II valuation principles (including the bases, methods, and main assumptions) for each asset class are set out below. Unless otherwise stated (i.e. where there are differences to the 'Statutory accounts value' column) the valuation methods for GAAP are consistent with the valuation methods of the regulations. Further details on the GAAP valuation principles are set out in the Notes to the GAAP financial statements in the PLAE Annual Reports and Accounts for the year ended 31 December 2023.

Note	Balance Sheet Item	Valuation Principles
1	Bonds	In line with Local GAAP, the value of investments (other than assets held for index-linked and unit-linked contracts) are 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; and • 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. In both the Company's statutory accounts and the Solvency II balance sheet, Government bonds are valued using quoted market prices provided by recognised pricing sources. For corporate bonds listed on a recognised stock exchange, quoted market prices are used. For other corporate bonds, these instruments are valued using pricing data received from external pricing providers or in some cases using broker quotes where observable market data is unavailable. For a small number of investment vehicles and debt securities, standard valuation models (based on a discounted cash flow approach) are used, as by their nature and complexity, they have no external market. Inputs into such models are based on observable market data where applicable.
2	Collective investment undertakings	Collective investment schemes are designated at fair value through profit or loss and accordingly are stated at fair value. They are designated at fair value through profit or loss because they are managed and evaluated on a fair value basis in accordance with the Company's stated risk management policies. There is no difference between GAAP and Solvency II valuations.
3	Loans and mortgages	Assets categorised as Loans and mortgages in the Solvency II balance sheet include loans on policies. In the Company's GAAP statutory accounts, loans are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method, less any impairment losses. The GAAP accounting values do not differ materially from the fair values and hence there is no valuation difference between the Solvency II balance sheet and the GAAP statutory accounts.
4	Reinsurance recoverables	The value of reinsurance recoverables is dependent on the expected claims and benefits arising under the related reinsured policies. To the extent that the Solvency II valuation of the related technical provisions differs to the valuation under GAAP, the valuation of the related reinsurance recoverable will also be impacted. Further details on the calculation approach for Solvency II reinsurance recoverables are included in section D.2.8.
5	Insurance and intermediaries receivables, Reinsurance receivables	Given their short-term nature, the carrying amount per the GAAP financial statements is considered to represent the fair value for these assets under Solvency II.
6	Receivables (trade, not insurance)	Given their short-term nature, the carrying amount per the GAAP financial statements is considered to represent the fair value for these assets under Solvency II.
7	Cash and cash equivalents	Cash and cash equivalents are valued at par and comprise of cash balances that are usable for all forms of payments without penalty or restriction. There is no difference between GAAP and Solvency II valuations.
8	Technical provisions (BEL plus risk margin)	Details regarding the valuation of technical provisions are covered in section D.2.
9	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.
10	Payables (trade, not insurance)	In the Company's GAAP statutory accounts, trade payables are recorded at amortised cost. This approximates the fair value valuation basis under Solvency II for these liabilities. Accordingly, there are no valuation differences between the GAAP statutory accounts and the Solvency II balance sheet.

D.1 Assets and liabilities continued

D.1.3 Analysis of deferred tax

Deferred tax on the Solvency II balance sheet is measured by reference to expected future taxable profits and valued based on the differences between the carrying value in the balance sheet and its tax base. Under Solvency II, the potential Deferred Tax Asset ('DTA') exceeds the Deferred Tax Liability ('DTL'). No deferred tax asset has been recognised at 31 December 2023.

A comparison of the Solvency II and GAAP Deferred Tax is shown in the table below.

Item	Total Solvency II €'000	Statutory Accounts €'000
Losses and Depreciable Tax Asset Carried Forward	155,893	155,893
Potential Deferred Tax Asset (12.5% of Losses Carried Forward)	19,487	
Actual deferred tax asset (capped to DTL)*	2,005	–
Timing Differences between SII and GAAP:		
– Remove GAAP Reserves	(506,007)	
– Add Solvency II Best Estimate Liabilities	485,866	
– Add Solvency II Risk Margin	36,179	
Total Timing Differences	16,038	
Deferred Tax Liability (12.5% of Timing Differences for Ireland)	2,005	
Statutory Accounts Deferred Tax Liability – Unit Linked	–	
Total Deferred Tax Liability	–	–
Net Deferred Tax Position	–	–

* 'capped to DTL' isn't relevant for statutory accounts purposes.

D.2 Technical provisions

This section provides separately for each line of business ('LoB') the value of technical provisions, including the amount of the Best Estimate Liability ('BEL'), Technical Provisions ('TPs') as a Whole 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 provision for solvency purposes and those used for their valuation in GAAP.

D.2.1 Introduction

The valuation of technical provisions is performed in line with the Solvency II Directive, and the more detailed provisions of Chapter III of the Delegated Acts.

This approach values liabilities at 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 (market consistency).

The value of technical provisions is determined as the sum of technical provisions calculated as a whole, a best estimate liability, and a risk margin. Technical provisions calculated as a whole are the full value of the policyholder unit-linked investment funds, as these are made up of assets which have a reliable observable market value.

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

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 best estimate liability and the risk margin are calculated separately.

The Company does not apply the transitional measure on technical provisions as described in the Solvency II Directive. The transitional risk free interest rate term structure referred to in Article 308c of the Solvency II Directive is not applied by the Company.

The valuation approach is summarised in subsequent sections.

The only simplified method used to calculate technical provisions is the risk driver approach to calculating the Risk Margin as set out in Section D.2.11.

D.2.2 Technical provisions by line of business

This section provides technical provisions split by Solvency II LoB as at 31 December 2023 including the amount of BEL and TPs as a whole, and the risk margin.

For the purpose of Solvency II reporting, lines of business are as follows:

- Insurance with profit participation – includes all conventional and unitised with profits business
- Index-linked and unit-linked insurance – unit linked business, including the present value of future profits
- Health insurance – including permanent health insurance and income protection
- Other life insurance – immediate and deferred annuities, protection, other non-with profits business

D.2 Technical provisions continued

D.2.2 Technical provisions by line of business continued

At 31 December 2023, the contribution to technical provisions from each LoB was as follows:

Technical provisions by Line of Business	Insurance with-profit participation €'000	Index-linked and unit linked insurance €'000	Health insurance €'000	Other Life insurance €'000	Total technical provisions €'000
Best Estimate Liabilities	249,292	50,263	1,175	440,233	740,962
Risk margin	–	4,531	29	31,619	36,179
Technical Provisions as a whole	–	177,265	–	–	177,265
Gross technical provisions	**249,292**	**232,060**	**1,203**	**471,852**	**954,407**

Within each of these groups, the valuation of cash flows is determined at grouped policy level, where similar policies are grouped and modelled together within MG-ALFA for efficiency purposes.

The Company has business domiciled in Ireland, Germany, Norway, Sweden and Iceland, with cash flows denominated Euro, SEK, NOK and ISK.

The table below outlines separately for each LoB, the material impacts to Technical Provisions due to the differences between the bases, methods and main assumptions used for Solvency II and those used for GAAP.

Technical provisions – GAAP to Solvency II reconciliation	Note	Insurance with-profit participation €'000	Index-linked and unit linked insurance €'000	Health insurance €'000	Other Life insurance €'000	Total technical provisions €'000
Statutory accounts value technical provisions – gross		249,292	229,935	1,193	457,949	938,369
Statutory accounts value reinsurance		234,135	178,514	33	19,679	432,362
Statutory accounts value technical provisions – net		15,156	51,420	1,161	438,270	506,007
Demographic margin	1	–	2,406	19	17,716	20,141
Solvency II Best Estimate Liabilities – net		15,156	49,014	1,142	420,554	485,866
Add Risk Margin	2	–	4,531	29	31,619	36,179
Solvency II technical provisions – net		15,156	53,545	1,171	452,173	522,045
Solvency II reinsurance		234,135	178,514	33	19,679	432,362
Solvency II technical provisions – gross		249,292	232,060	1,203	471,852	954,407

An explanation of the material impacts as detailed above is included below:

Note	Item	Description
1	Demographic margin	A margin for demographic risk is included within the GAAP technical provisions. This item is based on a percentage of undiversified demographic risk capital, relating to mortality, longevity, persistency and expenses. Solvency II does not require this margin to be held over and above best estimate.
2	Risk Margin	Risk margin is included in the SII technical provisions to allow for market consistent valuation.

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

The Company's Solvency II technical provisions comprise the following three components, depending on the line of business:

- TP's as a whole
- BEL
- Risk margin

The valuation approach for the BEL is summarised in subsequent sections.

D.2.3.1 Best Estimate Liability

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

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 Technical provisions continued

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

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 mortality and persistency rates. An allowance is also made 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).

In certain specific circumstances, the best estimate may be negative (where the value of future charges exceeds the value of future expenses). A negative BEL is permitted under the Solvency II regulations.

D.2.3.3 Discount Rates

The valuation of future policyholder liabilities requires best estimate economic assumptions, and in particular a future interest rate assumption (i.e. yield curve). A risk free yield curve is the base curve used to value liabilities but with an allowance for credit risk. The risk free yield curves are based on swap rates, and specified by EIOPA. All PLAE liabilities are denominated in Euro and therefore euro risk free yield curves are used. The Company has not used a matching adjustment to the risk free yield curves. In addition the Company has not used a volatility adjustment.

An adjustment (also specified by EIOPA) is made to the swap curve for credit risk. At 31 December 2023, the Eurocredit risk adjustment was minus 10bps at each duration.

D.2.3.4 Tax Assumptions

The projected mainstream tax rate is 15% for profits arising in Ireland.

D.2.3.5 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. Only cash flows that relate to premiums payable up to and including the contract boundary should be taken into account. These cash flows include not only those premiums, but also benefit payouts, charges, expenses and other cash flows related to the premiums within the contract boundary. For the avoidance of doubt, all premiums which have been paid up to and including the reporting date are included in the boundary of the contract. That means that all the related cash flows in respect of premiums paid up to and including the reporting date are included in the calculation of technical provisions.

In general, future premiums on products with insurance cover and premiums invested into with-profits funds or into unit-linked funds with a contractual cap on annual management fees are included within the contract boundary. Future premiums into funds with no guarantees and no cap on charges are not included within the contract boundary, even where the policyholder has the right to invest future premiums into with-profits or a fund with a charge cap. In this case, the contract boundary is at the reporting date.

D.2.3.6 Grouping of Liability Data

For deterministic and stochastic modelling of options and guarantees on with-profits business liabilities, policies are grouped into model points to improve computational efficiency. This is performed in an automated process in MG-ALFA and is known as clustering. Groups are selected so that the model points appropriately allow for the risk characteristics of the individual policies and do not distort the valuation of BEL. Judgement is required when determining how policies are split, the level to which seriatim policies are reduced model points and what the clustering algorithm targets e.g. BEL.

D.2.4 Calculation

The following sub-sections outline how each component of BEL is calculated.

D.2.4.1 Insurance with-profit participation

The Company has written a number of contract variations on a with-profits basis. While these contracts may differ in certain aspects of the product features, they share the common feature in that they offer a form of investment guarantee:

- Ireland Conventional With Profits ('CWP') – generally, a guaranteed benefit is set at the time the policy is issued to be paid on a date or events specified. Regular bonuses may be added to the guaranteed benefit over the term of the policy. In addition, a final bonus may be paid.
- Ireland Unitised With Profits ('UWP') – under this type of with-profits policy contractual benefits are determined by reference to the number of units allocated under the relevant UWP policy. The number of units allocated increases on payment of premiums. Typically, for this type of policy, unit prices grow at a guaranteed minimum growth rate (either 0%, 3% or 4% a year) plus any (additional) bonus growth rate. The unit value of a policy is normally guaranteed as a minimum payout in specific circumstances. In addition a final bonus may be payable when benefits are taken.

The 'asset share' is a measure of the with-profits policy value at the valuation date. In addition to the asset share, BEL includes an allowance for the following cash flows:

- Future cost of guarantees: The cost of investment guarantees (which can apply on maturity, death or surrender depending on the contract) is assessed relative to the asset share.
- Guaranteed annuity rates and values: Costs can arise when the guaranteed annuity (available on contracts) is greater than the expected future market annuity rate.
- Future guarantee deductions: Deductions are made from the asset share in respect of the expected future cost of guarantees, and are charged for by a percentage deduction applied to asset shares. The deductions vary between policy groups and over time.
- Future profits: PVIF in respect of UWP and CWP contracts, calculated in a manner consistent with unit-linked contracts.

Additional liabilities arise in respect of the Company's treatment of smoothing on with-profits claims and with-profits payout practice in respect of unitised pension business ('vintage unit' approach).

D.2 Technical provisions continued

D.2.4 Calculation continued

D.2.4.1 Insurance with-profit participation continued

In practice, these requirements are interpreted as being equivalent to a current value of the policy at the valuation date (asset share) plus a valuation of future guarantee (and other) costs calculated on a stochastic basis. Therefore, depending on the contract type, the BEL for with-profits contracts is made up of the following components:

- Asset share.

Less present value of:

- Deduction for guarantees.
- Future profits.

Plus present value of:

- Cost of guarantees.
- Guarantee annuity costs.
- Smoothing cost.
- Vintage unit cost, and other non-contractual commitments.

Asset shares are derived from a policy by policy retrospective roll-up of premiums allowing for investment returns on with-profits assets backing this business, guarantee deductions, mortality charges, expenses and charges and tax. The Company adopts a range of methods to determine the asset share, as appropriate to the different types of contracts and the materiality, in a manner consistent with the approach used to determine asset shares for with-profits payout purposes. A projection of the future value of the asset share is used in the valuation of future modelled cash flows (for example in the valuation of future cost of guarantees and future profits). For this class of business, the policyholder payout is a function of investment performance and is subject to a financial guarantee.

The effect of the guarantee is to render the possible future outcomes 'asymmetrical', and so the approach adopted considers deviations of future events from their expected values. The stochastic method adopted is consistent with generally accepted actuarial practice and will most appropriately allow for the possibility of an asymmetrical outcome uncertainty of cash flows. The Company uses a simulation technique to place a value on cash flows that are subject to financial guarantees. This considers a wide range of investment performance scenarios (produced by an economic scenario generator or 'ESG') and calculates the cash flow amounts payable in each scenario, having regard to the guarantees.

The nature of the approach is summarised below:

- Takes into account all cash flows, notably any guarantees and options on the contracts and the likelihood that policyholders may exercise these options.
- Costs calculated stochastically are: investment guarantees offered on contracts; annuity conversion offered on guaranteed terms; inability to recycle smoothing cost due to guarantees biting. These costs are offset by the value of: future deductions taken to cover investment guarantee costs; future contributions to capital (profits) accruing to the with-profits funds.
- A large number of simulated future investment returns are generated by the ESG, cash flows projected, guarantee (and other) costs emerging on the contracts calculated and costs discounted to the balance sheet. The final cost is taken as the average value across these simulations.
- Provided the scenarios produced by the ESG satisfy certain conditions, the average across the scenarios of the discounted value of the cash flows gives the value of the liabilities allowing for the guarantee.
- Policy data applied in the cash flow projection is derived from core policy systems. Similar policies are grouped together for practical modelling reasons.

The key assumptions used in the projection are the simulated investment returns, charges, expenses, best estimate persistency and mortality rates. The approach to determining the simulated future investment returns and the best estimate persistency and mortality/longevity rates are covered in sections D.2.6.1 and D.2.5.1 respectively.

D.2.4.2 Other life insurance – annuities

This category of business covers the following contract classes:

- Pensions Annuities – typically providing an income for life, with various policyholder options selected at outset (single/joint life, guaranteed period, escalation rate).
- Purchased Life Annuities – tax efficient lump sum investment contracts providing an income for life or over a selected period, again with policyholder options (guaranteed period, escalation rate).
- Deferred Annuities – pension savings products where the premiums paid purchase an annuity from a specified retirement date in the future.

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 euro 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 respectively.

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, payment frequency and dependant's benefits. Expenses include renewal, termination and investment expenses, allowing for expense inflation as appropriate.

D.2 Technical provisions continued

D.2.4 Calculation continued

D.2.4.3 Other life insurance – protection and other business (including health)

This category of business covers conventional non-participating savings, protection and health contracts. The protection products include term assurance, critical illness and protection riders on other policies such as pension policies. Savings products include endowment assurances, pension endowments and pure endowments. Health products include permanent health insurance and income protection.

The non-investment component of with-profits business is included within this line of business and is valued in the same way as unit-linked PVIF (covered in section D.2.4.4).

Valuation Approach

A cash flow approach is used to determine the best estimate liabilities as the expected present value of a contract, allowing for the following cash flows:

- Inflows (premiums, tax relief), less
- Outflows (claims, expenses, commission, investment expenses, tax payable)

BEL are calculated excluding any reinsurance cash flows, with a separate valuation of the reinsurance asset allowing for reinsurance recoveries receivable and reinsurance premiums payable. These cash flows are discounted using the relevant Solvency II yield curve.

D.2.4.4 Index-linked and unit-linked business

The unitised contracts include the following policy types: Ireland unitised life, Ireland unitised pensions and Swedish and Norwegian unit-linked.

The Ireland life product types include bonds and endowments, and pension product types including group pensions, individual pensions, and stakeholder pensions. Policies that have units in both unit-linked and UWP funds are referred to as 'hybrid' policies. The valuation of the UWP related cash flows are described in section D.2.4.1.

Valuation Approach

The non-profit unit-linked fund values meet the requirements to be a replicating portfolio. Under Solvency II, unit-linked contracts are unbundled and the unit liabilities are technically defined as "technical provisions calculated as a whole" as per the examples provided for Guideline 65 Reliable Replication (Calculation of Technical Provisions as a whole) in the "Guidelines on Valuation of Technical Provisions" as described below.

Insurance and reinsurance undertakings should not consider future cash-flows associated with insurance or reinsurance obligations to be reliably replicated if:

- One or several features of the future cash-flow, inter alia its expected value, its volatility or any other feature, depend on risks whose specific pattern in the undertaking cannot be found in instruments actively traded in financial markets;
- Current trade and price information are not normally readily available to the public, due to the fact that one or several features of the future cash-flow depend to any extent on the development of factors specific to the undertakings, such as expenses or acquisition costs; or,
- One or more features of the future cash-flow depend on the development of factors external to the undertaking for which there are no financial instruments for which reliable market values are observable.

Therefore the gross unit fund value with no associated risk margin, is treated as 'technical provisions as a whole'. The overall technical provision for a unit-linked contract then comprises the following components:

- Technical provisions as a whole (unit fund).
- BEL component (PVIF) plus risk margin on PVIF.

The best estimate is required to be a probability weighted average of future cash flows. The PVIF is calculated deterministically. To calculate the PVIF, best estimate charges, income and expense cash flows are projected, with the unit fund rolled up at the same risk-free interest rate term structure that is used for discounting the net cash flows. The projection is carried out using best estimate assumptions. The Solvency II yield curve and other best estimate assumptions are described in Sections D.2.3.3 and D.2.5.

Depending on the nature of the contract, the unit-linked PVIF valuation allows for the following cash flows:

- Inflows: fund management charge (net of large fund discounts), unallocated premiums, surrender penalties, policy fees, tax relief (on expenses and commission).
- Outflows: commission, initial expenses, renewal expenses, termination expenses, investment expenses, adviser payments, member fees, external fund manager charges, loyalty bonus.

D.2.5 Demographic and expense assumptions

Non-economic assumptions are determined from annual experience investigations, are subject to detailed internal review and approved by the Board. Best estimate assumptions are made in respect of future levels of longevity, mortality, morbidity, surrenders, withdrawals, premium indexation, annuity take up rates and expenses. The assumptions vary depending on where business is written. These assumptions reflect the Company's best estimates of likely future experience, based on recent experience, relevant industry data and expert judgement as appropriate.

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 for Irish annuities uses internal Group experience, 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. This is an industry standard model and is a convenient 'currency' to allow direct comparison of assumptions to other companies through the use of benchmarking. Specific adjustments are made to the parameterisation of the CMI model to allow for socio- demographic differences between population and annuitant experience.

Assumptions regarding surrender and withdrawal reflect recent internal experience, with expert judgement applied to set long term rates where there is little experience.

D.2 Technical provisions continued

D.2.5 Demographic and expense assumptions continued

Best estimate expense assumptions on a product basis are derived from an analysis of planned future 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 fund managers reflecting current investment management agreements ('IMA'.. The overall expense is the sum of a weighted average basis point fee (based on the IMA rate card and assets under management), plus additional fees in relation to such items as performance, ancillary services, real estate support etc. Custody fees paid to the custodian are also included.

The main non-economic assumptions for each of the material lines of business are described below, with an indication of the factors that affect the assumption adopted. Expert judgement is applied where there is limited data

D.2.5.1 Mortality

Mortality assumptions vary by age, gender, product and territory.

D.2.5.2 Longevity

Longevity assumptions used to value guaranteed annuity terms vary by age, gender and territory.

D.2.5.3 Morbidity

Varies by age, gender, product and territory.

D.2.5.4 Persistency

The valuation of guaranteed annuities requires assumptions about future guaranteed annuity and tax free cash take-up rates for with-profits business. These assumptions vary by product and policyholder age.

D.2.5.5 Option take-up rates

The valuation of guaranteed annuities requires assumptions about future guaranteed annuity and tax free cash take-up rates for with-profits business. These assumptions vary by product and policyholder age.

D.2.5.6 Expense assumptions

PLAE maintenance expenses are subdivided between MSA costs and non-MSA costs. The MSA fee structure is divided between a fixed non-inflating fee, and fixed inflating per-policy costs which are reviewable for business in the NPF. A proportion of the PLAE expense risk is mitigated by the terms of the MSA agreement.

The key assumptions used are the expense projection period, choice of run-off drivers, and the rate of inflation to apply to expenses. The expense projection period is an assumption based on a future management action to be taken once the residual book has fallen to approximately 10% of transferred business volumes.

The investment management assumptions used for shareholders funds reflect the terms of the investment management agreement (IMA) with Abrdn, and the mix of assets held. The assumptions used for with-profits and unit linked funds reflect those of the reinsurers.

D.2.6 Stochastic model

D.2.6.1 Economic Scenario Generators

An ESG has been used to support the stochastic valuation of all material options and guarantees in the with-profit funds. A stochastic methodology is required for options and guarantees due to their potential volatility and asymmetric behaviour under different sets of future economic scenarios. The stochastic methodology involves valuing the options and guarantees under a large number of different future economic scenarios and then averaging over all scenarios.

The ESG generates projected asset returns consistent with asset prices observed in financial markets and assumes no arbitrage opportunities exist. The calibration of the parameters and scenarios is consistent with the relevant risk-free interest rate term structure used to calculate the BEL provided by EIOPA. Where possible the ESG has been calibrated to assets from deep, liquid and transparent markets which are appropriate to the nature of the funds' options and guarantees.

D.2.6.2 Management actions

For with-profits liabilities, the projections simulate the management actions that are applied in the respective with profits funds. This includes the regular review of deductions for guarantees, the application of smoothing on payouts, management of with profits assets and determination of regular bonus rates.

D.2.7 Solvency II long term guarantee and transitional measures

D.2.7.1 Transitional Measures for Technical Provisions

The Company does not apply the transitional measure on technical provisions as described in the Solvency II Directive.

D.2.8 Recoverables on reinsurance contracts

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

As part of the transfer of business in January 2023, the Company entered into a number of internal reinsurance arrangements with PLL and RLL set up by treaty, covering Irish, Swedish, Norwegian and German business. It also became party to external reinsurance arrangements with GenRe, Swiss Re and Munich Re at this time.

Reinsurance recoverables are calculated using the same models and assumptions as the corresponding BELs. The value of reinsurance recoverables is shown in QRT S.12.01.01 Life and Health SLT Technical Provisions, a copy of which is included in Appendix 1.

The Company does not have any insurance special purpose vehicles arrangements.

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

D.2 Technical provisions continued

D.2.8 Recoverables on reinsurance contracts continued

D.2.8.1 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.

D.2.9 Simplifications

Where it is proportionate, the Company may adopt simplifications in the calculation of technical provisions. 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.

Where modelling simplifications or limitations exist, judgement is applied as to whether these are accepted limitations or whether manual adjustments to the technical provisions are required, generally with reference to PLAE's materiality thresholds. These are reviewed regularly on an Approximations & Limitations log.

The Company uses the skills, knowledge and experience of actuaries, accountants and other subject matter experts to apply expert judgement where required.

D.2.10 Uncertainty associated with the value of technical provisions

The valuation techniques adopted are in line with generally accepted actuarial principles and Solvency II requirements. 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, persistency, option take-up, expenses, economic conditions, management actions), 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.

The modelling of management actions (notably guarantee deductions) requires that at future time steps the model makes an assessment of the present value of future costs and guarantee deductions. It is not practical to perform a full stochastic calculation at every time step for this purpose and instead mathematical formulae are used to estimate the required present values. A calibration process derives scaling factors to apply to the formulaic results to best match an equivalent stochastic approach.

Overall, the vast majority of the Company's business is explicitly modelled in the way summarised in previous sections.

D.2.11 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.

When calculated separately, the risk margin is calculated by determining the cost of providing an amount of Eligible Own Funds equal to the 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.

The risk margin is currently calculated in an Excel based model outside of MG-ALFA. However, the risk drivers used in the Excel based model are based on output from MG-ALFA. A review of the appropriateness of the risk drivers was carried out in Q2 2023 with some updated to drivers being carried out.

Section D – Valuation for solvency purposes continued

D.3 Alternative methods for asset valuation

This section provides details on the methods and assumptions used to determine the fair values of assets and other liabilities (other than technical provisions). More information about the valuation methods used for accounting purposes, including a fair value hierarchy, is provided in the Company's Annual Financial Statements 2023.

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

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

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

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

D.3.1 Alternative valuation method

Some of the Company's financial instruments are valued using alternative valuation methods, which utilise a combination of observable and non-observable market inputs. All of the alternative valuation methods described below follow accepted market practice. The methods are consistent with the permitted alternative valuation methods under SII as set out in Article 10(5) – 10(7) of the Solvency II Delegated Regulation.

Asset	Solvency II Value €'000	Alternative Valuation Method
Loans and fixed Income securities	44,050	The Company's financial instruments determined by valuation techniques using non market observable inputs are based on a combination of independent third party evidence and internally developed models. Standard valuation models are used where applicable, with inputs that may not be fully market observable. Where possible and appropriate, inputs into such models are based on market observable data.

For index-linked and unit-linked contracts, any change in the valuation of assets is offset by a corresponding change in the value of policyholder liabilities, with no material impact on Own Funds. Changing unobservable inputs in the measurement of the fair value of assets and liabilities to reasonably possible alternative assumptions would not have a significant impact on total Own Funds.

D.4 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

E.1 Own Funds

E.1.1 Introduction

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

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

Key Solvency Metrics

At 31 December 2023, the capital position for the Company is presented in the table below:

Components of Credit Risk	31-Dec 2023 €'000	31-Dec 2022 €'000
Eligible Own Funds	119,194	232,329
SCR	60,947	5,759
Solvency II surplus	58,247	226,570
Ratio of Eligible Own Funds to SCR	196%	4,034%

As at 31 December 2023, the Company's Solvency II surplus over the SCR is €58,247k, with a ratio of Eligible Own Funds to SCR of 196%.

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

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

E.1.2 Management of Own Funds

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

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

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

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

E.1.3 Structure and quality of Own Funds

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

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

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

E.1 Own Funds continued

E.1.4 Analysis of solvency position

The table below summarises the PLAE solvency position at 31 December 2023. The Own Funds QRT S.23.01.01 can also be found in Appendix 1.

	Section Reference	Unrestricted Tier 1 €'000	Tier 2 €'000	Tier 3 €'000	31-Dec 2023 Total €'000	31-Dec 2022 Total €'000
Ordinary Share Capital	E.1.4.1	10,685	–	–	10,685	10,685
Share Premium account related to Ordinary Share Capital	E.1.4.1	221,978	–	–	221,978	221,978
Reconciliation reserve (pre-availability restrictions)	E.1.4.1	(113,469)	–	–	(113,469)	(334)
Net Deferred Tax Assets	E.1.4.1	–	–	–	–	–
Excess of Assets over Liabilities		119,194	–	–	119,194	232,329
Subordinated Liabilities	E.1.4.1	–	–	–	–	–
Total Basic and Available Own Funds		232,663	–	–	232,663	232,329
Ancillary Own Funds	E.1.4.1	–	–	–	–	–
Eligible Own Funds to meet SCR		115,216	–	–	115,216	232,329
SCR	E.2.1	60,947	–	–	60,947	(5,759)
Solvency II surplus		58,247	–	–	58,247	226,570
Ratio of Eligible own funds to SCR	E.1.1	196%	–	–	196%	4,034%
Eligible Own Funds to meet MCR		119,194	–	–	119,194	232,329
MCR		15,237	–	–	15,237	(4,000)
Excess over MCR		103,957	–	–	103,957	228,329
Ratio of Eligible own funds to MCR		782%	–	–	782%	5,808%

E.1.4.1 Eligible Own Funds

The Company's Eligible Own Funds total €119m (2022:€232m) and comprise of ordinary share capital, share premium account related to ordinary share capital and a reconciliation reserve. Further details regarding each Basic Own Funds item are set out below.

Ordinary Share Capital

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

Share Premium Account Related to Ordinary Share Capital

The share premium account of €222m relates to the ordinary share capital and is treated as Tier 1 unrestricted Own Funds.

Reconciliation Reserve

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

Reconciliation Reserve	31 December 2023 €'000	31 December 2022 €'000
Excess of Assets over Liabilities	119,194	232,329
Deduct other Basic Own Fund Items		
Ordinary Share Capital	(10,685)	(10,685)
Share Premium Account related to ordinary share capital	(221,978)	(221,978)
Reconciliation Reserve Total (as shown on Own Funds QRT)	113,469	334

Deferred Tax Assets

Under Solvency II regulations and guidance, the value of any net shareholder deferred tax assets must be deducted from Tier 1 Own Funds and recognised as Tier 3. Deferred tax assets and liabilities are netted where legal offset is permitted. At 31 December 2023, there was no net deferred tax asset.

Ancillary Own Funds

There were no ancillary own funds as at 31 December 2023.

E.1.4.2 Reconciliation of GAAP Equity to Excess of Assets over Liabilities

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

	Section	31-Dec 2023 €'000	31-Dec 2022 €'000
Total Equity per GAAP		135,232	232,329
Valuation differences:			
Technical Provisions	D.2.2	(16,038)	–
Excess of assets over liabilities	D.1.2	119,194	232,329

E.2 Solvency capital requirement and minimum capital requirement

E.2.1 Solvency capital requirement

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

The Company's SCR at 31 December 2023 is presented below.

Analysis of SCR – 31 December 2023	Note	PLAE Standard Formula €'000
Underwriting Risk (i.e. insurance risk)	1	47,476
Market risk	2	13,891
Credit risk	3	11,121
Liquidity risk	4	–
Operational risk	5	4,012
Other risks	6	–
Total undiversified SCR		76,500
Diversification benefits	7	(15,553)
Total SCR		60,947

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

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

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

E2.2 Changes in SCR

The SCR has increased relative to prior period due transfer of the business on 1 January 2023. The components of the SCR are outlined above.

Minimum capital requirement

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

The components of the overall calculation of the MCR as at 31 December 2023 are:

Calculation of MCR – 31 December 2023	€'000
MCR before the application of floors of caps	9,797
MCR cap (45% of SCR)	27,426
MCR floor (higher of 25% of SCR or €4.0m)	15,237
MCR (post application of floors of caps)	15,237

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

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

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

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

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

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

E.6 Any other information

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

Appendices and additional information

Appendix and additional information

Appendix 1 – Quantitative reporting templates (31 December 2023)

Appendix 1.1 – SE.02.01.16 Balance sheet

Assets		Solvency II value C0010 €'000
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**	**650,748**
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	424,924
Corporate Bonds	R0150	47,930
Structured notes	R0160	–
Collateralised securities	R0170	–
Collective Investments Undertakings	R0180	177,893
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**	**24**
Loans on policies	R0240	24
Loans and mortgages to individuals	R0250	–
Other loans and mortgages	R0260	–
Reinsurance recoverables from:	**R0270**	**432,362**
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	253,848
Health similar to life	R0320	33
Life excluding health and index-linked and unit-linked	R0330	253,815
Life index-linked and unit-linked	R0340	178,514
Deposits to cedants	R0350	–
Insurance and intermediaries receivables	R0360	124
Reinsurance receivables	R0370	10,689
Receivables (trade, not insurance)	R0380	54,106
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	33,778
Any other assets, not elsewhere shown	R0420	–
Total assets	**R0500**	**1,181,829**

Appendix 1 – Quantitative reporting templates (31 December 2023) continued

Appendix 1.1 – SE.02.01.16 Balance sheet continued

Liabilities		Solvency II value C0010 €'000
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	722,347
Technical provisions – health (similar to life)	R0610	1,203
TP calculated as a whole	R0620	–
Best Estimate	R0630	1,175
Risk margin	R0640	29
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	721,144
TP calculated as a whole	R0660	–
Best Estimate	R0670	689,525
Risk margin	R0680	31,619
Technical provisions – index-linked and unit-linked	R0690	232,060
TP calculated as a whole	R0700	177,265
Best Estimate	R0710	50,263
Risk margin	R0720	4,531
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	49,551
Reinsurance payables	R0830	2,125
Payables (trade, not insurance)	R0840	56,553
Subordinated liabilities	R0850	–
Subordinated liabilities not in BOF	R0860	–
Subordinated liabilities in BOF	R0870	–
Any other liabilities, not elsewhere shown	R0880	–
Total liabilities	R0900	1,062,635
Excess of assets over liabilities	R1000	119,194

Appendix 1 – Quantitative reporting templates (31 December 2023) continued

Appendix 1.2– S.05.02.01 Premiums, claims and expenses by line of business

		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	1,355	1,678	2,224	10,636	–	–	–	–	15,894
Reinsurers' share	R1420	947	1,678	2,219	866	–	–	–	–	5,710
Net	R1500	409	–	5	9,770	–	–	–	–	10,184
Premiums earned										
Gross	R1510	1,355	1,678	2,224	10,636	–	–	–	–	15,894
Reinsurers' share	R1520	947	1,678	2,219	866	–	–	–	–	5,710
Net	R1600	409	–	5	9,770	–	–	–	–	10,184
Claims incurred										
Gross	R1610	567	33,133	13,632	35,549	–	–	–	–	82,880
Reinsurers' share	R1620	256	33,133	13,123	1,055	–	–	–	–	47,567
Net	R1700	311	–	509	34,494	–	–	–	–	35,313
Expenses incurred	R1900	217	2,893	7,124	5,208	–	–	–	–	15,442
Administrative expenses										
Gross	R1910	217	2,861	6,738	4,377	–	–	–	–	14,194
Reinsurers' share	R1920									–
Net	R2000	217	2,861	6,738	4,377	–	–	–	–	14,194
Investment management expenses										
Gross	R2010	–	32	331	330	–	–	–	–	692
Reinsurers' share	R2020									–
Net	R2100	–	32	331	330	–	–	–	–	692
Claims management expenses										
Gross	R2110									–
Reinsurers' share	R2120									–
Net	R2200	–	–	–	–	–	–	–	–	–
Acquisition expenses										
Gross	R2210	–	–	55	33	–	–	–	–	88
Reinsurers' share	R2220									–
Net	R2300	–	–	55	33	–	–	–	–	88
Overhead expenses										
Gross	R2310	–	–	–	469	–	–	–	–	469
Reinsurers' share	R2320									–
Net	R2400	–	–	–	469	–	–	–	–	469
Balance – other technical expenses/ income	R2510	–	–	–	–	–	–	–	–	–
Total technical expenses	**R2600**	–	–	–	–	–	–	–	–	**15,442**
Total amount of surrenders	**R2700**	4	18,636	8,412	3,739	–	–	–	–	30,791

Appendix 1 – Quantitative reporting templates (31 December 2023) continued

Appendix 1.2– S.05.01.01 Premiums, claims and expenses by country

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
R1400		IE	DE	SE	NO	IS		
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross R1410	R1410	12,010	2,016	731	368	85	–	15,211
Reinsurers' share R1420	R1420	4,460	490	730	–	30	–	5,710
Net R1500	R1500	7,550	1,526	1	368	55	–	9,501
Premiums earned								
Gross R1510	R1510	12,010	2,016	731	368	85	–	15,211
Reinsurers' share R1520	R1520	4,460	490	730	–	30	–	5,710
Net R1600	R1600	7,550	1,526	1	368	55	–	9,501
Claims incurred								
Gross R1610	R1610	68,518	1,249	11,026	205	1,881	–	82,880
Reinsurers' share R1620	R1620	35,712	113	10,481	197	1,064	–	47,567
Net R1700	R1700	32,806	1,136	545	8	817	–	35,313
Changes in other technical provisions								
Gross	R1710	–	–	–	–	–	–	–
Reinsurers' share	R1720	–	–	–	–	–	–	–
Net	R1800	–	–	–	–	–	–	–
Expenses incurred	R1900	14,293	928	158	1	61	–	15,442
Other expenses	R2500	–	–	–	–	–	–	–
Total Expenses	**R2600**	–	–	–	–	–	–	**15,442**

Appendix 1 – Quantitative reporting templates (31 December 2023) continued

Appendix 1.3– S.12.01.01 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 without options and guarantees
			C0020	C0030	C0040	C0060	C0070
Technical provisions calculated as a whole		R0010	–	177,265	–	–	–
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole		R0020	–	177,265	–	–	–
Technical provisions calculated as a sum of BE and RM			–	–	–	–	–
Best Estimate			–	–	–	–	–
Gross Best Estimate		R0030	249,292	–	50,263	–	440,233
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default		R0040	234,135	–	1,249	–	19,784
Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses		R0050	234,135	–	1,249	–	19,784
Recoverables from SPV before adjustment for expected losses		R0060	–	–	–	–	–
Recoverables from Finite Re before adjustment for expected losses		R0070	–	–	–	–	–
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		R0080	234,135	–	1,249	–	19,679
Best estimate minus recoverables from reinsurance/SPV and Finite Re		R0090	15,156	–	49,014	–	420,554
Risk Margin		R0100	–	4,531	–	31,619	–
Amount of the transitional on Technical Provisions			–	–	–	–	–
Technical Provisions calculated as a whole		R0110	–	–	–	–	–
Best estimate		R0120	–	–	–	–	–
Risk margin		R0130	–	–	–	–	–
Technical provisions - total		R0200	249,292	232,060	–	471,852	–
Technical provisions minus recoverables from reinsurance/ SPV and Finite Re - total		R0210	15,156	53,545	–	452,173	–
Best Estimate of products with a surrender option		R0220	242,239	27,673	–	57,768	–
Gross BE for Cash flow			–	–	–	–	–
Cash out-flows	Future guaranteed and discretionary benefits	R0230	–	(1,440)	–	398,154	–
	Future guaranteed benefits	R0240	119,476	–	–	–	–
	Future discretionary benefits	R0250	116,350	–	–	–	–
	Future expenses and other cash out-flows	R0260	24,553	59,805	–	43,831	–
Cash in-flows	Future premiums	R0270	11,088	8,101	–	1,752	–
	Other cash in-flows	R0280	–	–	–	–	–
Percentage of gross Best Estimate calculated using approximations		R0290	–	–	–	–	–
Surrender value		R0300	192,015	226,936	–	21,401	–
Best estimate subject to transitional of the interest rate		R0310	–	–	–	–	–
Technical provisions without transitional on interest rate		R0320	–	–	–	–	–
Best estimate subject to volatility adjustment		R0330	–	–	–	–	–
Technical provisions without volatility adjustment and without others transitional measures		R0340	–	–	–	–	–
Best estimate subject to matching adjustment		R0350	–	–	–	–	–
Technical provisions without matching adjustment and without all the others		R0360	–	–	–	–	–
Expected profits included in future premiums (EPIFP)		R0370	1	659	–	–	–

Appendix 1 – Quantitative reporting templates (31 December 2023) continued
Appendix 1.3– S.12.01.01 Life and health SLT technical provisions continued

			Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)		Total (Health similar to life insurance)
					Contracts without options and guarantees	
			C0150	C0160	C0170	C0210
Technical provisions calculated as a whole		R0010	177,265	–	–	–
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole		R0020	177,265	–	–	–
Technical provisions calculated as a sum of BE and RM			–	–	–	–
Best Estimate			–	–	–	–
Gross Best Estimate		R0030	739,788	–	1,175	1,175
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default		R0040	255,169	–	33	33
Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses		R0050	255,169	–	33	33
Recoverables from SPV before adjustment for expected losses		R0060	–	–	–	–
Recoverables from Finite Re before adjustment for expected losses		R0070	–	–	–	–
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		R0080	255,064	–	33	33
Best estimate minus recoverables from reinsurance/SPV and Finite Re		R0090	484,724	–	1,142	1,142
Risk Margin		R0100	36,150	29	–	29
Amount of the transitional on Technical Provisions			–	–	–	–
Technical Provisions calculated as a whole		R0110	–	–	–	–
Best estimate		R0120	–	–	–	–
Risk margin		R0130	–	–	–	–
Technical provisions - total		R0200	953,203	1,203	–	1,203
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total		R0210	520,874	1,171	–	1,171
Best Estimate of products with a surrender option		R0220	327,679	36	–	36
Gross BE for Cash flow			–	–	–	–
Cash out-flows	Future guaranteed and discretionary benefits	R0230	632,540	524	–	524
	Future guaranteed benefits	R0240	119,476	–	–	–
	Future discretionary benefits	R0250	116,350	–	–	–
	Future expenses and other cash out-flows	R0260	128,189	1,335	–	1,335
Cash in-flows	Future premiums	R0270	20,941	685	–	685
	Other cash in-flows	R0280	–	–	–	–
Percentage of gross Best Estimate calculated using approximations		R0290	–	–	–	–
Surrender value		R0300	440,352	1,811	–	1,811
Best estimate subject to transitional of the interest rate		R0310	–	–	–	–
Technical provisions without transitional on interest rate		R0320	–	–	–	–
Best estimate subject to volatility adjustment		R0330	–	–	–	–
Technical provisions without volatility adjustment and without others transitional measures		R0340	–	–	–	–
Best estimate subject to matching adjustment		R0350	–	–	–	–
Technical provisions without matching adjustment and without all the others		R0360	–	–	–	–
Expected profits included in future premiums (EPIFP)		R0370	660	–	–	–

Appendix 1 – Quantitative reporting templates (31 December 2023) 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	10,685	10,685	–	–	–
Share premium account related to ordinary share capital	R0030	221,978	221,978	–	–	–
Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	R0040	–	–	–	–	–
Subordinated mutual member accounts	R0050	–	–	–	–	–
Surplus funds	R0070	–	–	–	–	–
Preference shares	R0090	–	–	–	–	–
Share premium account related to preference shares	R0110	–	–	–	–	–
Reconciliation reserve	R0130	(113,469)	(113,469)	–	–	–
Subordinated liabilities	R0140	–	–	–	–	–
An amount equal to the value of net deferred tax assets	R0160	–	–	–	–	–
Other items approved by supervisory authority as basic own funds not specified above	R0180	–	–	–	–	–
Own funds not represented by the reconciliation reserve	R0220	–	–	–	–	–
Deductions						
Deductions for participations in financial and credit institutions	R0230	–	–	–	–	–
Total basic own funds after adjustments	R0290	119,194	119,194	–	–	–
Ancillary own funds						
Unpaid and uncalled ordinary share capital	R0300	–	–	–	–	–
Unpaid and uncalled initial funds	R0310	–	–	–	–	–
Unpaid and uncalled preference share capital	R0320	–	–	–	–	–
Commitment to subscribe and pay for subordinated liabilities	R0330	–	–	–	–	–
Letters of credit and guarantees under Article 96(2)	R0340	–	–	–	–	–
Letters of credit and guarantees other than under Article 96(2)	R0350	–	–	–	–	–
Supplementary members calls under Article 96(3)	R0360	–	–	–	–	–
Supplementary members calls other than under Article 96(3)	R0370	–	–	–	–	–
Other ancillary own funds	R0390	–	–	–	–	–
Total ancillary own funds	R0400	–	–	–	–	–
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	119,194	119,194	–	–	–
Total available own funds to meet the MCR	R0510	119,194	119,194	–	–	–
Total eligible own funds to meet the SCR	R0540	119,194	119,194	–	–	–
Total eligible own funds to meet the MCR	R0550	119,194	119,194	–	–	–
SCR	R0580	60,947	–	–	–	–
MCR	R0600	15,237	–	–	–	–
Ratio of eligible own funds to SCR	R0620	196%	–	–	–	–
Ratio of eligible own funds to MCR	R0640	782%	–	–	–	–

Reconciliation reserve		
Excess of assets over liabilities	R0700	119,194
Own shares (held directly and indirectly)	R0710	–
Foreseeable dividends, distributions and charges	R0720	–
Other basic own fund items	R0730	232,663
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	R0740	–
Reconciliation reserve	R0760	(113,469)
Expected profits		–
Expected profits included in future premiums (EPIFP) – Life business	R0770	660
Expected profits included in future premiums (EPIFP) – Non-life business	R0780	–
Total EPIFP	R0790	660

Appendix 1 – Quantitative reporting templates (31 December 2023) continued

Appendix 1.5– S.25.01.01 Solvency capital requirement – using the Standard Formula

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030 €'000	C0040 €'000	C0050 €'000
Market risk	R0010	13,891	13,891	–
Counterparty default risk	R0020	11,121	11,121	–
Life underwriting risk	R0030	47,476	47,476	–
Health underwriting risk	R0040	–	–	–
Non-life underwriting risk	R0050	–	–	–
Diversification	R0060	(15,553)	(15,553)	–
Intangible asset risk	R0070	–	–	–
Basic Solvency Capital Requirement	R0100	56,935	56,935	–

Calculation of Solvency Capital Requirement		C0100 €'000
Adjustment due to RFF/MAP nSCR aggregation	R0120	–
Total capital requirement for operational risk	R0130	4,012
Loss-absorbing capacity of technical provisions	R0140	–
Loss-absorbing capacity of deferred taxes	R0150	–
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	–
Solvency Capital Requirement calculated on the basis of Art. 336 (a) of Delegated Regulation (EU) 2015/35, excluding capital add-on	R0200	60,947
Capital add-ons already set	R0210	–
of which, capital add-ons already set - Article 37 (1) Type a	R0211	–
of which, capital add-ons already set - Article 37 (1) Type b	R0212	–
of which, capital add-ons already set - Article 37 (1) Type c	R0213	–
of which, capital add-ons already set - Article 37 (1) Type d	R0214	–
Consolidated Group SCR	R0220	60,947
Other information on SCR		–
Capital requirement for duration-based equity risk sub-module	R0400	–
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	60,947
Total amount of Notional Solvency Capital Requirements for ring-fenced funds	R0420	–
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	–
Diversification effects due to RFF nSCR aggregation for article 304	R0440	–
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	4 - No adjustment
Net future discretionary benefits	R0460	–

Appendix 1 – Quantitative reporting templates (31 December 2023) continued

Appendix 1.6– S.28.01.01 – Minimum capital requirement only life or non-life insurance or reinsurance activity (life)

Linear formula component for life insurance and reinsurance obligations			C0040
MCRL Result	R0200		9,797
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance/ SPV) total capital at risk
		C0050	C0060
Obligation with profit participation – guaranteed benefits	R0210	15,156	–
Obligation with profit participation – future discretionary benefits	R0220	–	–
Index-linked and unit-linked insurance obligations	R0230	49,014	–
Other life (re)insurance and health (re)insurance obligations	R0240	421,695	–
Total capital at risk for all life (re)insurance obligation	R0250		53,339

Overall MCR calculation		
		C0070
Linear MCR	R0300	9,797
SCR	R0310	60,947
MCR cap	R0320	27,426
MCR floor	R0330	15,237
Combined MCR	R0340	15,237
Absolute floor of the MCR	R0350	4,000
Minimum Capital Requirement	R0400	**15,237**

Appendix 2 – Glossary

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

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

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

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

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

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

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

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

CBI
The Central Bank of Ireland.

Company
Phoenix Life Assurance Europe Designated Activity Company.

Delegated regulation
Commission Delegated Regulation supplementing the Solvency II Directive.

Director
A director of Phoenix Life Assurance Europe Designated Activity Company.

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

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

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

Non-economic assumptions
Assumptions in relation to future expenses and future lapse, withdrawal, and mortality rates.

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

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

PGH
Phoenix Group Holdings plc.

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

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

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

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

Appendix 2 – Glossary continued

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

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

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

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

Registered address

Standard Life International
90 St. Stephen's Green
Dublin 2
D02 F653

Registered Number
408507

thephoenixgroup.com