DARTA SAVING LIFE ASSURANCE dac

SOLVENCY AND FINANCIAL CONDITION REPORT 2020

COVERING THE PERIOD 1 JANUARY 2020 TO 31 DECEMBER 2020

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Overview

This report has been prepared in accordance with the requirements set out in Regulations 34,52, 55 to 57, 255 and 258 of Statutory Instrument 485 of 2015, the European Union (Insurance and Reinsurance) Regulations 2015[1] ("The 2015 Regulations")[2] and Articles 290 to 298, 305 to 311, 359 and 365 of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) ("Solvency II Delegated Acts").

This report also seeks to fulfil the requirements included in the European Insurance and Occupational Pensions Authority ("EIOPA") Guidelines on reporting and public disclosure ("The EIOPA Reporting Guidelines") and Guidelines as issued by the Central Bank of Ireland ("Central Bank").

Reporting period

This report covers the period 1 January 2020 to 31 December 2020, inclusive. Comparative information is provided, where applicable.

Approval

This report was approved by Darta's Board of Directors on 1 April 2021.

Executive Summary

Overview of the Company

Darta Saving Life Assurance dac ("Darta" or the "Company") is authorised in Ireland to transact life assurance business in the European Union ("EU") under the 2015 Regulations.

We operate on a Freedom of Services basis through the application of an outsourcing business model. This allows us to manufacture and distribute our products in a low-cost and flexible manner.

We mainly distribute unit-linked products through Allianz Bank Financial Advisors S.p.A. ("Allianz Bank") in Italy. In addition, a small number of Private Insurance portfolio bond products, unit-linked products and a long term care product are sold through other non-Allianz channels in Italy. We are also exposed to mortality risk through the features of certain of our products.

We also distribute unit-linked products, on a limited scale, through brokers in Lithuania on a Freedom of Services basis.

Detailed information on our business profile is set out in Section A.1 below

[1] The 2015 Regulations have the effect of transposing 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 II Directive") into Irish Law effective 1 January 2016.

[2] These requirements are practically identical to those requirements of Articles 35, 51, 53 to 55, Paragraph 2 of Article 254 and 256 of Directive 2009/138/EC.

Performance

Over recent years, we have enjoyed success selling unit-linked insurance products in Italy, through Allianz Bank. The outbreak of COVID-19 resulted in significant market volatility and uncertainty during 2020. Despite COVID-19, we have written our highest ever volume of new business premiums amounting to €3.7 billion, earned record profits after tax of €79.5 million and achieved our highest ever asset under management balance of €21.1 billion in 2020.

The table below shows premiums, claims, expenses and change in technical provisions combined with the investment returns for our lines of business.

	Index linked and unit linked insurance	
	2020 €'000	2019 €'000
Premiums earned (net of reinsurance)	3,665,164	2,979,551
Claims incurred (net of reinsurance)	(1,559,281)	(1,558,947)
Changes in life assurance provisions (net of reinsurance)[3]	(2,849,750)	(2,932,701)
Expenses	(251,037)	(237,159)
Policyholder Investment Income	1,084,824	1,815,731
Underwriting performance	**89,921**	**66,475**

Although we sell business outside of Italy, the current volume sold is equal to less than 1% (2019: less than 1%) of the total business sold during the year. Therefore, we have determined that information pertaining to non-Italian business is not material. Likewise, the amount of other life insurance sold during the reporting period, as relates to the Long Term Care product, of less than 1% (2019: less than 1%) is also not material. Approximately 3% (2019: 3%) of our premium revenue is sourced from non-Allianz affiliated brokers in Italy.

The following table sets out our profit after tax from all lines of business and geographies where business is carried out over the reporting period, as reported in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS").

	Profit after tax 2020 €'000	Profit after tax 2019 €'000
Index linked and unit linked insurance	79,501	68,036

Differences between underwriting performance set out above and IFRS profit after tax relate to income and expense items relating directly to our Shareholders and the effect of taxation.

Detailed information on our performance during the reporting period is set out in Sections A.2, A.3 and A.4 below.

[3] As determined in accordance with IFRS for the purposes of our Financial Statement reporting.

Significant events - COVID-19

On 11 March 2020, the World Health Organisation declared the outbreak of novel coronavirus disease, COVID-19, a global pandemic. Governments in affected areas imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, stay at home orders and cancellations of gatherings and events which initially led to significant falls in world stock markets and has since significantly affected economic activity. Over time, markets began to price the effects of various restrictions into their valuations and with the announcement of viable vaccines in November 2020 market sentiment increased markedly. Despite the volatility in the markets and uncertainty, we continued to perform strongly throughout the year.

The COVID-19 pandemic has affected all aspects of our personal and professional lives, the health of the world's population, global economic performance and the financial markets. Despite all these uncertainties, we were well prepared for the situation and were able to adapt quickly allowing us to keep operations going and maintaining a robust capital position. Since 18 March 2020, our operations have switched to home working. Since that time, we have scaled up our remote work capacity and by doing so, we have ensured our employees are safe and that we are able to continue to work regardless of the restrictions on public life in place during the period. This enabled us to continue to support our customers and offer uninterrupted services throughout the crisis.

The implementation of lock-downs resulted in our distributors having to change how they interact with their clients. Face-to-face meetings have been replaced with phone calls and virtual meetings and physical signatures have been replaced with digital signatures. During May 2020, the Istituto per la Vigilanza Sulle Assicurazioni ("IVASS")[4] permitted the use of email as evidence of a policyholder's agreement to enter into a policy. There has been a succession of lock-down, both locally and globally, following the initial lock-down as different countries have experienced different waves of infection over time.

In addition to improving our remote IT infrastructure, we have provided our staff with additional training to enable them to adapt to the new working conditions. This includes, but is not limited to, training on remote people management, enhanced cyber awareness and cyber security training, mental well-being and lifestyle management courses and relevant technical training.

We have also worked closely with our outsource providers to ensure that they are able to provide uninterrupted service in a safe and efficient manner as possible.

With the exception of the majority of our staff working from their homes, the onset of the COVID-19 virus has not significantly altered our operations in any meaningful way.

[4] IVASS regulate us in relation to transparency during the sales process and with the rules set out in relation to management of the ongoing relationship with our policyholders in Italy.

System of Governance

We have maintained an effective System of Governance, which provides for prudent and sound management of the business.

The ultimate responsibility for the business rests with the Board of Directors ("the Board"). The Board delegates certain responsibilities to its Committees and senior management, while retaining responsibility for overall control and strategic decisions. We place a high value on appointing fit and proper individuals and seek to ensure that each individual is suitably qualified to perform the role for which they have been recruited and that they are honest and trustworthy.

We have implemented a comprehensive risk management system, consistent with Allianz Group standards and industry best practice, referred to as the Risk Management Framework. The Chief Risk Officer ("CRO") and the Risk Management Function are responsible for setting an auditable framework for all risk-related activities undertaken. The Framework is achieved via the development, maintenance and monitoring of risk policies, limits and guidelines as well as the risk measurement methodology, and is compliant with all applicable regulatory requirements.

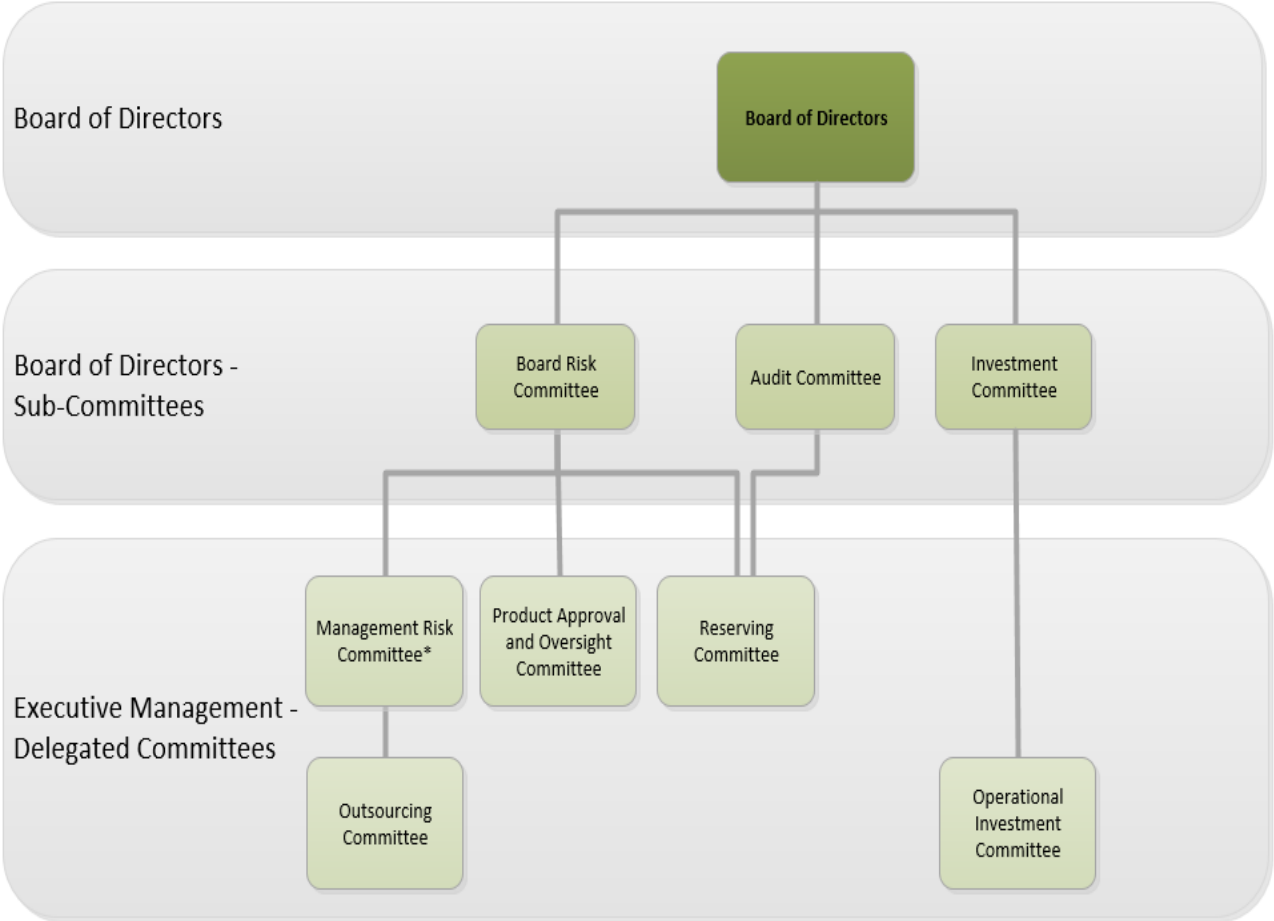
We have a comprehensive suite of internal controls in place, based on a three lines of defence model with graduated control responsibilities.

We perform a regular assessment of our Own Risk and Solvency needs ("the ORSA"), as directed by the Board. The ORSA is a collection of interlinked processes that have been implemented to identify, assess, monitor, manage and report on the short and long term risks that we face and to determine the amount of Own Funds necessary to ensure that overall solvency needs are met at all times.

Our annual review of our System of Governance was last undertaken during January 2021 by the Management Risk Committee, as supported by the Compliance, Risk, Finance, Internal Audit, Actuarial Functions, Operations Department and Products Department. This review covered both the design effectiveness and operating effectiveness of the Internal Control framework.

Based on the outcome of our review, we have concluded that our System of Governance is appropriate to the nature, scale and complexity of the risks inherent in the business. In general, external events have no impact on our System of Governance. Despite the unusual global events arising due to COVID-19, our normal governance structure has remained operational and all personnel, including non-executive and independent non-executive directors have the ability to work remotely.

The following diagram sets out a summary of the governance structures we have in place.



There have been a number of material changes in the System of Governance during the reporting period.

The following appointments, retirements and resignations took place during the year:

- J. Lyons, a Non-Executive Director, retired as the Chair of the Board Risk Committee on 28 October 2020 and as a Director on 31 December 2020.
- P. Colton, an Independent Non-Executive Director, was appointed the Chair of the Board Risk Committee effective from 28 October 2020.
- R. Boyle resigned as our Head of Internal Audit (PCF-13), effective from 21 September 2020.
- M. Smyth was appointed as our Head of Internal Audit (PCF-13), effective from 21 September 2020.
- During October 2020, the Central Bank of Ireland introduced a new Pre-Approval Controlled Function of Chief Information Officer (CIO) (PCF-49). This position was outsourced to S. Dauber, an employee of Allianz Global Life dac ("AGL") in line with our outsourcing Policy, effective from 16 November 2020.

Subsequent to year end, the following appointments and resignations took place:

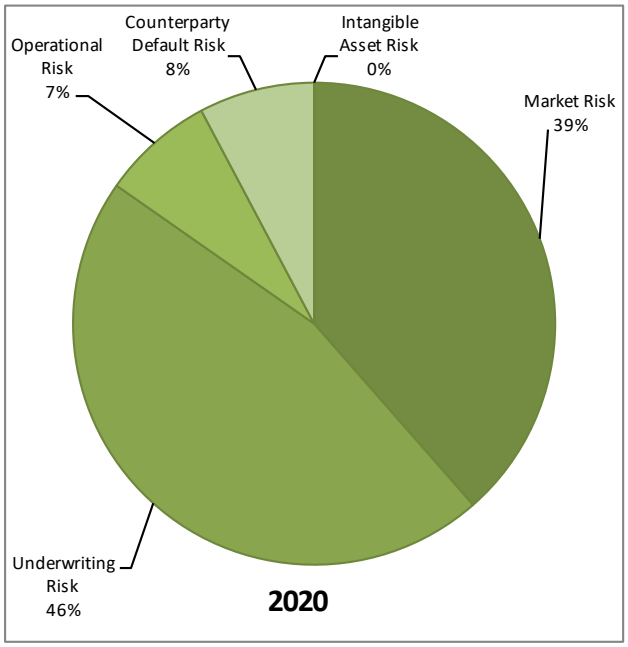
- J. Finnegan, our Chief Executive Officer ("CEO"), stepped down effective from 31 January 2021 and resigned as an Executive Director effective as of 28 January 2021.

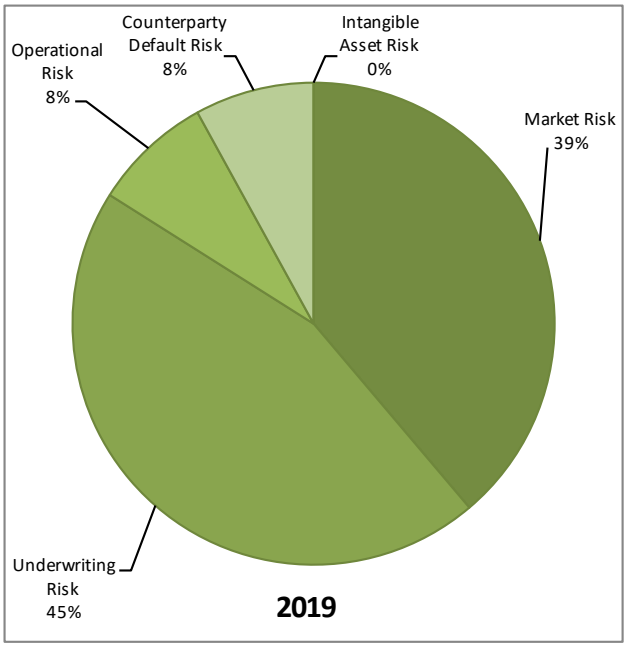
- D. Moia was reappointed as a Group Director effective from 20 January 2021. Mr Moia was subsequently appointed as our CEO and received the necessary regulatory approvals effective as of 4 March 2021. On Mr Moia's appointment as our CEO, he became an Executive Director.
- P. Iovane was appointed as a Non-Executive Director, following approval by the Central Bank of Ireland, effective as of 4 March 2021. Mr. Iovane was appointed to the Audit Committee and the Board Risk Committee effective as of 11 March 2021.
- G. Fassina, a Group Director, resigned from the Board effective 20 January 2021.

Detailed information on the System of Governance and related topics is set out in Section B below.

Risk profile

Risk is measured and managed based on the calculations derived using the Standard Formula, as set out in Solvency II. The resulting risk profile, set out in the chart below, indicates how risks are distributed over different risk categories and determines the regulatory capital requirements in accordance with Solvency II.





We did not experience significant changes to the other risk categories due to COVID-19.

Section C provides a detailed description of our risk exposure by category of Solvency II risk.

Valuation for solvency purposes

The recognition and measurement of assets and liabilities under Solvency II is the same as IFRS, with exceptions relating to the following balances summarised in the table below:

	2020 €'000	2019 €'000
Equity per Financial Statements	464,990	384,961
Adjusted for:		
Deferred Acquisition Costs	(71,816)	(71,375)
Deferred income	27,638	24,452
Solvency II Technical provisions movement	526,093	490,611
Solvency II deferred tax liability	(60,002)	(54,526)
Remove IFRS deferred tax asset	-	(76)
Reinsurance recoverables	(4,258)	(8,635)
Bonus Builder provisions	2,358	1,763
Other	29	(4)
Excess of assets over liabilities for Solvency II purposes	**885,032**	**767,171**

Further detail on the valuation of assets, technical provisions and liabilities under Solvency II is provided in Section D below.

Capital Management

We operate a defined Capital Management Framework. The primary objective of this Framework is to ensure adequate capital is available to fulfil regulatory requirements and specifically to cover the SCR and Minimum Capital Requirements ("MCR") at all times. The Framework consists of a target capital level, which is set based on an assessment of risk exposures, and our ability to withstand potential stresses as determined through the operation of the ORSA. Secondary objectives include adding economic value over the cost of capital and having shareholders participate in the economic development through, for example, dividend payments.

SCR, as derived using the Solvency II Standard Formula, amounted to €537 million (2019: €465 million). Our SCR coverage ratio at 31 December 2020 was 165% (2019: 165%), as covered by eligible Tier 1 Own Funds of €885 million (2019: €767 million).

SCR increased from €465 million at 31 December 2019 to €537 million at 31 December 2020. The main drivers of this increase were growth in the size of the Policyholder's assets in line with positive new business flows and positive market returns experienced during the year and the impacts arising from methodology refinements and updates to our technical assumptions, as approved by the Board, during the year.

Our Minimum Capital Requirement ("MCR") as at 31 December 2020 amounted to €144 million (2019: €123.9 million).

The MCR has increased compared to 2019 due to increased technical provisions.

More detail on our Capital Management approach is provided in Section E below.

A. Business and Performance

A.1 Business

A.1.1 Standing data

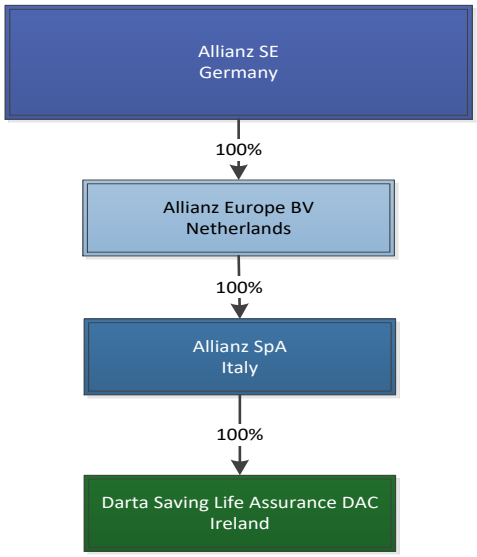
Name of Entity	Darta Saving Life Assurance dac	We are a Designated Activity Company incorporated in Ireland under the Companies Act, 2014.
Auditors	PwC	Signing Partner: Paraic Joyce PwC's address is: PricewaterhouseCoopers One Spencer Dock, North Wall Quay, Dublin 1
Holders of qualifying holdings in Darta	Allianz SpA (Parent) Allianz SE (Ultimate Parent)	Allianz SpA, incorporated in Italy, hold all of the issued share capital and voting rights. Allianz SpA is owned by Allianz SE, which is the ultimate parent. Allianz SpA's address is: Piazza Tre Torri, 3 20145 Milan Italy Refer to the simplified group structure, as set out in Section A1.3 below, for details of our position within the Group.

A.1.2 Supervision

Level	National Competent Authority	Contact details
Allianz SE (Ultimate parent)	German Federal Financial Supervisory Authority ("BaFin")	The German Federal Financial Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht" – BaFin) Graurheindorfer Str. 108 53117 Bonn Postfach 1253 Germany
Darta (local level)	Central Bank of Ireland	Central Bank of Ireland, North Wall Quay Spencer Dock PO Box 11517 Dublin 1 Republic of Ireland

A.1.3 Simplified group structure

The following diagram sets out a simplified group structure, displaying the Company's parent and ultimate parent and their voting rights:



A1.4 Related undertakings

We do not hold any subsidiaries as at 31 December 2020, nor did we hold any subsidiaries during 2019.

A.1.5 Material lines of business

Our material lines of products are grouped in product families. Each product within a family offers similar features and benefits.

Product	Type	Country sold	Distributor
Challenge Family (excluding Challenge Pro)	Unit Linked without guarantees	Italy Lithuania	Non-Allianz Brokers
Challenge Pro (formerly Challenge Plus)	Unit Linked without guarantees	Italy	Allianz Bank
Challenge Private	Unit Linked without guarantees	Italy	Allianz Bank
Blazar Family	Unit Linked without guarantees	Italy	Allianz Bank Non-Allianz Brokers
Bonus Builder	Unit Linked without guarantees	Italy	Allianz Bank
Personal Target	Unit Linked without guarantees	Italy	Allianz Bank Non-Allianz Brokers

Product	Type	Country sold	Distributor
Personal Way/Progetto Reddito Family	Unit Linked without guarantees	Italy	Allianz Bank Non-Allianz Brokers
Private Bond Portfolio	Unit Linked without guarantees	Italy	Non-Allianz Brokers Allianz Bank
Darta New Trend (2020 tranche closed to new business)	Tranche based unit Linked without guarantees	Italy	Allianz Bank

Increased flexibility has been introduced to our Progetto Reddito product, which was renamed Personal Way, in July 2020. These changes included making additional fund choices available to policyholders and the introduction of a number of new features, including the ability to select:

- Different frequencies for the regular income benefit. Policyholders are now able to elect that their benefits are paid monthly, quarterly, bi-annually or annually. The frequency of payment may be changed once per year.
- Different percentages for the regular income benefit between 1% and 4% from the previous 4%. The regular income percentage may be modified once per year.
- A deferral of the start of the regular income benefit payment of up to five years, at the time of entering the policy.

Whilst the ability to switch to new funds was made available to existing and new policyholders, the new product features are only available for new entrants.

Additional fund options were made available to policyholders investing in our Challenge Pro and Challenge Private products. These funds are available to existing and new policyholders.

The Investment date was changed for all business (effective 25th September 2020). Previously policyholder transactions (premiums, top-ups, switches, surrenders,…etc.) were evaluated on the 5th working day from the transaction date. This was reduced to the 3rd working day from the transaction date. The change is expected to align transactions as much as possible to current market values in order to avoid material financial detriment to our customers in highly volatile markets.

The "Contratti Chiari" initiative was put in place (effective 25th of September 2020) and is the equivalent of the Plain English approach. It has become our standard approach when preparing pre-contractual documentation for clients. This initiative is in line with our customer centricity value of offering our clients clearer and jargon-free information that makes it easier for them to fully understand our product features.

A.1.6 Material changes in business

COVID-19

On 11 March 2020, the World Health Organisation declared the outbreak of novel coronavirus disease, COVID-19, a global pandemic. Governments in affected areas imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, stay at home orders and cancellations of gatherings and events which initially led to significant falls in world stock markets and has since significantly affected economic activity . Over time, markets began to price the effects of various restrictions into their valuations and with the announcement of viable vaccines in November 2020 market sentiment increased markedly. Despite the volatility in the markets and uncertainty, we continued to perform strongly throughout the year.

The COVID-19 pandemic has affected all aspects of our personal and professional lives, the health of the world's population, global economic performance and the financial markets. Despite all these uncertainties, we were well prepared for the situation and were able to adapt quickly allowing us to keep operations going and maintaining a robust capital position in times of crisis. Since 18 March 2020, our operations have switched to home working. Since that time, we have scaled up our remote work capacity and by doing so, we have ensured our employees are safe and that we are able to continue to work regardless of the restrictions on public life in place during the period. This enabled us to continue to support our customers and offer uninterrupted services throughout the crisis.

The implementation of lock-downs resulted in our distributors having to change how they interact with their clients. Face-to-face meetings have been replaced with phone calls and virtual meetings and physical signatures have been replaced with digital signatures. During May 2020, IVASS[5] permitted the use of email as evidence of a policyholder's agreement to enter into a policy. There has been a succession of lock-downs, both locally and globally, as different countries have experienced different waves of infection over time.

In addition to improving our remote IT infrastructure, we have provided our staff with additional training to enable them to adapt to the new working conditions. This includes, but is not limited to, training on remote people management, enhanced cyber awareness and cyber security training, mental well-being and lifestyle management courses and relevant technical training.

We have also worked closely with our outsource providers to ensure that they are able to provide uninterrupted service in a safe and efficient manner as possible.

Aside from the majority of our staff working from their homes, the onset of the COVID-19 virus has not significantly altered our operations in any meaningful way.

[5] IVASS regulate us in relation to transparency during the sales process and with the rules set out in relation to management of the ongoing relationship with our policyholders in Italy.

A.2 Underwriting performance

The table below shows premiums, claims, expenses and change in technical provisions combined with the investment returns for our material lines of business.

	Index linked and unit linked insurance	
	2020 €'000	2019 €'000
Premiums earned (net of reinsurance)	3,665,164	2,979,551
Claims incurred (net of reinsurance)	(1,559,281)	(1,558,947)
Changes in life assurance provisions[6] (net of reinsurance)	(2,849,750)	(2,932,701)
Expenses[7]	(251,037)	(237,159)
Policyholder Investment Income	1,084,824	1,815,731
Underwriting performance	**89,921**	**66,475**

Source: Quantitative Reporting Template ("QRT") S.05.01.02

Although we sell business outside of Italy, the current volume sold is equal to less than 1% (2019: less than 1%) of the total business sold during the year. Therefore, we have determined that information pertaining to non-Italian business is not material. Likewise, the amount of other life insurance sold during the reporting period, as relates to the Long Term Care product, of less than 1% (2019: less than 1%) is also not material. Approximately 3% (2019: 3%) of our premium revenue is sourced from non-Allianz affiliated brokers in Italy.

The following table sets out our IFRS profits for our lines of business and geographies where business is carried out over the reporting period.

	Profit after tax 2020 €'000	Profit after tax 2019 €'000
Index linked and unit linked insurance	79,501	68,036

Differences between our underwriting performance set out above and IFRS profit after tax relate to income and expense items relating directly to our Shareholders and the effect of taxation.

[6] As determined in accordance with IFRS for the purposes of our Financial Statement reporting.
[7] Includes expenses borne by the policyholders.

A.3 Investment performance

A3.1 Investment performance

The following table provides an overview of the performance of investments held on behalf of our Policyholders and on behalf of our Shareholders over the reporting period together with a comparison with the previous reporting period, as shown in our IFRS financial statements:

	2020 €'000	2019 €'000
Policyholder investment return : Index-linked and unit-linked business		
Investment Income from equities	729	1,141
Interest income from fixed interest securities	6,976	8,651
Investment Income from Collective Investment funds	2,922	6,603
Income from other financial assets	16,893	10,535
Net realised gains on financial assets	7,106	372,684
Net unrealised gains on financial assets	1,050,198	1,416,117
Policyholder Investment income	**1,084,824**	**1,815,731**
Fund expenses borne by policyholders	(5,084)	(4,325)
Total policyholder Investment income	**1,079,740**	**1,811,406**
Shareholder investment return		
Interest income from financial assets	91	513
Interest income/(expense) from cash	355	(128)
Net realised losses on financial assets	(683)	(2,169)
Net unrealised losses on financial assets available for sale	(17)	-
Total Shareholder Investment income	**(254)**	**(1,784)**
Investment Management Expense	**(7,174)**	**(6,932)**

The overall increase in investment income year on year reflects a combination of an increase in the overall size of our underlying book and the strong market performance experienced during 2020.

A3.2 Gains/losses recognised directly in equity

The following table sets out the composition of our other comprehensive income, as shown in our IFRS financial statements:

	2020 €'000	2019 €'000
Movements in financial assets available for sale:		
Fair value movement	604	1,721
Deferred tax effect of fair value movement	(76)	(215)
Net gain recognised directly in equity	**528**	**1,506**

A3.3. Investment in securitisation

At the time of this report, we do not hold any assets in securitisation vehicles.

A.4 Performance of other activities

We lease our business premises subject to an operating lease. Property, plant and equipment comprise a right-of-use asset recognised in respect of our premises. We account for this lease in accordance with IFRS 16 Leases, which requires us to recognise a right-of-use asset in our Statement of Financial Position within our Financial Statements at cost less depreciation.

Cost is determined with reference to the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any restoration cost due in respect of the asset at the end of the lease term and any lease payments made in advance of the lease commencement date (net of any incentives received).

We calculate Depreciation using the straight-line basis from commencement of the lease until the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The right-of-use asset is subject to impairment assessments. This arrangement is not considered material to our overall performance.

We do not have any material finance leasing arrangements in place at this time; therefore, we do not have anything further to report in this regard.

We do not participate in other activities.

A.5 Any other information

All material information regarding the business and performance has been set out above.

B. System of Governance

B.1 General information

B.1.1 Overview of governance arrangements

This Section provides a detailed overview of the governance arrangements we have in place as at 31 December 2021. There have been a number of changes in our Directors subsequent to 31 December 2020. Details of these changes are presented in Section B.1.3 below.

B.1.1.1 Board of Directors

Members as at 31 December 2020	Responsibilities
J. Ruane (INED) (Chair) T.D. Kingston (INED) J. Lyons (NED) P. Colton (INED) G. Viseri (Group Director) F. Rossaro (Group Director) G. Fassina (Group Director) A. Agnelli (Group Director) J. Finnegan (Executive Director and Chief Executive Officer ("CEO"))	The role of the Board is to organise and direct the affairs of the Company, acting on a fully informed basis, in good faith, with due diligence and care in a manner designed to protect the interests of the shareholder and other stakeholders such as policyholders, regulatory bodies and staff.

B.1.1.2 Board of Directors – Sub-Committees

These Sub-Committees represent the Board sitting as sub-committees of the full Board.

Members as at 31 December 2020	Summary of responsibilities
Board Risk Committee J. Lyons (NED) (Retired as Chair effective 28 October 2020) P Colton (INED) (Chair from 28 October 2020) T. D. Kingston (INED) J Finnegan (Executive Director and CEO)	The Board Risk Committee is established separately from the Audit Committee and is responsible for providing oversight and advice to the Board on the risk exposures of the Company and future risk strategy. The Board Risk Committee works closely with the Audit Committee to ensure the successful operation of the Risk Management Framework and Internal Control Systems. The Board Risk Committee provides direction and oversight in relation to regulatory policies and procedures, including those relating to risk identification, assessment, management and monitoring and oversees the Risk Management Function.
Audit Committee T. D. Kingston (INED) (Chair) P. Colton (INED) A. Agnelli (Group Director)	The Audit Committee supports the Board in considering activities that expose or may expose the Company to material audit or financial risk. The Audit Committee works closely with the Board Risk Committee to ensure the successful operation of the Risk Management Framework and Internal Control Systems.
Investment Committee J. Finnegan (CEO) (Chair) F. Rossaro (Group Director)	The Investment Committee is responsible for ensuring that the Company's investment portfolios, which include Policyholder assets and Shareholder assets, are managed and invested in accordance with the Company's Investment Policy, Investment Mandates and Investment Guidelines.

B.1.1.3 Executive Management – Delegated Committees

Members as at 31 December 2020	Reporting line	Summary of responsibilities
Management Risk Committee ("MRC") CRO (Chair) CEO Head of Compliance Head of Actuarial Function ("HOAF") Head of Finance Chief Operating Officer ("COO")	Board Risk Committee	Whilst, the Board is ultimately responsible for risk management, it has delegated the following responsibilities to the MRC: • Identifying, assessing, monitoring, managing and reporting on the key and material risk exposures. • Helping the Board Risk Committee to define and monitor adherence to the Company's Risk Appetite. • Escalating unacceptable risks and exposures identified to the Board Risk Committee and Allianz SpA's Chief Risk Officer, as appropriate. • Recommending mitigating activities or remediation actions to address risk and compliance events or exposures identified. • Reviewing the adequacy of risk management policies and assessing whether they have been appropriately implemented. • Acting as the Governance Control Committee.
Product Approval and Oversight Committee ("PAOC") HOAF (Chair) CEO Head of Product Development CRO Head of Compliance COO Head of Finance	Board Risk Committee	Whilst the Board of Directors retains the ultimate responsibility for the product management framework, it has delegated the following responsibilities to the PAOC: • Setting out appropriate product oversight and governance arrangements, including the measures and procedures aimed at designing, reviewing and distributing products for customers as well as taking actions in respect of products that may lead to the detriment of customers. • Formally recommending material changes to existing products, or new products, to the Board Risk Committee for approval prior to their being made available for sale for the first time.

Members as at 31 December 2020	Reporting line	Summary of responsibilities
		• Considering any changes to the Conduct of Business rules in any of the countries where Darta sells its products and recommend changes, if required, to products to ensure that Darta remains compliant with all Conduct of Business rules at all times. • Oversight of distributors, product performance monitoring and regular product reviews to ensure they continue to meet their goals. • Oversight of post launch implementation logs for product developments that were approved by the PAOC.
Reserving Committee HOAF (Chair) CEO CRO Head of Finance	Board Risk Committee/ Audit Committee	Whilst the Board is ultimately responsible for approving our Financial Statements and our Regulatory, the following responsibilities have been delegated to the Reserving Committee : • Ensuring all model parts are sufficiently documented. • Monitoring and reviewing models, assumptions and parameters. • Overseeing project management of model changes and related projects. • Ensuring model change controls are in place and are applied. • Ensuring an appropriate IT system is in place for modelling and reporting tasks. • Reviewing, challenging and recommending assumption updates for approval by the Board Risk Committee and Audit Committee, as appropriate. • Ensuring that the models and reserves comply with all relevant guidelines, policies and regulations. • Reviewing the Actuarial Report on Technical Provisions. • Monitoring the status of and tracking the recommendations arising from the Actuarial Report on Technical Provisions.

Members as at 31 December 2020	Reporting line	Summary of responsibilities
		• Reviewing, challenging and recommending the Technical Provisions for approval by the Audit Committee.
Operational Investment Committee Head of Finance (Chair) CEO CRO Investment Control Manager	Investment Committee	The Operational Investment Committee is responsible for the oversight of operational matters as relate to our investment management processes.
Outsourcing Committee Head of Compliance (Chair) CEO CRO COO Head of Finance	MRC	The Outsourcing Committee ensures that our outsourcing arrangements are managed in a manner that is consistent with both regulatory and Allianz Group requirements. This committee operates as a sub-committee of the Management Risk Committee. Its principle task is to ensure that all outsourcing activities are undertaken in accordance with the Outsourcing Framework as set out in the Outsourcing Policy.

In addition, all of the members of our management team, excluding outsourced functions, across the organisation attend a monthly meeting and provide status updates on each of their areas for the information of the other managers.

B.1.2 Overview of the Solvency II Functions

B.1.2.1 Actuarial Function

The Actuarial Function, as led by the HOAF (PCF-48), has been outsourced to Allianz Global Life dac ("AGL"), in line with our Outsourcing Policy. The HOAF is an employee of AGL and is supported by a team of actuaries and trainee actuaries of varying levels of experience.

The HOAF has a direct reporting line to the Board and direct access to the Chair of the Board Risk Committee. The HOAF is independent of all other functions and departments within Darta.

Refer to Section B.6 for more detail on the Actuarial Function.

B.1.2.2 Compliance Function

Our Compliance Function is led by the Head of Compliance (PCF-15). The Head of Compliance is an employee of Darta and is supported by a team of experienced professionals.

The Compliance Function is responsible for oversight, risk detection, prevention and advice with respect to the Compliance Risk areas of the Company. The Compliance Function is designed to supplement, not

supplant, the responsibility of the Board and of senior management to ensure compliance with legislation and applicable guidelines.

The Head of Compliance reports directly to the CEO and has direct access to the Chairman of the Board Risk Committee and the Board, as required. In line with all Allianz Group entities, there is a reporting line through to the Allianz Group Compliance Function and the Allianz SpA Compliance Function to ensure regulatory oversight from a Group perspective. This does not imply the transfer of responsibility or decision making outside of the Company and the Board remains responsible for all Compliance issues.

The Compliance Function is also responsible for oversight of the Data Protection Framework and Anti-Money Laundering Framework. The Head of Compliance is appointed as our Data Protection Officer and our Money Laundering Reporting Officer ("MLRO").

Refer to Section B.4.2 for more detail on the Compliance Function.

B.1.2.3 Internal Audit

The Internal Audit Function, as led by the Head of Internal Audit (PCF-13), has been outsourced to Allianz Ireland plc, in line with our Outsourcing Policy.

The Head of Internal Audit reports directly to the Chairman of the Audit Committee and has access to the Board, as required. The Internal Audit Function has a functional reporting line to the Audit Functions at both our parent and ultimate parent levels and is subject to oversight by same. Steps are in place to ensure that the Internal Audit Function remains independent of all other functions at all times.

Refer to Section B.5 for more detail on the Internal Audit Function.

B.1.2.4 Risk Function

The Risk Function is headed by the CRO (PCF-14). The responsibilities of the Risk Function encompass measuring, mitigating, controlling and monitoring of all risks to the Company, having regard to the risk appetite and any regulatory requirements. The CRO is supported by one additional team member and by the AGL Risk Function, in line with our Outsourcing Policy.

The CRO reports directly to the CEO and has direct access to the Chair of the Board Risk Committee and the Board, if required. In line with all Allianz Group entities, our CRO also has a functional reporting line to the Allianz SpA CRO and Allianz Group CRO. This does not imply the transfer of responsibility or decision making outside of the Company and the Board remains responsible for risk issues.

Refer to Section B.3.1.2 for more detail on the implementation of Risk Function.

B.1.3 Material changes to the System of Governance

The following appointments, retirements and resignations took place during the year:

- J. Lyons, a Non-Executive Director, retired as the Chair of the Board Risk Committee effective as of 28 October 2020 and as a Director on 31 December 2020.
- P. Colton, an Independent Non-Executive Director, was appointed the Chair of the Board Risk Committee effective from 28 October 2020.

- R. Boyle resigned as our Head of Internal Audit (PCF-13) effective from 21 September 2020.
- M. Smyth was appointed as our Head of Internal Audit (PCF-13) effective from 21 September 2020.
- During October 2020, the Central Bank of Ireland introduced a new Pre-Approval Controlled Function of Chief Information Officer (CIO) (PCF-49). This position was outsourced to S. Dauber, an employee of AGL in line with our outsourcing Policy, effective from 16 November 2020.

Subsequent to year end, the following appointments and resignations took place:

- J. Finnegan, our Chief Executive Officer ("CEO"), stepped down effective from 31 January 2021 and resigned as an Executive Director effective as of 28 January 2021.
- D. Moia was reappointed as a Group Director effective from 20 January 2021. Mr Moia was subsequently appointed as our CEO and received the necessary regulatory approvals effective as of 4 March 2021. On Mr Moia's appointment as our CEO, he became an Executive Director.
- P. Iovane was appointed as a Non-Executive Director, following approval by the Central Bank of Ireland, effective as of 4 March 2021. Mr. Iovane was appointed to the Board Risk Committee and the Audit Committee effective from 11 March 2021.
- G. Fassina, a Group Director, resigned from the Board effective 20 January 2021.

No other material changes have occurred.

B.1.4 Remuneration

B.1.4.1 Policy and principles

The Board of Directors have approved a Remuneration Policy. The aim of this policy is to ensure that risk-taking incentives provided by our remuneration practices are consistent with our risk appetite and do not encourage unauthorised or unwanted risk-taking that would otherwise breach our appetite.

Each Employee's total annual remuneration comprises an annual fixed component and an annual variable component. The fixed component represents a sufficiently high proportion of the total remuneration. We operate a fully flexible bonus policy, such that there is no obligation to pay bonuses if it is not appropriate to pay a bonus in the circumstances.

The variable component of an individual's salary is based on a combination of the performance of the employee in relation to established goals and targets and our overall results. Targets are agreed in the first quarter of each year. The measurement of the employee's performance in relation to established goals and targets takes into account factors other than financial performance and includes the ability for senior management to exercise judgement in deciding whether to pay out the bonus. Factors considered include acquired skills, personal development, compliance with our internal rules and procedures, compliance with the standards governing the relationship with policyholders and contribution to the performance of the Company as a whole. The measurement of the overall results includes an assessment of whether these results are sustainable in the long-term.

The financial performance targets for the Head of Compliance and CRO is linked to the performance of the Allianz Group, as opposed to Darta, in order to remove any potential conflicts of interests.

The variable component of remuneration for any employee is limited to a maximum percentage of the employee's total remuneration.

B.1.4.2 Remuneration factors

Additional factors that are taken into account when determining whether employees are entitled to receive bonus payment are:

- Executive risk takers: The measurement of performance as a basis for variable remuneration includes an adjustment for current and future risks and the potential impact of these risks for the Company.
- Employees are not remunerated according to assumptions that incentivise an excessive risk-taking or an underestimation of the existing risks.

B.1.4.3 Pension arrangements

We operate a defined contribution pension scheme for all employees. There were no supplementary pension payments made during the reporting period, nor were there any early retirement schemes in operation in respect of any member of staff during the reporting period.

B.1.5 Transactions with shareholders, directors and persons who exercise significant influence

Our shareholder, Allianz SpA, provides fiscal and legal support services.

No dividends were paid by Darta to Allianz SpA in 2020 (2019: €40 million) as a result of the restrictions placed by the Central Bank of Ireland on payment of dividends under COVID-19.

B.2 Fit and Proper requirements

We are subject to the Fit and Proper Requirements established under the Fitness & Probity Standards, as issued under Section 50 of the Central Bank Reform Act, 2010, the Central Bank Reform Act 2010 (Sections 20 and 22) Regulations, 2011 (S.I. No. 437 of 2011) and Regulation 45 of the 2015 Regulations.

To ensure that all persons who effectively run the Company or have other key functions are and remain fit to provide sound and prudent management through their professional qualifications, knowledge and experience and remain proper by being of good repute and integrity we have a Fitness & Probity Policy in place.

B.2.1 Fit and Proper – general requirements

The specific standard of fitness required for each position in scope of the Fitness & Probity Policy is set out in order to ensure that individuals occupying or proposed for such roles are competent and capable. For each position the minimum level of previous experience, technical knowledge and qualifications in a particular area are set out.

The standard of probity required for the performance of positions within scope of the Fitness & Probity Policy shall always be at the same level. Therefore, each person holding a position in scope of the Fitness & Probity Policy must be honest, ethical, act with integrity and be financially sound.

B.2.2 Fit and Proper – monitoring process

Initial due diligence

The assessment of the individual's fitness for a role includes a review of previous experience, knowledge and professional qualifications, and demonstration of due skill, care, diligence and compliance with the relevant standards of the sector the person has worked in. The assessment is based on the review of the individual's curriculum vitae, in-depth interview process, obtaining references and carrying out due diligence checks.

The assessment of an individual's probity is based on their reputation reflecting any past conduct, criminal record, financial record and supervisory authority record. The assessment is based on due diligence checks verified by the Compliance Function and senior management.

Each proposed individual is required to certify that they are aware of the Fitness & Probity Standards, the administrative provisions to protect the Company against compliance risks and agree to abide by those Standards. They are also required to certify that they are not aware of any issue that may put their fitness or probity in doubt.

All reasonable steps are undertaken to ensure that sufficient information is obtained to enable us to make properly informed decisions as to the Fitness & Probity of our employees and the employees of outsourced service providers.

Approval from the Central Bank is required prior to appointment by the Board for certain positions ("PCF positions") within scope of the Fitness & Probity Policy ("PCF positions").

Regular Reviews

The fitness and probity of an individuals in scope of the Fitness & Probity policy is reviewed annually and confirmed through annual performance reviews. As part of this process, the following are assessed:

- Their integrity and trustworthiness, which form an integral part of our mandatory behavioural targets. Hence, annual performance reviews include an assessment of the proper behaviour of PCFs and CFs within the individual's roles.
- The leadership and management skills, as applicable.
- The relevant knowledge and technical skills for the specific role.

All individuals are required confirm their agreement to continue to abide by the Fitness & Probity Standards by signing an Annual Agreement.

We investigate any concerns noted from the review. We reassess the Fitness & Probity of the person concerned, where applicable, and follow predefined procedures, as set out in our Fitness & Probity policy, to evaluate what actions should be taken, if any. Where appropriate, we notify the Central Bank of any action taken where an individual in a PCF Position does not comply with Fitness & Probity requirements.

Where a role in scope of the Fitness & Probity Policy is outsourced, we either ensure that equivalent processes are implemented by the Service Provider to ensure Fitness & Probity of their employees or we include the relevant individuals in Darta's Fitness & Probity process.

B.3 Risk Management System, including the Own Risk and Solvency Assessment

B.3.1 Risk Management System

B.3.1.1 Risk Management System

We have a Risk Management System in place with a primary objective of ensuring that all material quantifiable and non-quantifiable risks we face are adequately identified, assessed, monitored, mitigated and reported on in a timely manner.

We have implemented a comprehensive risk management process (referred to as the Risk Management Framework) that is consistent with Allianz Group standards and industry best practices. The Risk Management Framework covers all material quantitative and qualitative risks to which we are exposed. Components of this Risk Management Framework include:

i) **Risk identification and assessment** – Risk identification and assessment forms the foundation for risk management. The Risk Management Framework sets out processes for the identification of risk at the business operation level and company level (through the Top Risk Assessment process). In addition, emerging risks are identified and discussed on at least a quarterly basis as part of our risk horizon scanning process.

ii) **Risk Appetite, Risk Strategy and policies** – The Risk Appetite Statement sets out the aggregate level and types of risk we are willing to assume together with the maximum capacity for risks that we are willing to take on in order to achieve our strategic objectives and business plan.

Our Risk Strategy defines our risk appetite in a manner that is consistent with our business strategy. It ensures that returns are appropriately based on the risks taken and that the level of capital required, and the commensurate delegated authorities, is in line with our overall risk capacity and strategy.

Our policies define our approach to risk management and define how the controls, procedures, limits and escalation procedures are implemented to ensure that risks are managed in line with our Risk Appetite. The Board has approved a wide range of policies covering operational and risk aspects of our business. Our policies are subject to regular review.

iii) **Risk reporting and monitoring** – We have implemented a comprehensive qualitative and quantitative risk-reporting framework, in line with Allianz Group requirements. The reporting framework provides senior management and the Directors with transparent risk indicators to help them to understand our risk profile and our standing in relation to our stated risk appetite. Examples include Key Risk Indicator dashboards, emerging risk radars, ORSA reports and Top Risk Assessments. Each of these documents are reviewed and discussed at the MRC and Board Risk Committee, where action plans are agreed to address such risks identified.

iv) **Communication and transparency –** Transparent risk disclosure provides the basis for communicating our strategy and performance to internal and external stakeholders, ensuring a sustainable positive impact on risk awareness and risk culture.

In implementing the Risk Management Framework, we have established a "Three Lines of Defence" model for the management of risks, as outlined below:

Three Lines of Defence Model		
1st Line of Defence	2nd Line of Defence	3rd Line of Defence
Business Operations: Business management is responsible for the identification and assessment of risks and the implementation and enforcement of controls.	**Oversight and Challenge:** Board Sub-Committees and Control Functions provide key oversight of activities in business operations and challenge the completeness/accuracy of the risk identification and implementation of controls.	**Independent Assurance:** Internal Audit provides independent and objective assurance on the robustness of the Risk Management System and the appropriateness and effectiveness of the internal controls.
Key Components: • Chief Executive Officer • Chief Operations Officer • All managers and employees • Management of outsource service providers • Finance Function • Operational Investment Committee	**Key Components:** • Board Risk Committee • Chief Risk Officer • Risk Function • Head of Compliance • Compliance Function • Head of Actuarial Function • Actuarial Function	**Key Components:** • Audit Committee • Internal Audit Function • Head of Internal Audit

B.3.1.2 Implementation of the Risk Function

The main objectives of the Risk Management Function are:

- Supporting the first line-of-defence by helping ensure employees at all levels of the Company are aware of the risks related to their business activities and the appropriate response thereto.
- Supporting the Directors with development of a Risk Strategy and Risk Appetite.
- Monitoring of our risk profile to ensure it remains within our approved risk appetite and following up on instances of any breaches (i.e. via resolution directly with the first line-of-defence and other stakeholders or escalation to Management or the Directors).

We have implemented a Risk Management Policy, which sets out the roles, responsibilities and reporting requirements in respect of all risk matters.

The Risk Function is responsible for:

- The oversight, review and supervision of the identification, measurement, management, reporting and monitoring of risks.
- Monitoring our compliance with capital requirements.
- Developing and maintaining the Risk Management Framework and associated policies.
- Providing independent oversight of all risk management activities.

- Providing independent reporting to the Board Risk Committee and MRC on risk issues, including changes in our risk profile.
- Providing independent assurance to the CEO and the Board Risk Committee that key risks are identified and managed.
- Monitoring and reporting on our compliance with our Risk Appetite Statement on a monthly basis to the MRC and quarterly to the Board Risk Committee.
- Developing an annual Risk Management Plan for performing the risk management cycle, which includes the completion of the Top Risk Assessment.
- Compiling and maintaining the Corporate Risk Register based on the Top Risk Assessment results.
- Facilitating the production of the ORSA and reporting thereon.
- Providing reports on the above to the Board Risk Committee and the Board.

B.3.2 Own Risk and Solvency Assessment ("ORSA")

B.3.2.1 Overview

The ORSA is a comprehensive assessment of all risks in the business to determine whether current and future capital will be sufficient to ensure sustained adequacy of solvency coverage in the face of these risks. The ORSA is an integral part of our business strategy and takes the nature, scale and complexity of the risks inherent in the business into consideration. We assess our overall solvency needs using the Solvency II Standard Formula.

B.3.2.2 The ORSA process

The ORSA is the collection of interlinked processes and sub-processes implemented to identify, assess, monitor, manage and report on the short term, medium term and long term risks that we face and to determine the Own Funds necessary to ensure that overall solvency needs are met at all times. The ORSA is not a single report prepared once each year. Instead, it is the culmination of an iterative process on a continuous basis carried out throughout the year.

We perform a regular formal assessment (at least annually) of our solvency needs in respect of our own risk profile, approved risk appetite, risk tolerances and strategy of the business.

The performance of the ORSA is coordinated by the Risk Management Function and incorporates the input from different areas of the business (including the key control functions). The Board of Directors play a key role in steering the ORSA process and challenging the results. The ORSA comprises three stages:

- **Current state –** we determine our current risk profile. The assessment of current solvency needs determines whether we are adequately capitalised based on an identification and assessment of all material risks to which we are currently exposed. This assessment takes risk capital, available capital and stress scenario impacts on our solvency position, as well as the effectiveness of the internal control system into consideration. Risk capital under the ORSA reflects our own view of the risks we are exposed to and therefore, may be adjusted due to other risks that are not currently quantified by the Standard Formula.

- **Future state** – wherein we determine possible future solvency needs based on stress and scenario testing, including reverse stress testing. As part of the ORSA, our potential own funds and liquidity needs are assessed against our planning forecasts and under a range of forward-looking stress tests or stressed scenarios. The impact of each of these is assessed in order to ascertain its impact on our capital/solvency position and liquidity position. Projections are aligned with our regular planning horizon of three years.
- **Reporting** – The outcome of the formal ORSA is documented in an ORSA report that contains all information relevant to the overall ORSA conclusion, the results of the ORSA and an assessment of what actions should be taken.

Certain events or conditions could trigger performance of an additional ORSA outside of the regular annual process. The decision to perform an ad-hoc ORSA is ultimately coordinated by the CRO. The ad-hoc ORSA is designed such that the potential impact on solvency can be understood. Whether the ad-hoc ORSA is extended to consider other risks is at the discretion of the CRO, in consultation with the Board.

B.3.2.3 Review and approval of the ORSA

Each ORSA is subject to review by the MRC and Board Risk Committee, before being reviewed, discussed and approved by the Board. Once approved by the Board, the ORSA is distributed to all relevant staff and to the Central Bank of Ireland.

The HOAF is required to issue an opinion over each ORSA report that considers:

- The range of risks considered and the adequacy of the sets of scenarios.
- The appropriateness of financial projections.
- Whether the undertaking is continuously complying with the requirements regarding the calculation of technical provisions and the potential risks arising from uncertainties connected to this calculation.

B.3.2.4 Determination of Own Solvency Needs

Our Own Solvency Needs are determined based on the:

- Outcomes of the Top Risk Assessment process.
- Observation arising from the Business planning process.
- Assessment of the effectiveness of the Internal Control system.
- Analysis of the impacts of the stress scenarios.
- Testing performed over the continued appropriateness of the Standard Formula.

B.4 Internal Controls

B.4.1 Internal Control System

Our Internal Control System comprises a series of entity-level and process-level controls that have been embedded directly into our organisational and operational set-up.

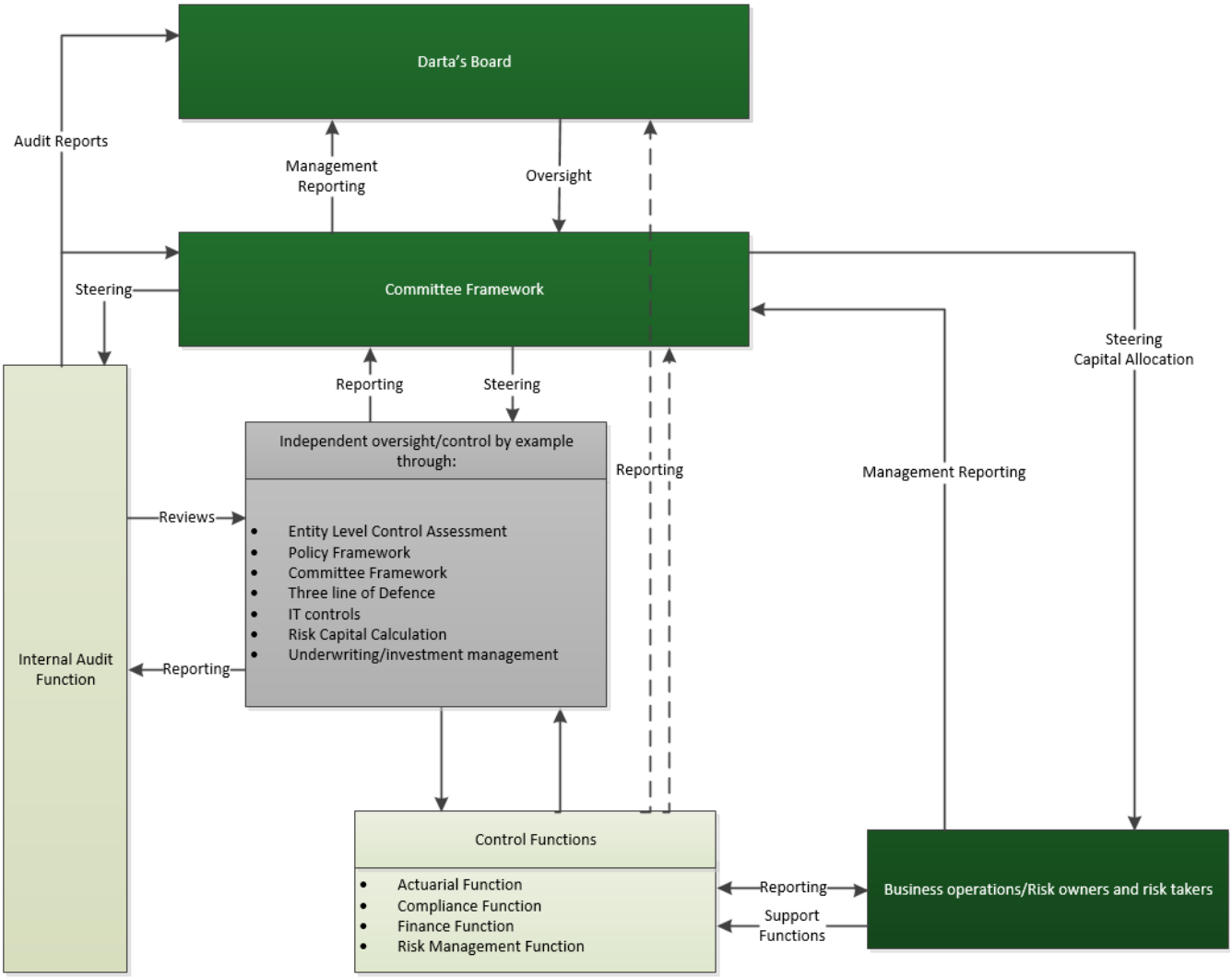
Our control objectives include:

- Safeguarding the Company's existence and business continuity.
- Creating a strong control environment.
- Conducting control activities.
- Providing the various committees with the relevant information for their decision-making.
- Efficient and effective processes.
- Ensuring compliance with applicable laws and regulations.

In order to achieve these objectives, we have a comprehensive suite of internal controls in place. The general principles upon which the design of the suite of internal controls is designed are:

- Safeguarding and segregation of duties to avoid potential conflict of interests (for example approval of payments, or the authorisations of transactions).
- Material decisions are taken by at least two representatives of the Company ("four-eyes-principle"). Decision making processes at all management levels incorporate relevant unbiased information that facilitates sound business judgement.
- For the financial reporting process, we apply a control framework that aligns with the Allianz Group.
- Roles and responsibilities for the operation of internal controls are clearly defined and communicated. Responsible individuals are trained in the operation of the processes and controls.
- Effective fully documented processes are required, as supported by appropriately designed and effective key controls.

The following diagram summarises our Internal Control Framework:



B.4.2 Implementation of the Compliance Policy

The Compliance Function is responsible for:

- Supporting and monitoring compliance with applicable laws and regulations and administrative provisions to protect the Company against compliance risks. This includes the identification, assessment and mitigation of compliance risk arising.
- Advising senior management and the Board of Directors on compliance with laws and regulations adopted and assessing the possible impact of any changes in the legal environment on our operations.

We have implemented a Compliance Policy, which sets out the roles, responsibilities and reporting requirements in respect of compliance matters. The policy is reviewed regularly to ensure continued alignment with the appropriate requirements, both from an Allianz and from a Solvency II perspective and continues to be relevant to current and planned operations.

Compliance general activities and processes

As part of the Internal Control System, the Compliance Function completes a set of activities to achieve its objectives mainly by establishing and maintaining an adequate and effective Compliance Management System. This Compliance Management System comprises of the following elements:

- Promote a culture of integrity and compliance.
- Provide compliance training and communication.
- Provide advice on compliance matters.
- Establish and maintain compliance principles and procedures.
- Investigations, incidents and employee reporting.
- Interaction with regulatory authorities.
- Monitoring, control assessments and reporting.
- Identification of new regulations.
- Implementation of required changes due to regulatory change or new regulations.
- Reporting to the Board Risk Committee.
- Reviewing the System of Governance on at least an annual basis.

Compliance risk assessment

The Compliance Function identifies, documents and assesses the compliance risk associated with our business activities on a regular basis. This helps to ensure that the overall compliance framework reflects the risk exposure. The Compliance Function and the Risk Function cooperate closely to manage these risks. Compliance contributes to data collection and risk assessments performed by the Risk Function. Each Compliance Risk assessment is aligned with the Risk Function in terms of methodology, timing and procedure.

B.5 Internal Audit

B.5.1 Implementation of the Internal Audit Function

The Internal Audit Function independently:

- Reviews risk governance implementation, performs quality reviews of risk processes and tests adherence to business standards including the Internal Control System.
- Evaluates and makes recommendations for improvements in the effectiveness of the system of internal controls and governance through the application of a systematic, disciplined auditing approach.
- Develops an audit universe covering all risks, including those arising from outsourced functions, which is defined and revised annually using a risk-based approach and subsequently used to steer and prioritise internal audit activities in the context of an overall objective to obtain adequate coverage of the entire universe within a 5-year audit plan.

- Issues an audit report including recommendations based on facts and professional judgment and a summary of the most important results, including an overall assessment for each audit performed.
- Performs follow-up monitoring to ensure that any deficiencies identified are resolved.

Internal Audit reviews the Internal Audit Policy on an annual basis to ensure that the roles, responsibilities, tasks and reporting requirements in respect of the Internal Audit Function are appropriate. The policy is supplemented by the local Standard Audit Manual, which is derived from the Allianz Group Standard Audit Manual.

B.5.2 Maintenance of independence of the Internal Audit Function

Internal Audit's standing within the organisational structure ensures that independence is maintained at all times. Maintaining independence ensures that no undue influence is exercised over the Internal Audit Function, for instance in terms of reporting, objectives, target setting, and compensation or by any other means.

The Internal Audit Function has the authority to express its own assessment and recommendations but cannot give orders (except in cases of suspicion of illegal activities/fraud).

Independence is achieved by ensuring that Internal Audit is positioned outside of functional roles and responsibilities, that there are no obvious conflicts of interests in assignments and that auditors have not been engaged in drafting procedures, designing, installing or operating systems, or implementing recommendations. They may not carry out operational roles.

The Head of Internal Audit reports directly to the Chairman of the Audit Committee and has access to the Board, as required. The Internal Audit Function has a functional reporting line to the Audit Functions at both our parent and ultimate parent levels and is subject to oversight by same. Steps are in place to ensure that the Internal Audit Function remains independent of all other functions at all times.

The Internal Audit Function has the right to communicate with any employee and obtain access to any information, records or data necessary to carry out its responsibilities, to the extent legally permitted. It has the responsibility and the right to review activities, procedures and processes in all areas of the Company, without limitation. Internal Audit has the unlimited right to obtain information and management must inform Internal Audit of serious deficiencies and major changes in internal control systems. This information is handled with discretion and confidentiality.

In addition to auditing activities, management may seek the advice of Internal Audit on internal control related topics, which Internal Audit may provide. However, Internal Audit cannot compromise its independence and cannot implement working procedures. The advisory function of Internal Audit may not jeopardise its core audit activities and the fulfilment of its audit plan. The Head of Internal Audit must confirm the independence of the Internal Audit activity to the CEO (and Audit Committee), at least annually.

The Actuarial, Compliance and Risk Management Functions are separate from the Internal Audit Function with no instruction or reporting of one function into the other.

B.6 The Actuarial Function

The HOAF is a key function holder and part of the second line of defence in relation to reporting, oversight and controlling activities.

Our Actuarial Policy sets out the roles, responsibilities and reporting requirements in respect of the Actuarial Function.

The Actuarial Function performs tasks that are based on regulatory and business requirements and consist of coordination and calculation of technical reserves for accounting and regulatory purposes and other controlling and reporting figures.

The core tasks performed by the Actuarial Function in 2020, as defined by the "Domestic Actuarial Regime and Related Governance", as issued by the Central Bank of Ireland in 2015, and the "Guidance for (Re)Insurance Undertakings on the Head of Actuarial Function Role", as issued by the Central Bank of Ireland in 2016, include but are not limited to:

- The coordination and calculation of Technical Provisions for accounting and regulatory reporting purposes.
- Ensuring the appropriateness of the assumptions and valuation methodologies used in the calculation of the Technical Provisions.
- Expressing an opinion on the adequacy of the Technical Provisions.
- Expressing an opinion on the overall underwriting policy and on the adequacy of the reinsurance arrangements.
- Expressing an opinion on the ORSA.
- Contributing to the effective implementation of the Risk Management System.

The HOAF produces all of the above on an annual basis. In relation to Technical Provisions requirements, the HOAF provides an Actuarial Opinion on Technical Provisions ("AOTP") for the Central Bank of Ireland and an Actuarial Report on Technical Provisions ("ARTP") supporting the AOTP for the Board. The regime also requires an independent peer review of the Technical Provisions and the associated AOTP and ARTP, thereby providing an "independent view of the company's reserving" every three years. Our last peer review was carried out in relation to the year ended December 2018 with the next scheduled for 2021.

The Actuarial Function cooperates closely with the Risk Management Function by:

- Contributing to methodologies, models and assumptions used for the assessment of risk.
- Expressing written annual opinions on key aspects of the business and its operation as outlined above.
- Contributing to the overall risk management process.

The HOAF supports the risk management framework through acting as the Chair of the PAOC and Reserve Committee and by being a member of the Management Risk Committee.

B.7 Outsourcing

B.7.1 Overview

We currently outsource a number of key services to third parties, both within and outside of the Allianz Group. All important and critical outsourcing relationships require approval by the Board prior to being implemented.

Outsourcing of certain functions or services essential to the operation of the Company directly affects our policyholder's interests. In order to appropriately safeguard these interests, we have certain policies and processes in place to adequately assess, mitigate and control the risks associated with outsourcing and to ensure business continuity in case of adverse events arising or the termination of a relationship with an outsource provider.

B.7.2 Outsourcing policy

We have a formal Outsourcing Policy in place, as approved by the Board, which is subject to review on at least an annual basis.

In summary, our Outsourcing Policy sets out:

- The roles and responsibilities of all key stakeholders involved in the outsourcing of functions and activities, including, but not limited to, the Board and its Committees, Outsourcing Committee, Risk Function, Compliance Function, Business Managers, Relationship Managers and Service Providers.
- The processes and procedures for the completion of due diligence to be carried out prior to electing to place business with a particular outsource service provider.
- The processes and procedures for obtaining appropriate approval for new or amended outsourcing relationships.
- The processes and procedures for the on-going monitoring of the activities and performance of outsource service providers.
- The requirement to develop and maintain contingency plans and exit strategies in respect of all important and critical outsourcing relationships.
- The reporting requirements, including escalation protocols, both within the Company, the Allianz Group and externally to the Central Bank.
- The steps required to be taken in the event of a major deviation by the Service Provider being identified.

B.7.3 Listing of critical and important outsourcing relationships

We act as an outsource provider in respect of the following services:

Provided to	Activities covered	Location of services
Allianz Group		
AGL	We provide some compliance services, office space and other infrastructural support to AGL.	Ireland

The critical or important operational functions outsourced are as follows:

Provided by	Activities covered	Location of provider
Allianz Group		
AGL	Actuarial Function, Regulatory Risk Capital calculations support, Chief Information Officer, Market Management, Human Resources expertise and other services.	Ireland
Allianz Ireland plc	Internal Audit Function	Ireland
Allianz Technology SE	Information Technology services	Ireland/Germany
Allianz Global Investors GmbH	Fund Management services	Germany
PIMCO Europe Ltd	Fund Management services	United Kingdom
Investitori SGR S.p.A.	Fund Management services	Italy
External Providers		
Irish Progressive Services International Limited ("IPSI")	Third Party Administrator	Ireland
Asset Managers (24)	Fund Management	Various European countries
External document archiving firms (4)	Document archiving	Ireland/Italy
F O'Hara	Company Secretarial Services	Ireland

B.8 Other material information

B.8.1 Assessment of System of Governance

Our Internal Control Policy requires that we undertake a review of the System of Governance on an annual basis or ad-hoc, if extraordinary circumstances occur (such as in case of larger organisational or regulatory changes).

We have established a structured process to review our System of Governance, which is followed by a formal resolution of the Board, including the definition of mitigating activities. The coordination of the regular review process is assigned to the Head of Compliance, who reports to the MRC.

For the purpose of this governance review, a catalogue of single elements are identified which, in total, form the entire "System of Governance" of the Company. The objective of the regular review is to come to an assessment of the adequacy and effectiveness of single elements, as well as, the entire System of Governance in accordance with our risk profile.

The use of the term "adequacy assessment" in this regard refers to the use of professional judgement as to whether the single governance element in question is adequately described, designed and implemented in relation to the respective risk profile in order to achieve the related objectives.

The overall System of Governance is designed and aligned appropriately and proportionately to support our business model and its underlying risk strategy and risk profile. Our operational and organisational setup has been designed to enable risk management structures and embed effective internal controls within the Company.

We continuously aim to improve the compliance, risk management and governance systems that we have in place by ensuring that they are reviewed and evaluated. Where applicable recommendations are made to the Board regarding the enhancement and development of the system. These recommendations include observations on the outcomes from controls monitoring, root cause analysis of complaints, breaches and risk events.

Our annual review was last undertaken during January 2021 by the MRC as supported by the Compliance Function, Risk Function, Finance Function, Internal Audit Function, Actuarial Function and the Operations Department. This review covered both the design effectiveness and operating effectiveness of the Internal Control framework.

Based on the outcomes of our review, we have concluded that our System of Governance is adequate to the nature, scale and complexity of the risks inherent in the business.

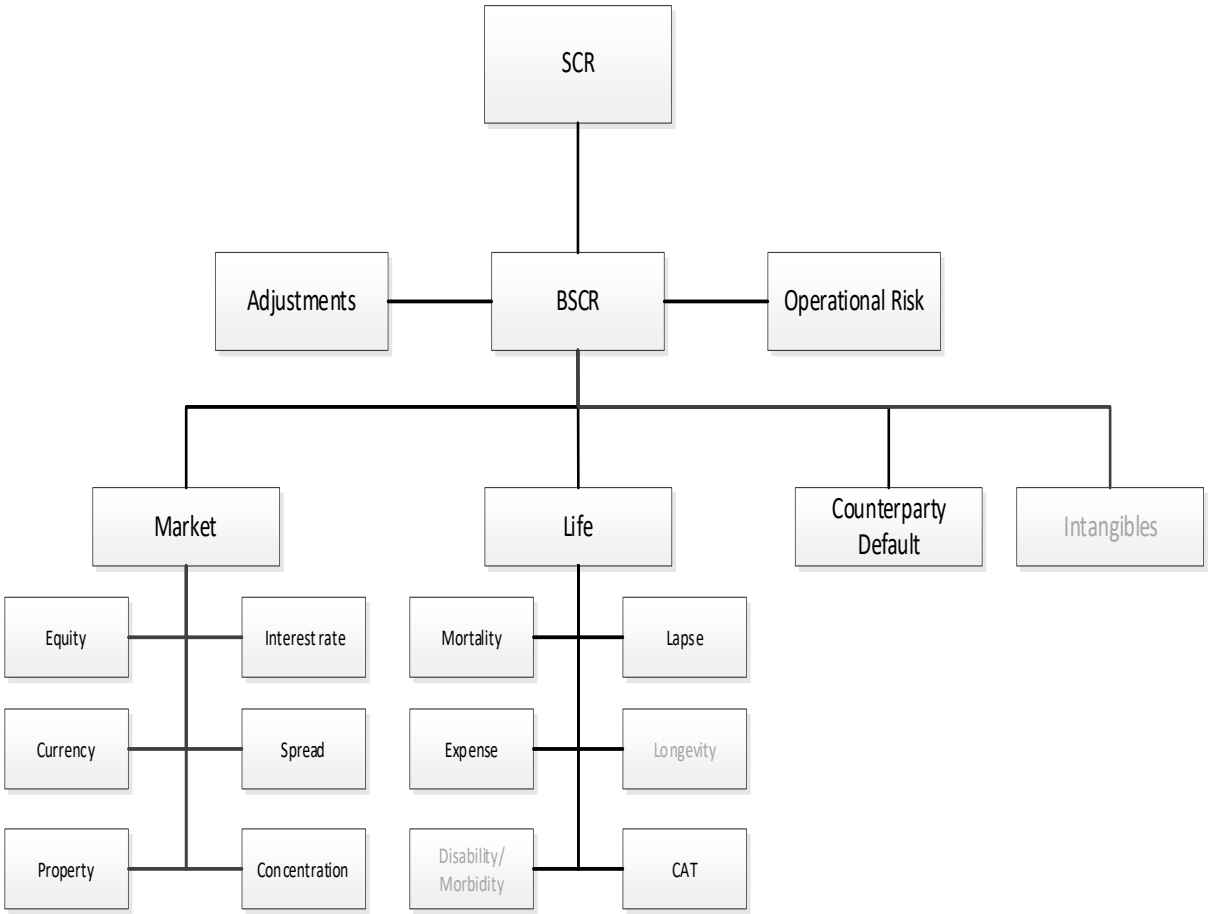
B.8.2 Other material information

In general, external events have no impact on our System of Governance. Despite the unusual global events arising due to COVID-19, our normal governance structure remains operational at this time and all personnel, including Non-Executive and Independent Non-Executive Directors have the ability to work remotely.

All other material information regarding the System of Governance has been set out above.

C. Risk Profile

The majority of the risks we face are measured and managed based on the calculations derived using the Standard Formula, as set out in Solvency II. The Standard Formula comprises a set of individual risk modules each of which cover a certain type of risk to which we may be exposed. The risk modules are then aggregated in a defined way ultimately to calculate our SCR. The following graphic represents a summarised version of the Standard Formula including the items that are most relevant to us.



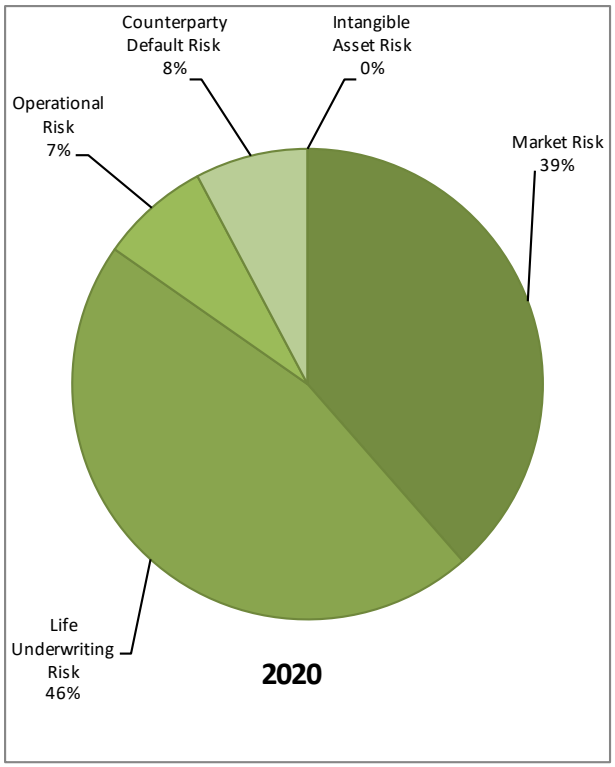
The resulting risk profile indicates how risks are distributed over different risk categories and determines the regulatory capital requirements in accordance with Solvency II.

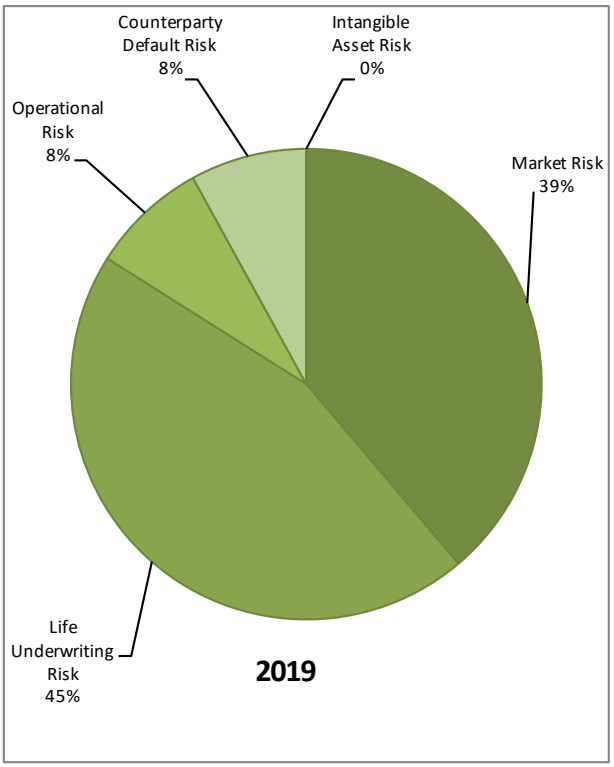
The risks covered by the Standard Formula do not include Liquidity Risk, Strategic Risk or Reputational Risk. Section C.4 below sets out our considerations in respect of Liquidity Risk and Section C.6 below sets out our consideration in respect of Strategic Risk and Reputational Risk.

This Section provides a detailed description of our risk exposure by category of Solvency II risk, followed by detailed descriptions of each corresponding risk category in the different subsections. Definitions of each of these risk types are included in the glossary set out in Appendix 1.

Whilst the quantum of our SCR has increased due to increases in the underlying size of our book, there have been no material changes in any of our risk exposures over the reporting period. We have not experienced significant changes to the risk categories due to COVID-19.

The charts below set out the resulting basic Solvency Capital Requirement as at 31 December 2020 and 31 December 2019:





C.1 Life Underwriting risk

Life Underwriting risks have been split into mortality risk, expense risk and lapse risk.

C.1.1 Risk exposure

The Standard Formula indicates that as at 31 December 2020 46% (2019: 45%) of our SCR is held in respect of life underwriting risk. Key life underwriting risks we are exposed to include:

Material risks	Risk assessment measures
Expense risk The risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of the expenses incurred in servicing policies. An increase in the level of expenses, whether due to estimation error, inflation being higher than expected or policy volumes being lower than expected, results in a reduction in future profitability and an increase in the provisions required for future expenses.	Actual expenses incurred are monitored against budgeted expenses for the month and year to date. Significant deviations are investigated. Best estimate assumptions are reviewed and rebased annually as required.

Material risks	Risk assessment measures
Lapse risk The risk of loss, or of adverse change in the value of policies, resulting from changes in the level or volatility of the rates of policy lapses. The potential impact on Own Funds of the occurrence of a mass lapse event is projected for the purposes of calculating our capital requirements under Solvency II. Under the Solvency II Standard Formula, a mass lapse event is calculated by modelling the impact of the instantaneous discontinuance of 40% of the insurance policies on the Company's Own Funds. The occurrence of a mass lapse event results in a reduction in future profitability.	Product profitability is monitored on a quarterly basis and lapse experience is monitored on a monthly basis so that any significant deviation from expected patterns is detected and addressed in a timely manner. Best estimate assumptions are reviewed and rebased annually as required.
Mortality risk The risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance liabilities.	Actual claims experience is closely monitored as compared to forecasts and assumptions. Best estimate assumptions are reviewed and rebased annually as required.
Life Catastrophe A Life-catastrophe event is defined for the purposes of Solvency II as an instantaneous increase in mortality rates of 15bps over the mortality rates used in the calculation of the technical provisions to reflect mortality experience in the following 12 months	The likely impact of a catastrophic event occurring is measured as part of the ORSA and capital setting processes.

Exposure to mortality risk, lapse risk and expense revision risk has increased year on year in line with the overall growth in our underlying book of policies. No material changes in the measures have been applied during the period in respect of these risks.

C.1.2 Risk concentration

Our book is predominantly based in Italy with a small exposure to Lithuania. Therefore, there is a concentration risk to the exposure to a single market.

Lapse risk can increase in times of economic uncertainty. Therefore, there is a concentrated risk exposure to Italy and its economy.

C1.3 Risk mitigation techniques

Material risks	Risk mitigation techniques
Expense risk	Where possible, contracts are in place with our service providers to ensure transparency over pricing of services. Expense risk is also factored in the pricing of our products through a best estimate allowance for expenses. Expense assumptions are reviewed and rebased annually. Expenses are monitored continually and any identified deviations from expected norms are addressed.
Lapse risk	We price our products based on best estimate assumptions, including surrender rates. We carry out reviews of the on-going appropriateness of our products. Lapse experience is monitored against budgetary expectations on a continual basis and any identified deviations from expected norms are investigated. Best-estimate lapse assumptions are reviewed on at least an annual basis.
Mortality risk	A large proportion of the mortality risk is reinsured.
Life Catastrophe event	Due to the nature of the products written, there is limited exposure to this class of risk. A significant proportion of the likely impact of life catastrophe risk is reinsured.

C.1.4 Risk sensitivity

We carry out stress and scenario testing as part of the ORSA, which includes stress testing in respect of lapse risks and expense risks. As part of the ORSA, the SCR is recalculated following scenarios which subject it to significant increases in expenses and sharp increases in lapses, including the consideration of the impact of a potential higher mass lapse event occurring. The testing shows that we are resilient to such stresses.

C.2 Market risk

C.2.1 Risk exposure

C.2.1.1 Exposure

As at 31 December 2020 39% (2019: 39%) of our SCR, as calculated applying the Standard Formula, is held in respect of Market Risk.

Market risk results from unexpected losses arising due to changes in market prices or parameters influencing market prices. These include changes driven by equity prices ("equity risks"), interest rates ("interest rate risk"), real estate prices, exchange rates ("currency risk"), credit spreads ("spread risk") and implied volatilities or due to changes in market prices due to a worsening of market liquidity.

As an inherent part of our operations, we collect premiums from our policyholders and invest them in a wide variety of assets. The resulting investments back the unit-linked policy liabilities held on behalf of the policyholders ("unit-linked assets").

Some of our policyholder investment funds use derivatives to hedge against adverse market movements (for example, protective puts) or to reduce our investment risk (for example, by using forwards, swaps or swaptions).

In addition, we hold cash deposits on behalf of the shareholders ("shareholder investments") and to back our life assurance provision.

Thus, we are exposed to market risk in the form of equity risk, spread risk, currency risk and to a lesser extent interest rate risk. We do not currently expose our policyholders or shareholders to significant real estate pricing risk.

Poor performance in the unit-linked funds affects the value of fees earned as a second order risk. Adverse fluctuations in equity prices, interest rates and foreign currencies will result in a reduction in fee income earned.

We have experienced volatile markets conditions in 2020 as a result of COVID. However, indications are that both equity and credit markets have commenced pricing an eventual return to normal following the development of multiple vaccines and the rollout of same.

In our case, the liability impact of low interest rates is minimal as we only sell unit-linked business without a guaranteed rate of return. Interest rate developments could affect the performance of policyholder's funds from which profits are generated. Lower investment fund performance can also affect lapse rates and new business.

Over the long term, we may become increasingly exposed to market fluctuations as a result of transitional risks associated with Environmental (climate change), Social and Governance Risks. Refer to Section C.6 for more information on Environmental (climate change), Social and Governance Risks.

Concentration risk is also included in the calculation of market risk. However, this risk does not have a material impact on SCR.

C.2.1.2 Risk assessment measures

Our Investment Policy Statement details the approach to the management of risks arising in respect of unit-linked assets and shareholder investments.

The performance of policyholders' funds and compliance with investment mandates is monitored on a regular basis by the Finance Team and Investment Committee. The Investment Committee reports to the Board on a quarterly basis.

Likewise, the performance of the shareholder investments is monitored in line with the limits set out in the Investment Policy.

C.2.1.3 Application of the Prudent Person Principle

We apply the Prudent Person Principle to our entire investment portfolio through the application of the following principles:

- All assets need to be invested in such a way as to ensure the quality, security, liquidity, profitability and availability of the investment portfolio as a whole. This also includes the need to structure the investment portfolio such that it is appropriate to the nature and duration of insurance liabilities covered by these assets.
- Assets are only admissible if we can properly identify, measure, monitor, manage, control, report and appropriately integrate their risks as part of the ORSA.
- Asset Managers are subject to rigorous due diligence procedures prior to business being placed with them.
- Asset Managers are subject to review throughout the course of their association with us.
- Review meetings are held with the Asset Managers during which fund performance, investment strategies and risk management are discussed.
- All Asset Managers are provided with clear investment mandates and guidelines, which set out the upper and lower volatility limits, geographical exposure limitations, prohibited investments and concentration risk limits as set for individual policyholders funds and shareholder investments alike. The Investment Committee and Finance Team monitors compliance with these limits.

C.2.2 Risk concentration

Market concentration risk is a standalone sub-module that feeds into the overall Market Risk SCR calculation.

Under the Solvency II Delegated Regulations, assets held in respect of life insurance contracts where the investment risk is fully borne by the policyholders are not included in the calculation of concentration risk sub-module of the Market Risk SCR.

The Shareholder did not hold any investments as at 31 December 2020.

C.2.3 Risk mitigation techniques applied

Market risk exposures are mitigated through the following techniques:

- The performance of policyholders' funds and compliance with investment mandates are monitored and reported on an exceptions basis. Exceptions identified are followed up in a timely manner.
- The Finance Function monitors compliance with volatility limits. Exceptions are reported to the Investment Committee on a regular basis. If volatility limits are breached, the Asset Manager so affected is requested to undertake corrective actions within a reasonable timeframe.
- We are working closely with our asset managers to identify suitable Environmental, Social and Governance funds for inclusion in our customer offerings. In some cases, these funds will replace existing fund options entirely.
- Our Investment Policy specifically prohibits investment in the following:

Investment types	Definition
Controversial Weapons Exclusions	Exclusion of producers of controversial weapons
Energy Exclusions: Coal-based businesses	Exclusion of coal-based business models
Energy Exclusions: Energy Watch List	No new investments in coal-based business models
Energy Exclusions: Unconventional Oil and Gas Oil Sands	Exclusion of oil sands-based business models
Energy Exclusions: Unconventional Oil and Gas Tight Oil and Gas – Fracking	Exclusion of tight oil-based business models relying on Hydraulic Fracturing ('Fracking')
Sovereign Bond Exclusions	Exclusion of Sovereign bond issuers (and sub-sovereign issuers) as included on the EU Financial Sanctions list.
Engagement Exclusions	Exclusion of corporate issuers with a negative engagement outcome

There has been no material change in the measures applied during the period in respect of these risks.

C.2.4 Risk sensitivity

As part of our ORSA process, we subject the investments to the equivalent of recessionary market conditions. Both the Solvency Coverage and liquidity needs were recalculated as part of the analysis of this scenario and it was determined that the Company is resilient to such stresses.

C.3 Credit risk (Counterparty default)

C.3.1 Risk exposure

C.3.1.1 Exposure

The Standard Formula indicates that as at 31 December 2020 8% (2019: 8%) of our SCR is held in respect of Counterparty risk or credit risk.

Credit risk is the unexpected loss in the market value of the portfolio due to deterioration in the credit quality of counterparties including their failure to meet payment obligations or due to non-performance of instruments (i.e. payment overdue). Our exposure to credit risk, which includes counterparty risks, primarily occurs with respect to the following assets:

- Amounts due in respect of unit-linked assets.
- Italian Withholding Tax ("IWT"), arising because of participating in the "sostituto d' imposta" tax regime.
- Cash balances and deposits held with credit institutions.
- Receivables due from debtors.

C.3.1.2 Risk assessment measures

The credit quality of counterparties is monitored closely by the Finance and Risk Functions. A significant deterioration in the credit quality of a counterparty (for example, a downgrade of more than two credit rating categories in respect of a rated counterparty) acts as an early warning. The recoverability of debts is also closely monitored.

C.3.1.3 Application of the Prudent Person Principle

In line with the Prudent Person Principle, we have implemented an Investment Policy. This policy sets limits over the extent of permissible credit exposure by type of issuer in order to mitigate credit risk.

We have also set limits on the maximum amount of cash balances that can be deposited with individual financial institutions. As an overarching principle, we can only place investments, including cash balances, with counterparties approved by Allianz Group.

All holdings are subject to Group defined limits as set out in the Credit Limit and Risk Management System ("CRISP"), which is an Allianz Risk Management System used to ensure that counterparty concentration risk does not exceed the Group's risk-bearing capacity.

We may not invest in assets that are not included in the Allianz permissible asset database. Apart from limited exceptions, as approved by our Board, shareholder investments are limited to securities rated as being at least equivalent to Standard and Poor's BBB- rating at worst ("investment grade").

We may only enter into reinsurance contracts with counterparties approved by Allianz Group. As per Allianz Group's criteria only reinsurance counterparties with a minimum S&P credit rating of "A" are acceptable.

C.3.2 Risk concentration

As at 31 December 2020, Darta holds a receivable to the value of €340m (2019: €315m) that is recoverable against future payments to the Italian Tax Authority.

C.3.3 Risk mitigation techniques applied

As part of the Allianz Group, we are covered by the CRISP system. The CRISP system also includes "watch list" reports and "blacklisted" counterparties. The CRISP system assists us in keeping concentration and counterparty risks within Group and local Risk Appetite. Exposure to or concentrations in respect of specific assets may not exceed those limits set out in the CRISP database, except where an explicit derogation has been provided by the Board or Allianz Group, as applicable.

Compliance with these limits is monitored by the Finance Function and is reported on by the Risk Management Function to the Investment Committee.

We have a letter of "parental support" in place, whereby we are able to assign any unrecovered Italian tax asset, which arises from the payment of the IWT each year, at face value to our Shareholder (irrespective of whether or not they have a sufficient tax liability to get immediate value for the credit).

Outstanding debtor balances are followed up on a regular basis by our Finance Team.

C.3.4 Risk sensitivity

Specific stress scenarios relating to the default of material receivables were analysed as part of the ORSA. Both the Solvency and liquidity needs were recalculated as part of the analysis of these scenarios and it was determined that the Company is resilient to such stresses. In addition, we prepare a paper each year wherein the recoverability of the IWT Asset is specifically reviewed, which is presented to the Audit Committee for review and approval.

C.4 Liquidity risk

C.4.1 Risk exposure

C.4.1.1 Exposure

Liquidity risk is the risk that current or future payment obligations cannot be met or can only be met based on adversely altered conditions. Liquidity risk can arise primarily if there are mismatches in the timing of cash flows.

Liabilities to policyholders are matched by unit-linked assets such that there are units created for each fund equal to the number of units allocated to policyholders. This is designed to ensure that sufficient assets of appropriate nature, term and liquidity are held to enable us to meet the liabilities to policyholders as they become due. Our policyholder's main exposure to liquidity risks arises through the investments backing their policy liabilities, although the effect of this risk is reduced by the nature of the investments held. On receipt of a claim, our policyholder's positions are encashed and the proceeds are paid over.

In general, our products are well matched in terms of timing of cash flows, which reduces the extent of liquidity risk that may arise. However, some product offerings include an upfront allocation, which may result in liquidity strains in high sales volume periods.

Our Shareholder's main exposure to liquidity risks arises in respect of the unrecovered portion of the Italian Tax Asset and the requirement to pay expenses of the business as they arise from time to time.

There have been no material changes in our liquidity risk exposures over the reporting period.

C.4.1.2 Risk Assessment measures

The Policyholder's exposure to liquidity risk (arising in respect of the internal funds) is managed through compliance with the respective investment policies of each fund, as detailed in the Investment Mandates and Investment Guidelines, whereby, each fund is obligated to hold a percentage of the their assets in highly liquid assets.

Company liquidity is monitored on a daily and monthly basis by the Finance Function.

A forward-looking cash flow projection over a 36-month period is performed based on the most up-to-date forecasts available. These cash flow projections, which form a part of the regular risk reporting process, are subjected to stress events that are introduced at the discretion of the Risk Management Function. This enables us to understand our potential future liquidity needs better. The outcomes of the projections are discussed at the MRC on a monthly basis and are reported to the Board on a quarterly basis.

C.4.1.3 Application of the Prudent Person Principle

Cash resources are held across a number of banks throughout Europe and are subject to upper limits on the amount of cash that may be held within any one institution at any one time. The banks that we use are approved counterparties as prescribed by the Allianz Group.

C.4.2 Risk concentration

The main driver of liquidity stresses relates to the payment of IWT in June of each year. In addition to an analysis of the liquidity implications arising from our planning forecast, a number of stress scenarios were analysed allowing us to determine that the amount due for payment has reduced over time as have triggered the legislative cap. For this reason, it is anticipated that concentration of risk in respect of liquidity risks ought to reduce over time.

C.4.3 Risk mitigation techniques applied

Liquidity risk is managed in line with the Risk Management Framework, which includes an Investment Policy and a Liquidity Risk Management Policy. These policies set out a number of measures that we actively use to ensure that we are able to pay our debts as they become due.

We monitor the limits over the volume of products with additional allocations that may be sold closely.

C.4.4 Risk sensitivity

As part of the ORSA, consideration is given to the impacts in each of the stress scenarios on our liquid assets and our ability to continue to meet obligations as they become due. We are sensitive to extreme liquidity stresses as demonstrated through the testing performed. However, in most scenarios we are projected to maintain a reasonable liquidity buffer throughout the period 2020-2023.

C.4.5 Expected profits included in future premiums

The expected profit included in future premiums amounts to circa €7.9m (2019: €1.6m). The expected profit included in future premiums is the difference between the Best Estimate Liabilities and the Best Estimate Liabilities assuming no future premiums are received relating to existing business.

C.5 Operational risk

C.5.1 Risk exposure

C.5.1.1 Exposure

As at 31 December 2020 7% (2019: 8%) of Darta's SCR, as calculated in accordance with the Standard Formula, is held in respect of operational risk.

Operational risks represent the losses resulting from inadequate or failed internal processes and can stem from a wide variety of sources, as summarised in the table below.

Sources of material exposures	
Categories	**Definitions**
External fraud (including cyber risks)	The external theft and fraud sub-category covers events arising from acts intended to defraud, misappropriate property or circumvent the law by a third party without the assistance of an internal party.
Internal Fraud (including cyber risks)	Where one or more current employees are knowingly involved in a theft or fraud, including unauthorized activity where there is no legal recourse, the event should be classified as internal fraud.
Employment practices and workplace safety	This category covers operational risk events resulting from incidents connected to employment agreements, human resource processes and health and safety laws.
Clients/Third party, Products and Business practices	An operational risk event may arise due to an unintentional or negligent failure to meet a professional obligation (including fiduciary and suitability requirements), or from the nature or design of a product.
Damage to physical assets	The damage to physical assets category is used to cover events arising due to natural / industrial disasters and malicious damage of company property.
Business disruption and system failures (including cyber risks)	This category covers operational risk events arising due to disruption of business operations or system failures.

Sources of material exposures	
Categories	**Definitions**
Execution, delivery and process management	An operational risk event may arise due to failed transaction processes or process management failures in general. Operational risk events arising in back office areas fall within this category. These events will often be unintentional and could involve failure to properly document and/or complete business transactions.
Conduct Risk	The risk to the delivery of fair customer outcomes, or to market integrity. We are exposed to conduct risk through the failure of distributors to act in an ethical manner when distributing our products. This could arise through inappropriate sales activities or the brokers trying to increase their own fee income by coercing policyholders to surrender and reinvest their funds in a manner that is detrimental to the policyholder.

C.5.1.2 Risk assessment measures

Operational risk is monitored through the analysis of the number and nature of errors and near misses reported. The level and nature of complaints as logged by the Operations team are also analysed as part of this exercise.

The impact of these incidents on operational risk is measured using a "Rating Impact Scale" whereby operational incidents, breaches, losses or unexpected profits arising from operational incidents and near misses are rated and classified.

Compliance with legal and regulatory requirements is monitored by our Compliance Function.

Complaints and instances of litigation are closely monitored by our Compliance Function and Operations team and are reported on through the Key Risk Indicators by the Risk Function.

We have developed a series of metrics to aid us in identifying whether our customers understand the products they hold or whether there are potential areas for concern in our selling process.

We closely monitor our outsource providers through:

- Scrutiny of performance metrics as compared to pre-defined service levels
- Regular operational and performance meetings
- The completion of oversight procedures by the Teams responsible for managing the relationship.

The performance of our outsource providers is formally discussed, at least quarterly, during our Outsourcing Committee meetings. The Committee will determine action plans to address underperformance by an outsource service provider, if required. Detailed exit plans have been developed, should it become necessary to terminate our relationship with an outsource service provider.

C.5.2 Risk concentration

We are not exposed to any significant concentrations of risk in respect of operational risks as at 31 December 2020.

C.5.3 Risk mitigation techniques applied

Exposure to operational risk is typically managed by the managers of our various business functions as part of their first line of defence responsibilities.

We also have a comprehensive set of policy statements in place, which are designed to control and mitigate our main sources of operational risk. Each policy sets out procedures to manage, mitigate and report operational risk.

One of the sources of operational risk is the outsourcing arrangements that have been put in place. To mitigate these risks we have an Outsourcing Governance Framework in place, which includes an Outsourcing Policy. Section B.7 provides more detail on how we manage outsourcing arrangements.

We have a detailed Business Continuity Plan in place, which covers major risk scenarios. This plan is tested at least annually. We seek information on key outsource service providers' Business Continuity Plans and the results of their testing as part of the on-going outsourcing due diligence process.

We have a detailed Information Security policy in place that describes our Information Security Framework. This Framework is derived from Allianz's Group Information Security Framework, as adapted to meet local operational needs and regulatory requirements. As part of this Framework, we have a series of key controls and reporting measures in place, such as continuing user education and awareness campaigns, regular access reviews, network security and malware protection.

Our Compliance Function and Operations Function closely monitor complaints and instances of litigation, which are in turn reported on through the Key Risk Indicators prepared by the Risk Function. We have developed a series of metrics to aid us in identifying whether our customers understand the products they hold or whether there are potential areas for concern in our selling process.

Our existing products are subject to regular review based on pre-defined metrics.

We conduct comprehensive due diligence procedures over prospective distributors before on-boarding them and continue to review their behaviour and performance throughout the course of our relationship with them. The distribution agreements in place with our distributors include clauses that have been designed to prohibit undesirable sales practices. Our distributors are provided with training in respect of any new products introduced and new brokers are provided with training throughout the course of our relationship with them.

C.5.4 Risk sensitivity

We carry out stress and scenario testing as part of the ORSA, which includes stress testing the impact of operational risks. Our SCR was recalculated following scenarios, which subjected the Company to significant operational incidents. The testing showed that we are resilient to such stresses.

C.6 Other material risks

There are certain risks that are not adequately addressed or mitigated by additional capital and are therefore not considered in the Standard Formula. For identification, analysis, assessment and management of these risks, we use a systemic approach in which risk assessments are generally based on quantitative criteria or scenario analysis.

C.6.1 Risk exposure

C.6.1.1 Exposure

Material risk	Sources of material exposures

Environmental, Social or Governance ("ESG")
 	
ESG risks arise from Environmental, Social or Governance events or conditions with negative impacts on assets, profitability or reputation.
 	
Environmental Risk (Climate change)
A change in average conditions, such as temperature or rainfall, in a region over a long period of time. There are two categories of risk associated with climate change:
• Physical risks arising from climate change can:
  ○ Be event-driven ("acute") such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires).
  ○ Relate to longer-term shifts ("chronic") in rainfall amounts and temperature and increased variability in weather patterns (e.g., sea level rise).
• Transitional climate-related risks are associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations.
A sharp increase in physical risks would require the economy to transition more rapidly, leading to higher transition risks.
 	
Social Risk
Risks arising from how a company manages its relationships with its customers, its workforce, its
	ESG risks present a diverse threat as the risks themselves may materialise within multiple risk categories. For example, business disruptions as a form of operational risk, stranded assets as a form of financial market risk, or reputational risks arising from a poor public perception of our Company as socially irresponsible.
	
	From a climate change perspective, we are most exposed to transition risk and the second order effects arising from climate change. For example, a significant shift in weather patterns may lead to market instability or the reduction in the prices of certain assets or reputational risk through association with companies that are no longer considered to be socially acceptable or no longer comply with updated regulations.

Material risk	Sources of material exposures
suppliers, the community it operates in and the political environment. **Governance Risk** Risks arising from the system underlying how the Company is directed and controlled in the interests of shareholders and other stakeholders. Governance involves a set of relationships between management, the Board, the Shareholders and other stakeholders. It provides the structure and processes through which the Company's objectives are set, monitored, and results are evaluated.	Social risks may manifest in the form of conduct risk, legal risks or reputational risks. Governance risks may manifest in the form of legal risks or reputational risks.
Reputational risk Unexpected drop in the value of in-force business or value of future business caused by a decline in our reputation or in the reputation of the Allianz Group from the perspective of its stakeholders.	Events arising as a result of an operational risk that negatively affect our reputation are likely to result in an increase in lapses and a decrease in new business. Non-compliance with laws and regulations. Impact of reputational issues within other companies in the Allianz Group. Distributors selling products on our behalf. Shifts in consumer attitudes as a result of ESG related factors giving rise to reputational impacts.
Strategic risk Unexpected negative changes in the Company's value arising from the adverse effect of management decisions regarding business strategies and their implementation.	Our current strategy of mainly selling unit-linked products into the Italian market exposes us to significant concentration and strategic risk. Potentially disruptive new market entrants. Shifts in customer demands and changes in attitudes as a result of ESG related factors.

There have been no material changes in other risk exposures over the reporting period.

C.6.1.2 Risk assessment measures

Material risk	Risk assessment measures
ESG risks	As ESG risk are transversal, we measure these risks through the Key Risk Indicators assigned to the classes of risk affected.
Reputational risk	We measure reputational risk using a "Rating Impact Scale" whereby incidents, breaches, losses and near misses that may affect our reputation are rated and classified.
Strategic risk	The profitability of the Company, new business volumes, finance reports, compliance reports and risk management reports are all taken into account when the Board assesses our exposure to strategic risk.

C.6.2 Risk concentration

Risk	Risk concentrations
ESG risks	We do not have any significant risk concentrations with regard to this class of risk.
Reputational risk	We have significant exposure to Allianz Bank in Italy. Reputational damage to this distributor may have a deleterious effect on the Company.
Strategic risk	Despite the recent initiatives to access new distribution channels and markets, it is acknowledged that in the short to medium term that we continue to be exposed to significant strategic risk.

C.6.3 Risk mitigation techniques applied

Material risks	Risk mitigation techniques
ESG risks	The general strategy for management of these ESG risks is to follow the management approach for the primary underlying risk (i.e. financial market risks, operational risks, etc.). We have recently completed a group wide project underway to ensure compliance with the requirements of the European Union's Directive on Sustainable Finance. Business Continuity Management plans and policies, including ability to work remotely as triggered throughout the ongoing COVID crisis.
Reputational risk	Threats to our reputation and that of the wider Allianz Group are closely managed. In line with Allianz Group guidance, we have a Risk Management Framework in place to identify and mitigate potential sources of reputational risk. This Framework includes the completion of the annual TRA, an annual risk assessment of our anti-fraud and anti-corruption practices and constant Anti-Money Laundering ("AML") monitoring. In addition, we have implemented a set of policies, including a reputational risk policy, anti-corruption policy and anti-fraud policy, with the aim of mitigating potential sources of reputational risk.

Material risks	Risk mitigation techniques
Strategic risk	As part of the strategic and planning process, we continually consider options to diversify our product portfolio and distribution channels. The implications of various strategies that may result in volatility in sales volumes (both positive and negative), policyholders switching to lower margin products or mass lapses are assessed as part of our stress and scenario testing as set out in the ORSA. New trends observed in the market are closely monitored.

C.6.4 Risk sensitivity

We carry out stress and scenario testing as part of the ORSA, which includes stress testing on the impacts of other material risks. The testing showed that the Company is resilient to such stresses.

C.7 Any other information

All material information regarding our risk profile has been set out above.

D. Valuation for solvency purposes

D.1. Assets

The following table lists our material assets and provides an overview as to the valuation approach applied in respect of these assets. The asset classes described are the same as those used for the Solvency II Market Value Balance Sheet ("MVBS").

2020	Note	IFRS	Reclassification adjustments	Valuation adjustments	Solvency II
Assets		**€'000**	**€'000**	**€'000**	**€'000**
Cash and cash equivalents		214,882	-	-	214,882
Deferred tax asset	D.1.1	-	-	-	-
Advance payment of Italian Policyholders' Tax	D.1.2	339,614	(339,614)	-	-
Deferred acquisition costs	D.1.3	71,816	-	(71,816)	-
Shareholder financial assets		-	-	-	-
Investments at fair value through other comprehensive income	D.1.4	-	-	-	-
Policyholder financial assets					
Investments at fair value through profit or loss/assets held for index-linked and unit-linked funds	D.1.5	21,103,847	85,988	-	21,189,835
Other receivables	D.1.2	44,722	308,840	-	353,562
Reinsurance recoverables		-	-	(4,258)	(4,258)
Reinsurance receivables		-	198	-	198
Right-of-use asset	D.1.6	7,314	(7,314)	-	-
Property, plant and Equipment held for own use	D.1.6	-	7,314	-	7,314
Total assets		**21,782,195**	**55,412**	**(76,074)**	**21,761,533**

We prepare our financial statements in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union.

The following Sections contain qualitative and quantitative information on the differences arising in respect of the asset classes reported under Solvency II and the asset classes reported in the Financial Statements.

D.1.1 Deferred Tax Asset

Solvency II reporting	IFRS reporting
Deferred tax is recognised in line with the principles set out in Article 15 of the Solvency II Delegated Acts. We are required to: • Recognise and value deferred taxes in relation to all assets and liabilities, including Technical Provisions. • Value deferred taxes, other than those arising from carrying forward unused tax losses, and Technical Provisions on the difference between the values ascribed under Article 82 of the 2015 Regulations and the values ascribed to those assets and liabilities as recognised and valued for tax purposes • Ascribe a value in accordance with Articles 83 to 98 of the 2015 Regulations to the Technical Provisions. • Recognise a deferred tax asset only where it is probable that future taxable profits will be available, against which the deferred tax asset can be utilised. We have not recognised any deferred tax assets for the purposes of reporting under Solvency II as at 31 December 2020 (2019: Nil)	The deferred tax asset recognised in the Financial Statements relates to the timing of the recognition of the unrealised losses in respect of the Shareholder Assets. Unutilised tax losses are not subject to any expiry dates. Corporate tax rates remain unchanged during the reporting period. No tax losses have been incurred in the current or preceding reporting period. The approach to calculation of Deferred Tax for Solvency II purposes is consistent with the approach under IFRS. Differences in value, if any, may arise due to differences in values derived due to variations in treatment or valuation for calculating tax under the two reporting bases. As at 31 December 2020, we do not have any unrecognised tax credits or tax losses for which deferred tax has not been recognised in our Statement of Financial Position (December 2019: €76,000).

D.1.2 Other Receivables

Receivables (trade not insurance) include an advance payment of policyholder tax to the Italian Authorities ("Italian Withholding Tax Asset") and other pre-payments.

Solvency II reporting	IFRS reporting
Receivables are reported at their fair value, net of any amounts deemed doubtful debts. Due to the prevailing negative market rates, we did not apply any discounting to the Italian Withholding Tax asset for the purposes of Solvency II reporting, as the adjustment would lead to an increase in the amounts outstanding. For Solvency II reporting purposes, the Italian Withholding Tax asset has been reclassified to the Receivables (trade, not insurance) line item in the Solvency II Balance Sheet.	For IFRS purposes, we carry receivables at their nominal amounts (no discounting is applied). Payments are made to the Italian authorities because we are a withholding tax agent. These payments are recognised as assets, which are presented within the Statement of Financial Position at their nominal amounts (no discounting is applied). The payments are recoverable from deductions made from capital gains made by policyholders, by offset against taxes payable to Italian revenue within a period of five years or they may be transferred to a company in the same group after five years have elapsed. In line with Group Accounting policy, we do not apply any discounting to the Italian Withholding Tax asset for the purposes of IFRS reporting.

D.1.3 Deferred Acquisition Costs ("DAC")

Solvency II reporting	IFRS reporting
DAC is not recognised in accordance with Article 12 of the Solvency II Delegated Acts.	Under IFRS, acquisition costs are deferred as an explicit deferred acquisition cost asset, gross of tax, to the extent that they are recoverable out of future revenue margins to which they relate. Such costs are amortised through the Statement of Profit and Loss over the period in which the future revenue margins on the related contracts are expected to be earned. The rate of amortisation is based on a prudent assessment of the expected pattern of receipt of future revenue margins, taking account of persistency, from the related contracts. All other costs are recognised as expenses when incurred.

D.1.4 Investments (other than assets held for index-linked and unit-linked contracts) ("Shareholder financial assets")

The Shareholder financial assets comprise investments in Government Bonds and other debt securities.

Solvency II reporting	IFRS reporting
These investments are measured at fair value for Solvency II purposes. Each instrument in this class was individually valued through the application of quoted prices (unadjusted) obtained from an active market (recognised and active exchange) for identical assets. Such investments are reported inclusive of interest for Solvency II reporting purposes. Therefore, accrued interest attributable to these bonds has been reclassified from receivables to the Shareholder financial asset line item. As at 31 December 2020, all of our investments of this type had matured or been sold.	For IFRS purposes, these assets have been categorised as "Investments at fair value through profit or loss" or "Investments at fair value through other comprehensive income" and are measured at fair value in the Statement of Financial Position in line with the requirements of IFRS9 Financial Instruments ("IFRS 9"). These investments are reported exclusive of interest for IFRS reporting purposes. Accrued interest attributable to the Shareholder financial assets is classified as a receivable. As at 31 December 2020, all of our investments of this type had matured or been sold.

D.1.5 Assets held for index-linked and unit-linked funds ("Policyholders' Funds")

We hold unit linked assets for the benefit of our policyholders.

Solvency II reporting	IFRS reporting
The Policyholders' Funds are measured at fair value for Solvency II purposes	For IFRS purposes, these assets have been categorised as "Investments at fair value through profit or loss" and are measured at fair value in the Statement of Financial Position in line with the requirements of IFRS 9.

Approximately 97% (2019: 97%) of the Policyholders' Funds have been individually valued through the application of quoted prices (unadjusted) obtained from an active market (recognised and active exchange) for identical assets.

The remaining assets are valued using valuation techniques based on observable inputs. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of the valuation techniques applied is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

No Policyholders' Funds are valued using significant unobservable inputs.

D.1.6 Right-of-use asset/Property, Plant and Equipment held for own use

Solvency II reporting	IFRS reporting
The right-of-use asset is treated in a manner consistent with that under IFRS. For Solvency II reporting purposes the lease recognised under IFRS 16 has been classified as property, plant and equipment held for own use.	The right-of-use asset is recognised in respect of our premises under IFRS 16 Leases. We carry the right-of-use asset in the Statement of Financial Position at cost less depreciation. Cost is determined with reference to the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any restoration cost due in respect of the asset at the end of the lease term and any lease payments made in advance of the lease commencement date (net of any incentives received). We calculate Depreciation using the straight-line basis from commencement of the lease until the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use asset is subject to impairment assessments.

D.2 Technical provisions

D.2.1 Technical provisions by material lines of business

The value of the Solvency II Technical Provisions is the sum of the Best Estimate Liability ("BEL") plus a Risk Margin. As at 31 December 2020, the Technical Provisions were:

	Unit linked Contracts without options and guarantees	
	2020 €'000	2019 €'000
Best Estimate Liabilities	20,460,333	17,614,704
Risk Margin	153,158	148,982
Technical provisions less recoverables	**20,613,490**	**17,763,686**

The Technical Provision calculations were performed in accordance with Article 75 to 86 of the Directive 2009/138/EC.

The BEL corresponds to the probability weighted average of future cash flows, taking account of the time value of money (expected present value of future cash-flows) using the relevant risk-free interest rate term structure. The unit liability is included in the BEL. The calculation of the BEL is based on up-to-date, credible information and best estimate assumptions. It is calculated gross, without deduction of amounts recoverable from reinsurance contracts and special purpose vehicles.

The Risk Margin is an addition to the BEL to ensure that the Technical Provisions are equivalent to the amount that insurance undertakings would be expected to require in taking over and meeting the insurance obligations. It reflects the cost of setting aside the shareholder funds needed to cover the unhedgeable part of SCR over the lifetime of the business at the prescribed cost of capital rate of 6% per annum.

D.2.2 Actuarial methodologies and assumptions

Methodology

Deterministic cash flow projection methods are used to calculate the Technical Provisions for all products.

Assumptions

Lapse rates

Lapse assumptions are based on our experience data, where appropriate. Where our surrender experience data for a given product is deemed statistically unreliable, the experience data on similar products within the Company or the Allianz Group are considered in the assumption setting exercise. Surrender rates cannot be predicted with certainty and actual future surrender experience will deviate from that assumed.

A review of surrender experience was conducted during 2020. The surrender assumptions were updated accordingly, leading to a decrease in Technical Provisions at year-end 2020.

Expenses

The expense assumptions are based on our 2020 plan, which includes a detailed bottom-up assessment of the expenses over the next three years. This considers past experience, expected portfolio development based on actuarial projections, expected future sales, new product initiatives, projects and staffing needs. The expense assumption setting exercise takes the expenses from the corporate plan into account, together with the terms and conditions of contractual arrangements relating to outsourced services, distribution channels and asset managers. There is uncertainty relating to future expenses.

The expense assumptions were updated in accordance with the most up to date contractual arrangements and the 2020 corporate plan, leading to an increase in Technical Provisions at year-end 2020.

Mortality

Mortality assumptions are based on our experience data, where appropriate. Where our mortality experience data is deemed statistically unreliable, the experience data on similar products within Darta or the Allianz Group are considered in the assumption setting exercise. Mortality rates cannot be predicted with certainty and actual future mortality experience will deviate from that assumed.

Given the low levels of death benefits offered (net of reinsurance), mortality assumptions are not material.

A review of mortality experience was conducted during 2020. The mortality assumptions were updated accordingly, leading to a decrease in Technical Provisions at year-end 2020.

Economic assumptions

Projected investment returns, interest rates and discount rates are based on the prescribed risk-free curve issued by EIOPA.

D.2.3. Uncertainty associated with the value of technical provisions

There is uncertainty as to the extent to which actual future experience will deviate from the assumptions used to calculate the technical provisions. In particular, we are exposed to deviations of actual experience from any of the assumptions discussed in the previous section. Sensitivity to key assumptions is tested in the ORSA, the Actuarial Function Report and in determining capital requirements.

These sensitivity tests show we are most exposed to market and surrender stresses that reduce projected future fund related revenues and to expense stresses that increase future expected costs. We are exposed to expense inflation and mortality risks to a lesser extent.

D.2.4 Valuation differences between IFRS and Solvency II

The table below reconciles the Technical Provisions reported in the financial statements to those reported for Solvency II. The key differences in valuation methodology and assumptions are as follows:

- Solvency II includes the present value of future fee income net of expense outgo on the underlying unit-linked funds, reducing the level of Technical Provisions required. These projected cash flows are excluded under IFRS.
- The Solvency II Technical Provisions include a Risk Margin to allow for the cost of capital in respect of risks that cannot be hedged away. IFRS has no such risk margin.
- Under IFRS there is a life assurance provision relating to the additional death benefit riders that apply to certain unit-linked contracts. This provision is excluded from Solvency II because the allowance for these benefits is already captured in the present value of future profits.
- Unallocated premiums are included in Solvency II Technical Provisions. Under IFRS, unallocated premiums are classified as Insurance Payables.

	2020	2019
	€'000	€'000
IFRS Technical Provisions	21,104,047	18,254,298
Take credit for present value of future profits (incl. of reinsurance)	(679,051)	(639,443)
Recognition of the risk margin	153,158	148,982
Exclude the Life Assurance Provision	(200)	(150)
Include Unallocated Premiums	35,536	-
Solvency II Technical Provisions	**20,613,490**	**17,763,687**

D.2.5 Application of the matching adjustment, the volatility adjustment and the transitional deduction

The matching adjustment referred to in Article 77b of the Solvency II Directive is not applied.

The volatility adjustment referred to in Article 77d of the Solvency II Directive is not applied.

The transitional deduction referred to in Article 208d of the Solvency II Directive is not applied.

D.2.6 Application of the transitional risk-free interest rate structure

The transitional measure on the risk-free interest rates referred to in Article 208c of the Solvency II Directive is not applied.

D.2.7 Recoverables from reinsurance contracts

Under Solvency II, we calculate the value of our reinsurance recoverables based on the present value of future expected cash flows associated with the reinsurance coverage, as calculated using the BEL model.

Our reinsurance recoverables are valued at -€4.2m and exist in relation to mortality benefits on some products. This is a liability but is not material.

We do not have any risk transfer arrangements with special purpose vehicles.

D.2.8 Use of simplified methods to calculate technical provisions

We do not make use of any material simplifications to calculate our technical provisions.

D.3 Other liabilities

2020	Note	IFRS	Reclassification adjustments	Valuation adjustments	Solvency II
Other Liabilities		**€'000**	**€'000**	**€'000**	**€'000**
Deferred income	D.3.1	27,638	-	(27,638)	-
Creditors and other payables	D.3.2	177,768	(68,751)	(2,358)	106,659
Insurance and intermediaries payable		-	96,154		96,154
Reinsurance payable		-	188		188
Deferred tax liability	D.3.3	-	-	60,002	60,002
Lease liability – current	D.3.4	299	(299)	-	-
Lease liability – non-current	D.3.4	7,319	(7,319)	-	-
Corporation tax payable	D.3.2	134	(134)	-	-
Any other liabilities, not shown elsewhere		-	9	-	9
Total other liabilities		**213,158**	**19,848**	**30,006**	**263,012**

No changes have been made to the valuation base used or to the estimation methods used during the reporting period.

The following Sections contain qualitative and quantitative information on the differences arising in respect of the other liability classes reported under Solvency II and the other liability classes reported in the Financial Statements.

D.3.1 Deferred income

Solvency II reporting	IFRS reporting
Deferred income is not recognised for the purposes of Solvency II reporting.	Deferred income relates to front-end fees received at the inception of a contract that are deferred and amortised over the anticipated period for which the services will be provided, over the expected term of the contract.

D.3.2 Creditors and other payables

Solvency II reporting	IFRS reporting
Creditors and other payables include taxes payable and other non-insurance related payables. The amount of any loyalty bonuses due in respect of the Bonus Builder product are calculated as an integral part of the calculation of technical provisions for the purposes of Solvency II. Therefore, in order to avoid double counting of this liability a revaluation adjustment is completed. Creditors and other payables are labelled "Payables (trade, not insurance)" for Solvency II reporting purposes.	Creditors and other payables include amounts accrued in respect of Bonus Builder product, which is designed to pay a loyalty bonus to the policyholder through the allocation of additional units, at the end of a specific reference period rather than providing an upfront bonus. There are no other valuation differences between Solvency II reporting and IFRS reporting.

D.3.3 Deferred tax liability

Solvency II reporting	IFRS reporting
Refer to D.1.1 above	The deferred tax calculation considers the tax regulations specific to particular assets and liabilities under the Irish tax regime. The approach to calculation of Deferred Tax for Solvency II purposes is consistent with the approach under IFRS. Differences in value, if any, may arise due to differences in values derived due to variations in treatment or valuation for the purposes of calculating tax under the two reporting bases.

D3.4 Lease liability

Solvency II reporting	IFRS reporting
Lease liabilities are treated in a manner consistent with that under IFRS. For presentation purposes, lease liabilities are not disclosed as a separate line item. Instead, the lease liabilities are reclassified to the Creditor and other payables/Payables (trade, not insurance) line item.	We recognised a lease liability corresponding to the right-of-use asset discussed above (refer to D1.6 above) under IFRS 16. On initial recognition the lease liability is made up of all fixed lease payments (include in substance fixed), variable payments based on an index or defined rate, amounts expected to be payable under any residual value guarantee and payments arising in respect of options that are reasonably certain to be exercised. Subsequently, the lease liability is reduced for payments made and increased for interest accrued. It is re-measured to reflect any reassessment or modification or if there are any changes to the in-substance fixed payments.

D.4 Alternative methods for valuation

The same basis of valuation as used in the Financial Statements is used unless another valuation basis is required under Solvency II. Differences between the IFRS and Solvency II basis for preparing the MVBS are set out above.

D.5 Any other information

All material information regarding valuation for Solvency II purposes has been set out above.

E. Capital Management

E.1 Own Funds

E.1.1 Policies and processes

We have a formal Capital Management Policy in place that has been approved by the Board. The objectives set out in our Capital Management Policy are:

- We shall protect our capital base and steps shall be taken to support effective capital management.
- We undertake to comply with regulatory minimum capital requirements.
- Our capital is managed using an adequate capital buffer above the minimum regulatory requirement.
- Capital management seeks to add economic value over the cost of capital.
- Management is committed to the economic development of the Allianz Group through dividend payments or other forms of repayment of capital contributed from time to time.
- The capital allocated for steering the business is based on the calculations performed according to the Solvency II Standard Formula, considering other constraints (such as liquidity) and the outcome of our ORSA. In line with Allianz Group requirements, we apply a three-year planning horizon.

No material changes have been introduced in respect of our capital management policies or accompanying processes during the reporting period.

E.1.2 Analysis of Own Funds

The following table sets out the components of our Own Funds.

2020	Total	Tier 1 - unrestricted	Tier 1 - restricted	Status
	€'000	€'000	€'000	
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	-	-	-	
Ordinary share capital (gross of own shares)	5,000	5,000		Available
Reconciliation reserve	829,032	829,032		Available
Other own fund items approved by the supervisory authority as basic own funds not specified above	51,000	51,000	-	Available
Available and eligible own funds	**885,032**	**885,032**	**-**	
Total eligible own funds to meet the SCR	885,032	885,032	-	
Total eligible own funds to meet the MCR	885,032	885,032	-	

The classification of Own Funds into tiers follows the criteria set out in Regulations 107 to 111 of the 2015 Regulations[8], as well as in Articles 69 to 78 of the Solvency II Delegated Regulation.

Capital contributions have been included in "other items approved by supervisory authority as basic own funds not specified above". We obtained permission from the Central Bank to apply contributed capital as Tier 1 Basic Own Funds on 21 December 2015.

We do not hold any Tier 2 or Tier 3 type Own Funds.

The table below provides a breakdown of the reconciliation reserve, including explanations of the key components of the reserve:

	2020	2019	
Reconciliation reserve	**€'000**	**€'000**	**Comments**
Excess of assets over liabilities	885,032	767,171	
Own shares (held directly and indirectly)	-	-	
Foreseeable dividends, distributions and charges	-	-	
Other basic own fund items	(56,000)	(56,000)	Represented by ordinary share capital and capital contributions
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	-	-	
Total reconciliation reserve	**829,032**	**711,171**	

[8] Articles 93 to 96 of the Solvency II Directive

E.1.3 Reconciliation to equity in the Financial Statements

The following table reconciles our Own Funds under Solvency II to our Shareholder Equity as reported in our Financial Statements.

	2020 €'000	2019 €'000	Explanation
Equity per Financial Statements	464,990	384,961	
Adjusted for:			
Deferred Acquisition Costs	(71,816)	(71,375)	DAC is included as part of the BEL for Solvency II reporting purposes.
Deferred income	27,638	24,452	Deferred income is included as part of the BEL for Solvency II reporting purposes.
Solvency II Technical provisions movement	526,093	490,611	Effect of adjustment from IFRS reserves to Solvency II Technical Provisions. Refer to the explanation provided in Section D.2.4 above.
Solvency II deferred tax liability	(60,002)	(54,526)	Refer to the explanation provided in Section D.3.4 above.
Remove IFRS deferred tax asset	-	(76)	Assets designated as Fair Value through Other Comprehensive Income are treated as equivalent to Fair Value through Profit or Loss for Solvency II purposes, which removes the timing difference that gives rise to the deferred tax asset under IFRS. This amount is recoverable through future taxable profits. As we no longer hold any investments of this nature, we no longer recognise a deferred tax asset in this regard.
Reinsurance recoverables	(4,258)	(8,635)	Recognition of reinsurance recoverable under Solvency II.
Bonus Builder provisions	2,358	1,763	Adjustment from IFRS Creditors and Other payables included in Solvency II Technical Provisions.
Other	29	(4)	
Excess of assets over liabilities for Solvency II purposes	**885,032**	**767,171**	

We have not recognised any deferred tax assets for the purposes of reporting under Solvency II as at 31 December 2020 (2019: Nil).

E.1.4 Movement in Own Funds

The following table contains an analysis of the significant changes in Own Funds during the year.

	2020 €'000	2019 €'000	Explanation
Opening Own Funds	767,171	667,032	
Contributions of Own Funds received	-	-	No capital contributions were received at any time during the reporting period
Own Funds redeemed	-	-	No capital was redeemed at any time during the reporting period
Dividends paid to shareholders	-	(40,000)	
Movement in reconciliation reserve	117,861	140,139	Solvency II profits earned during the year.
Closing Own Funds	**885,032**	**767,171**	

E.1.5 Transitional arrangements

We have not made use of any transitional arrangements during the reporting period.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Solvency Capital Requirement and Minimum Capital Requirement

The following table contains an analysis of the components of our Solvency Capital Requirement.

Risk module	2020 €'000	2019 €'000
Market risk	296,984	260,251
Counterparty default risk	59,746	53,629
Life underwriting risk	355,763	302,707
Diversification	(173,361)	(151,051)
Intangible asset risk	-	-
Basic Solvency Capital Requirement	**539,132**	**465,536**
Operational risk	58,150	53,868
Loss-absorbing capacity of technical provisions	-	-
Loss-absorbing capacity of deferred taxes	(60,002)	(54,526)
Solvency Capital Requirement	**537,280**	**464,878**
Minimum Capital Requirement	**143,858**	**123,920**

The final amount of the Solvency Capital Requirement is still subject to supervisory assessment. Darta uses EIOPA's Solvency II Standard Formula and has not made use of undertaking-specific parameters during the reporting period.

E.2.2 Loss absorbing capacity of Deferred Taxes ("LACDT")

Solvency II allows for a reduction in the amount of the required capital through the adjustment for the loss absorbing capacity of Deferred Taxes ("LACDT"). The LACDT is an adjustment that can be applied to lower the SCR. In order to make use of this, we need to evidence that, in a recoverability assessment, the fiscal loss arising from the SCR shock can be recovered with taxable profits.

Evidence of recoverability may include, but is not limited to:

- Taxable profit in the year the shock occurs
- Taxable profit in the calendar years prior to the year in which the shock occurs ("carry back")
- Deferred tax liability on the Solvency II balance sheet
- Expected taxable profits after shock ("carry forward")

Our Basic SCR (or pre-tax SCR) was reduced by € 60 million as at 31 December 2020 (2019: €55 million). During 2020, we earned taxable profits of approx. €91 million (2019: €78 million) and recognised a Deferred Tax Liability to the value of €60 million (2019: €56 million) for Solvency II reporting purposes.

We have not recognised any deferred tax assets for the purposes of reporting under Solvency II as at 31 December 2020 (2019: Nil).

E.2.3 Use of simplifications

We have not applied any material simplifications when calculating our capital requirements during the reporting period.

E.2.4 MCR – inputs

The following table contains the inputs used to determine the MCR.

Component	2020 €'000	2019 €'000
Index-linked and unit-linked insurance obligations	20,464,590	17,623,340
Other life (re)insurance and health (re)insurance obligations	-	-
Total capital at risk for all life (re)insurance obligations	865,569	794,828
Overall MCR calculation		
Linear MCR	143,858	123,920
SCR	537,280	464,877
MCR cap	241,776	209,195
MCR floor	134,320	116,219
Combined MCR	143,858	123,920
Absolute floor of the MCR	3,700	3,700
Minimum Capital Requirement	**143,858**	**123,920**

The Linear Minimum Capital Requirement is a calculation based on the value of technical provisions and capital at risk.

The Linear Minimum Capital Requirement is subject to a respective floor of 25%, a cap of 45% of the SCR and absolute Floor of €3.7m.

E.2.5 Material changes in SCR and MCR

SCR increased from €465 million at 31 December 2019 to €537 million at 31 December 2020. The main drivers of this increase were growth in the size of the Policyholder's assets in line with positive new business flows and positive market returns experienced during the year and the impacts arising from methodology refinements and updates to our technical assumptions, as approved by the Board, during the year.

The MCR has increased compared to 2019 due to increased technical provisions.

E.3 Use of duration-based equity risk sub-module in the calculation of the SCR

We do not make use of the duration-based equity risk sub-module in the calculation of SCR.

E.4 Differences between the Standard Formula and any internal model used

We apply the Standard Formula to calculate our Solvency Capital Requirements. Therefore, this Section is not applicable.

E.5 Non-compliance with MCR and non-compliance with SCR

There were no instances of non-compliance with MCR or non-compliance with SCR during the period.

E.6 Any other information

E.6.1 Going concern

In light of the potential impact of COVID-19 on the insurance industry and the Company business, our Directors' considered a formal going concern assessment which included, the impact of COVID-19 on the business, investment and financial performance, solvency coverage, liquidity, cyber risk and operational resilience. The assessment looked at future projections over our 3-year planning cycle, including a base case scenario and various stress tests which have been carried out as part of the ORSA process. Our Directors' have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

E.6.2 Other matters

All material information regarding our Own Funds has been set out above.

Appendix 1 Prescribed templates

The following required reporting templates are in scope for the purposes of this report.

Commission Implementing Regulation (EU) 2015/2542 of 2 December 2015

Article 4

S02.01.02	Balance sheet
S05.01.02	Premiums, claims and expenses - using FS methods
S05.02.01	Premiums, claims and expenses by country
S12.01.02	Technical provisions for life and health insurers
S23.01.01	Own Funds, including Basic Own Funds and Ancillary Own Funds
S25.01.21	Standard Capital Requirement using the Standard Formula
S28.01.01	Minimum Capital Requirement for insurance and reinsurance undertakings engaged in only life or only non-life insurance or reinsurance activity

S02.01.02
Balance sheet
€'000

		Solvency II value
	Assets	C0010
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	-
R0040	Deferred tax assets	-
R0050	Pension benefit surplus	-
R0060	Property, plant & equipment held for own use	7,314
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	-
R0080	*Property (other than for own use)*	-
R0090	*Holdings in related undertakings, including participations*	-
R0100	*Equities*	-
R0110	*Equities - listed*	-
R0120	*Equities - unlisted*	-
R0130	*Bonds*	-
R0140	*Government Bonds*	-
R0150	*Corporate Bonds*	-
R0160	*Structured notes*	-
R0170	*Collateralised securities*	-
R0180	*Collective Investments Undertakings*	-
R0190	*Derivatives*	-
R0200	*Deposits other than cash equivalents*	-
R0210	*Other investments*	-
R0220	Assets held for index-linked and unit-linked contracts	21,189,835
R0230	Loans and mortgages	-
R0240	*Loans on policies*	-
R0250	*Loans and mortgages to individuals*	-
R0260	*Other loans and mortgages*	-
R0270	Reinsurance recoverables from:	(4,258)
R0280	*Non-life and health similar to non-life*	-
R0290	*Non-life excluding health*	-
R0300	*Health similar to non-life*	-
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	-
R0320	*Health similar to life*	-
R0330	*Life excluding health and index-linked and unit-linked*	-
R0340	*Life index-linked and unit-linked*	(4,258)
R0350	Deposits to cedants	-
R0360	Insurance and intermediaries receivables	-
R0370	Reinsurance receivables	198
R0380	Receivables (trade, not insurance)	353,562
R0390	Own shares (held directly)	-
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
R0410	Cash and cash equivalents	214,882
R0420	Any other assets, not elsewhere shown	-
R0500	**Total assets**	**21,761,534**

S02.01.02
Balance sheet (continued)
€'000

	Liabilities	C0010
R0510	Technical provisions - non-life	-
R0520	*Technical provisions - non-life (excluding health)*	-
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	-
R0550	*Risk margin*	-
R0560	*Technical provisions - health (similar to non-life)*	-
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	-
R0590	*Risk margin*	-
R0600	Technical provisions - life (excluding index-linked and unit-linked)	-
R0610	*Technical provisions - health (similar to life)*	-
R0620	*TP calculated as a whole*	-
R0630	*Best Estimate*	-
R0640	*Risk margin*	-
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	-
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	-
R0680	*Risk margin*	-
R0690	Technical provisions - index-linked and unit-linked	20,613,490
R0700	*TP calculated as a whole*	-
R0710	*Best Estimate*	20,460,332
R0720	*Risk margin*	153,158
R0730	Other technical provisions	-
R0740	Contingent liabilities	-
R0750	Provisions other than technical provisions	-
R0760	Pension benefit obligations	-
R0770	Deposits from reinsurers	-
R0780	Deferred tax liabilities	60,002
R0790	Derivatives	-
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	96,154
R0830	Reinsurance payables	188
R0840	Payables (trade, not insurance)	106,659
R0850	Subordinated liabilities	-
R0860	*Subordinated liabilities not in BOF*	-
R0870	*Subordinated liabilities in BOF*	-
R0880	Any other liabilities, not elsewhere shown	9
R0900	**Total liabilities**	20,876,502
R1000	**Excess of assets over liabilities**	885,032

S.05.01.02
Premiums, claims and expenses by line of business
€'000

	Life	Line of Business for: life insurance obligations	Life reinsurance obligations	Total
		Index-linked and unit-linked insurance	Life reinsurance	
		C0230	C0280	C0300
	Premiums written			
R1410	*Gross*	3,667,240	-	3,667,240
R1420	*Reinsurers' share*	2,076	-	2,076
R1500	*Net*	3,665,164	-	3,665,164
	Premiums earned			
R1510	*Gross*	3,667,240	-	3,667,240
R1520	*Reinsurers' share*	2,076	-	2,076
R1600	*Net*	3,665,164	-	3,665,164
	Claims incurred			
R1610	*Gross*	1,559,596	-	1,559,596
R1620	*Reinsurers' share*	314	-	314
R1700	*Net*	1,559,281	-	1,559,281
	Changes in other technical provisions			
R1710	*Gross*	(2,849,750)	-	(2,849,750)
R1720	*Reinsurers' share*	-	-	-
R1800	*Net*	(2,849,750)	-	(2,849,750)
R1900	**Expenses incurred**	251,037	-	251,037
R2500	**Other expenses**			-
R2600	**Total expenses**			251,037
R2700	**Total amount of surrenders**	1,559,596	0	1,559,596

S.05.02.01

Premiums, claims and expenses by country

	€'000	C0150	C0160	C0170	C0180	C0190	C0200	C0210
	Life	**Home Country**	**Top 5 countries (by amount of gross premiums written) - life obligations**					**Total Top 5 and home country**
R1400			**Italy**	**Lithuania**				
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	*Gross*	-	3,667,155	85				3,667,240
R1420	*Reinsurers' share*	-	2,076	-				2,076
R1500	*Net*	-	3,665,079	85				3,665,164
	Premiums earned							
R1510	*Gross*	-	3,667,155	85				3,667,240
R1520	*Reinsurers' share*	-	2,076	-				2,076
R1600	*Net*	-	3,665,079	85				3,665,164
	Claims incurred							
R1610	*Gross*	-	1,559,592	3				1,559,596
R1620	*Reinsurers' share*	-	314	-				314
R1700	*Net*	-	1,559,278	3				1,559,281
	Changes in other technical provisions							
R1710	*Gross*	-	(2,849,670)	- 80				(2,849,750)
R1720	*Reinsurers' share*	-	-	-				-
R1800	*Net*	-	(2,849,670)	- 80				(2,849,750)
R1900	**Expenses incurred**	18,954	232,007	77				251,037
R2500	**Other expenses**							
R2600	**Total expenses**							251,037

S.12.01.02
Life and Health SLT Technical Provisions
€'000

		Index-linked and unit-linked insurance			Accepted reinsurance	Total (Life other than health insurance, incl Unit-linked)
			Contracts without options and guarantees	Contracts with options or guarantees		
		C0030	C0040	C0050	C0100	C0150
R0010	**Technical provisions calculated as a whole**	-			-	-
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	-			-	-
	Technical provisions calculated as a sum of BE and RM					
	Best estimate					
R0030	**Gross Best Estimate**		20,460,332	-	-	20,460,332
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		(4,258)	-	-	(4,258)
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re		20,464,590	-	-	20,464,590
R0100	**Risk margin**	153,158			-	153,158
	Amount of the transitional on Technical Provisions					
R0110	Technical Provisions calculated as a whole	-			-	-
R0120	Best estimate		-	-	-	-
R0130	Risk margin	-			-	-
R0200	**Technical provisions - total**	20,613,490			-	20,613,490

S.23.01.01
Own Funds
€'000

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	**Total**	**Tier 1 unrestricted**	**Tier 1 restricted**	**Tier 2**	**Tier 3**
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	5,000	5,000	-	-	-
R0030	Share premium account related to ordinary share capital	-	-	-	-	-
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	-	-	-	-	-
R0050	Subordinated mutual member accounts	-	-	-	-	-
R0070	Surplus funds	-	-	-	-	-
R0090	Preference shares		-	-	-	-
R0110	Share premium account related to preference shares	-	-	-	-	-
R0130	Reconciliation reserve	829,032	829,032	-	-	-
R0140	Subordinated liabilities	-	-	-	-	-
R0160	An amount equal to the value of net deferred tax assets	-	-	-	-	-
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	51,000	51,000	-	-	-
	Own funds from the financial statements that should not be represented by the reconciliation					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	-				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	-	-	-	-	
R0290	**Total basic own funds after deductions**	885,032	885,032	-	-	-

S.23.01.01
Own Funds (continued)
€'000

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0300	Unpaid and uncalled ordinary share capital callable on demand	-				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	-				
R0320	Unpaid and uncalled preference shares callable on demand	-				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
R0390	Other ancillary own funds	-				
R0400	**Total ancillary own funds**	-			-	-
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	885,032	885,032	-	-	-
R0510	Total available own funds to meet the MCR	885,032	885,032	-	-	
R0540	Total eligible own funds to meet the SCR	885,032	885,032	-	-	-
R0550	Total eligible own funds to meet the MCR	885,032	885,032	-	-	

R0580	**SCR**	537,280
R0600	**MCR**	143,858
R0620	**Ratio of Eligible own funds to SCR**	164.72%
R0640	**Ratio of Eligible own funds to MCR**	615.21%

S.23.01.01
Own Funds (continued)
€'000

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Reconciliation reserve	C0060				
R0700	Excess of assets over liabilities	885,032				
R0710	Own shares (held directly and indirectly)	-				
R0720	Foreseeable dividends, distributions and charges					
R0730	Other basic own fund items	56,000				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-				
R0760	**Reconciliation reserve**	829,032				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business	7,903				
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	-				
R0790	**Total Expected profits included in future premiums (EPIFP)**	7,903				

S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula
€'000

Z0010	**Article 112**	Regular reporting	

		Net solvency capital requirement	USP	Simplifications
		C0030	C0090	C0120
R0010	Market risk	296,984		
R0020	Counterparty default risk	59,746		
R0030	Life underwriting risk	355,763		
R0040	Health underwriting risk	-		
R0050	Non-life underwriting risk	-		
R0060	Diversification	(173,361)		
R0070	Intangible asset risk			
R0100	**Basic Solvency Capital Requirement**	539,132		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	58,150
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	(60,002)
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-
R0200	**Solvency Capital Requirement excluding capital add-on**	537,280
R0210	Capital add-ons already set	-
R0220	**Solvency capital requirement**	537,280
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	
R0450	Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	No adjustment
R0460	Net future discretionary benefits	0.00
	Approach to tax rate	C0109
R0590	Approach based on average tax rate	No

S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity
€'000

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

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

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	143,858

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	-	
R0220	Obligations with profit participation - future discretionary benefits	-	
R0230	Index-linked and unit-linked insurance obligations	20,464,590	
R0240	Other life (re)insurance and health (re)insurance obligations	-	
R0250	Total capital at risk for all life (re)insurance obligations		865,569

	Overall MCR calculation	C0070
R0300	Linear MCR	143,858
R0310	SCR	537,280
R0320	MCR cap	241,776
R0330	MCR floor	134,320
R0340	Combined MCR	143,858
R0350	Absolute floor of the MCR	3,700
R0400	**Minimum Capital Requirement**	143,858