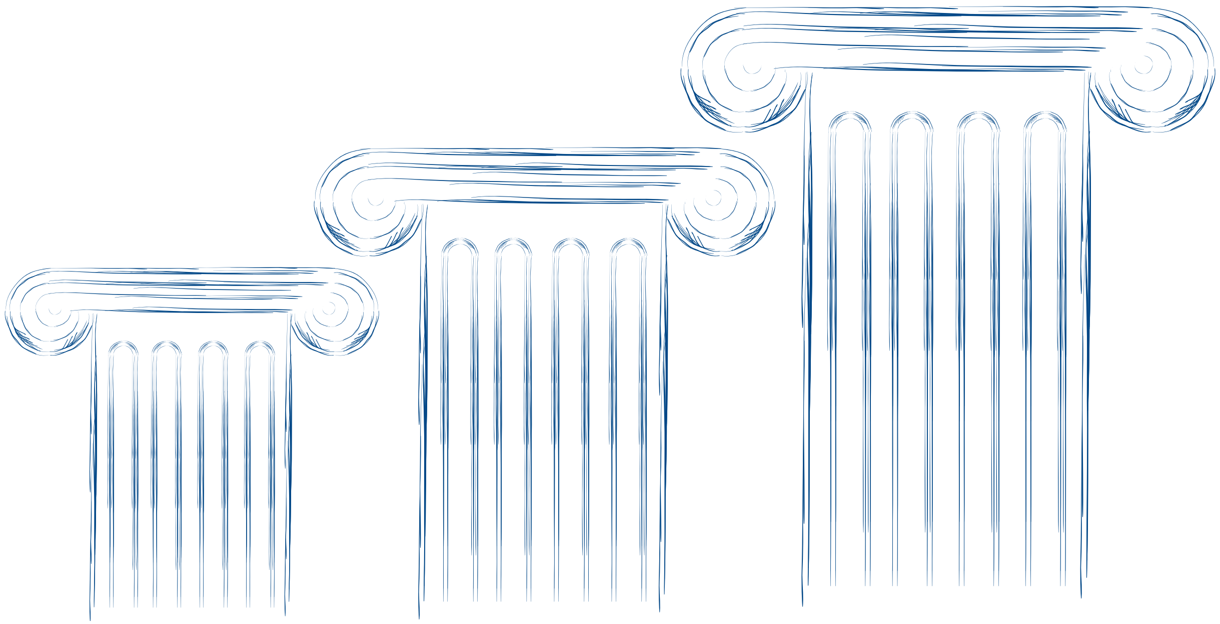
Canada Life
International Assurance (Ireland)

Solvency and Financial Condition Report (SFCR)

2017



Contents

Contents

Reference Tables

Reference Figures

List of Abbreviations and Acronyms

BAC	Board Audit Committee
BEL	Best Estimate Liability
BRC	Board Risk Committee
BSCR	Basic Solvency Capital Requirement
CAL	Capacity, Appetites and Limits
CBI	Central Bank of Ireland
CCO	Chief Compliance Officer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIAE	Chief Internal Auditor, Europe
CLG	The Canada Life Group (UK) Limited
CLIAI	Canada Life International Assurance (Ireland) DAC
CLIS	Canada Life Investment Services Limited
CLL	Canada Life Limited
CRB	Capital Redemption Bond
CRO	Chief Risk Officer
DFM	Discretionary Fund Manager
EIOPA	European Insurance and Occupational Pensions Authority
EMC	Executive Management Committee
ERM	Enterprise Risk Management
EUR	Euro
FCA	Financial Conduct Authority
FIP	Flexible Investment Portfolio
GBP	Great British Pound (Sterling)
HoAF	Head of Actuarial Function
HOF	Head of Finance
IFRS	International Financial Reporting Standards
IPB	International Portfolio Bond
IPSI	Irish Progressive Services International
IS	Information Systems
MLRO	Money Laundering Reporting Officer
ORSA	Own Risk and Solvency Assessment
OSFI	Office of the Superintendent of Financial Institutions
PEA	Premiere Europe Account
PRA	Prudential Regulation Authority
SCR	Solvency Capital Requirement
TCR	Target Capital Requirements
TPA	Third Party Agreement
VAT	Value Added Tax
WPEA	Wealth Preservation Europe Account

Table 1: Abbreviations and acronyms

Executive Summary

The Solvency II Directive published in 2009, and formal clarifications published since then, requires narrative and quantitative disclosures from all regulated European insurance entities.

In accordance with the Solvency II Directive, the Solvency and Financial Condition Report (SFCR) is required to be published annually by Canada Life International Assurance Ireland DAC (CLIAI) with the initial publication required in May 2017 based on the year end 2016 financial position. The purpose of the SFCR is to provide policyholders with a concise overview of the business written, system of governance, risk profile and solvency position over the reported year.

This report has been drafted for the purpose of public disclosure, in line with requirements and structure defined by the European Insurance and Occupational Pensions Authority (EIOPA). The report provides an overview of CLIAI's business, describes how the Company is run and governed, outlines methodologies and assumptions used in the valuation of assets, liabilities and capital requirements, and highlights, where appropriate, material expert judgements that have been applied while also indicating any areas of uncertainty. Any material differences between the Solvency II regulatory reporting basis and the financial statements of CLIAI are provided.

Where possible, this report has been prepared on the basis of existing policies and other relevant documents as reviewed and approved within the governance structures in CLIAI. The report has been written as a standalone document so that reference to other documents is not required to understand the content.

Unless otherwise specified, this report is based on results and methodology pertaining to CLIAI as at 31st December 2017. Each section of the report is summarised below.

A. Business Overview

Canada Life International Assurance (Ireland) DAC (CLIAI) was originally established in Ireland under the name Legal & General International (Ireland) Limited in May 2007. In July 2015 the Company was acquired by The Canada Life Group (U.K.) Limited (CLG).

CLIAI is based in Dublin which is recognised as one of the world's leading financial centres. The company boasts a strong commitment to international financial standards and policyholder protection. Our aim is to provide a range of long term wealth management solutions principally to the UK market. Together with our sister company in the Isle of Man, Canada life International, CLIAI forms part of the International Division of Canada Life Group (UK).

CLIAI provides the tax efficiency of investing through a Dublin-based company, where the underlying investment can grow free of UK tax, with any personal taxation usually being deferred until profits are brought back to the UK market.

CLIAI offers a number of products to its customers. These include: the International Portfolio Bond (IPB) (closed to new business with effect from Thursday 29 March 2018), the Premiere Europe Account (PEA) {including a Capital Redemption Bond (CRB) option} and the Wealth Preservation Europe Account (WPEA). All products offer a wide range of investment options including investment in mutual funds and deposits.

CLIAI also operates in Italy on a freedom of services basis. CLIAI closed to new business in the Italian market in May 2015. Additional 'top-up' investments continue to be accepted in this market from existing policyholders only.

A strategic review of the proposition took place in 2017; the decision was made to develop the PEA product over 2017 to include additional functionality which incorporated the best of both the IPB and PEA products. This enabled the business to close the IPB product to new business with effect from Thursday 29 March 2018 after appropriate internal goverance.

Executive Summary

The administration of these products is largely outsourced to third parties, IPSI (IPB & FIP) and CLIS (PEA & WPEA). As part of a strategic review of the business and to allow consistency in customer experience, process and IS systems across the International business, improvements in the outsourcing model will be implemented in 2018. This will include the proposed migration of policyholder data (IPB & FIP) from IPSI to CLIS and the transfer of all remaining Third Party Administration (TPA) responsibilities to CLIS. This will result in the business having one single TPA for the administration of CLIAI business and the benefits will include improved efficiencies and the removal of duplication of effort, enhanced customer experience for all CLIAI policyholders and cost and currency exposure enhancements to the business.

New business premiums of £635m written in 2017, an increase of 58% over 2016, contributed to a market leading share of 30% of the UK Offshore Bond market for the International Divison at the end of 2017.

B. Systems of Governance

The Board of Directors of CLIAI is responsible for the governance and oversight of risks to which CLIAI is exposed. The Board has assigned key duties and responsibilities in relation to risk identification, assessment, measurement, monitoring and control to the Board Risk Committee.

In 2017, there were two material changes to the CLIAI Board governance structures, with Mr. John McNamara appointed to the role of Managing Director in February 2017 and Mr. Alain Wolffe resigning as Chairman of the Board in October 2017. Mr. Harold Snow was appointed to the role of Chairman in February 2018 following regulatory approval.

The Company has a comprehensive Risk Management Framework in place for this purpose. The Board Risk Committee is responsible for providing advice to the Board in its oversight of the Company's principal risks.

C. Risk Profile

CLIAI's objective in the management of risk is to minimise, where practicable, its exposure to risk, except when necessary to support other business objectives.

CLIAI's main quantitative measurement of risks is via application of the standard formula set out by the Solvency II Directive and Delegated Regulations. The Solvency II standard formula Solvency Capital Requirement (SCR) sets out how much capital a company must hold against the risks on its balance sheet.

An analysis of the Company's risk profile, including risk sensitivity, concentration and risk mitigation techniques is provided in section C.

D. Valuation

The main focus of Solvency II reporting is the measurement of financial strength (capital resources) of the insurer, as opposed to its performance during the year. As such, the Solvency II balance sheet is intended to reflect an economic valuation of all assets and liabilities of the business at the balance sheet date.

An analysis of the valuation of the Company's assets and liabilities per the Solvency II balance sheet is provided in the report in Sections D.1 Assets and D.3 Other Liabilities. Technical provisions are discussed in Section D.2.

In the calculation of the technical provisions, the Actuarial Function has allowed for the revised TPA expenses that are expected following the implementation of the future outsourcing model from 2018. In addition, an explicit project expense reserve has been established at December 2017 to cover the one-off project costs expected to be incurred over 2018 to deliver the improved outsourcing model.

E. Capital Management

The aim of CLIAI's capital management strategy is to ensure the company has sufficient capital, reserves and liquidity to meet its liabilities as they fall due and to meet regulatory solvency requirements. The ratio of CLIAI's available capital to its regulatory SCR was 158.2% of SCR as at the 31st December 2017, indicating capital resources were well in excess of both the regulatory minimum and the Board's required capital range.

A. Business and Performance

A.1 Business and External Environment

Canada Life International Assurance (Ireland) DAC (CLIAI) was established in Ireland under the name Legal & General International (Ireland) Ltd in May 2007. In July 2015 that Company was acquired by The Canada Life Group (U.K.) Limited (CLG). Ordinary share capital in the Company is 80% held by CLG, with the remaining 20% held by CL Abbey Limited, (100% owned by CLG). The latter shareholding results from the High Court approved portfolio transfer of CL Abbey (formerly named Canada Life International Assurance Limited) to CLIAI which took place on 1st January 2016, and has no impact on ultimate control of the Company. Voting rights are aligned to the ordinary shareholding proportions.

The Company is part of Great-West Lifeco Inc. Great-West Lifeco Inc. and its subsidiaries, including The Great-West Life Assurance Company, have approximately $1.3 trillion Canadian dollars in consolidated assets under administration and are members of the Power Financial Corporation Group of companies.

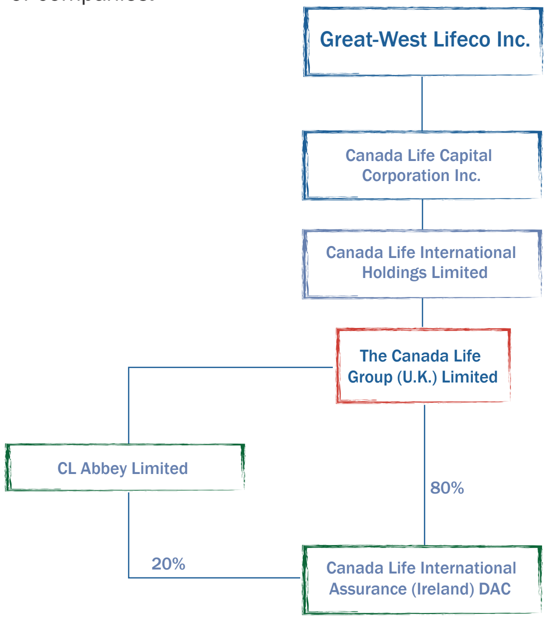


Figure 1: Simplified GWL organisational structure

From a business perspective, CLIAI is part of the International Division of Canada Life Group (UK) Limited with Canada Life International (CLI), which is based in the Isle of Man. The strategy of the International Division is to offer a wide range of investment and insurance products principally to the UK market. Having been established for more than 30 years, Canada Life International remains one of the leading international providers. Combined assets under administration of both businesses are over £15bn. CLIAI has a 5 Star AKG rating, as does CLI, meaning all of our International operations share this accolade.

The Company operates as a life assurance company authorised to sell assurance policies linked to investment funds and capital redemption products. CLIAI is focused on long term investment and wealth protection business for high net worth clients. The Company works together with CLI and other CLG entities to ensure investment requirements of customers are met with optimised service delivery.

CLIAI is authorised and regulated by the Central Bank of Ireland (CBI), New Wapping Street, North Wall Quay, Dublin 1 since July 2007. It forms part of CLG which is regulated by the Prudential Regulation Authority (PRA), Threadneedle Street, London, EC2R 8AH.

The Company has its registered office at the Irish Life Centre, Lower Abbey Street, Dublin 1 in Ireland. The Company's external auditors are Deloitte, Deloitte & Touche House, Earlsfort Terrace, Dublin 2.

Material lines of business and geographical areas

CLIAI currently sells unit-linked life assurance bonds to UK residents through UK independent regulated intermediary channels. The main market for CLIAI is the UK. The company holds a Class A Business licence with the Jersey Financial Services Commission to sell to Jersey residents through similar independent sales channels. CLIAI also operates in Italy on a freedom of services basis. CLIAI closed to new business in the Italian market in May 2015. Additional investments ("top-ups") continue to be accepted in this market from existing policyholders only.

A. Business and Performance

CLIAI offers a number of products to its customers. These include: the International Portfolio Bond (IPB) (closed to new business with effect from Thursday 29 March 2018), the Premiere Europe Account (PEA) {including a Capital Redemption Bond (CRB) option} and the Wealth Preservation Europe Account (WPEA). All products offer a wide range of investment options including investment in mutual funds and deposits.

A strategic review of the proposition took place in 2017; the decision was made to develop the PEA product over 2017 to include additional functionality which incorporated the best of both the IPB and PEA products. This enabled the business to decide to close the IPB to new business with effect from Thursday 29 March 2018.

All products are developed to assist high net worth clients with their investment management and tax planning needs. In all cases apart from the CRB option, the investment risk is taken by the policyholder. For the CRB option, some investment risk is taken by the company since a small investment guarantee is provided if the policies are held for 99 years. All products offer a wide range of investment options including investment in mutual funds and deposits.

The key benefits of CLIAI's UK product portfolio include the following:

- The tax efficient growth of an investment based in Ireland for UK residents means that any growth is not subject to UK tax, although UK tax may apply when any profit made is brought back into the UK.
- It is set up as a series of identical policies, providing flexibility when a policyholder wants to withdraw money from the investment.
- It can be denominated in Sterling, US dollars or Euro – this can be an advantage if a policyholder is planning to move abroad and wants to reduce the effect of changes in exchange rates.
- Beneficial VAT status of any fees payable to Discretionary Fund Manager's (DFM's).
- A policyholder or their adviser can change the underlying investments of the bond at any time without a tax charge.
- Flexibility, as individual policies can be gifted to new owners without a tax charge.
- For trustees, it can offer an easy method of investing.

The funds in which policyholder premiums are invested are selected by the policyholders themselves, and reflect each individual's personal risk preferences. CLIAI's policyholder funds can be broadly split into two categories, as follows:

- Direct Holdings; whereby a policyholder directly selects the assets that they want to invest in, and CLIAI uses the policyholder's premium to purchase the assets on the policyholder's behalf; and
- DFM's; where a DFM is nominated by the policyholder, they invest the funds in a variety of asset classes in line with the policyholder's investment appetite to risk. CLIAI has a legal agreement in place with each of the DFM's.

Significant business or external events over the reporting period

(a) Strategic Initiatives

As well as a review of the International business customer proposition, a number of other strategic projects are proposed to be delivered in 2018. These projects will drive improvements and efficiencies in CLIAI's business model, including the following:

- Improved efficiencies through one single outsourced TPA (i.e. CLIS);
- Removal of duplication of effort;
- Enhanced customer experience for all CLIAI policyholders; and
- Cost and currency exposure benefits to the business.

(b) Brexit

Following a referendum on 23rd June 2016 the UK voted to leave the EU. Article 50 of the Lisbon Treaty provides for the eventuality of an EU member state opting to leave and allows a 2 year timeframe for the exit to be negotiated once the European Council has been notified of the member state's intention to leave. Currency, bond and equity markets experienced volatility in the immediate aftermath of the vote. The result has required ongoing engagement by the company with all key stakeholders. Since mid-2016, markets have seen increased volatility this includes interest and exchange rates. Whilst it has not driven any specific changes to CLIAI's risk profile over the period, the lack of clarity with respect to Brexit remains unwelcome.

A. Business and Performance

Management has engaged external legal opinion and has considered a number of Brexit scenarios which could impact the company including a loss of passporting rights into the UK market, significant divergence of legislation, and an inability to transfer data between the EU and UK. The Board of Directors has been kept up to date on this work throughout the year and has actively engaged in reviews and discussions on identified risks and scenarios.

Engagement on Brexit contingency planning has also taken place with the CBI and PRA including the sharing of the contingency plans developed by the business.

A.2 Performance from Underwriting Activities

As the Company operates one line of business, unit-linked bonds sold to the UK market, all performance analysis is based on this business line. The closed book of Italian business, which represents 2% of the overall assets under management of the company, is not separately classified in terms of analysis of underwriting performance.

Investment contract liabilities – as per Financial Statements	As at 31st Dec 2017 £m	As at 31st Dec 2016 £m
Opening Investment Contract Liabilities	3,663.78	2,798.50
Premiums	634.51	400.41
Claims	-159.22	-147.24
Investment return credited net of related charges	326.18	329.31
Management charges and other fee deductions	-11.56	-11.06
Other movements (includes opening valuation of transferred former Canada Life International Assurance book)	-12.44	293.86
Closing Investment Contract Liabilities	**4,441.25**	**3,663.78**

Table 2: Underwriting Income and Expenses

New business activity for 2017 was £635m compared to £400m in 2016, 58% higher than the prior year. The strong performance of the PEA and WPEA products led to this increase. The decline in top-ups from the Italian book is due to the closed nature of this business.

Claims have increased by 8% in the year. An increase in claims is in line with the Company's expectations due to the decision to close the Italian book to new business from the second half of 2015.

The change in other technical provisions was lower in 2017 as unrealised investment gains on policyholder assets were lower than the same period in 2016. General expenses were 26% higher in 2017 due to higher group recharge costs for policy administration and higher sales distribution costs due to the high level of new business as well as increased spend on strategy costs.

Premiums, claims and expenses by country	UK £m	Italy £m	TOTAL 2017 £m
Premiums	634.26	0.25	634.51
Claims	-143.60	-15.62	-159.22
Change in other technical provisions	298.49	3.69	302.18
Expenses	-15.77	-0.72	-16.49
Underwriting Performance	**773.38**	**-12.40**	**760.98**

Table 3: Underwriting Performance 2017

Premiums, claims and expenses by country	UK £m	Italy £m	TOTAL 2016 £m
Premiums	399.53	0.88	400.41
Claims	-133.09	-14.15	-147.24
Change in other technical provisions	338.44	1.82	340.26
Expenses	-0.38	-2.72	-13.1
Underwriting Performance	**594.50**	**-14.17**	**580.33**

Table 4: Underwriting Performance 2016

A. Business and Performance

A.3 Investment Performance

Investment of shareholders' funds is governed mainly by liquidity and solvency considerations, including compliance with the regulations and guidelines specified by the regulator. Expected returns, dividend policy and operational constraints are also factors considered when setting the investment policy of shareholders' funds.

The Company aims to back the technical provisions and solvency capital requirement with secure assets, primarily short to medium term sovereign bonds and cash deposits.

The Company's annual financial statements are denominated in GBP. With the costs of the Company's head office largely denominated in EUR this causes some exposure to fluctuations in the GBP/EUR foreign exchange rate.

The shareholder investment policy is geared towards holding an appropriate mix of assets in EUR and GBP which will have the effect of minimising exposure to currency movements. Notwithstanding this, foreign exchange fluctuations in the period have led to a substantial gain on our EUR denominated shareholder investments. This is due to the volatility of the EUR to GBP exchange rate over the reporting period. Foreign exchange gains total £1.1m on shareholder assets at December 2017, but materially lower than the £2.2m gain for the prior year.

Investment & Expenses	Financial Year ended 31 Dec 2017 (£m)	Financial Year ended 31 Dec 2016 (£m)
Financial assets other than those at fair value through profit and loss:		
Interest income – cash and cash equivalents	0.04	0.02
Interest, dividends and other income	62.96	45.09
Equity securities and interests in pooled investment funds	1.35	0.67
Debt securities	-0.1	0.34
Investment Income Total	**64.25**	**46.12**

Table 5: Investment Income

Interest income from cash and cash equivalents has increased year on year due mainly to the placement of funds in deposit earning accounts. Interest, dividends and other income is mainly driven by fund income on policyholder assets which remained strong in 2017 with fund expenses at a similar level to 2016. Income from equity securities and interests in pooled investment funds is up over 100% on 2016, due mainly to the investment income on higher levels of new business in 2017.

Investment income from interest on debt securities is a negative £0.1m, due primarily to realised loss on the sale of bonds.

A. Business and Performance

Fair value adjustments	Financial Year ended 31 Dec 2017 (£m)	Financial Year ended 31 Dec 2016 (£m)
Net unrealised gains/losses		
Equity securities and interests in pooled investment funds	262.12	283.98
Debt securities	-0.03	-0.37
Total Fair value adjustments	**262.09**	**283.61**

Table 6: Fair Value Adjustment

Net unrealised gains/losses on equity securities and interests in pooled investment funds have seen a decrease due to market valuation movements on policyholder funds. This movement has no impact on profitability as it is offset entirely by movements in the Company's associated unit reserves but does reflect a strong performance in the underlying investments for the policyholder in the year.

Fair value adjustments through the income statement on debt securities reflect total losses of £0.03m (2016: £0.37m losses).

Shareholder Income, Gains/Losses by asset class

Net investment income from shareholder assets was £0.48m in 2017 compared with £0.37m in 2016. Income from a portfolio of Government bonds resulted in interest received of £0.33m. Corporate bonds produced £0.09m of interest, with Collateralised bonds resulting in £0.01m of interest income. The 30% rise in total interest from 2016 can be mainly attributed to interest received on bonds held for a full 12 month period which were purchased in the latter half of 2016. A Cash and deposits portfolio produced £0.05m of interest in 2017. Unrealised losses on bonds have increased by 23% to £0.48m, which was to be expected given the volatility in the market.

2017 Asset Class	Interest (£m)	Net Gains and Losses (£m)	Unrealised gains and losses (£m)
Government Bonds	0.33	-0.07	-0.37
Corporate Bonds	0.09	0.02	-0.11
Collateralised Securities	0.01	-0.01	–
Cash and Deposits	0.05	–	–
Total	**0.48**	**-0.06**	**-0.48**

Table 7: Shareholder Investment Income 2017

2016 Asset Class	Interest (£m)	Net Gains and Losses (£m)	Unrealised gains and losses (£m)
Government Bonds	0.14	0.03	-0.18
Corporate Bonds	0.03	0.00	-0.04
Collateralised Securities	0.17	0.00	-0.17
Cash and Deposits	0.03	–	–
Total	**0.37**	**0.03**	**-0.39**

Table 8: Shareholder Investment Income 2016

Policyholder Funds

CLIAI solely writes unit-linked business. Policyholder premiums are invested in unit-linked investment funds at the direction of the policyholder and it is the policyholders themselves that bear the risks associated with the underlying assets. Should the underlying assets increase or decrease in value, it is the policyholders who will gain or lose from this through the movement in the policy value.

A. Business and Performance

The funds in which policyholder premiums are invested are selected by the policyholders themselves, and reflect each individual's personal investment risk preferences. CLIAI's policyholder funds can be broadly split into two categories, as follows:

- **Direct Holdings**; whereby a policyholder directly selects the assets that they want to invest in, and CLIAI uses the policyholder's premium to purchase the assets on the policyholder's behalf; and
- **DFM's**; where a DFM is chosen by the policyholder they invest the funds in a variety of asset classes in line with the policyholder's attitude to risk. CLIAI has a legal agreement in place with each of the DFM's.

DFM arrangements can fall into two categories:

- **Standard DFM agreement** – this restricts the DFM to a prescribed list of permitted assets, primarily allowable collectives or cash.
- **Segregated Portfolio Service (SPS)** – an extension of the Standard DFM agreement which allows wider investment options provided strict conditions are adhered to. This is not available to all DFM's. Unlike the standard CLIAI DFM arrangement where the DFM is allowed to engage freely with both the policyholder and their financial adviser, under the SPS option the policyholder and their financial adviser are not allowed to influence the DFM's investment decisions beyond the policyholders disclosing their attitude to investment risk and high level investment objectives. This means that SPS must operate under very strict auditable processes in order to ensure that this condition is not breached.

An extensive control framework is in place which focuses on a number of key controls including:

- asset holdings verification to ensure appropriate asset permissibility under criteria set out by the UK HM Revenue & Customs are fully met; and
- ensuring policy valuations are in line with expected values.

Quarterly reviews are carried out to ensure that asset identifiers are correct and in existence. Periodic reviews are undertaken to ensure all assets are registered in the name of CLIAI on the DFM systems.

As at year-end 2017, CLIAI had £4.4 billion in policyholder funds under management. The table below shows the breakdown of asset types held (considering both Direct Holdings and funds invested with DFM's).

Asset Class	31st December 2017 (£m)	Percentage of overall fund
DFM Funds	3,618.26	81.47%
Cash	437.19	9.84%
Direct Equity	320.38	7.22%
Government Bonds	28.05	0.63%
Loans	24.34	0.55%
Corporate Bonds	12.07	0.27%
Structured Notes	0.50	0.01%
Property	0.46	0.01%
TOTAL	**4,441.25**	

Table 9: Asset by Class

Over the past 12 months, CLIAI policyholder fund prices have increased by circa 10%, reflective of the positive asset growth performance over the period.

A.4 Performance of Other Activities

There are no material items to note.

A.5 Any Other Information

CLIAI's Organisational Chart is shown in Section B.1.2

B. Systems of Governance

B.1 General Information on the System of Governance

The Board of Directors of CLIAI is responsible for the governance and oversight of the risks to which CLIAI is exposed. Risk governance in CLIAI is supported by the Enterprise Risk Management Framework, as described in the Board-approved Enterprise Risk Management Policy. The Board sets risk strategy and risk preferences for CLIAI in relation to the types and level of risk that the Company is permitted to assume in the implementation of its strategic plans.

CLIAI operates a 'Three Lines of Defence' risk governance model. In this model, the first line of defence against risk is maintained by the functional areas of the business. The second line of defence is the oversight and control functions of the business which control, monitor and report risks within the group risk governance structure i.e. risk, actuarial and compliance. The third line of defence includes the independent assurance provided by the Internal Audit function.

The Board has assigned key duties and responsibilities in relation to risk identification, assessment, measurement, monitoring and control to the Board Risk Committee (BRC). The BRC is responsible for providing advice to the Board in its oversight of the Company's principal risks.

B.1.1 Risk Governance Structure

The Board of Directors is responsible for ensuring an appropriate system of governance is in place throughout the Company. The Board oversees the implementation of the agreed business strategy for the Company. The Board is responsible for setting and overseeing an adequate and effective internal control framework.

CLIAI Board of Directors

There is an effective Board in place to lead and direct the Company. The Board conducts its affairs in compliance with Company law (including the provisions of the Companies Act 2014), the Company's Constitution, the Central Bank's 2015 Corporate Governance Code, and all other applicable laws and regulations. The Board acknowledges the legal duties and obligations imposed on Directors by the Companies Act 2014, other statutes and common law, including the principal fiduciary duties of directors as set out in Section 228 of the Companies Act 2014, as laid out in the Board's Terms of Reference.

The Board has reserved to itself for decision a formal schedule of matters pertaining to the Company and its future direction, such as the Company's commercial strategy, major acquisitions and disposals, Board membership, appointment and removal of the Managing Director and the Company Secretary, executive remuneration, trading and capital budgets and risk management policies. All strategic decisions are referred to the Board. Documented rules on management authority levels and on matters to be notified to the Board are in place, supported by an organisational structure with clearly defined authority levels and reporting responsibilities.

The Board is currently comprised of 1 executive director and 4 non-executive directors. The Chairman, Mr. Alain Wolffe, resigned in October 2017 and at end December 2017, an application had been submitted to the CBI to appoint a new Chairman. Mr. Harold Snow was appointed to the role of Chairman in February 2018 following regulatory approval. The new Chairman, is a non-executive director but an executive within the wider Canada Life Group. The other notable Board change occurred when Mr. John McNamara was appointed to the role of the Managing Director in February 2017 following Regulatory approval.

As at 31st December 2017, the Board consisted of Mr. Ian Gilmour (Interim Chairman, Non-Executive), Mr. Vincent Sheridan (Independent Non-Executive), Ms. Annette Flynn (Independent Non-Executive), and Mr. John McNamara (Managing Director, Executive). The Board considers its current size and structure to be appropriate to meet the requirements of the business. While there is no optimum number of non-executive and executive directors, membership of the Board is kept under continuous review.

The roles of the Chairman and the Managing Director are separated and in line with the Corporate Governance Code. Procedures are in place for directors, in furtherance of their duties, to take independent professional advice and training, if necessary, at the Company's expense. Appropriate training is arranged for directors on first appointment and the Board also ensures that the directors continually update their skills and knowledge through appropriate seminars and presentations.

B. Systems of Governance

The Company Secretary is responsible for advising the Board through the Chairman on all governance matters. All directors have direct access to the Company Secretary. Any director who has any material concern about the overall corporate governance of the Company must report the concern without delay to the Board in the first instance and if the concern is not satisfactorily addressed by the Board within 5 business days, the director must promptly report the concern directly to the Central Bank of Ireland advising of the background to the concern and any proposed remedial action. This is without prejudice to the director's ability to report directly to the Central Bank of Ireland.

Board Committees

- The Company has the following Board committees:
  - Audit Committee
  - Risk Committee
- The Charters of the Audit Committee and the Risk Committee are reviewed annually and kept in line with group standards.

Audit Committee

At 31st December 2017, membership of the Company's Audit Committee comprised Mr. Vincent Sheridan (Chairman), Ms. Annette Flynn, Mr. Ian Gilmour and Mr. John McNamara. There was one vacancy which was filled when Mr. Harold Snow received regulatory approval in February 2018. The Board ensures that the Chairman of the committee has recent and relevant financial experience.

The Audit Committee is responsible for:
- providing a link between the Board and the external auditors;
- making recommendations in respect of the appointment of external auditors;
- reviewing the scope of the external audit;
- reviewing the Company's annual report and financial statements; and
- the effectiveness of the Company's internal control systems and risk management process.

The Audit Committee monitors the Company's internal audit, compliance and risk management procedures and considers issues raised and recommendations made by the external auditors and by the Internal Audit function. The committee meets at least annually with the external auditors in a confidential session without management being present. The committee reviews the arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

The Audit Committee reviews the non-audit services provided by the external auditors based on the policy approved by the Board in relation to the provision of such services. Other assurance services are services carried out by the auditors by virtue of their role as auditors and include assurance related work, regulatory returns and accounting advice. In line with best practice, the auditors do not provide services which could be considered to be inconsistent with the audit role.

The Audit Committee has responsibility for the setting of compliance policies and principles and the embedding and maintenance throughout the Company of a supportive culture in relation to the management of compliance.

Risk Committee

At 31st December 2017, the Company's Risk Committee was comprised of Ms. Annette Flynn (Chairman), Mr. Vincent Sheridan, Mr. Ian Gilmour and Mr. John McNamara. There was one vacancy which was filled when Mr. Harold Snow received regulatory approval in February 2018. The Board ensures that the chairman of the committee has recent and relevant risk experience.

The Risk Committee is responsibility for:
- oversight and advice to the Board on risk governance;
- the current risk exposures of the Company and future risk strategy, including strategy for capital and liquidity management;
- the embedding and maintenance throughout the Company of a supportive culture in relation to the management of risk; and
- supporting the Board in carrying out its responsibilities for ensuring that risks are properly identified, reported, assessed and controlled, and that the Company's strategy is consistent with the company's risk appetite.

B. Systems of Governance

The Risk Committee is responsible for monitoring adherence to the Company's Risk Appetite Framework (RAF). Where exposures exceed levels established in the RAF, the Risk Committee is responsible for developing appropriate responses. This is facilitated by the quarterly review of compliance with the risk appetite metrics calibrated to the RAF.

The CLIAI BRC recommends matters as listed in the CLIAI Enterprise Risk Management Policy to the Board for approval. The CLIAI Risk Function reports to the CLIAI BRC through the CLIAI Chief Risk Officer (CRO). The CLIAI BRC's duties are set out in its Charter which is reviewed annually.

In particular, the CLIAI Risk Committee of the Board reviews:
- The CLIAI RAF, including risk limits and compliance;
- The CLIAI Own Risk and Solvency Assessment (ORSA), including stress and scenario testing;
- CLIAI's risk policies;
- CLIAI's consolidated risk profile; and
- The effectiveness of the CLIAI risk management system.

2017 Material changes

In 2017, there were no material changes to the CLIAI Board governance structures to report. However, there were some activities of note;
- The Managing Director resigned in September 2016 and this role was subsequently filled in February 2017.
- The Chairman resigned in October 2017 and the role was subsequently filled in February 2018.

Internal appointments

- Mr. Alan Drohan was appointed to the Head of Finance role in June 2017.
- Mr. Russell Keenan joined the company as Head of Actuarial Function and Chief Risk Officer in November 2017, following the resignation of Ms. Carol Moloney in September 2017.
- Both appointments were made following receipt of regulatory approval.

B. Systems of Governance

B.1.2 Key Function Holders

CLIAI Organisational Chart

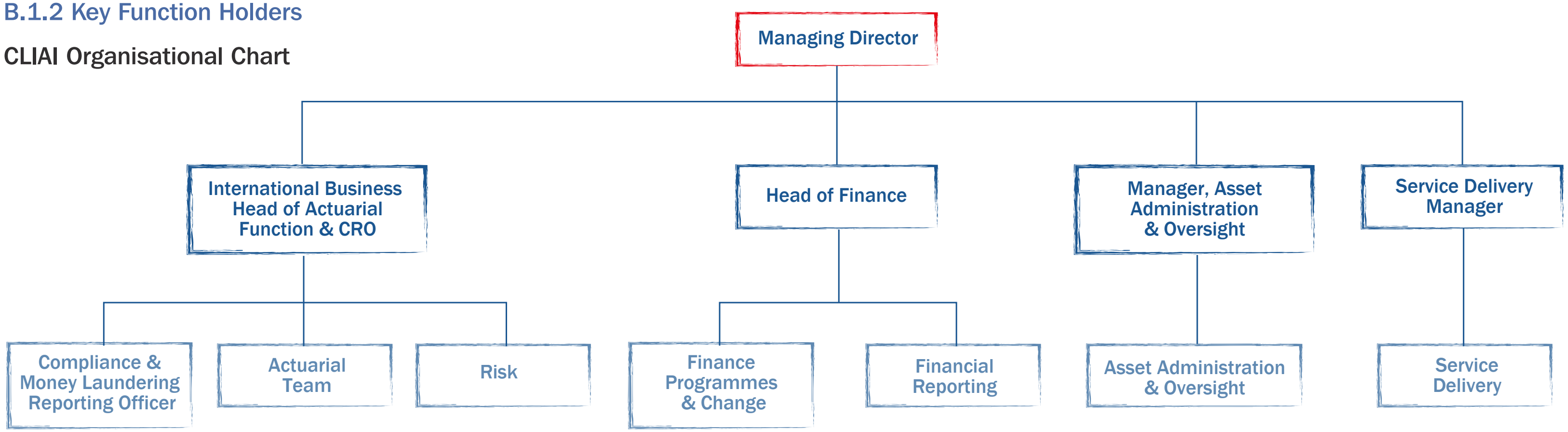


Figure 2: CLIAI Organisational Chart

The functional roles within the Company and their responsibilities are as follows:

1. Managing Director
The Managing Director is fully accountable for all operational activities, the delivery of CLIAI's strategy and subsequent implementation as agreed by the CLIAI Board.

2. Head of Actuarial Function
The Head of Actuarial Function (HoAF) is responsible for the Actuarial Function within CLIAI, including the coordination of Solvency II actuarial requirements. The HoAF has oversight responsibilities for actuarial activities including ensuring compliance with related internal policies, professional standards and regulatory guidelines.

3. Head of Finance
The Head of Finance (HoF) has responsibility for the establishment, maintenance and monitoring of sound financial strategy, governance, and reporting for CLIAI. The HoF will also perform any other functions that are delegated to the HoF by the Audit Committee or the Board of the Company.

4. Chief Risk Officer
The primary objective of the Chief Risk Officer (CRO) of CLIAI is to provide independent risk oversight of all risk-taking activities of the Company. This is accomplished by the development and implementation of the CLIAI Enterprise Risk Management Framework. The CRO is responsible for the design and implementation of the risk management system.

5. Company Compliance Officer
The primary objective of the Company's Compliance Officer (CCO) and the compliance management function is to ensure that a good state of compliance is maintained in the Company and to provide information and objective advice on regulatory issues and developments to both the Audit Committee and senior management.

6. Chief Internal Auditor, Europe
The Chief Internal Auditor, Europe assists the CLIAI Board of Directors, through the Audit Committee, in carrying out its corporate governance responsibilities. A secondary objective is to assist members of CLIAI in the achievement of its goals and objectives in a way which is adequately controlled and effectively managed.

B. Systems of Governance

B.1.3 Adequacy of Review and Systems of Governance

The key role and function holders within CLIAI are subject to the Central Bank of Ireland Fitness and Probity Regime. To evidence the appropriateness and effectiveness of their activity, roles may be pre-approved by CBI. The key governance structures i.e. Board, Committees and key function holders, are subject to various internal assessments.

In respect of 2017, each of the key functions presented an effectiveness review at their relevant Board and/or Committee meeting. This is an ongoing annual process which looks at the mandates within each function and assesses their performance against these mandates. Effectiveness reviews are provided as part of the meeting pack each year to the Board and/or Committees.

Across the wider Canada Life Group, there was an independent observation process undertaken with respect to Board and Committee meetings with a view to examining their activities and effectiveness. Feedback and recommendations were made to the Board in November 2017. The Board is satisfied that the governance arrangements are appropriate. The arrangements will be kept under continuous review, and refinements will be made in the future as appropriate, including responding to any future regulatory guidelines or emerging best practice.

B.1.4 Remuneration Practices

The Board of CLIAI oversees the remuneration programme, including the salary and bonus programmes, therefore operating as a remuneration committee. The remuneration programme of CLIAI aims to promote sound and prudent management of the business which ensures that risk is taken within the risk framework as approved by the Board. The principles of the programme are to attract, retain and reward qualified and experienced staff who will contribute to CLIAI's success, motivate its staff to meet the annual corporate and individual performance goals and ultimately to enhance long-term shareholder and policyholder value.

The Remuneration Operating Policy was last approved by the Board in November 2017. The Company utilises the remuneration policy to:

- Support the Company's objective of generating value for shareholders and customers over the long term;
- Motivate employees to meet annual corporate, divisional and individual performance goals;
- Promote the achievement of goals in a manner consistent with the Company's Code of Business Conduct; and
- Align with sound risk management practices and regulatory requirements.

The Remuneration Operating Policy is supported by a performance management process that promotes the development of a high performance culture in line with the Company's vision and values. This process is characterised by the core principles of quality feedback and open conversations, shared responsibility for the process, equitable treatment of staff and acknowledgement of the positive contribution of staff.

The CLIAI remuneration programme consists of four elements – base salary; annual incentive bonus; retirement benefits and benefits during the course of employment. The more senior positions within the organisation may also include a fifth element, a long-term incentive. For variable elements of the remuneration programme, target objectives are set annually and are comprised of at least two of the following components:

1. Earnings, expenses and sales targets of the Company and / or a business unit within the Company;
2. Specific individual objectives in support of Company and / or business unit objectives; and
3. Group or Company outcomes.

B. Systems of Governance

As outlined in the table below, CLIAI Remuneration Programmes consist of four primary elements; the proportion of each element in the overall package will vary based on the role.

Element	Primary Role
Base Salary	Reflect skills, competencies, experience and performance level of the individual, and incorporating assessment against non-financial metrics.
Annual Incentive Bonus	Reflective of performance for the period measured. The appropriate incentive scheme is determined as part of the Job Evaluation process. Where appropriate payment of a proportion of the total bonus may be deferred.
Retirement Benefits	Provide an incentive for staff retention and for a level of replacement income upon retirement.
Benefits during the course of employment	Provide adequate protection in the case of sickness, disability or death. Provide opportunities to share in the long term performance of the Company. Provide a range of benefits to support individual needs.

Table 10: CLIAI Remuneration Programmes

The remuneration policy sets out at a high-level CLIAI's approach to managing the risks associated with how it remunerates or otherwise incentivises its staff while treating its customers fairly and meeting the objectives of the CLIAI Board and its Risk Preferences. It promotes the achievement of goals in a manner consistent with the Company's Code of Business Conduct, its RAF and in compliance with regulatory requirements.

Principles for Risk Management

The overall approach for managing the risks relevant to the remuneration policy are those set out in the umbrella policy for Operational Risk and the Great-West Life Code of Conduct.

CLIAI has used this approach to determine its own principles and use them in turn as a reference point to determine the specific approach set out in the remuneration policy.

The CLIAI remuneration principles are:

1. The remuneration programmes promote sound and effective risk management and align with CLIAI Risk Preferences as approved by the Board;
2. The remuneration programmes are in line with CLIAI business and risk strategy and long term shareholders' interests;
3. The remuneration policy is communicated to staff of CLIAI;
4. The remuneration programmes are competitive and fair;
5. To attract, reward and motivate CLIAI staff to deliver on CLIAI objectives and success;
6. There is clear, effective and transparent governance in relation to remuneration; and
7. The Board will take on the responsibilities of the remuneration committee.

The Risk Function provides independent oversight of policy implementation through its normal oversight activities and through specific risk reviews and investigations. Key decision makers do not solely benefit from potentially higher risk strategies and the remuneration policy reflects that. The CRO is not reliant on CLIAI commercial performance in relation to their remuneration/bonus scheme and instead has a percentage of their bonus attributable to the wider performance of the group.

Material transactions during reporting period

There were no material transactions in the period.

B. Systems of Governance

B.1.5 Control Functions

The Board Committees are supported by dedicated control functions established within the Company. Each of the control functions report to either the Board Audit or Risk Committee, and the Board committee approves the mandate, resources and plans for the control functions on an annual basis. The control functions report to each meeting of the Board committees, and the head of each control function has a direct line of communication with the Chair of the relevant Board committee.

Risk Function

The Risk Function supports the Company's CRO in the development of the RAF, development of risk policies, oversight of risk identification, assessment, management and monitoring reporting, coordinating the ORSA and the provision of risk advice to the business. The Risk Function is operationally independent and separate from the business areas of the Company. Responsibilities of the Risk Function are set out in the CRO Mandate.

Actuarial Function

The Actuarial Function provides actuarial services and advice to the Company. Led by the HoAF, this function carries out the Company's actuarial-based statutory duties, including the investigation of its financial condition, the valuation of its technical provisions and the review of the sufficiency of premiums for new business. The Actuarial Function monitors the solvency and capital of the Company and supports the Risk Function in determining the capital required to cover the nature and level of the risks to which the Company is, or might be, exposed. Responsibilities of the Actuarial Function are set out in the HoAF Mandate.

Compliance Function

The Compliance Function is an integral part of the Internal Control System under Solvency II. Responsibilities of the CLIAI Compliance Function are set out in the CLIAI Compliance Function Mandate. The primary objective of the CCO and the Compliance Function is to ensure that a good state of compliance is maintained and to provide information and objective advice on regulatory issues and developments in relation to the Company, to the Board Audit Committee (BAC) and to senior management.

Internal Audit

The Internal Audit Function operates in accordance with its BAC-approved charter. Its objective is to provide an effective and responsive internal audit service that adds value to, and improves the Company's operations.

This service is provided through risk-based, independent assessment of the adequacy, effectiveness and sustainability of the Company's governance, risk management and control processes; with the ultimate objective of providing an opinion on the control environment to the BAC. All activities undertaken within the Company are within the scope of Internal Audit. This includes the activities of other control functions. Internal Audit has unrestricted access at any time to all records, personnel, properties and information of CLIAI.

Finance Function

The Finance Function produces the base capital plan, used for projecting CLIAI's solvency position. The Finance Function is responsible for the production, reconciliation and review of monthly management, quarterly group and annual statutory reporting which encompasses both the shareholder and the policyholder aspects of the business. Responsibilities of the Finance Function are set out in the Finance Function Mandate.

B.2 Fit and Proper Requirements

CLIAI is committed to ensuring that all of the fit and proper requirements are met by the Company and in this regard, ensures that all persons who effectively run the Company or manage other key functions have the required qualifications, knowledge, skills and experience required to carry out their role (fitness assessment) and are honest, ethical, act with integrity and are financially sound (probity assessment).

There is a job profile in place for all such roles. Typically the job profile will set out the accountabilities for the job, the level of knowledge, skills and experience required to carry out the job, together with the behavioural competencies that are essential for the job.

B. Systems of Governance

There are documented HR processes in place for recruitment into roles subject to Fitness and Probity requirements. The Company also has in place a Fit and Proper Policy which is reviewed and approved annually by the Board. The Policy sets out the process for fit and proper assessments to be conducted to determine a person's fitness, probity and financial soundness.

Before an appointment is made in respect of persons who effectively run CLIAI or have other key functions within CLIAI, a due diligence process is undertaken to ensure that the person is fit and proper for the role. The due diligence checks for assessing whether a person is fit and proper and is financially sound are set out in the policy. These checks align to the Central Bank of Ireland's Guidance on Fitness and Probity Standards 2015.

In relation to the probity and financial soundness checks, the due diligence is largely by way of self-certification with proposed appointees being requested to complete a questionnaire enquiring as to their probity and financial soundness. The Company then conducts independent directorship and judgements searches.

Most of the roles applicable to persons who effectively run CLIAI are pre-approval controlled functions. In addition to the internal due diligence conducted, in advance of appointments into these functions, there is also a requirement that they are pre-approved by the Central Bank of Ireland.

Adherence to the Fitness and Probity standards and requirements is subject to annual reconfirmation by persons occupying fit and proper roles. Where the Company becomes aware that there may be concerns regarding the fitness and probity of a person in a role subject to the Fit and Proper Policy, the Company will investigate such concerns and take action as appropriate without delay.

The Company will notify the Central Bank of any such action taken where there has been a negative conclusion reached with regard to persons holding a role subject to fitness and probity.

B.3 Risk Management System Including the 'Own Risk and Solvency Assessment'

The Company's Risk Function is responsible, amongst other things, for:

- Maintaining effective processes to identify, manage and monitor risk across the Company;
- Risk reporting in a timely and comprehensive manner to the Risk Committee; and
- Facilitation of the setting of the Risk Appetite by the Board.

The Company has a comprehensive Enterprise Risk Management Framework for the purpose of identifying, managing and monitoring risk across the Company as more fully described in the sections below.

The Risk Function is headed by a sufficiently senior resource within the Company, the CRO, considered by the Board as having sufficient authority and independence to effectively discharge the duties of the role. The CLIAI CRO has direct access to the Board and a reporting line to the Canada Life UK CRO independent of the Executive. In addition, the CLIAI CCO has direct access to the CLIAI CRO for support.

B. Systems of Governance

B.3.1 Risk Management Framework – Three Lines of Defence

CLIAI operates a 'Three Lines of Defence' model, as illustrated by the diagram below.

	BOARD OF DIRECTORS		
First Line of Defence	Second Line of Defence		Third Line of Defence
Board / Executive Management	Risk Committee		Audit Committee
Business Management	Chief Risk Officer	Risk and Compliance	Local Internal Audit
Document processes Implement appropriate controls Monitor and confirm the operating effectiveness of controls Correct deficiencies	Evaluate appropriateness of the design of overall control framework and the effectiveness of its operation	Oversee compliance with regulatory standards Report deficiencies Support and guide business in documenting processes Support control, design and implementation Verify control confirmation by business and challenge if necessary Report weaknesses	Review the appropriateness and effectiveness of the internal control system on behalf of the Board of Directors

Table 11: Three Lines of Defence

The principles of the three lines of defence model which articulates clear segregation between risk management, oversight and assurance are as follows:

First Line of Defence
The first line responsibilities for risk management are generally performed by CLIAI management and staff as it is CLIAI operations where business activities occur and risks are assumed.

Second Line of Defence
The CLIAI Risk Function has responsibility for ensuring the consistent and appropriate measurement and reporting of consolidated CLIAI risk exposures, with measurement and reporting practices aligned with CLG requirements.

CLIAI may organise its required risk measurement and reporting as appropriate given its organisational structure, and may produce additional risk measurements to meet its own business, regulatory or risk management requirements. In the event that CLIAI believes that any required CLG risk measurements are inappropriate for the risks of the company, the CLIAI CRO has a reporting line to the CLG UK CRO which allows for escalation.

The roles and responsibilities of the CLIAI Risk Function are as follows:

- Maintain a set of risk definitions, consistent with those of CLG and GWL, to ensure that risks across the company are consistently defined and measured.

B. Systems of Governance

- Establish consistent methodologies and calibrations for the measurement and aggregation of risks across CLIAI;
- Propose the CLIAI level RAF, including calibrations, for approval by the CLIAI Board;
- Establish a CLIAI stress and scenario testing regime including the calibration of the selected stresses;
- Produce consolidated CLIAI risk reporting and scenario testing in collaboration with the CLIAI Actuarial Function;
- Produce a CLIAI ORSA including an assessment of the appropriateness of the standard formula capital requirement for the risks of CLIAI; and
- Report on company level risks such as intra-group transactions, concentrations of risk at the Company, contagion exposures, specific risks such as currency and exposure to reinsurers.

Third Line of Defence
Internal Audit is a fundamental part of the Risk Management System. Internal audit, as the 3rd line of defence, carries out risk-based independent assessments of the internal risk control framework and the oversight provided by the 2nd line of defence.

Internal Audit is responsible for performing an independent assurance and validation of the operational effectiveness and design of the ERM Framework. This includes periodic audits of first and second line control processes to help ensure effective and efficient operations, integrity of financial reporting, appropriate information technology processes and compliance with law, regulations and internal policies.

B.3.2 Enterprise Risk Management (ERM) Framework

Article 44 of the Solvency II Directive states that the Risk Function has a key role in providing oversight of the implementation of the Risk Management System. Article 246 of the Solvency II Directive emphasises consistency in the implementation of the Group System of Governance and that the risk management, internal control systems and reporting procedures should be implemented consistently in all the undertakings included in the scope of group supervision so that those systems and reporting procedures can be controlled at the level of the group.

CLIAI's ERM Framework is designed to ensure that all material risks are identified and managed and that business strategy across the Company is implemented in full recognition of its risks.

The CLIAI ERM Framework consists of five key components and is aligned with the GWL ERM Framework, namely:

Risk Appetite Framework	The Risk Appetite Framework articulates the company's Risk Strategy, Risk Appetite Statement and limits.
Risk Policies	The documented and approved risk governance and risk processes for specific identified risks.
Risk Principles and Governance	The principles, roles and responsibilities relating to risk management and governance.
Risk Processes	The risk management, governance and oversight processes, including the ORSA.
Risk Infrastructure	CLIAI's organisational infrastructure in place to ensure resources and risk systems required to support risk policies, operating standards and guidelines and processes are adequate and appropriate.

B.3.3 Risk Appetite

Risk Appetite and Risk Identification
The Board has documented its risk appetite using a Capacity, Appetite and Limits (CAL) Framework. The Board has satisfied itself that the risk management framework and internal controls reflect the risk appetite and that there are adequate arrangements in place to ensure that there is regular reporting to the Board on compliance with the risk appetite metrics. The Company has remained within the risk appetite limits throughout 2017.

B. Systems of Governance

Capacity, Appetite and Limits (CAL) Framework
Capital is provided to the Company by its shareholder based upon approved business plans, the regulatory environment, taxation regime and the risks that the Company is exposed to. The Company performs calculations to demonstrate that it holds sufficient capital under the Solvency II regulatory requirements.

The Board and Risk Committee review the capital assessment calculations covering Market, Investment, Credit and Liquidity risks, Insurance Risk and Counterparty Credit Risk.

Operational risk will continue to be managed to identify controls for individual risks and processes. In addition, the available capital under Solvency II is reduced to allow for operational risk as calculated using the Solvency II standard formula. The Board confirms the overall Solvency II capital requirement of CLIAI at least annually.

The CAL Framework sets the boundaries within which the Company wishes to operate for committing capital and for being exposed to risk. It also defines the risk exposure limits. The CAL Framework is detailed in the Company's RAF.

B.3.4 Risk Identification, Assessment and Treatment

Identification of risks within the Company (both existing and emerging) is overseen by the Risk Function. CLIAI uses the standard formula to calculate Solvency II valuation results. Due to the nature of the products, size and resources of the business, an internal model was not considered appropriate.

Should the business see a significant increase in size or the launch of more complex insurance products, then this decision would be reviewed. The standard formula is calculated according to the Solvency II Delegated Regulations.

Risk Identification and Assessment
The Company has a standard framework for the identification and assessment of risk. The framework comprises a number of segments designed to support the identification and assessment of the range of risks that the Company may be exposed to.

Strategic and Inherent Risks

Strategic and Inherent risks are defined as follows:

- ***Strategic risks*** are the risks and uncertainties that arise from, or are associated with, the Company's strategy and the business environment in which it operates. The Company reviews, confirms and documents strategic risks on at least a half-yearly basis via the strategic risk register.
- ***Inherent risks*** are generally those risks that may arise from the types of products sold and the investment assets held to meet liabilities. Exposures to inherent risks are documented within risk management policies. The policies also document the framework of controls required to manage exposures to inherent risks. This inherent risk register is reviewed on at least a half-yearly basis. The policies are reviewed and approved annually by the Risk Committee.

Key and Emerging Risks

Key and Emerging Risks are defined as follows:

- ***Key Risks***
  - are those transient matters and issues that require active senior management involvement to ensure that they do not result in loss or reputational damage. Typically risks falling into this category will be those relating to the failure to manage business change; the entry into new markets; the introduction of new products; or significant regulatory matters. The crystallisation of the risk could result in financial loss, reputational damage or a breach of regulation.
  - are developed following the management review of both first and second line of defence interaction with the risk register process. This process is underpinned by a formal risk rating process and matrix, aligned with a Red/Amber/Green status which leads to the rationalisation of the key risks identified.

B. Systems of Governance

- *Emerging Risks*
  - are those which are monitored, but which remain sufficiently uncertain in form or consequence such that they are difficult to quantify and that specific risk response activities may not yet be considered.
  - have been identified through engagement at Board and senior management levels. This process evolved throughout 2017 to deliver a quarterly reporting format and now includes an annual emerging risk workshop within the business attended by senior management and Board members. The outputs of these events are also shared within the wider Group and considered on a monthly basis within working groups. Communications on emerging risks from across the business are shared with the CLIAI Risk Function for consideration.

  Furthermore, as an International business, a quarterly review between CLI and CLIAI is a standing agenda item within the the Executive Risk And Compliance Management Group.

B.3.5 Risk Measurement

The CLIAI Risk Function is responsible for overseeing the consistent measurement of risks to facilitate the monitoring of consolidated risk exposure relative to risk appetite and the ongoing assessment of solvency and solvency needs as part of the ORSA process. Standards for consistent aggregation and monitoring of risk exposures are set out in the ORSA and related reporting standards.

Measures to ensure consistent aggregation and monitoring of risk exposures include:

- Defined risk monitoring metrics for each key risk sub-type;
- Sensitivity measures are defined for key risks and aligned to the GWL Capital at Risk calibrations;
- Reporting of Solvency II capital requirements by risk type;
- CLIAI defined stress and scenario tests and projections as part of CLIAI ORSA; and
- Analysis as required to assess the measurement of risk exposures on new products or strategic initiatives evaluated by the CLIAI Board.

CLIAI is responsible for the accurate reporting of risk exposures consistent with the defined measurement criteria and for the ongoing input and review of the CLIAI measurement calibrations and methodologies to ensure their appropriateness.

Risk Management

The CLIAI Board establishes risk limits for each individual risk as part of the CLIAI RAF. CLIAI regularly report on risk exposures versus those limits. Risk mitigation will generally be executed by CLIAI management with the support of the CLIAI Risk Function.

Risk Monitoring

Risk exposures are monitored against appetite through quarterly CLIAI risk reports and augmented through emerging risk analysis and thematic reviews.

Risk Reporting

CLIAI must produce quarterly risk reporting to the BRC. The key components of the framework for CLIAI risk reporting are as follows:

- Quarterly reporting of risk exposures against limits and risk appetite to the CLIAI Risk Function;
- Stress testing and sensitivity analysis;
- Solvency projections performed annually as part of the forward-looking assessment which feeds into the ORSA process;
- Providing analysis on material/significant issues, events and risks;
- Attestation of compliance of policies and standards with CLG requirements as defined in the CLG Risk Policy Oversight Standards; and
- Breach reporting.

The Company has a formal process for identifying key risks. The key risks identified are reviewed and monitored on a regular basis and reported through to the Board Risk Committee.

B. Systems of Governance

B.3.6 ORSA

The Own Risk and Solvency Assessment (ORSA) is an annual process of consideration of the Company's current and future capital needs. The ORSA is used by the Company to form its own view on its solvency needs, given its risk profile and business plans. The ORSA process is carried out in line with the Company's Board-approved ORSA policy.

The overall ORSA process is divided into several sub-processes, with each sub-process being addressed at a different stage of the calendar year so as to ensure it is given appropriate consideration.

The ORSA process is driven by the Actuarial and Risk Functions within CLIAI, with:

- Input from other functions as necessary; and
- Oversight from the CLIAI Board.

Initial considerations take place in the first quarter of the year, with the Actuarial and Risk Function assessing the main risk drivers of the Company. The results of this analysis are considered and approved by the Board before the development of the main ORSA report. Given that this is considered earlier in the ORSA process, it gives the Board an early opportunity to comment on the risk profile of the business and the items that may need to be explored within the core ORSA process.

The ORSA report is prepared after the mid-year solvency position has been ascertained, and this position is used as a starting point for the forward looking assessments considered within the ORSA report.

Once the mid-year results are finalised, the main ORSA process is initiated, with the following initial steps:

- The Actuarial and Risk Functions engage with the CLIAI senior management team to get a detailed view on the likely activities of the business. Informed by the latest market conditions, ongoing risk monitoring and the consideration of the risk drivers, the Risk Function ascertain what the most material risks are for the business;
- The Risk Function prepares initial thoughts on the key risks where capital is the main means of managing that risk and will note the stresses and scenarios that will assist the Board in determining CLIAI's level of own solvency needs within the ORSA process; and
- The CLIAI Chief Risk Officer and Head of Actuarial Function present the results of the above steps to the Board and invite views on stresses and scenarios that should be considered within the ORSA exercise. Feedback from the Board is then factored into the work required from the Actuarial and Risk Functions that will feed into the ORSA report.

The CLIAI Actuarial and Risk Functions then prepare a quantitative analysis, which considers:

- A range of stresses on the mid-year solvency position (central projection);
- A forward-looking assessment of the evolution of the balance sheet, noting planned business volumes and management activities; and
- A range of additional scenarios, where the above central projection is subjected to a number of adverse events (sensitivities and scenarios) so as to assess CLIAI's resilience to balance sheet shocks.

The ORSA report is then drafted considering the above results, and the draft report is presented to the Board at a Q3 2017 workshop event. This gives CLIAI management and the Board adequate time to consider the output of the above exercise, challenge its results and note any additional work that is required. It also gives the Board and senior management time to consider the appropriateness of the business plan and assess any actions which may need to be taken.

The ORSA report is then amended in light of the above discussions, with a final report and any actions arising from it subject to approval in the Q4 Board meeting prior to the end of the financial reporting year. The timing of CLIAI Board meetings means that this typically takes place in November or December.

B. Systems of Governance

Assessment of CLIAI's "own solvency needs" is carried out as part of the ORSA exercise. In carrying out this assessment, CLIAI considers a wide range of risks, stresses and scenarios. CLIAI carries out explicit stress and scenario tests in relation to the key risks of the business, where the risk is of a quantitative nature and explicit assessment of the impact of the risk is possible. This assessment is used to inform CLIAI management and the Board of an appropriate "target" level of capital, or "Target Capital Requirements" (TCR), to hold and this level of capital is documented and approved within the ORSA report.

It should also be noted that the Board reviews and approves the CLIAI ORSA policy on an annual basis.

B.4 Internal Control System

B.4.1 Internal Control System

Internal controls are a set of processes which are maintained and carried out by management and all personnel, reviewed by the Board and designed to ensure:

- Compliance with Group policies and standards;
- Reliability and accuracy of financial and non-financial information;
- Compliance with laws and regulations;
- Alignment of the key controls with the key risks; and
- That the level of risk is within the Company's risk appetite.

These processes enable CLIAI to discharge its obligations under the Handbooks of Rules and Guidance issued by the CBI, and the requirements of the Office of the Superintendent of Financial Institutions, the lead regulator of Great-West Life, CLIAI's ultimate parent undertaking.

Internal Controls for CLIAI are specified within policies, mandates, charters and other relevant formal documentation, which are reviewed and approved by the Board and its Committees annually. The Board is accountable for the design and operating effectiveness of the system of Internal Controls. Oversight of the appropriateness and effectiveness of the control environment is provided by the CLIAI BAC.

B.4.2 Compliance Function

The primary objective of the CCO and the Compliance Function is to ensure that a good state of compliance is maintained in CLIAI and to provide information and objective advice on regulatory issues and developments to senior management and to the BAC to allow them to fulfil their respective accountabilities for the Company's compliance. To achieve this objective, the Compliance Function ensures appropriate controls are in place and ensures that there is independent oversight, review and assessment of relevant legal and regulatory obligations across the Company.

The CCO is responsible for oversight of compliance and regulatory risk for CLIAI. The CCO has a direct reporting line and responsibility to the BAC for oversight matters.

Anti-Money Laundering Reporting Officer

The CCO is also the Anti-Money Laundering Reporting Officer (MLRO) for CLIAI. The MLRO oversees compliance with anti-money laundering and anti-terrorist financing laws and regulations, arranges periodic awareness raising and assessments and completes reports when necessary to relevant authorities.

Data Protection Officer

The CCO is also the Data Protection Officer for CLIAI. Responsibilities of the Data Protection Officer include:

- Overseeing compliance with applicable data protection laws; and
- Ensuring there are procedures in the business areas for:
  - handling concerns and complaints from clients;
  - appropriate handling of subject access requests;
  - managing the relationship with the Data Protection Commissioner's Office; and
  - co-ordinating actions as required in the event of breaches with regulatory or legislative requirements.

B. Systems of Governance

B.5 Internal Audit Function

Internal Audit activity is executed within the framework of a risk-based audit plan as approved by the Canada Life Group BAC on an annual basis. Audits planned for the year are selected from a universe of business processes with a focus on areas considered to be of the highest inherent risk, giving due consideration to the organization's risk management framework. The universe includes all first and second line activities as well as governance processes. In addition to the Annual Audit Plan, a 5-Year Plan is also prepared. The 5-Year plan is designed to ensure that appropriate audit coverage is obtained across the universe of business processes on a cyclical basis.

All audit reports are distributed to those members of the organisation who are in a position to take corrective action or ensure that corrective action is taken to address any gaps identified.

Internal Audit prepares quarterly reports to the BAC summarising audit activity in the quarter, identified weaknesses in the internal control environment, inadequacies in compliance with laws and regulations, recommendations to remedy weaknesses and updates to previous recommendations.

Internal Audit is independent of the business management activities of the Company, thus enabling the businesses to carry out their work with full accountability. Internal Audit is not involved directly in revenue generation or in the management and financial performance of any business line.

Internal auditors have neither direct responsibility for, nor authority over, any of the activities reviewed, nor does their review and appraisal relieve other persons in the Group of responsibilities assigned to them. Internal auditors are not responsible for developing, revising or installing systems, policies or procedures or for appraising an individual's performance related to operations audited.

The Chief Internal Auditor, Europe (CIA) has a direct reporting line and responsibility to the BAC of the Board of Directors for oversight matters. The BAC of the Board of Directors has sufficient authority to promote independence and to ensure a broad audit coverage and adequate consideration of audit reports.

The BAC annually reviews and approves the mandate of the CIA, reviews and recommends the appointment/removal of the CIA to the boards, annually assesses the performance of the CIA and the effectiveness of the Internal Audit function. The BAC also reviews and approves the organisational and reporting structure, the Internal Audit department budget and resources and through the Chairman of the BAC has the authority to communicate directly with the CIA. The CIA maintains direct and unrestricted access to the BAC.

The CIA Mandate approved by the BAC notes that the CIA and Internal Audit function is independent of the activities that they audit and free from conditions that threaten their ability to carry out internal audit responsibilities in an objective manner. The internal audit activity is free from interference for matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of a necessary independent and objective attitude.

B.6 Actuarial Function

The Actuarial Function provides actuarial services and advice to the Company. The Actuarial Function carries out the Company's actuarial-based statutory duties, including the investigation of its financial condition, the valuation of its Technical Provisions and the review of the sufficiency of premiums for new business. The Actuarial Function monitors the solvency and capital of the Company and supports the Risk Function in determining the capital required to cover the nature and level of the risks to which the Company is, or might be, exposed.

B. Systems of Governance

The team is led by the Head of Actuarial Function (HoAF) and areas of responsibility include:

- Technical Provisions:
  - Setting of assumptions and valuation methodology;
  - Review and sign-off of data quality;
  - Calculation of Technical Provisions;
  - Comparison of best estimate versus experience; and
  - Informing the Board of the reliability and adequacy of calculation of Technical Provisions.

- Opinions:
  - Providing an opinion on CLIAI's underwriting policy;
  - Providing an opinion on the adequacy of CLIAI's reinsurance arrangements;
  - Providing an opinion on the Technical Provisions; and
  - Providing an opinion on the ORSA.

- Business:
  - Contribute to business planning and budgeting; and
  - Reviewing pricing policies and authority limits.

- Contribution to the risk management system:
  - Execute the calculation of the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR);
  - Contribute to the Own Risk and Solvency Assessment (ORSA) process; and
  - Contribute to Risk Management of the business.

B.7 Outsourcing

CLIAI takes a prudent and conservative approach to outsourcing, utilising an outsourcing risk management program, including business continuity plans, designed to ensure that no outsourcing arrangement will be entered into if it would entail unacceptable risk exposure.

When ensuring appropriate oversight and safeguards are in place for critical outsourced functions, CLIAI ensures services are monitored and are being delivered in the manner expected and in accordance with the terms of the agreement. Monitoring takes the form of regular, formal meetings with the material service providers and/or periodic reviews of the arrangement's performance measures. At least annually, the service provider is reviewed to assess its ability to continue to deliver the service to the standard and in the manner expected.

Description of the Outsourcing Policy

In the appropriate circumstances, the outsourcing of specific business functions can be used to reduce or control costs, to free internal resources and capital, and to utilise skills, expertise and resources not otherwise available to the company. However, the outsourcing of specific business functions may also expose the company to additional risks, and those risks must be identified and managed. The Outsourcing Policy is a Board-approved policy designed to establish the principles and requirements for the management of outsourcing arrangements.

Where functions and activities of CLIAI are outsourced, the Board and its senior management retain ultimate responsibility for such outsourced functions and activities. The Board and senior management retain the necessary expertise to manage outsourcing risks and provide oversight of outsourcing arrangements.

B. Systems of Governance

The policy establishes the following general principles in relation to the identification and management of outsourcing risks:

- Outsourcing arrangements are identified and assessed with regards to their materiality;
- Outsourcing arrangements are subject to appropriate approval;
- Proposed service providers for material outsourcing arrangements are subject to a thorough initial and ongoing evaluation of their capability to perform; and
- Outsourcing contracts for material outsourcing arrangements contain certain mandatory terms and conditions.

Material outsourcing arrangements are subject to effective monitoring and control by senior management with oversight from the BRC.

The CLIAI Outsourcing Policy also includes guidance on conducting a due diligence review of an external service provider which may include a number of factors such as:

- experience and technical competence in providing the relevant service;
- business reputation;
- complaints and pending litigation; and
- business strategy.

CLIAI is currently utilising several service providers to undertake critical or important functions on its behalf. Details of the functions and activities they provide, and the jurisdictions they operate in, are shown in the table below:

Service Provider	Description of Service Provided	Jurisdiction
IPSI (Irish Progressive Services International)	Certain Administration and other services	Ireland
CLIS (Canada Life International Services Limited)	Certain Administration and other services	Isle of Man
CLAM (Canada Life Asset Management)	Provision of investment management services	UK
IB (Invest Banca Spa)	Provision of banking, investment & tax reporting services	Italy
CLFIS (UK) Limited	Services in respect of distribution	UK
CLGS (Canada Life Group Services Limited)	Tax, payroll and IT Services in order to operate its business	Ireland
ILGS (Irish Life Group Services)	Provision of HR, Legal, accounts payable and other administration services in order to operate its business	Ireland

Table 12: Service Providers

B.8 Any Other Information

All information is contained in Sections B1-B7.

C. Risk Profile

CLIAI's main quantitative measurement of risks is via application of the standard formula set out by the Solvency II Directive and Delegated Regulations. The Solvency II standard formula for the calculation of the solvency capital requirement sets out how much capital a company must hold against each of the risks on its balance sheet.

The standard formula comprises a set of individual risk modules aligned to individual risks that a company may be exposed to.

The risk modules are then aggregated to ultimately calculate the SCR for the company. The following graph shows a condensed flowchart of the standard formula SCR including the principal items relevant for CLIAI and its business.

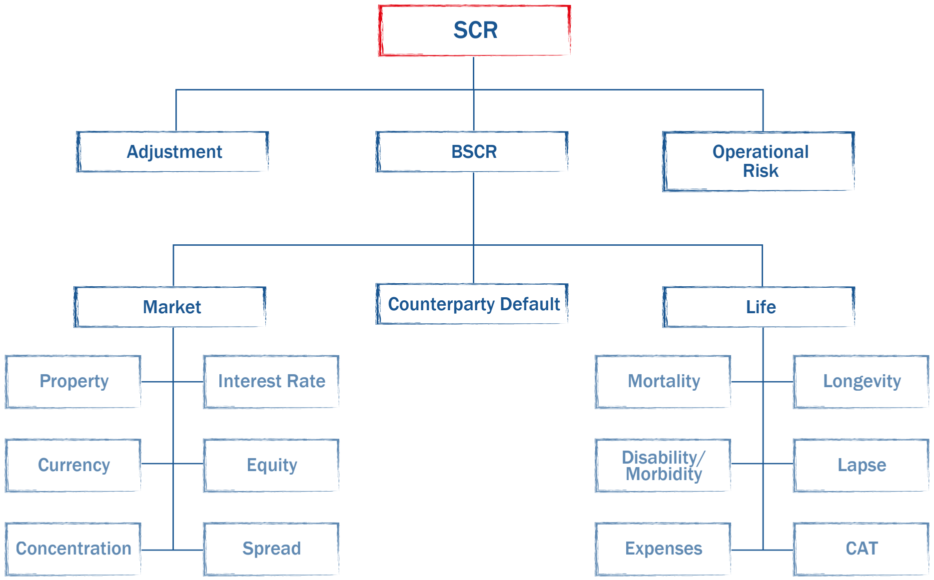


Figure 3: Standard Formula Structure

The more significant risks to which CLIAI is exposed under the standard formula are set out in Sections C1 to C5 below. For each category of risk, CLIAI determines its risk appetite and sets its investment, treasury and associated risk policies accordingly.

The standard formula SCR risk profile comprises life underwriting risk, market risk, counterparty default risk and operational risk. At year-end 2017, Solvency II assumptions have been updated to take account of the introduction of the proposed future TPA outsourcing model. Year-end assumptions continue to be refined as part of the process to embed the Solvency II risk based capital regime in the business. These updates have impacted the business from a solvency capital and balance sheet perspective.

The updated assumptions have meant that the proportion of the Basic SCR which relates to Underwriting Risk has increased over the period. The proportion of the Basic SCR that relates to Market Risk has decreased.

Given the nature of CLIAI's book of business, the shareholder assets are not specifically held to back insurance liabilities. The assets are therefore held primarily to meet operational requirements as well as any solvency requirements. These assets are held in cash in bank accounts and in short term high quality bonds; hence market risk exposure arising from these assets is low. Counterparty default risk is also relatively low as CLIAI operates to minimum credit ratings as part of its shareholder Investment policy/strategy.

The resulting standard formula basic SCR risk profile for CLIAI as at 31st December 2017 is shown below:

Standard Formula Basic SCR

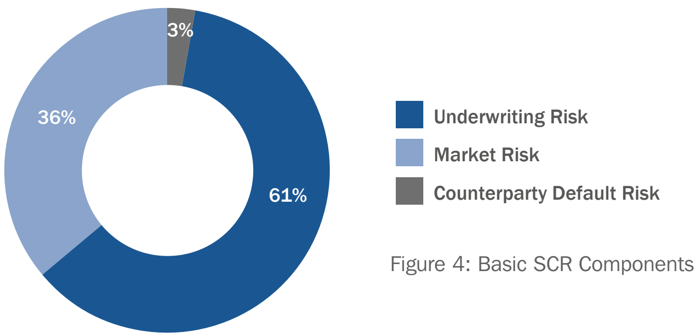


Figure 4: Basic SCR Components

C. Risk Profile

C.1 Underwriting Risk

As shown in figure 4, the standard formula indicates that, at 31st December 2017, 61% of CLIAI's basic capital requirement is held in respect of underwriting risk. Due to the nature of the business, the key underwriting risks CLIAI is exposed to are Expense risk and Lapse risk. Longevity, Mortality and Catastrophe risks have also been considered, but these risks are not material risks for CLIAI.

It should be noted that CLIAI does not make use of any special purpose vehicle (SPV) with respect to underwriting risk.

Expense Risk

Expense risk is the risk of loss, or of adverse change in the value of insurance liabilities, associated with the variability of expenses incurred in acquiring, servicing and maintaining business.

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.

The standard formula assessment of the amount of capital required to be held for undiversified expense risk has increased by 10% since year-end 2016. This increase is a result of assumption updates that have been applied, reflecting the anticipated introduction of the proposed future outsourcing model and refinements made as the company continues to embed the Solvency II regulatory regime.

Lapse Risk

The standard formula assessment of the amount of capital required to be held for undiversified lapse risk has increased by 24% since year-end 2016, driven by the recognition of the impacts of an improved outsourcing model on the CLIAI balance sheet. The business is now more lapse sensitive and this causes the lapse SCR to increase at December 2017.

C.1.1 Investment Assets and Prudent Person Principle as applied to Underwriting Risks

Given the nature of CLIAI's book of business, the shareholder assets are not specifically held to back insurance liabilities. While all assets are invested in accordance with the prudent person principle, there are no specific assets held which directly support underwriting risks.

C.1.2 Underwriting Risk Concentration

CLIAI's book of business is largely UK based, with a small amount (approximately 1% of assets under management) in the Italian market. Therefore there is a concentration of risk due to the exposure to a single market. Lapse risk can increase in times of economic uncertainty and as such the business has a concentrated risk exposure to the UK and its economy.

C.1.3 Assessment and Risk Mitigation Techniques used for Underwriting Risks

CLIAI monitors and controls underwriting risks via various methods, including:

- A risk register is maintained with an assessment performed on a regular basis and reported through to the CRO and BRC;
- Lapse risk monitoring is conducted monthly;
- Experience investigations covering lapse, mortality and expenses are conducted annually; and
- The annual ORSA process that includes stress and scenario testing is used to assess the ability of the business to maintain its SCR and remain solvent under stressed conditions.

C. Risk Profile

C.1.4 Risk Sensitivity for Underwriting Risk

As stated in Section C.1.3, the ORSA includes stress and scenario testing for underwriting risks which enables CLIAI to assess the sensitivity to underwriting risks. For the 2017 ORSA, the solvency position at 30th June 2017 and the projected solvency position over the business planning period were re-calculated following a range of adverse stresses for the material underwriting risks including expenses and lapses. Stress tests completed included a 4% increase in expenses and a 5% mass lapse stress. The results, as expected, identified that CLIAI is highly sensitive to lapse and expense risk. As noted in section C.1.3, these risks are actively monitored and managed by management.

C.2 Market Risk

Market Risk is the risk that losses will be incurred due to adverse fluctuations in the fair value or future cash flows of financial instruments.

As shown in figure 4, the standard formula indicates that, at 31st December 2017, 36% of CLIAI's basic capital requirement is held in respect of market risk. The key market risks CLIAI is exposed to are equity risk and currency risk. CLIAI is also exposed to spread risk, interest rate risk and concentration risk which are included in the calculation of market risk. However these are of lower materiality than equity and currency risk, and so are not discussed further in this report.

Currency Risk

Currency risk is the risk of loss, or of adverse change in the value of assets and liabilities, associated with the change in currency exchange rates.

Currency risk for CLIAI arises due to:

- The majority of CLIAI's revenues are earned in GBP, whereas expenses are incurred in Euro;
- Some policies are non-GBP denominated; and
- Currency base of Shareholder assets.

The standard formula assessment of the amount of capital required to be held for undiversified currency risk has decreased by 51% since year-end 2016 reflecting the ongoing implementation of the proposed future TPA outsourcing model and its impacts on CLIAI's risk profile.

Equity Risk

Equity risk is the risk of loss, or of adverse change in the value of assets and liabilities, associated with the change in the level or in the volatility of market prices of equities.

CLIAI is indirectly exposed to equity risk due to the impact on charge income from policyholder funds which is connected to the underlying value of policyholders' funds.

The standard formula assessment of the amount of capital required to be held for undiversified equity risk has increased by 65% since year-end 2016. An anticipated impact of ongoing improvements to CLIAI's TPA outsourcing model is that CLIAI's overall expense base will reduce; this enhances the profitability of the book of business. As a result, CLIAI's balance sheet and capital position becomes more exposed to adverse market movements, leading to a higher equity risk capital component.

C.2.1 Investment Assets and Prudent Person Principle as applied to Market Risks

All assets of CLIAI are invested in accordance with the prudent person principle set out in the Delegated Regulations. Both the policyholder funds and shareholder assets are exposed to market risks.

The Company aims to maintain a matched unit position in respect of all of its policyholder funds. That is, there should be sufficient units created for each fund at least equal to the number of units allocated to policyholders. This is designed to ensure that the company holds sufficient assets of appropriate nature, term and liquidity to enable it to meet its liabilities to policyholders as they become due. This demonstrates investment practice that is in accordance with the prudent person principle with respect to policyholder funds.

C. Risk Profile

CLIAI invests shareholder assets in assets with a risk profile that CLIAI can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of its overall solvency needs. All assets are invested in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio as a whole. Again, this investment policy is in accordance with the prudent person principle for shareholder assets.

C.2.2 Market Risk Concentration

Market concentration risk is a standalone sub-module that feeds into the overall Market Risk SCR calculation. Under the 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 market risk concentration sub-module. Therefore, only the shareholder assets are assessed for concentration and a specific capital requirement is calculated and held as part of the overall Market Risk SCR in this regard.

Considering market risk beyond the scope of the market risk module within the standard formula, CLIAI has no material concentrations of market risk exposure. CLIAI's own assets are invested in securities from a broad range of issuers, with limits in place so as to reduce concentration exposure. CLIAI only has indirect exposure to the performance of policyholder funds through the fee income it collects to fund the cost of administration of the business.

C.2.3 Assessment and Risk Mitigation Techniques used for Market Risks

Currency risk is monitored regularly by management reviewing the exchange rate movements between GBP and EUR (in particular). The currency risk due to EUR exposure is partially mitigated by investment in Euro denominated assets (cash and bonds). In addition, a risk register is maintained and an assessment of market risk is performed regularly and reported through to the CRO and BRC. The implementation of an improved TPA outsourcing module is anticipated to reduce CLIAI's exposure to currency volatility going forward as the sterling expense base will be broadly matched with sterling based revenue income from policyholder funds.

C.2.4 Risk Sensitivity for Market Risks

CLIAI carries out stress and scenario testing as part of the annual ORSA process which includes stress testing of relevant market risks.

For the 2017 ORSA, the solvency position at 30th June 2017 and the projected solvency position over the business planning period were re-calculated following a range of adverse stresses for the material market risks relates to currency and equity. The stresses applied were a 15% and 20% appreciation of EUR against GBP and a 20% equity fall. Additional interest rate stresses, which investigated the impact of downward shifts in yield curves, were also applied as part of the ORSA. These stresses resulted in material reductions in CLIAI's level of SCR coverage, hence management will actively look at means of mitigating these risks going forward.

C.3 Credit Risk

Credit risk is the risk of loss, or of adverse change in the financial situation, resulting from fluctuations in the credit standing of counterparties, issuers of securities and any debtors to which CLIAI is exposed in the form of counterparty default risk, spread risk or market risk concentrations.

Due to the nature of CLIAI's business, the credit risk exposure is mainly in the form of Counterparty Default Risk on shareholder cash accounts as described below. CLIAI is also exposed to credit risk in the form of spread risk and concentration risk on shareholder bonds and deposits. Under the standard formula, both spread risk and concentration risk are modelled as part of the Market Risk SCR component and so are not considered further in this section. As shown in figure 4, the standard formula indicates that, at 31st December 2017, circa 3% of CLIAI's basic SCR requirement is held in respect of counterparty default risk.

Counterparty risk includes default and downgrade risk.

C. Risk Profile

C.3.1 Investment Assets and Prudent Person Principle as applied to Credit Risks

Counterparties are selected by taking into account the credit rating and reputation of each entity. Credit ratings are used as a way of properly identifying and managing the risk attached to a counterparty and CLIAI ensures only counterparties with sufficiently high credit ratings are engaged. CLIAI also engages with multiple counterparties when conducting business to limit exposure to concentration risk.

C.3.2 Credit Risk Concentration

As noted above, credit risk is assessed as part of the Market Risk SCR. For CLIAI, shareholder holdings of corporate bonds and deposits require capital to be held in respect of credit risk. For CLIAI as a whole, credit risk concentration is of low materiality, as limits are in place to ensure the Company will not gain exposure to poorly rated entities.

C.3.3 Assessment and Risk Mitigation Techniques used for Credit Risk

CLIAI has strict limits on appropriate counterparties for each category of assets. The counterparty limits are regularly reviewed to ensure that they are consistent with CLIAI's available assets and risk appetite.

Credit risk is monitored via regular review of counterparty credit ratings and the analysis of the proportion of assets held with any single counterparty.

C.3.4 Risk Sensitivity for Credit Risk

Although credit risk is not a material risk for CLIAI, risk sensitivities for Credit Risk were specifically considered in the ORSA process. For the 2017 ORSA, the solvency position at 30th June 2017 and the projected solvency position over the business planning period were re-calculated after allowing for the occurrence of credit risk events. One stress considered was a widening of spreads on both corporate and sovereign bonds. This stress did lead to a reduction in SCR coverage. However, CLIAI would still be able to meet its TCR and Solvency requirements when this stress test was applied.

C.4 Liquidity Risk

Liquidity risk relates to the risk arising from an inability to meet obligations as they fall due or an inability to meet such obligations except at excessive cost.

Liabilities to policyholders are matched by segregated assets such that there should be sufficient units created for each fund at least equal to the number of units allocated to policyholders. This is designed to ensure that the Company holds sufficient assets of appropriate nature, term and liquidity to enable it to meet its liabilities to policyholders as they become due. Consequently CLIAI's main exposure to liquidity risk relates to shareholder assets.

C.4.1 Investment Assets and Prudent Person Principle as applied to Liquidity Risks

The investment assets are prudently invested taking into account the liquidity requirements of the business and the nature and timing of the insurance liabilities. The shareholder assets are invested in high credit quality holdings which tend to be highly liquid.

C.4.2 Liquidity Risk Concentration

While liquidity risk is immaterial for CLIAI, concentration of risk could arise due to the relatively small number of counterparties with which shareholder assets are held. However, all shareholder investments are made with counterparties of high credit ratings and this acts to limit any potential liquidity risk pertaining to these assets.

C. Risk Profile

C.4.3 Assessment and Risk Mitigation Techniques used for Liquidity Risk

CLIAI has a limited appetite for liquidity risk and seeks to mitigate the risk wherever possible.

CLIAI may become financially exposed where a policyholder's assets become impaired; that is, become illiquid or more complicated to price such that its value cannot be properly verified. Should assets become impaired, there may be a requirement for CLIAI to delay calculating surrender values or switch values. This may result in a delay in dealing with any such surrender or switch request. Where such a situation does occur, CLIAI seeks to minimise any impact and will seek to advise the policyholder of the situation and planned actions as soon as is feasible.

Shareholder assets are required to cover the following:

- Commissions and other acquisition expenses;
- Ongoing operating expenses; and
- Coverage of additional reserves and solvency requirements.

CLIAI management monitors liquidity, in appropriate currencies, on a regular basis to ensure that adequate liquid assets are available to allow the company to meet these liabilities as they arise. Assets are invested for appropriately short durations in liquid assets.

C.4.4 Risk Sensitivity for Liquidity Risk

Given the investment strategy with respect to shareholder assets, that is, investing in short duration liquid assets, there is an immaterial exposure to liquidity risk. CLIAI has the financial resources available to fulfil current and future liabilities based on the current book of business. Therefore, specific sensitivities were not required or carried out as part of the ORSA process.

C.4.5 Additional Information for Liquidity Risk

Due to the nature of the business, selling single premium policies only, there are no future premiums on the book and hence no expected profit included in future premiums is included.

C.5 Operational Risk

Operational risk arises from potential problems due to inadequate or failed internal processes, people and systems or from external events. Exposure to operational risk results from either normal day-to-day operations or an unanticipated event and can have material financial and/or reputational consequences for the business.

Operational Risk is comprised of several components, specifically:

- Fraud Risk
  - External Fraud
  - Internal Fraud
- Infrastructure Risk
  - Physical Safety
  - Business Continuity
  - Cyber Risk, Technology, Systems and Data (including applications)
- Legal and Regulatory Risk
  - Regulatory
  - Legal and Disputes
- Outsourcing Risk
  - Internal Outsourcing Risk
  - External Outsourcing Risk
- People Risk
  - Recruitment and Retention
  - Resource Management
  - Remuneration
  - Diversity and Discrimination

Sections C1-C4 above deal with the assessment of the Basic Solvency Capital Requirement (Basic SCR or BSCR). Operational risk is combined with the Basic SCR and any required adjustment (specified under the standard formula) to calculate the overall SCR. The operational risk comprises circa 6% of the overall SCR.

C. Risk Profile

C.5.1 Investment Assets and Prudent Person Principle as applied to Operational Risks

While all assets are invested in accordance with the prudent person principle, there are no specific assets held which directly support operational risk.

C.5.2 Operational Risk Concentration

CLIAI's business operations and administration of policies are largely currently located in a single Group campus in Dublin with an additional element of outsourced operations and investment administration activities in the Isle of Man, and so the servicing of policies is centred in these locations. The associated concentration risks are partially mitigated through business continuity planning and off-site centres for data backup and restoration should an incident occur at either campus.

C.5.3 Assessment and Risk Mitigation Techniques used for Operational Risk

CLIAI identifies risk exposures and then prioritises and develops risk mitigation strategies to address these exposures.

Operational risk monitoring relates to overseeing and tracking the operational risk profile of the business on an ongoing basis.

CLIAI has processes in place to monitor operational risk exposures against the Operational Risk Management Policy and the RAF.

C.5.4 Risk Sensitivity for Operational Risk

Operational risk was specifically considered in the 2017 ORSA process through a range of scenarios of quantitative and/or qualitative in nature. These included a fraud scenario, a scenario allowing for severe disruption to new business and a reverse stress test. Where quantitative analysis was possible, the solvency position at 30th June 2017 and the projected solvency position over the business planning period were re-calculated after allowing for the occurrence of these events.

With regard to new business volumes, a case was considered where sales fell to 50% of planned volumes. This was allowed for through reducing the forecast volumes applied in the ORSA projection. As CLIAI is a growing Company, this led to a situation where CLIAI's projected SCR coverage eroded over time, highlighting the importance of continuing sales to the Company.

The reverse stress test considered a case where new business values fell to 50% of planned volumes but also where the EUR appreciated against GBP by 25% and inflation increased by 100bps. The reverse stress scenario concentrates on poor sales and failure to generate income. It enables management to understand the risk factors that could lead to a significant fall in SCR coverage and hence develop plans to address these risks.

C.6 Other Material Risks

CLIAI's most material risks are covered in the above paragraphs. There is a more comprehensive list, the risk universe, which is documented within the Risk Strategy Policy and considered as part of the Company's RAF. In addition, other risks of the business are explicitly considered in the annual ORSA process.

Throughout 2017, the following issues rose in prominence, were reviewed, and are being monitored on a frequent basis by senior management and the Board:

- Brexit, and related issues;
- Cyber and Information Services; and
- Project Risks including those related to the growth strategy of the business.

C.7 Any Other Information

No additional information to be noted.

D. Valuation for Solvency Purposes

D.1 Assets

As at 31st December 2017, the asset value for each material asset type on the Company's Solvency II Balance Sheet is found in the table below:

Asset Type	31st December 2017 (£m)
Government Bonds	20.31
Corporate Bonds	5.21
Assets held for index-linked and unit-linked contracts	4,441.25
Cash and cash equivalents	12.68
Any other assets, not elsewhere shown	1.23
Total assets	**4,480.68**

Table 13: Material Solvency II assets (Extract from Appendix 1)

Bonds
The majority of shareholder bond investments are government bonds with a number of high quality corporate bonds and a collateralised security also held. An investment mandate is in place with Canada Life Asset Management (CLAM) which governs the management of the shareholder bond portfolio. Bond prices are sourced from Thomson Reuters. There are no differences between Solvency II recognition and EU- IFRS.

Assets held for Index-linked and Unit-linked contracts
Assets held for Index-linked and Unit-linked contracts are policyholder funds. The valuation of policyholder funds is provided by IPSI (sourced through Telekurs) for direct business, and by underlying DFM's. There are no differences between Solvency II recognition and EU-IFRS.

Cash and cash equivalents
There are no differences between Solvency II recognition and EU- IFRS.

Any other assets, not elsewhere shown
Any other assets, not elsewhere shown represents prepayments, intercompany receivables, income tax receivables and deposit interest due. Included within any other assets is an income tax receivable due from a related party for tax losses surrendered in 2017.

D.1.1 Overview of Methodology for Valuing Assets

Valuation
The Technical Specification (EIOPA 14/209) indicates that the Solvency II default reference framework for valuing assets and liabilities, other than technical provisions, should be, unless otherwise stated, the international accounting standards as adopted by the European Commission in accordance with Regulation (EC) No 1606/2002. In most cases those international accounting standards (IFRS) are considered to provide a valuation consistent with Principles of Solvency II.

CLIAI recognises assets and liabilities in accordance with (EU-IFRS) for its annual Financial Statements and Central Bank guidelines for its regulatory reporting.

As required under IFRS 13, Fair Value Measurement, CLIAI's annual audited Financial Statements disclose the asset and liability valuation techniques used across levels 1, 2 and 3 (i.e. the fair value hierarchy).

A brief description of each 'Level' is set out below:

- **Level 1:** fair value measurements derived from quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- **Level 2:** fair value measurements derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** fair value measurements derived from valuation techniques that include inputs for the asset and liability that are based on unobservable market data.

Recognition
As a financial reporting regime, IFRS is focused not only on reporting the financial position at the balance sheet date but also on reporting performance in the period. This gives rise to some of the differences between reporting under Solvency II and IFRS.

D. Valuation for Solvency Purposes

Under Solvency II all assets and other liabilities are reported at economic (fair) value. Where the IFRS valuation is also based on fair value the valuation bases will be aligned. However, in some areas Solvency II introduces different valuation bases where IFRS is not viewed as representing an economic valuation.

IFRS permits the explicit deferral of acquisition costs and income, through the establishment of a notional Deferred Acquisition Costs (DAC) asset and a notional Deferred Income Reserve (DIR) liability.

There is no equivalent concept of deferring revenue or costs over the life of the contract under Solvency II. Therefore, DAC of £12.18m and DIR of £21.10m were written off (to nil value) on the Solvency II balance sheet at the 31 December 2017.

Under IFRS, Goodwill is recognised as a specific asset when an acquisition takes place and there is a positive difference between the purchase consideration paid and the fair value of the net assets acquired. Under Solvency II no value can be ascribed to acquired Goodwill.

Information on deferred tax assets and liabilities
Per Article 15 of the Solvency II Delegated Acts, deferred tax shall be accounted for as below. The Company shall recognise and value deferred taxes in relation to all assets and liabilities, including technical provisions. The Company shall value deferred taxes, other than deferred tax assets arising from the carry forward of unused tax credits and the carry forward of unused tax losses, on the basis of the difference between the values ascribed to assets and liabilities recognised and valued in accordance with Article 75 of Directive 2009/138/EC and in the case of technical provisions, in accordance with Articles 76 to 85 of that Directive and the values ascribed to assets and liabilities as recognised and valued for tax purposes.

The Company shall only ascribe a positive value to deferred tax assets where it is probable that future taxable profit will be available against which the deferred tax asset can be utilised, taking into account any legal or regulatory requirements on the time limits relating to the carry forward of unused tax losses or the carry forward of unused tax credits.

Total unutilised losses for which no deferred tax asset has been recognised amount to £30.47m.

At year end 2017 the Company established a tax asset for current tax losses valued at £0.18m. An agreement is in place whereby CLIAI surrendered tax losses to Canada Life Assurance Europe plc, a company in CLIAI's tax group which has taxable profits against which these losses can be offset. CLIAI will receive a cash settlement in exchange for surrendering the tax losses. The £0.18m is reflected in 'Any other assets, not elsewhere shown'.

D.2 Technical Provisions

Technical Provisions as at 31st December 2017:

Technical Provisions – index-linked and unit-linked	31st December 2017 (£m)
TP calculated as a whole	4,441.25
Non-unit Best Estimate Liability	-6.43
Risk Margin	3.86

Table 14: Technical Provisions (extract from Appendix 1)

Calculation methods
The best estimate liability corresponds to the expected present value of future cashflows discounted using risk-free interest rates. It is an estimate using assumptions described below of the expected profit that CLIAI will earn over the lifetime of the policies in force at the valuation date.

The risk margin is a regulatory prescribed additional technical provision that the Company must hold. There is a cost to holding the SCR. The risk margin is the cost of holding the SCR over the Company's lifetime.

D. Valuation for Solvency Purposes

Assumptions

The below table sets out the assumptions used in the calculation of the technical provisions and hence SCR.

Economic – Best Estimate	31st December 2017
Reference Curve for Discounting and Future Investment Returns	EIOPA swap rate curves – GBP, EUR and USD
Inflation – Expenses & Policy Fees	2.7% p.a.

Other Technical Assumptions – Best Estimate	31st December 2017
Currency of Policyholder Funds	Determined with reference to analysis of underlying policyholder assets.
Type of Policyholder Fund Assets	Assumptions derived based on asset look-through information.
Mortality	Industry standard mortality tables adjusted in light of experience investigations carried out by the Actuarial Function.
Surrender Rates	Based upon rates observed in experience studies carried out by the Actuarial Function.
Expenses	The majority of expenses are estimated from recent internal experience and are expressed as maintenance expense per policy. Likely future changes in the business are taken into account.

Table 15: Assumptions

Over the period, most of the assumptions remained relatively stable, though some changes have been applied. Assumptions have been refined to reflect the impacts of an ongoing project to implement the proposed future TPA outsourcing model. In addition, some refinements have been made to our assumptions, as the company continues to embed the Solvency II reporting regime in the business.

Level of uncertainty associated with the amount of Technical Provisions (TP's)

In assessing the TP's, the actuarial models project cashflows using deterministic assumptions, which are the expected amounts on a best estimate basis allowing for uncertainties in both timing and quantum.

The inherent uncertainty in the actual outcomes arising from the insurance obligations and uncertainty in the estimation of the technical provisions for CLIAI's business is identified by considering how experience deviates from assumptions over time, which is considered as part of the regular review of assumptions and this is used to inform the annual assumption setting process. CLIAI's business and technical provisions are most sensitive to lapse, expense and currency assumptions.

There is no material difference with the valuation basis, method and assumptions used for calculation of technical provisions as a whole in the financial statements. The financial statements are carried out on an IFRS basis and both IFRS and Solvency II are calculated on a best estimate basis.

D. Valuation for Solvency Purposes

D.3 Other Liabilities

Other liabilities included in the Solvency II balance sheet at 31st December 2017 are as follows:

Liabilities	31st December 2017 (£m)
Insurance and intermediaries payables	4.99
Payables (Trade, not insurance)	1.88

Table 16: Other Liabilities (extract from Appendix 1)

The valuation of Insurance and Intermediaries payables and Payables (trade, not insurance) under Solvency II is consistent with the IFRS valuation basis.

Insurance and Intermediaries payables
Insurance and Intermediaries payables represent commissions, payables to segregated funds, unapplied premium and claims agreed but not yet paid to policyholders.

Trade payables
Trade payables is the balance of agreed but not yet paid amounts billed to CLIAI by its suppliers for goods delivered to or services consumed by the Company in the ordinary course of business.

D.4 Alternative Methods for Valuation

No alternative valuation methods were used.

D.5 Any Other Information

Project Expense Reserve
An additional reserve of £2.15m has been established at December 2017, to allow for “one off” project costs that are anticipated to arise from projects planned over 2018. This reserve has been allowed for in the calculation of the SCR and Risk Margin as part of the Solvency II valuation process.

Other information
Transitional provisions on the risk-free interest rate term structure have not been utilised by CLIAI.

No application has been made in respect of Matching Adjustment, Volatility Adjustment or Transitional Measures on Technical Provisions by CLIAI.

Currently there is no reinsurance of CLIAI’s death benefit risk (typically an additional 1% of fund value is payable on death) and it is not proposed to reinsure this benefit. This amount of risk is consistent with the Board’s Risk Appetite Statements and so no risk transfer is considered necessary. CLIAI does not make use of any SPV’s.

E. Capital Management

E.1 Own Funds

CLIAI's Capital Management policy and Market and Liquidity policy are designed to ensure that capital management and liquidity in the Company is aligned with its strategic objectives, the scale and nature of its business and its risk profile. These policies ensure that the Company has sufficient capital, reserves and liquidity to meet its liabilities as they fall due in a range of stressed scenarios and to meet regulatory solvency requirements. The Company's reserves are set in accordance with the conditions set out in the Actuarial Reserving Policy.

CLIAI carries out its Own Risk and Solvency Assessment (ORSA) on an annual basis, and this process is executed in line with CLIAI's Board-approved ORSA policy. The planning horizon employed within the ORSA is 5 years and throughout this planning period CLIAI considers the nature and quality of its projected Own Funds. Insurers are required to hold additional capital to cover the risk of their assets not being sufficient to cover its liabilities.

Under Solvency II, the main capital requirement is the Solvency Capital Requirement (SCR). There is also a lower Minimum Capital Requirement (MCR). Under Solvency II, capital is referred to as 'Own Funds', divided into 'Basic Own Funds' (held balance sheet amounts) and 'Ancillary Own Funds' (such as letters of credit and guarantees), which require supervisory approval before they can be considered as the own funds of an Insurance entity.

Basic Own Funds

The Basic Own Funds consist of (i) the excess of assets over liabilities, and (ii) subordinated liabilities. Examples of basic own-fund items are paid-up share capital, share premium reserve and the reconciliation reserve.

The S.23.01 QRT (Appendix 1) provides an analysis of the structure of own funds by type and by tier. The four lines, analysed by tier, are:

- Ordinary Share Capital (gross of own shares);
- Share premium capital related to ordinary share capital and Initial funds;
- Reconciliation reserve; and
- Other own fund items approved by the supervisory authority as basic own funds and members' contributions.

The QRT output template has been agreed to the Financial Statements, Solvency II balance sheet and/or applicable back up actuarial schedules.

Basic Own Funds	31st December 2017 (£m)	Tier 1 unrestricted
Ordinary share capital (gross of own shares)	1.37	1.37
Share premium account related to ordinary share capital	5.53	5.53
Reconciliation reserve	-23.57	-23.57
Other own fund items approved by the supervisory authority as basic own funds not specified above	51.80	51.80
Total Basic Own Funds	**35.13**	**35.13**

Table 17: Basic Own Funds (extract from Appendix 1)

Ancillary Own Funds

Ancillary Own Funds consist of items other than Basic Own Funds which can be called up to absorb losses. These are therefore items that have not yet been paid in or called up. The company has no ancillary own funds.

E. Capital Management

Reconciliation reserve
The reconciliation reserve represents reserves (e.g. retained earnings) net of adjustments (e.g. foreseeable distributions). It also reconciles differences between the accounting valuation and Solvency II valuation. A summary of the movements has been provided in the table below.

Reconciliation reserve	31st December 2017 (£m)
Shareholder Equity as per Financial Statements at 31.12.2017	22.34
Consolidated Retained Earnings	**22.34**
Adjustments:	
Deferred acquisition costs	-12.18
Deferred income reserve	21.10
Best estimate liability	6.43
Risk margin	-3.86
Elimination of Actuarial Funding	1.3
Solvency II Own Funds	**35.13**

Table 18: Reconciliation Reserve

The Central Bank of Ireland approved CLIAI capital contributions as Tier 1 capital in January 2016 (£41.8m) and in January 2017 (£10m) when additional capital was received from the Group.

Available and eligible own funds	31st December 2017 (£m)
Total available own funds to meet the SCR	35.13
Total available own funds to meet the MCR	35.13
Total eligible own funds to meet the SCR	35.13
Total eligible own funds to meet the MCR	35.13

Table 19: Available and eligible own funds (extract from Appendix 1)

The eligible amount of own funds to cover the SCR is £35.13m, all are classified as Tier 1.

The eligible amount of basic own funds to cover the MCR is £35.13m, all are classified as Tier 1.

Differences between the Solvency II Own Funds and the Own Funds figures shown in the IFRS financial statements at 31st December 2017 relate solely to the Reconciliation reserve calculations, which vary in line with the changes in actuarial provisioning as follows:

- Elimination of DAC
- Elimination of DIR
- Inclusion of Best Estimate Liability
- Inclusion of Risk Margin
- Elimination of Actuarial Funding

Own Funds – Additional Information
No Own Funds items are subject to any transitional arrangements.

No items have been deducted from Own Funds and there are no significant restrictions affecting the availability of Own Funds as reported.

All Capital contributions were approved in line with CBI Information Note 1 as specified in Article 308a.

E. Capital Management

E.2 Solvency Capital Requirement and Minimum Capital Requirement

CLIAI used the Standard Formula to calculate the Solvency Capital Requirement. The results at 31st December 2017 are as follows:

Market Risk	£m
Interest Rate	0.55
Equity	6.61
Property	0.03
Spread	1.91
Currency	2.70
Concentration	0.18
Market Risk Correlation Benefits	*-2.43*
Total Market Risk	**9.56**
Life Underwriting Risk	
Mortality	0.13
Longevity	0.10
Disability / Morbidity	0.00
Lapse	9.47
Expense	8.93
Catastrophe	0.01
Life Underwriting Risk Correlation Benefits	*-2.65*
Total Life Underwriting Risk	**15.98**
Counterparty Default Risk	0.68
Operational Risk	1.40
Overall Correlation Benefits	*-5.43*
Total Solvency Capital Requirement	**22.19**
Minimum Capital Requirement	**9.99**

Table 20: Solvency Capital Requirement and Minimum Capital Requirement

CLIAI does not use simplified calculations or company specific parameters.

CLIAI has not had any capital add-ons imposed to date.

The MCR is calculated in accordance with the standard formula. That is:

MCR Linear 0.7% of Technical Provisions excluding Risk Margin + 0.07% of Capital at Risk

The Linear MCR is subject to a floor and a cap as follows:

MCR Floor 25% of the calculated SCR.

MCR Cap 45% of the calculated SCR.

The final MCR calculation is also subject to an absolute floor of €3.7m.

The following table illustrates the principal drivers of the change in the SCR and MCR between year-end 2016 and year-end 2017.

SCR and MCR Movements	SCR £m	MCR £m
Year End (31/12/2016)	19.50	8.77
Methodology Changes		
Model refinements	0.04	0.02
Impact of Market Movements		
Revised FX rates	0.37	0.17
Revised Interest Rates	-0.11	-0.05
Movement in Shareholder Assets	0.25	0.11
Other Market Movements	0.44	0.20
Assumption Changes		
Assumption Updates	1.13	0. 51
Other (including profit/loss in period)	**0.57**	**0.26**
Year End (31/12/2017)	**22.19**	**9.99**

Table 21: Movement in SCR and MCR year-end 2016 and year-end 2017

E. Capital Management

The most material market movement over the period was caused by assumption updates which were applied by the Actuarial Function. The methodology changes and model refinements carried out over the period enabled us to more accurately calculate the company's SCR and MCR; these changes increased both of these metrics.

CLIAI has not used any simplifications in the calculation of the standard formula SCR.

E.3 Use of the Duration-based Equity Risk Sub-Module in the Calculation of the Solvency Capital Requirement

Not applicable

E.4 Differences Between the Standard Formula and any Internal Model Used

Not applicable.

E.5 Non-compliance with the Minimum Capital Requirement and Non-Compliance with the Solvency Capital Requirement

CLIAI has remained compliant with both the MCR and SCR requirement to date.

CLIAI has established procedures for regular monitoring of the SCR with the following escalation limits:

- A management trigger limit of 130%; and
- A board interaction trigger limit of 125%.

A range of capital measures to take corrective action may be triggered as a result of breaching these limits.

E.6 Any Other Information

The principal loss absorption mechanism does not apply to CLIAI's Basic Own Funds.

F. Appendix

S.02.01.02 Balance sheet	Solvency II value
Assets	**C0010**
Intangible assets	
Deferred tax assets	
Pension benefit surplus	
Property, plant & equipment held for own use	0
Investments (other than assets held for index-linked and unit-linked contracts)	25,518
Property (other than for own use)	0
Holdings in related undertakings, including participations	0
Equities	0
Equities – listed	0
Equities – unlisted	0
Bonds	25,518
Government Bonds	20,306
Corporate Bonds	5,212
Structured notes	0
Collateralised securities	0
Collective Investments Undertakings	0
Derivatives	
Deposits other than cash equivalents	0
Other investments	0
Assets held for index-linked and unit-linked contracts	4,441,252
Loans and mortgages	0
Loans on policies	0
Loans and mortgages to individuals	
Other loans and mortgages	

F. Appendix

S.02.01.02 Balance sheet	Solvency II value
Assets	**C0010**
Reinsurance recoverables from:	0
Non-life and health similar to non-life	0
Non-life excluding health	
Health similar to non-life	
Life and health similar to life, excluding index-linked and unit-linked	0
Health similar to life	0
Life excluding health and index-linked and unit-linked	0
Life index-linked and unit-linked	0
Deposits to cedants	0
Insurance and intermediaries receivables	
Reinsurance receivables	
Receivables (trade, not insurance)	
Own shares (held directly)	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
Cash and cash equivalents	12,677
Any other assets, not elsewhere shown	1,232
Total assets	**4,480,679**

F. Appendix

S.02.01.02 Balance sheet	Solvency II value
Liabilities	**C0010**
Technical provisions - non-life	0
Technical provisions - non-life (excluding health)	0
TP calculated as a whole	
Best Estimate	
Risk margin	
Technical provisions - health (similar to non-life)	0
TP calculated as a whole	
Best Estimate	
Risk margin	
Technical provisions - life (excluding index-linked and unit-linked)	0
Technical provisions - health (similar to life)	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions - life (excluding health and index-linked and unit-linked)	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions - index-linked and unit-linked	4,438,681
TP calculated as a whole	4,441,252
Best Estimate	-6,435
Risk margin	3,863
Contingent liabilities	
Provisions other than technical provisions	
Pension benefit obligations	
Deposits from reinsurers	

F. Appendix

S.02.01.02 Balance sheet	Solvency II value
Liabilities	**C0010**
Deferred tax liabilities	
Derivatives	
Debts owed to credit institutions	0
Financial liabilities other than debts owed to credit institutions	0
Insurance & intermediaries payables	4,988
Reinsurance payables	
Payables (trade, not insurance)	1,885
Subordinated liabilities	0
Subordinated liabilities not in BOF	
Subordinated liabilities in BOF	0
Any other liabilities, not elsewhere shown	
Total liabilities	**4,445,553**
Excess of assets over liabilities	**35,126**

F. Appendix

S.05.01.02

Premiums, claims and expenses by Line of Business

Life	Line of Business for: life insurance obligations						Life reinsurance obligations		Total
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written									
Gross			634,513						634,513
Reinsurers' share									0
Net			634,513						634,513
Premiums earned									
Gross			634,513						634,513
Reinsurers' share									0
Net			634,513						634,513
Claims incurred									
Gross			159,221						159,221
Reinsurers' share									0
Net			159,221						159,221
Changes in other technical provisions									
Gross			302,181						302,181
Reinsurers' share									0
Net			302,181						302,181
Expenses incurred			**16,481**						**16,481**
Other expenses									
Total expenses			**16,481**						**16,481**

F. Appendix

S.05.01.02

Premiums, claims and expenses by country

	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**
		GB	IT				
	C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written							
Gross	0	634,256	257				634,513
Reinsurers' share	0						0
Net	0	634,256	257	0	0	0	634,513
Premiums earned							
Gross	0	634,256	257				634,513
Reinsurers' share	0						0
Net	0	634,256	257	0	0	0	634,513
Claims incurred							
Gross	0	143,605	15,615				159,220
Reinsurers' share	0						0
Net	0	143,605	15,615	0	0	0	159,220
Changes in other technical provisions							
Gross	0	298,486	3,695				302,181
Reinsurers' share	0						0
Net	0	298,486	3,695	0	0	0	302,181
Expenses incurred	**13,159**	**3,322**					**16,481**
Other expenses							
Total expenses							**16,481**

F. Appendix

S.12.01.02

Life and Health SLT Technical Provisions		Index-linked and unit-linked insurance			Other life insurance					
	Insurance with profit participation C0020	C0030	Contracts without options and guarantees C0040	Contracts with options or guarantees C0050	C0060	Contracts without options and guarantees C0070	Contracts with options or guarantees C0080	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations C0090	Accepted reinsurance C0100	Total (Life other than health insurance, including Unit-Linked) C0150
Technical provisions calculated as a whole		**4,441,252**								**4,441,252**
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										**0**
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Gross Best Estimate			**-6,435**							**-6,435**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default										**0**
Best estimate minus recoverables from reinsurance/SPV and Finite Re			**-6,435**	**0**						**-6,435**
Risk margin		**3,863**								**3,863**
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole										**0**
Best estimate										**0**
Risk margin										**0**
Technical provisions - total		**4,438,681**								**4,438,681**

F. Appendix

S.23.01.01

Own Funds

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
Ordinary share capital (gross of own shares)	1,369	1,369		0	
Share premium account related to ordinary share capital	5,531	5,531		0	
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
Subordinated mutual member accounts	0		0	0	0
Surplus funds	0	0			
Preference shares	0		0	0	0
Share premium account related to preference shares	0		0	0	0
Reconciliation reserve	-23,574	-23,574			
Subordinated liabilities	0		0	0	0
An amount equal to the value of net deferred tax assets	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	51,800	51,800	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				

F. Appendix

S.23.01.01

Own Funds

	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
Deductions					
Deductions for participations in financial and credit institutions	0				
Total basic own funds after deductions	35,126	35,126	0	0	0
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
Unpaid and uncalled preference shares callable on demand	0				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
Other ancillary own funds	0				
Total ancillary own funds	0			0	0

F. Appendix

S.23.01.01

Own Funds

	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
Available and eligible own funds					
Total available own funds to meet the SCR	35,126	35,126	0	0	0
Total available own funds to meet the MCR	35,126	35,126	0	0	
Total eligible own funds to meet the SCR	35,126	35,126	0	0	0
Total eligible own funds to meet the MCR	35,126	35,126	0	0	
SCR	22,194				
MCR	9,987				
Ratio of Eligible own funds to SCR	158.27%				
Ratio of Eligible own funds to MCR	351.71%				
Reconciliation reserve	C0060				
Excess of assets over liabilities	35,126				
Own shares (held directly and indirectly)	0				
Foreseeable dividends, distributions and charges					
Other basic own fund items	58,700				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
Reconciliation reserve	-23,574				
Expected profits					
Expected profits included in future premiums (EPIFP) - Life business					
Expected profits included in future premiums (EPIFP) - Non- life business					
Total Expected profits included in future premiums (EPIFP)	0				

F. Appendix

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement C0110	USP C0080	Simplifications C0090
Market risk	9,556		
Counterparty default risk	680		
Life underwriting risk	15,983		
Health underwriting risk	0		
Non-life underwriting risk	0		
Diversification	-5,428		
Intangible asset risk	0		
Basic Solvency Capital Requirement	**20,792**		
Calculation of Solvency Capital Requirement	C0100		
Operational risk	1,402		
Loss-absorbing capacity of technical provisions	0		
Loss-absorbing capacity of deferred taxes			
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC			
Solvency Capital Requirement excluding capital add-on	**22,194**		
Capital add-ons already set			
Solvency capital requirement	**22,194**		
Other information on SCR			
Capital requirement for duration-based equity risk sub-module			
Total amount of Notional Solvency Capital Requirements for remaining part			
Total amount of Notional Solvency Capital Requirements for ring fenced funds			
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios			
Diversification effects due to RFF nSCR aggregation for article 304			

F. Appendix

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations	**C0010**		
MCR_{NL} Result	**0**		
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole **C0020**	**Net (of reinsurance) written premiums in the last 12 months** **C0030**
Medical expense insurance and proportional reinsurance			
Income protection insurance and proportional reinsurance			
Workers' compensation insurance and proportional reinsurance			
Motor vehicle liability insurance and proportional reinsurance			
Other motor insurance and proportional reinsurance			
Marine, aviation and transport insurance and proportional reinsurance			
Fire and other damage to property insurance and proportional reinsurance			
General liability insurance and proportional reinsurance			
Credit and suretyship insurance and proportional reinsurance			
Legal expenses insurance and proportional reinsurance			
Assistance and proportional reinsurance			
Miscellaneous financial loss insurance and proportional reinsurance			
Non-proportional health reinsurance			
Non-proportional casualty reinsurance			
Non-proportional marine, aviation and transport reinsurance			
Non-proportional property reinsurance			

F. Appendix

S.28.01.01

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

Linear formula component for life insurance and reinsurance obligations	**C0040**		
MCR_L Result	**31,046**		
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	**Net (of reinsurance/ SPV) total capital at risk**
		C0050	**C0060**
Obligations with profit participation - guaranteed benefits			
Obligations with profit participation - future discretionary benefits			
Index-linked and unit-linked insurance obligations		4,434,817	
Other life (re)insurance and health (re)insurance obligations			
Total capital at risk for all life (re)insurance obligations			3,466
Overall MCR calculation	**C0070**		
Linear MCR	31,046		
SCR	22,194		
MCR cap	9,987		
MCR floor	5,549		
Combined MCR	9,987		
Absolute floor of the MCR	3,286		
Minimum Capital Requirement	**9,987**		

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