Generali PanEurope dac

Annual Report & Statutory Financial Statements 2017

generalipaneurope.ie

Table of Contents

Directors and Other Information

Board of Directors as at 31 December 2017

Andrew Smart	Independent Non-Executive Chairman	British
Paul Gillett	Executive and Chief Executive Officer	British
Francesco Bosatra	Non-Executive	Italian
Alessandro Corsi	Non-Executive	Italian
John Martin	Executive and Chief Financial Officer	Irish
Cyril Maybury	Independent Non-Executive	Irish
Andrew Milton	Independent Non-Executive	British

Secretary

Matsack Trust Limited
70 Sir John Rogerson's Quay
Dublin 2
Ireland

Registered Office

Generali House
Navan Business Park
Athlumney
Navan
Co. Meath C15 CCW8
Ireland

Company Registration Number: 311420

Principal Bankers

Bank of Ireland
Burlington Plaza
Burlington Road
Dublin 4
Ireland

Citibank NA – London branch
25-33 Canada Square
Canary Wharf
London
E14 5LB
United Kingdom

Solicitors

Matheson
70 Sir John Rogerson's Quay
Dublin 2
Ireland

Auditor

Ernst & Young
Harcourt Centre
Harcourt Street
Dublin 2
Ireland

GENERALI

Directors' Report

The directors present their report and audited financial statements for the financial year ended 31 December 2017.

1. Principal Activities

Generali PanEurope dac ("the Company") is incorporated in Ireland and authorised by the Central Bank of Ireland to transact life assurance business in Ireland and on a cross-border basis in the European Union under the Third Life Directive, as introduced into domestic Irish legislation by the European Communities (Life Assurance) Framework Regulations, 1994.

2. Business Review and Future Developments

The Company generated a profit after tax for the financial year of €17,870,000 (2016: profit €16,872,000). The shareholders' net equity in the Company as at 31 December 2017 was €175,491,000 (2016: €157,621,000).

The Company's business is made up of four business lines:

- Wealth Protection - developing insurance solutions, which are aligned to local fiscal and regulatory laws, which may be tailored to meet the unique and exacting requirements of ultra-high-net-worth clients. These solutions are offered through the development and utilisation of the Company's pan-European network of Private Banking relationships;
- Group Risk business - offering corporate entities alternative and simplified cross border employee benefit solutions. An element of this risk is retained within the Company and a portion is reinsured with other parts of the Generali Group and with a third party reinsurer;
- Investment Planning - offering individuals flexible products for medium to long term financial planning; and
- Variable Annuities – during 2017 the Company provided the Generali Group with a financially effective solution for its multi-country deployment of VA products. The business model for the Variable Annuities portfolio will change during 2018 as set out in more detail below.

The main driver for the Company's premium income and investment contract sales over the last three financial years has been in the Wealth Protection Market. While the majority of the premium from this business line relates to Italian business, it also includes business from Portugal, Spain, UK, Ireland, and other EU countries.

Administration expenses have increased in comparison to 2016 due to increased headcount and higher technology and premises related costs. Technology costs have increased as a result of the implementation of Solvency II and other technology developments.

The regulatory solvency position was satisfactory as at 31 December 2017. The Solvency Capital Requirement ("SCR") at 31 December 2017 was €129,246,000 (2016: €118,909,000) and the Minimum Capital Requirement ("MCR") was €58,161,000 (2016: €53,509,000). The Company's available Solvency II own funds at that date were €282,737,000 (2016: €270,912,000). The Company's ratio of Eligible Own Funds to SCR was 219% (2016: 228%), and to MCR was 486% (2016: 506%).

On 18 December 2017 Assicurazioni Generali ("AG") announced that it had entered into an agreement with the Life Company Consolidation Group ("LCCG") to sell its entire shareholding in the Company. The transaction is subject to, inter alia, regulatory approvals and is expected to be finalised during quarter 2 of 2018. LCCG plans to create a specialist wealth manager by combining the Company with Utmost Wealth Solutions.

The Life Assurance Treaty in relation to the Italian Variable Annuities Portfolio was cancelled on 28 February 2018. On 1 March 2018 the Company transferred the Liability Option Value, other reserves and the remaining reinsurance premium deposit associated with this treaty to the cedant. As part of the transfer, the Company also liquidated its asset portfolio used to back the hedged liabilities, including derivative and hedging instruments. In relation to the German portfolio, the Company will continue to reinsure the policyholder guarantee, however this guarantee is in turn directly reinsured. A "back-to-back" reinsurance agreement was put in place and, as part of this agreement, premiums collected from Generali Lebensversicherung by the Company will be remitted directly to Generali Personenversicherungen who will be responsible for discharging any claims arising on the portfolio.

3. Going Concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the annual financial statements.

Directors' Report (continued)

4. Corporate Governance

Effective corporate governance remains key to the business. The Company has a number of Board Committees, including the Audit Committee, the Risk Committee, the Human Resources & Remuneration Committee, the Investment Committee and the Banking Committee. A review of the performance of each of the Committees for 2017 confirmed that each Committee performed its duties as outlined within its respective terms of reference.

The Corporate Governance Requirements for Insurance Undertakings 2015 ('the Requirements'), as issued by the Central Bank of Ireland ('CBI'), became effective from 1 January 2016. A review was completed by the Risk Management Function regarding the transition from the 'Corporate Governance Code' to the 'Corporate Governance Requirements'. It was confirmed that the Company was compliant with all obligations as set out in the Requirements. In April 2017 the Company submitted an annual compliance statement to the CBI under Section 25 of the Corporate Governance Code for Insurance Undertakings.

The Company is compliant with the Solvency Capital Requirements as set out in the EU wide Solvency II Directive. In order to comply with these regulations the Company has successfully implemented:

- A robust system of governance, including but not limited to:
    - Clear allocation and segregation of responsibilities and an effective system for ensuring the transmission of information;
    - Written and implemented policies and procedures;
    - Sound and effective strategies and processes to assess risk;
    - Establishment of an independent Actuarial Function;
- Processes to monitor capital requirements; and
- New systems to meet the new reporting requirements.

On 25th April 2018, the directors signed a 'Directors Compliance Certificate' for the year ended 31 December 2017 confirming adherence to relevant requirements of the Central Bank of Ireland in relation to Solvency II.

In addition, the Company has executed the requirements of the Fitness & Probity standards as prescribed within the Central Bank Reform Act 2010 (Sections 20 and 22) (Amendment) Regulations 2011.

Risk Management

The Company has a defined structure and process to assist in the identification, assessment and management of risk. This structure is supported by three pillars; the Risk Management Department, the Risk Advisory Committee and the Risk Committee. These structures have been in place throughout the year to which these statements apply and up to the date of their approval.

The Risk Management Department, an independent control function, continues to enhance the organisation's risk framework and monitors compliance with the requirements of Solvency II – Pillar II. The Risk Management Department continues to develop and drive key risk policy as well as continuously monitoring the "risk profile" of the organisation. The Chief Risk Officer continues to have direct and unfettered access to the Board.

The Risk Advisory Committee continues to monitor and assess risk at a senior executive level within the organisation. Meeting at least quarterly it reviews the Company's key risks, contained in risk registers, and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. This Committee also reviews and communicates policy matters, as advised by the Risk Management Department, to those responsible for managing risks. During 2017, the Committee also reviewed the management and oversight of the Company's key outsourcing relationships.

The Risk Committee is a Board Committee and its primary role is to assist the Board in its management of risk and to review the effectiveness of the Risk Management activities of the Company. The Committee meets at least quarterly and during 2017 it provided an oversight and approval role in relation to risk identification and evaluation, risk management and risk reporting. This was facilitated through formal reporting from the Chief Risk Officer. The Risk Committee performed its activities in line with its terms of reference during 2017.

The main risks the Company is exposed to are identified and classified in the Risk Map, approved by the Board of Directors, and reviewed at least once a year in order to ensure its adequacy and completeness. The main risks and how they are managed are outlined below:

Directors' Report (continued)

4. Corporate Governance (continued)

Financial Risks:
The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. The Company completes a regular asset liability matching analysis to ensure that its assets are matched to its liabilities by line of business and duration. In relation to its unit-linked business the Company adopts a fully matched position between its policyholder liabilities and the assets that it holds in respect of these liabilities. Nevertheless there remains financial risk in the form of interest rate risk, equity price risk, currency risk and credit risk as outlined below:

Interest rate risk – The Company holds shareholder assets in the form of cash and interest bearing securities and, as such, is exposed to interest rate risk. The Company manages its interest rate risk by regular assessments and monitoring of its investments by the Investment Committee. The Company is exposed to interest rate risk to the extent that adverse interest rate movements impact the value of Unit Linked Assets and therefore the management fee income.

Equity price risk – The Company is exposed to equity price risk to the extent that adverse movements in the value of Unit Linked Assets would reduce the future profitability of the Company through a reduction in management fee income.

Currency risk –The Company generally invests in assets denominated in the same currencies as its policyholders' liabilities, which mitigates the foreign currency exchange rate risk. The Company is exposed to currency risk to the extent that adverse movements in the value of Unit Linked Assets would reduce the future profitability of the Company through a reduction in management fee income.

Credit risk – The key areas where the Company is exposed to credit risk are corporate bonds, government bonds, EU supranational bonds, bank deposits, Generali Group internal funds, the Italian withholding tax asset, the reinsurers' share of insurance liabilities, amounts due from reinsurers in respect of claims already paid, amounts due from insurance intermediaries and counterparty risk with respect to derivative transactions.

Counterparty risk – The Company is exposed to counterparty default risk arising from investments with Counterparties and also the holding of an Italian Withholding Tax Asset. Management ensures that it has diversified and managed investments, and actively monitors its counterparty risks on a monthly basis with quarterly updates provided to the Risk Committee.

The Company places limits on its exposure by counterparty, by geographical location and by credit rating. Reinsurance is used to manage insurance risk. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength.

Variable Annuity business – As part of the Company's Variable Annuities business, the Company invested in a variety of derivative instruments. It used interest rate swaps, interest rate swaptions, currency forwards and bond and equity index futures in order to hedge its Variable Annuity guarantees. Financial risk arose where the proceeds from financial assets and derivatives were not sufficient to cover the financial guarantees provided as part of the Variable Annuities business. This risk was mitigated by continually monitoring the effectiveness of the hedging program in operation through the performance attribution report. This risk has been eliminated following the cancellation of the Life Assurance Treaty for the Italian Variable Annuities portfolio on 28 February 2018 and the "back-to-back" reinsurance agreement which has been put in place by the Company with Generali Lebensversicherung and Generali Personenversicherungen.

Insurance Risks:
The Company is exposed to life underwriting insurance risk deriving from the Company's core business activities. The Company mitigates this risk primarily through the use of reinsurance agreements both with its parent company and a third party reinsurer. The Board completes a review of the Statement of Reinsurance Strategy on an annual basis or more frequently if there are material business or regulatory changes that require assessment.

Operational Risks:
The Company is exposed to operational risk deriving from the Company's core business activities which are either managed internally or through group and non-group outsourced service providers. The Company mitigates this risk through the implementation of the internal control and risk management system framework, whose design and structure operates to ensure that business activity complies with the laws and regulations in force and that company processes are efficient and effective and that accounting and management information is reliable and complete. The Company has implemented a formal outsourcing process which ensures the implementation of appropriate organisational safeguards to monitor the performance of outsourcers and sets reporting obligations for critical outsourced activities.

Directors' Report (continued)

4. Corporate Governance (continued)

Other Risks:

Liquidity risk – refers to the risk that the Company will not be able to meet both expected and unexpected cash flow requirements efficiently. All admissible assets must be redeemable within approved periods. The Company manages liquidity risks through the monitoring of local liquidity ratios and limits.

Reputational Risk - refers to the risk of potential losses due to a reputational deterioration or to a negative perception of the Company's image among its customers, counterparties, shareholders and supervisory authorities. The Company mitigates this by considering the impact of reputational risk as part of the key business decision making processes.

Tax Risk – refers to the risk of a change to the International taxation treatment of life assurance products in respect of policyholders. Changes in the tax regimes and related government policies and regulations in the countries in which the Company operates could adversely affect the future profitability of the Company. The Company manages this risk by monitoring potential changes in International tax legislation and policy in all jurisdictions of operation.

Emerging Risk – refers to newly developing or changing risks which are difficult to quantify and which may have a significant impact on the Company. Emerging risks are assessed by Risk Management and reviewed by the Risk Committee on a quarterly basis. The Company mitigates these risks through investigation and monitoring of management actions.

Cyber Risk – refers to any risk of financial loss, disruption or damage to the reputation of the Company from failure and breaches of its information technology systems. The Company mitigates these risks through risk assessments and the implementation of an appropriate control framework, including but not limited to:

- Annual business continuity and disaster recovery planning and testing;
- Bi-annual independent third party testing of the external defences e.g. firewalls;
- Annual independent third party review of the internal systems and access controls benchmarked against industry best practice;
- Ongoing internal review and monitoring of technologies which keep technical controls up to date; and
- Ongoing monitoring of regulatory changes and implementation of the required procedures and controls including those related to General Data Protection Regulation ("GDPR").

Conduct Risk – refers to the risk the Company poses to its customers from its direct interaction with them. The Company mitigates these risks through the development of a Conduct Risk Framework, in line with EIOPA's guidelines on Product Oversight and Governance arrangements by insurance undertakings and insurance distributors. The Company has developed a framework to ensure that customers are protected and that business is conducted in a fair, efficient and ethical manner. The Company has also implemented a Partner Oversight Team which is responsible for initial due diligence and ongoing monitoring of partners.

Concentration Risk – refers to the risk of loss from lack of diversification across multiple jurisdictions, products or counterparties. The Company mitigates this risk through ongoing diversification of products across multiple jurisdictions and counterparties.

Compliance and Actuarial

Both the Compliance and Actuarial Departments, as independent control functions within the Company, reported to the Board on ongoing activities throughout 2017.

The Compliance function has continued to develop and execute the Compliance Monitoring Programme. The Compliance Department conducts an Anti-Money Laundering review of a sample of policy documentation on a regular basis throughout the year.

The Head of Actuarial Function completed the year end 2017 Reporting Actuary Report and the Actuarial Function Reports for the year ended 31 December 2017.

No material issues were raised by the Compliance and Actuarial functions during the period to which these financial statements relate.

Directors' Report (continued)

4. Corporate Governance (continued)

Internal Audit
The Internal Audit function is the third line of defence within the Company and is responsible for performing an independent evaluation of the effectiveness of both the internal control and risk management systems, including the adequacy of the controls in place within each business process. The Internal Audit function assists the Board, through the Audit Committee (a Committee of the Board), in assessing its role in relation to internal control, risk management and governance responsibilities.

The Head of Internal Audit has direct and unfettered access to the Board and to the Chairman of the Audit Committee. The Head of Internal Audit formally reports to the Audit Committee, which meets on a quarterly basis. The primary role of the Audit Committee is assisting the Board in ensuring that there is an adequate system of controls in place for financial reporting and internal control.

A risk-based internal audit plan for 2017, which aimed to provide assurance over the key business processes as well as financial and operational risks, was approved by the Audit Committee and implemented satisfactorily throughout the year. A report, summarising audit activity and the results of each audit undertaken, was provided to the Audit Committee on a quarterly basis.

5. Dividends

The directors do not recommend the payment of a dividend for the financial year ended 31 December 2017 (2016: €nil).

6. Directors and Secretary

The names of persons who were directors at any time since 1 January 2017 are set out below.

Andrew Smart	Independent Non-Executive Chairman	British
Paul Gillett	Executive and Chief Executive Officer	British
Francesco Bosatra	Non-Executive	Italian
Alessandro Corsi	Non-Executive	Italian
Steve Hales	Non-Executive (resigned 1 July 2017)	British
John Martin	Executive and Chief Financial Officer	Irish
Cyril Maybury	Independent Non-Executive	Irish
Andrew Milton	Independent Non-Executive	British

Matsack Trust Limited has been Company Secretary since 1 January 2015.

7. Directors' and Secretary's Interests in Shares

Directors' interests in shares and options issued by Assicurazioni Generali S.p.A., its immediate parent or any other subsidiaries within the Generali Group as at 31 December 2017, have not been disclosed as they are below the 1 per cent threshold as set out in Section 260 (f) of the Companies Act 2014 ("the Act").

8. Transactions involving Directors

There were no transactions involving directors during 2017 (2016: none).

9. Directors' Responsibilities Statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable Irish law and regulations.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with FRS 101 'Reduced Disclosure Framework'. Under company law, the directors should be satisfied that the financial statements give a true and fair view of the assets, liabilities, and financial position of the Company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2014.

Directors' Report (continued)

9. Directors' Responsibilities Statement (continued)

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and European Union (Insurance Undertakings: Financial Statements) Regulations 2015 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

10. Directors' Compliance Statement

The directors, in accordance with Section 225(2) of the Companies Act 2014 (the "Act"), acknowledge that they are responsible for securing the Company's compliance with its "relevant obligations" (as such term is defined in Section 225 (1) of the Act). The directors confirm that:

a) a compliance policy statement has been drawn up setting out the Company's policies (that, in their opinion, are appropriate to the Company) in respect of the Company's compliance with its relevant obligations;
b) appropriate arrangements or structures have been put in place that, in their opinion, are designed to secure material compliance with the Company's relevant obligations; and
c) a review has been conducted, during the financial year, of those arrangements or structures.

11. Accounting Records

The directors have complied with the requirements of Sections 281 to 285 of the Companies Act 2014 with regard to accounting records, by employing accounting personnel with the appropriate qualifications and expertise and by providing adequate resources to the financial function. The accounting records are maintained at Navan Business Park, Athlumney, Navan, Co. Meath.

12. Relevant Audit Information

So far as each of the directors in office at the date of approval of the financial statements is aware:

- there is no relevant audit information of which the Company's statutory auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 330 of the Companies Act 2014.

13. Audit Committee

The Company has established an Audit Committee under Section 167 of the Companies Act 2014. Its function is to assist the Board in fulfilling its oversight responsibilities.

14. Auditors

Ernst & Young are willing to continue in office in accordance with Section 383(2) of the Companies Act 2014.

GENERALI

Directors' Report (continued)

15. Company Branches

The Company has a branch in the United Kingdom.

16. Political Donations

There were no political donations made during the year (2016: nil).

17. Subsequent Events

On 18 December 2017, Assicurazioni Generali ("AG") announced that it had entered into a share purchase agreement with Life Company Consolidation Group ("LCCG") to sell its entire shareholding in the Company. The transaction is subject to, inter alia, regulatory approvals and is expected to be finalised during the first half of 2018.

Subject to the sale of the Company, two of the reinsurance treaties with Assicurazioni Generali will be terminated. The Company is currently in discussions to put replacement reinsurance treaties in place with a new reinsurer.

A number of loans from other Generali Group companies will be repaid as part of the sale process using a combination of the Company's existing cash resources and a debt facility provided by LCCG. The amount of the loans payable, including interest accrued was €55,250,000 at 31 December 2017 and included €15,250,000 in relation to the Quota Share Reinsurance Treaty. The Quota Share Reinsurance Treaty terminated on 31 March 2018, and the amount due was repaid in full on 3 April 2018.

The Life Assurance Treaty in relation to the Italian Variable Annuities Portfolio was cancelled on 28 February 2018. On 1 March 2018 the Company transferred the Liability Option Value, other reserves and the remaining reinsurance premium deposit associated with this treaty to the cedant. As part of the transfer, the Company also liquidated its asset portfolio used to back the hedged liabilities, including derivative and hedging instruments. In relation to the German portfolio, the Company will continue to reinsure the policyholder guarantee, however this guarantee is in turn directly reinsured. A "back-to-back" reinsurance agreement was put in place and, as part of this agreement, premiums collected from Generali Lebensversicherung by the Company will be remitted directly to Generali Personenversicherungen who will be responsible for discharging any claims arising on the portfolio.

Approved by the Board and signed on its behalf by:

Director
Paul Gillett

Director
John Martin

Date: 25/4/18

Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENERALI PANEUROPE DAC

Opinion

We have audited the financial statements of Generali PanEurope dac ('the Company') for the year ended 31 December 2017, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 32.The financial reporting framework that has been applied in their preparation is Irish Law and Accounting Standards including FRS 101 Reduced Disclosure Framework (Irish Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2017 and of its profit for the year then ended;

- have been properly prepared in accordance with Irish Generally Accepted Accounting Practice; and

- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs Ireland) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard as applied to public interest entities issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters, in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate: or

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENERALI PANEUROPE DAC

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of insurance liabilities (2017: €11b; 2016: €10.4b) Refer to the Accounting policy (page 25); and Note 17 of the Financial Statements (page 40) We considered the valuation of insurance contract liabilities to be a significant risk for the Company, including the actuarial assumptions and modelling that are applied, particularly in the calculation of the life assurance provision and provision for claims. These involve complex and significant judgements about future events, both internal and external to the Company. Additionally, the valuation process is conditional upon the accuracy and completeness of the actuarial data. Key assumptions set by management include interest rate, expenses, persistency and mortality and morbidity loss ratios. These are set based on past experience, market experience, market practice, regulations and expectations about future trends. The assumptions are used as inputs into valuation models which uses standard actuarial methodologies. The integrity and appropriateness of such models	To obtain sufficient audit evidence to conclude on the appropriateness of valuation of insurance liabilities, we: - tested the design and operating effectiveness of key controls over management's process for setting and updating actuarial assumptions and for modelling insurance contract liabilities; - compared the methodology and assumptions used with those we would expect based on our knowledge of the Company, industry standards and regulatory and financial reporting requirements; - evaluated the methodology, for a sample of model changes based on our knowledge of the Company, industry standards and regulatory and financial reporting requirements; - assessed the results of management's experience analysis, which supports the adopted assumptions and methodology, and checked that the assumptions used are consistent with this experience analysis; - tested the key policyholder data and actuarial data extracts used as an input to the actuarial model; - tested the design and operating effectiveness of key controls including information	We completed our planned audit procedures, with no exceptions noted.

is critical to the overall valuation of insurance contract liabilities.	technology general controls over core IT systems; - tested the reconciliations of premiums and claims information from the actuarial data extract to the general ledger, where applicable.	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of financial instruments: Financial Investments (€93m; 2016 €89m) and Investments for the benefit of life assurance policyholders (€10.9b; 2016 €10.4b) Refer to the Accounting policy (page 27); and Notes 9 and 10 of the Financial Statements (page 36 and 37) The Company holds various asset classes which are carried at fair value in the balance sheet, classified as Financial Investments and Investments for the benefit of life assurance policyholders who bear the investment risk ("unit-linked investments"). The Company also holds a number of derivative contracts. The valuation of investments and derivatives is inherently subjective - most predominantly for level 2 and level 3 instruments since these are valued using inputs other than quoted prices in an active market. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. Of these assets, 2% are related to unit-linked investments for which no published prices in active markets are available, and which are classified as level 3.	To obtain sufficient audit evidence to conclude on the appropriateness of valuation of financial investments, we: - evaluated the methodologies and the appropriateness of the valuation methods and inputs used to value these financial instruments; - assessed the pricing hierarchy applied in the valuation process; - sample tested individual investment prices, including derivative positions using independent sources; - tested management's process for determining the fair value of level 3 investments, including reviews of supporting information. - tested the market values for a sample of derivatives at year end, using independent sources. - Considered the Company's accounting policies, presentation and disclosure in relation to financial instruments for compliance with the requirements of IAS 39 and IFRS 7	We completed our planned audit procedures, with no exceptions noted.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Recognition of Group Risk Premium (2017: €68.4m; 2016 €64.0m) Refer to the Accounting policy (page 25); and Note 2 of the Financial Statements (page 32) The company recognised premium in respect of Group Risk business during the year. The recognition of premiums require management judgement in deriving the estimated premiums at year end, using information obtained from policyholders.	To obtain sufficient audit evidence to conclude on the premium recognised for Group Risk business, we: - performed test procedures on a sample of individually material policies, such as substantiating amounts recorded to underlying policy documents; - reviewed judgements made by management in recording and adjusting premium estimates, and compared to supporting documentation; - vouched the settlement of premium received during the year on a sample basis, or subsequently, to cash receipts on bank statements.	We completed our planned procedures with no material exceptions noted.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

Materiality is defined as the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be €3.5 million (2016: €3.1 million), which is 2% (2016: 2%) of equity. We believe that shareholders' funds provides us with a consistent year on year basis for determining materiality and is the most relevant performance measure to the stakeholders of the entity.

Performance materiality

Performance materiality is defined as the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2016:75%) of our planning materiality, namely €2.6m (2016: €2.5m). We have set performance materiality at this percentage due to take into account the nature of the industry in which the Company operates, and based on our previous experience with the Company.

Reporting threshold

Reporting threshold is defined as the amount below which identified misstatements are considered to be clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of €0.2m (2016: €0.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

An overview of the scope of our audit report

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Building a better
working world

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENERALI PANEUROPE DAC

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the directors' report is consistent with the financial statements; and

- in our opinion, the directors' report is have been prepared in accordance with the Companies Act 2014.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the balance sheet is in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENERALI PANEUROPE DAC

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are including FRS 101 Reduced Disclosure Framework (Irish Generally Accepted Accounting Practice), the Companies Act 2014 and the European Union (Insurance and Reinsurance) Regulations 2015.

- We understood how Generali PanEurope dac is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, papers provided to the Audit and Risk Committees and correspondence with regulatory bodies.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, including through enquiries of management to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included a review of board minutes to identify any non-compliance with laws and regulations, a review of the reporting to the Audit Committee on compliance with regulations and enquiries of management.

- The Company operates in the insurance industry, which is a highly regulated environment. As such, the Audit Engagement Partner reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of experts, where appropriate.

- As the insurance industry is highly regulated, we have obtained an understanding of the relevant regulations and the potential impact on the Company and, in assessing the control environment, we have considered the compliance by the Company with these regulations as part of our audit procedures, which included a review of correspondence with the regulator, the Central Bank of Ireland.

A further description of our responsibilities for the audit of the financial statements is located on IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENERALI PANEUROPE DAC

Other matters which we are required to address

We were appointed by Board of Directors in June 2012 to audit the financial statements for the year ending 2012 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years.

No non-audit services prohibited by IAASA's Ethical Standard were provided to the Company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

CMcKenna

Ciara McKenna

for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm

Office: Dublin

Date: 1 May 2018

GENERALI

Profit and Loss Account for the Financial Year ended 31 December 2017

Technical Account – Life Assurance Business

	Notes	2017	2016
		€'000	€'000
Earned premiums, net of reinsurance			
Gross premiums written	2	69,160	64,640
Outward reinsurance premiums		(64,614)	(60,377)
Net premiums written		4,546	4,263
Change in gross provision for unearned premiums	17	(1,633)	(4,640)
Change in the provision for unearned premiums, reinsurers' share		1,632	4,628
Change in the net provision for unearned premiums		(1)	(12)
Investment income	3	262,348	145,473
Other technical income, net of reinsurance	3	66,600	60,031
		328,948	205,504
Claims incurred, net of reinsurance			
Claims paid - gross	2	(35,399)	(29,265)
Reinsurers' share		33,110	26,989
Net claims paid		(2,289)	(2,276)
Change in the provision for claims – gross	17	(2,713)	1,674
Reinsurers' share		1,923	(2,747)
Change in the net provision for claims		(790)	(1,073)
Change in technical provisions			
Change in the life assurance provision	17	(840)	(1,117)
Change in technical provisions for life assurance policies where the investment risk is borne by the policyholders	17	(259,195)	(141,731)
		(260,035)	(142,848)
Net operating expenses	4	(45,543)	(40,553)
Investment expenses and charges	3	(3,244)	(2,480)
Interest payable		(1,131)	(1,249)
Profit for the financial year		**20,461**	**19,276**

GENERALI

Profit and Loss Account for the Financial Year ended 31 December 2017

Non-Technical Account

	Notes	2017 €'000	2016 €'000
Balance on the technical account for long-term business		**20,461**	**19,276**
Other income		-	-
Profit on ordinary activities before tax		**20,461**	**19,276**
Tax on profit on ordinary activities	8	(2,591)	(2,404)
Profit for the financial year		**17,870**	**16,872**
Retained profit at the start of the financial year		83,938	67,066
Retained profit at the end of the financial year		**101,808**	**83,938**

GENERALI

Statement of Comprehensive Income for the Financial Year ended 31 December 2017

	Notes	2017 €'000	2016 €'000
Profit for the financial year		17,870	16,872
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		17,870	16,872

Statement of Changes in Equity for the Financial Year ended 31 December 2017

	Profit and Loss Account €'000	Non-Refundable Capital Contribution €'000	Share Capital €'000	Total Equity €'000
At 1 January 2016	**67,066**	**12,548**	**61,135**	**140,749**
Share capital issued during the year	-	-	-	**-**
Profit for the financial year	16,872	-	-	**16,872**
At 31 December 2016	**83,938**	**12,548**	**61,135**	**157,621**
Share capital issued during the year	-	-	-	**-**
Profit for the financial year	17,870	-	-	**17,870**
At 31 December 2017	**101,808**	**12,548**	**61,135**	**175,491**

Balance Sheet as at 31 December 2017

Assets	Notes	2017 €'000	2016 €'000
Intangible assets - software development costs	13	11,928	9,715
Tangible fixed assets	14	384	274
Investments			
Financial investments	9	93,840	89,113
Investments for the benefit of life assurance policyholders who bear the investment risk	10	10,946,576	10,370,166
Reinsurers' share of technical provisions			
Provision for claims		59,004	57,432
Provision for unearned premiums		11,197	9,738
		70,201	67,170
Other assets			
Italian withholding tax prepayment	11	145,400	130,523
Deferred acquisition costs	15	14,938	14,862
Deferred tax asset	8	250	236
Debtors arising out of direct insurance operations	12	22,499	26,815
Prepayments and accrued income		15,516	12,226
Cash at bank and in hand		46,012	35,117
		244,615	219,779
Total Assets		**11,367,544**	**10,756,217**
Liabilities			
Capital and reserves			
Called up share capital	16	61,135	61,135
Non-refundable capital contribution		12,548	12,548
Profit and loss account		101,808	83,938
Total shareholders' funds – equity interests		175,491	157,621
Technical provisions			
Provision for unearned premiums	17	11,751	10,291
Life assurance provision	17	7,311	6,471
Provision for claims	17	63,545	61,183
		82,607	77,945
Technical provisions for life assurance policies where the investment risk is borne by the policyholders	17	10,948,490	10,370,494
Creditors falling due within one year			
Italian withholding tax accrual	11	37,118	34,651
Creditors arising out of direct insurance operations	19	53,591	51,282
Financial liabilities	20	55,250	49,878
Other creditors including tax and social welfare	21	2,946	1,640
		148,905	137,451
Accruals		8,073	9,090
Deferred income liability	22	3,978	3,616
Total Liabilities		**11,367,544**	**10,756,217**

On behalf of the board:

Paul Gillett

John Martin

Notes to the Financial Statements

1. Accounting Policies

The significant accounting policies adopted by the Company are as follows:

(a) Basis of preparation

The financial statements have been prepared on a going concern basis.

The Company meets the definition of a qualifying entity under Financial Reporting Standard ('FRS') 100 issued by the Financial Reporting Council ('FRC'). The financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the FRC and Irish statute comprising the Companies Act 2014, including the European Union (Insurance Undertakings: Financial Statements) Regulations 2015 (the "Regulations") which cover the format and content of insurance company accounts.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2017. The Company has taken advantage of the following disclosure exemptions under FRS 101:

i) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share Based Payment, because the share based payment arrangement concerns the instruments of another group entity;

ii) the requirements of paragraphs 10(d), 16, 38A, 38B, 38C and 111 of IAS 1 Presentation of Financial Statements;

iii) the requirements of IAS 7 Statement of Cash Flows;

iv) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

v) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;

vi) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

In addition, the Company has implemented a number International Financial Reporting Standards ('IFRS') that are mandatorily effective for the Company.

Amendments to IFRS 7: 'Disclosures – Offsetting Financial Instruments and Financial Liabilities'
The amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

IFRS 13: 'Fair Value Measurement'
The Company has applied IFRS 13 - Fair Value Measurement which established a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(a) Basis of preparation (continued)

The application of IFRS 13 allows the Company to value its financial instruments using mid or last traded price.

The financial statements have been prepared in Euro (€) and all values are rounded to the nearest thousand ('000) except where otherwise stated.

(b) Historical cost convention

The financial statements are prepared under the historical cost convention, modified by the valuation of investments as outlined in the accounting policy for investments noted below.

(c) Product classification

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary, are classified as insurance contracts.

Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party or contract.

Contracts under which the transfer of insurance risk to the Company from the policyholder is not significant are classified as investment contracts.

A contract that qualifies as insurance remains an insurance contract until all rights and obligations are extinguished or expire. However, an investment contract classified as such on inception could be reclassified as an insurance contract if it subsequently meets the insurance definition as described above.

(d) Insurance contracts – recognition and measurement

Premiums

Premiums written are accounted for in the financial year in which the risks are assumed. Any adjustments are recorded in the financial year in which they are reported. Premiums receivable are earned on a pro-rata basis over the periods of risk to which they relate with the unearned portion being deferred and included in the balance sheet in technical provisions. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance business.

Claims

Death claims and all other claims are accounted for when notified. Claims payable include related internal and external claims handling costs.

Technical provisions

The technical provisions comprise the technical provisions for life assurance policies where the investment risk is borne by the policyholders, the provision for claims, the life assurance provision and the provision for unearned premiums.

The life assurance provision is calculated by a Fellow Member of the Society of Actuaries in Ireland on the basis of recognised actuarial methods and with due regard to the actuarial principles laid down in Council Directive 92/96/EEC. The provision for claims consists of both a provision for claims which had been incurred but which had not yet been reported and a provision for claims which had been reported but not yet settled as at the balance sheet date.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(d) Insurance contracts – recognition and measurement (continued)

Reinsurance

The benefits under the reinsurance contracts held are recognised as reinsurance assets. These assets consist of short term balances due from reinsurers, as well as long term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to the reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts in accordance with the terms of each reinsurance contract. Reinsurance recoveries are accounted for in the same period as the related claim. Reinsurance assets are assessed for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in the profit and loss account.

(e) Investment contracts – recognition and measurement

Contributions

Amounts received in respect of unit-linked contracts, which principally involve the transfer of financial risk, are classified as investment contracts and accounted for using deposit accounting, under which amounts collected are credited directly to the balance sheet, as an adjustment to the liability to policyholders. Financial liabilities in respect of unit-linked investment contracts are carried in the balance sheet as 'Technical provisions for life assurance policies where the investment risk is borne by the policyholders' (see Note 17 'Technical provisions').

Benefits

Benefits in respect of such contracts are not included in the profit and loss account but are deducted from 'Technical provisions for life assurance policies where the investment risk is borne by the policyholders', in the balance sheet.

Any additional payment made to a policyholder in the event of a death claim is accounted for as a claim payment in the profit and loss account.

Commissions

Other than as described under "Deferred acquisition costs" below, acquisition commissions are included in acquisition costs in the technical account as incurred. Renewal commissions are included in administrative expenses in the technical account as incurred.

Deferred acquisition costs

Commission costs incurred in the acquisition of new business are deferred as an explicit deferred acquisition cost asset. This asset is amortised against future revenue margins on the related policies. The deferred acquisition cost asset is reviewed for recoverability at the end of each accounting period against future revenue margins expected to arise from the related policies.

Revenue arising from investment contracts

Revenue arising from investment contracts, such as management fees, is accounted for on an accruals basis and is recorded in "Other technical income" in the profit and loss account. Outstanding revenue is included in "Prepayments and accrued income" in the balance sheet.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(e) Investment contracts – recognition and measurement (continued)

A portion of the front-end fees received at the inception of a contract and anticipated future margins such as actuarial funding are deferred and presented as a deferred income liability, gross of tax, in the balance sheet. The liability is amortised over the expected term of the contract and is included within "other technical income" in the profit and loss account.

Investment contract liabilities

All investment contracts issued by the Company are designated on initial recognition as financial liabilities at fair value through profit or loss.

Gains and losses arising from the changes in the fair value of financial liabilities designated at fair value through profit or loss are included in the profit or loss account in the period in which they arise and are recorded in 'Technical provisions for life assurance policies where the investment risk is borne by the policyholders'.

Unit linked liabilities are recognised as and when the units are created and are valued by reference to the fair value of the underlying assets held within the associated fund at the balance sheet date.

A financial liability is derecognised when the liability is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or has expired. The difference between the carrying amount of a financial liability derecognised and consideration paid, including any non-cash assets transferred, is recognised in the profit and loss account. Financial liabilities in respect of such contracts are disclosed as 'Technical provisions for life assurance policies where the investment risk is borne by the policyholders'.

(f) Investments

Financial assets - classification

The Company has classified its financial assets into the following categories:

Assets held at fair value through profit or loss

Financial assets held to back investment contracts and one of the Company's solvency portfolios have been designated upon initial recognition as at fair value through profit or loss and are carried at fair value. The basis of this designation is that financial assets and liabilities in connection with investment contracts are managed and evaluated together on a fair value basis. This designation eliminates or significantly reduces a measurement inconsistency that would otherwise occur if these financial assets were not measured at fair value and the changes in fair value were not recognised in the profit and loss account. Other financial assets are also designated at fair value upon initial recognition as they are managed together on a fair value basis and the performance of the portfolio is monitored on a fair value basis.

Held-to-Maturity investments

The Company holds a solvency portfolio which consists of relatively long dated bonds (or fixed income securities) which are held for asset-liability matching purposes. The Company has classified these as held-to-maturity and has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the effective interest rate method, less impairment. The amortisation, and any impairment, is included as investment income.

Financial assets - recognition, measurement and derecognition

Purchases of financial assets are recognised on the trade date, which is when the Company commits to purchase the assets, and are valued at their purchase price.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(f) Investments (continued)

Listed investments and derivatives are valued at current mid-price at the balance sheet date. Unlisted investments for which a market exists are also stated at the current mid-price at the balance sheet date or the last trading day before that date. The value of other unlisted investments, for which no active market exists, are established at directors' best estimate of fair value, based on third party information or valuations provided by counterparties, or valued at cost and reviewed for impairment at the balance sheet date.

After initial recognition, the Company measures loans and receivables at amortised cost, other than those that the Company intends to sell in the near term, which the Company designates upon initial recognition at fair value through profit or loss. Loans and receivables are subject to impairment review. This basis of valuation is reviewed by the directors, having prudent regard to the likely realisable value. Financial assets are derecognised when contractual rights to receive cash flows from the investments expire, or where the investments, together with substantially all the risks and rewards of ownership, have been transferred.

Impairment of financial assets

The Company assesses (at each balance sheet date) whether there is objective evidence that a financial asset or group of financial assets is impaired and whether an impairment charge should be recognised. Any such impairment is recognised in the profit and loss account in the period in which the impairment is recognised. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event after the impairment was recognised, the previously recognised impairment loss is reversed through the profit and loss account for the period.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the profit and loss account. Fair values are obtained from the quoted market prices in active markets. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Company mainly utilises interest rate swaps and options on interest rate swaps (swaptions). Interest rate swaps are contractual agreements between two parties to exchange periodic payments in the same currency, each of which is computed on a different interest rate basis, on a specified notional amount. Most interest rate swaps involve the net exchange of payments calculated as the difference between the fixed and floating rate interest rate payments. The Company's exposure to a gain or loss on swap contracts will increase or decrease over their respective lives as a function of maturity dates, interest rates and the timing of payments. The payoff of the swaptions purchased by the Company is determined by the value of the underlying swap at the option expiry date; swaption contracts have an interest rate exposure similar to that of swaps, with an additional sensitivity to the volatility assumption used.

Investment income

Income from investments is included in the technical account - life assurance business or non-technical account, as appropriate.

Realised and unrealised investment gains and losses

Realised gains and losses are calculated as the difference between net sales proceeds and the related purchase price.

Unrealised gains and losses attributable to assets in the life assurance business fund are reported in the technical account – life assurance business. The movement in unrealised gains and losses on investments represents the difference between the fair value at the balance sheet date and their purchase price and their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

GENERALI

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(f) Investments (continued)

Fair value hierarchy

The Company reviews its financial investments and classifies them in accordance with IFRS 13. Similarly, for investments for the benefit of life assurance policyholders who bear the investment risk, the Company reviews these investments at each year end and classifies them according to IFRS13. If the Company considers that there has been a change in measurement basis due to a change in inputs, it will reclassify the relevant financial investment to the appropriate level and separately disclose this transfer.

(g) Operating expenses

All operating expenses, including acquisition costs, are charged to the technical account for life assurance business when incurred. Acquisition costs comprise the direct and indirect costs of obtaining and processing new business.

(h) Italian withholding tax prepayment

Contributions to the Italian Revenue as a result of the Company acting as a Withholding Tax Agent are recognised as a tax prepayment asset. Italian capital gains tax recovered from policyholders is offset against this asset. The recoverable amount of this asset is reviewed at each financial year end and is determined by the Board of Directors. This asset has not been discounted in the financial statements.

(i) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Revenues, costs and non-monetary assets are translated at the exchange rates ruling at the dates of the transactions.

Profits and losses arising from foreign currency translations and on settlement of amounts receivable and payable in foreign currency are included in the technical account.

(j) Leasing

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

(k) Taxation

Taxation is provided on profits and income earned in the period.

Deferred taxation is provided on timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are temporary differences between profits as computed for taxation purposes and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different financial years for taxation purposes.

Deferred tax is measured at the tax rates that are expected to apply in the financial years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted by the balance sheet date. Deferred tax is not discounted.

GENERALI

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(l) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the original cost of these assets over their estimated useful lives in equal instalments at the following rates:

Asset category	Rate of depreciation	Basis of depreciation
Fixtures and Fittings	20%	Straight line
Computer Equipment	50%	Straight line

(m) Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Amortisation is calculated to write off the original cost of these assets over their estimated useful lives in equal instalments at the following rate:

Asset category	Rate of amortisation	Basis of amortisation
Software Development	20%	Straight line
Software Development – Solvency II	12.5%	Straight line

Software development work-in-progress is capitalised and is included within the software development balance at cost. Amortisation is not charged on these assets until the project is completed and put into use.

(n) Offsetting

Offsetting is applied when the Company has the right to receive amounts on a net basis from the counterparty and the Company has the intention to settle on a net basis for the amounts due to the Company and due to the counterparty.

(o) Pension costs

The Company's employees are entitled to join a Defined Contribution Plan; the Generali Ireland Pension Scheme.

Defined Contribution Plan: Payments are made by the employer to a pension fund, independent of the Company. These payments free the employer of any further commitment and the obligation to pay acquired benefits to the employee is transferred. The employer's contributions are recorded as an expense in the technical account.

(p) Financial liabilities

During 2015 the Company issued two registered notes, which were subscribed to by other group companies, and also received an Advanced Claims Deposit as part of a Quota Share Reinsurance Agreement in order to fund the Italian withholding tax prepayment. The outstanding amounts due are held at amortised cost in the balance sheet. The Advanced Claims Deposit was repaid in full on 3 April 2018.

The registered note with Generali Belgium was redeemed during 2017 and replaced with a 12 year loan from Assicurazioni Generali S.p.A. the Company also received a €10,000,000 loan from Redoze Holding N.V., another group company, during 2017.

(q) Interest payable

Interest payable on financial liabilities is accounted for on an accruals basis.

(r) Cash at bank and in hand

Cash at bank and in hand is held at its book value.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(s) Short-term debtors and creditors

Debtors and creditors with no stated interest rate, and receivable or payable within one year, are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in other operating expenses.

(t) Provisions and contingencies

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

The provision is reviewed at each reporting date and adjusted to reflect the current best estimate of the amount required to settle the obligation. The Company charges against a provision only those expenditures for which the provision was originally recognised. When all or part of provision may be reimbursed by a third party, the reimbursement is recognised as a separate asset when it is virtually certain that payment will be received.

The effect of the time value of money is also considered and, if material, provisions are discounted.

(u) New accounting standards

Certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board ("IASB).

The Company is undertaking an assessment of the impact of these and they will be implemented by their respective effective dates.

IFRS 9: 'Financial instruments: classification and measurement:

The IASB published amendments to IFRS 4, 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' to address the temporary consequences of the different effective dates of IFRS 9 and the new Insurance Contracts standard. The amendments include an optional temporary exemption from applying IFRS 9 that is available to companies whose predominant activity is to issue insurance contracts. Such a deferral will be available until the new Insurance Contracts Standard (IFRS 17) comes into effect on 1 January 2021. The Company meets the criteria and intends to take advantage of the temporary exemption afforded by the amendments to IFRS 4 from applying IFRS 9 until IFRS 17 comes into effect in 2021.

IFRS 15: 'Revenue from Contracts with Customers'

The Company is undertaking an assessment of the impact of IFRS 15 on Unit Linked business. This standard is effective from 1 January 2018.

IFRS 16: 'Leases'

The Company is undertaking an assessment of the impact of IFRS 16 which will be implemented by 1 January 2019. The impact is expected to be immaterial.

IFRS 17: 'Insurance Contracts'

The Company is undertaking an assessment of the impact of IFRS 17 which will be implemented by 1 January 2021.

Notes to the Financial Statements (continued)

2. Premiums, Claims & Fees Information

	2017 €'000	2016 €'000
(a) Gross premiums written (Group Risk & Variable Annuities)		
Ireland - regular premium	55,228	47,407
Other - regular premium	13,210	16,573
Other - reinsurance premium inward	722	660
Total	**69,160**	**64,640**

(b) Claims

	2017 €'000	2016 €'000
Ireland	24,057	16,004
Other	11,342	13,261
Total	**35,399**	**29,265**

(c) New business written

	2017 €'000	2016 €'000
Wealth Protection (Single Premium Investment Contracts)		
Italy	949,310	809,861
United Kingdom	279,471	42,707
Spain/Portugal	41,486	177,309
Other	5,915	10,326
Total	**1,276,182**	**1,040,203**
Investment Planning (Investment Contracts)		
Finland - single premium	20,036	35,261
Other - single premium	11,840	17,523
Finland - regular premium	15,299	19,915
Other - regular premium	1,087	1,857
Total	**48,262**	**74,556**
Group Risk		
Ireland	9,173	5,659
Other	87	478
Total	**9,260**	**6,137**

Single premium contracts consist of those contracts under which there is no expectation of continuing premiums being paid at regular intervals. Regular premium contracts include those contracts under which premiums are payable at regular intervals during the policy year, including repeated or recurrent single premiums where the level of premiums is defined.

(d) Fees paid by investment contract policyholders

	2017 €'000	2016 €'000
Italy	23,080	20,461
Spain/Portugal	1,361	1,174
United Kingdom	939	591
Other	3,196	2,989
Total	**28,576**	**25,215**

Notes to the Financial Statements (continued)

3. Investment income

Investment income relates to income on bonds, interest on cash deposits and dividend income.

	2017 €'000	2016 €'000
Investment income		
Income from financial assets at fair value through profit or loss	262,153	145,281
Income from financial assets held to maturity	195	192
	262,348	145,473
Other technical income, net of reinsurance		
Fees paid by investment contract policyholders (Note 2)	28,576	25,215
Unit linked income	27,159	24,574
Commission earned on reinsurance premiums ceded	10,323	9,582
Trail commissions received	904	561
(Increase)/reduction in deferred income liability (Note 22)	(362)	99
	66,600	60,031
Investment expenses and charges		
Investment management expenses	(3,244)	(2,480)
Total investment return	**325,704**	**203,024**

Commission earned on reinsurance premiums ceded was shown in net operating expenses in prior years. This has been reclassified to investment income for 2016 and 2017.

4. Net operating expenses

	2017 €'000	2016 €'000
Acquisition costs	5,216	5,600
Administration expenses	25,814	20,998
Amortisation of deferred acquisition costs (Note 15)	14,096	13,542
Operating lease rentals – office premises	361	339
Operating lease rentals – motor vehicles	56	74
Total	**45,543**	**40,553**

Included in net operating expenses is acquisition and other commission for direct insurance of €3,054,000 (2016: €2,905,000), which excludes commission paid to employees. Also included is depreciation of tangible fixed assets of €326,000 (2016: €329,000), amortisation of intangible fixed assets of €1,503,000 (2016: €800,000) and Auditor's remuneration for the audit of the entity's financial statements, audit related assurance services and out of pocket expenses, excluding VAT, of €469,000 (2016: €400,000).

Auditor's Remuneration

The remuneration of the auditor is further analysed as follows:

	2017 €'000	2016 €'000
Audit of the financial statements	303	253
Audit related assurance services including Solvency II	166	147
Non – audit services	-	-
Total auditor's remuneration	**469**	**400**

Notes to the Financial Statements (continued)

4. Net operating expenses (continued)

Operating lease charges

At 31 December 2017 the Company had total commitments under operating leases expiring as follows:

	Motor Vehicles €'000	Office Premises €'000
In one financial year or less	47	361
In more than one financial year, but not more than five financial years	37	1,469
In more than five financial years, but not more than twenty financial years	-	3,842
Total	**84**	**5,672**

At 31 December 2016 the Company had total commitments under operating leases expiring as follows:

	Motor Vehicles €'000	Office Premises €'000
In one financial year or less	55	361
In more than one financial year, but not more than five financial years	91	1,445
In more than five financial years, but not more than twenty financial years	-	4,228
Total	**146**	**6,034**

5. Staff costs

	2017 €'000	2016 €'000
Included in administration expenses are the following staff costs:		
Wages and salaries	9,264	7,824
Social insurance costs	1,006	796
Pension costs	424	364
Total	**10,694**	**8,984**

	2017	2016
Average number of persons employed are:		
Full time staff	112	102
Part time staff	5	2
Total	**117**	**104**

	2017 €'000	2016 €'000
Included in intangible assets are the following staff costs:		
Wages and salaries	683	959
Social Insurance costs	73	100
Pension costs	24	24
Total	**780**	**1,083**

Notes to the Financial Statements (continued)

6. Pension costs

The Company operates a defined contribution scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund which is managed by an independent trustee. The pension cost charge represents contributions by the Company to the fund and amounted to €455,000 (2016: €364,000). The amount payable to the pension scheme at 31 December 2017 was nil (2016: nil).

7. Directors' expenses

Included in administration expenses are directors' expenses:	2017 €'000	2016 €'000
Directors' fees	860	962
Directors' pension contributions	74	55
Total	**934**	**1,017**

The pension contributions are made on behalf of two directors. The contributions are paid to the Generali Ireland defined contribution pension scheme on behalf of one director and to another pension scheme on behalf of the second director.

The aggregate amount of the gains by the directors on the exercise of share options during the year ended 31 December 2017 was nil (2016: nil).

8. Tax on profit on ordinary activities

	2017 €'000	2016 €'000
Irish corporation tax:		
Current tax on profit for the financial year	2,560	2,429
Prior financial year under/ (over) provision	3	(28)
Irish income tax	41	35
Foreign tax	2	1
Deferred tax (credit)	(15)	(33)
Total	**2,591**	**2,404**

The following table explains the difference between the tax charge that would result from applying the standard corporation tax rate in Ireland of 12.5% and the actual tax charge for the year:

	2017 €'000	2016 €'000
Profit on ordinary activities before tax	20,461	19,276
Profit on ordinary activities multiplied by standard tax rate of 12.5% (2016: 12.5%)	2,558	2,410
Permanent differences	(9)	(27)
Current tax prior year under / (over) provision	2	(28)
Income tax withheld	35	35
Prior year deferred tax under provision	4	15
Foreign tax effect	1	1
FRS 101 transitional change	-	(2)
Total	**2,591**	**2,404**

GENERALI

Notes to the Financial Statements (continued)

8. Tax on profit on ordinary activities (continued)

As at 31 December 2017 the Company had a deferred tax asset of €250,000 in relation to timing differences (2016: €235,676), which has been recognised in the financial statements.

	2017 €'000	2016 €'000
Balance at 1 January	236	203
Deferred tax charge/(credit) for the financial year	14	33
Balance at 31 December	**250**	**236**

The elements of deferred taxation are as follows:

Difference between depreciation and capital allowances	114	153
Provisions and other items	136	83
Total	**250**	**236**

9. Financial investments

	2017 €'000	2016 €'000
Financial assets		
Debt securities – Fair value through profit or loss	57,364	53,784
Debt securities – Held-to-maturity	13,042	13,075
Investment funds	22,799	19,336
Total	**93,205**	**86,195**
Derivatives		
Financial Assets		
Interest Rate Swaptions (Notional €5,000,000; 2016 €14,000,000)	758	1,780
Interest Rate Swaps (Notional €127,200,000; 2016 €135,000,000)	9,902	10,988
Forward Currency Contracts (Notional €1,032,816; 2016 €927,751)	4	10
Exchange Traded Bond Futures	75	-
Financial Liabilities		
Interest Rate Swaps (Notional €77.300,000; 2016 €147,500,000)	(10,104)	(9,751)
Exchange Traded Bond and Index Futures	-	(109)
Total	**635**	**2,918**
Total financial investments	**93,840**	**89,113**

The interest rate swaps listed above have been netted by counterparty in these financial statements under the terms of the International Swaps and Derivatives Association (ISDA) agreements in place with each counterparty.

In addition, cash collateral to cover open derivative positions (in the money) is lodged by the counterparties or Generali PanEurope lodges collateral with counterparties (out of the money positions). Generali Investments Europe ('GIE') manages the investments in derivatives and related collateral process on behalf of Generali PanEurope in accordance with its mandate with them. The details of the collateral requirements are contained in the Credit Support Annex (CSA) agreed between GIE and each counterparty.

Notes to the Financial Statements (continued)

9. Financial investments (continued)

Details of cash collateral posted and received at year end are as follows:

Collateral	2017 €'000	2016 €'000
Collateral posted (relating to financial liabilities)	10,120	9,420
Collateral received (relating to financial assets)	(10,670)	(12,170)

All derivative positions were closed out by 2 March 2018 following the changes to the Variable Annuities Portfolio.

10. Investments for the benefit of life assurance policyholders who bear the investment risk

Investments	2017 €'000	2016 €'000
Bonds	1,641,374	1,920,798
Equities	1,039,204	1,134,128
Funds	6,651,976	5,575,128
Derivatives	3,797	4,404
Other investments	320,998	357,480
Cash balances and short term deposits	1,289,227	1,378,228
Total	**10,946,576**	**10,370,166**

Other investments include holdings in Structured Notes, Collateralised Securities, Loans and Investment Properties.

11. Italian withholding tax prepayment

	2017 €'000	2016 €'000
Asset		
Balance at 1 January	130,523	108,804
Payable in respect of 2016	-	35,678
Payable in respect of 2017	38,275	-
Recovered from policyholders during the year	(22,241)	(12,932)
Partial recovery of 2011 payment	-	(1,027)
Partial recovery of 2012 payment	(1,157)	-
Balance at 31 December	**145,400**	**130,523**
Liability		
Balance at 1 January	34,651	34,875
Payable in respect of 2016	-	35,678
Payable in respect of 2017	38,275	-
Less partial recovery of 2011 payment	-	(1,027)
Less partial recovery of 2012 payment	(1,157)	-
Paid during the year	(34,651)	(34,875)
Balance at 31 December	**37,118**	**34,651**
Maturity analysis of tax expected to be recovered		
In one financial year or less	-	-
In more than one financial year, but not more than five financial years	107,125	94,845
In more than five financial years, but not more than twenty financial years	38,275	35,678
Total	**145,400**	**130,523**

Notes to the Financial Statements (continued)

12. Debtors arising out of direct insurance operations

	2017 €'000	2016 €'000
Claims recoverable from reinsurers	9,522	2,146
Commission receivable from reinsurers	4,156	3,251
Amounts due from policyholders	8,821	13,820
Amounts due from other group companies	-	7,560
Corporation tax	-	38
Total	**22,499**	**26,815**

There is no difference between the fair value and carrying value as disclosed.

13. Intangible assets

	Software Development 2017 €'000	Software Development 2016 €'000
Cost		
At 1 January	13,862	8,347
Additions	3,714	5,515
Asset write-off	-	-
At 31 December	17,576	13,862
Amortisation		
At 1 January	4,147	3,347
Charge for the financial year	1,501	800
At 31 December	5,648	4,147
Net book value		
At 1 January	9,715	5,000
At 31 December	**11,928**	**9,715**

14. Tangible fixed assets

	Fixtures and Fittings €'000	Computer Equipment €'000	Total €'000
Cost			
At 1 January 2017	1,499	1,429	2,928
Additions	76	360	436
At 31 December 2017	1,575	1,789	3,364
Depreciation			
At 1 January 2017	1,492	1,162	2,654
Charge for the financial year	33	293	326
At 31 December 2017	1,525	1,455	2,980
Net book value			
At 1 January 2017	7	267	274
At 31 December 2017	**50**	**334**	**384**

Notes to the Financial Statements (continued)

14. Tangible fixed assets (continued)

	Fixtures and Fittings €'000	Computer Equipment €'000	Total €'000
Cost			
At 1 January 2016	1,491	1,113	2,604
Additions	8	316	324
At 31 December 2016	1,499	1,429	2,928
Depreciation			
At 1 January 2016	1,282	1,043	2,325
Charge for the financial year	210	119	329
At 31 December 2016	1,492	1,162	2,654
Net book value			
At 1 January 2016	209	70	279
At 31 December 2016	**7**	**267**	**274**

15. Deferred acquisition costs

	2017 €'000	2016 €'000
Balance at 1 January	14,862	10,444
Costs deferred in current financial year	14,172	17,960
Release to profit and loss	(14,096)	(13,542)
Balance at 31 December	**14,938**	**14,862**

16. Share capital

	2017 €'000	2016 €'000
Authorised:		
6,000,000 ordinary shares of €1.269738 each	7,618	7,618
300,000,000 Non-Voting B Ordinary Shares of €1.00 each	300,000	300,000
400,000,000 Non-Voting Redeemable Preference Shares of €1.00 each	400,000	400,000
Total	**707,618**	**707,618**
Issued and fully paid:		
500,000 Ordinary Shares of €1.269738 each	635	635
60,500,000 Non-Voting B Ordinary Shares of €1.00 each	60,500	60,500
Total	**61,135**	**61,135**

The Ordinary Shares, the Non-Voting B Ordinary Shares and the Non-Voting Redeemable Preference Shares rank pari passu in all respects but constitute separate classes of shares.

During 2016, the Company converted its 7,500,000 Non-Voting Redeemable Preference Shares into 7,500,000 Non-Voting B Ordinary Shares on a one for one basis.

Notes to the Financial Statements (continued)

16. Share capital (continued)

The Ordinary Shares confer on the holders thereof the right to receive notice of, attend and vote at any general meetings of the Company and confer on the holders thereof the right to one vote per Ordinary Share. The Non-Voting B Ordinary Shares and Non-Voting Redeemable Preference Shares do not confer on the holders the right to receive notice of or to attend or vote at general meetings of the Company.

17. Technical provisions

	Provision for unearned premiums €'000	Life assurance provision €'000	Provision for claims €'000	Technical provisions for life assurance policies* €'000
At 31 December 2015	**5,886**	**5,354**	**63,874**	**9,921,304**
Deposits received from policyholders under investment contracts	-	-	-	1,161,386
Payments made to policyholders under investment contracts	-	-	-	(853,927)
Change in technical provision as shown in the Profit & Loss Account	4,640	1,117	(1,674)	141,731
Foreign exchange revaluation	(235)	-	(1,017)	-
At 31 December 2016	**10,291**	**6,471**	**61,183**	**10,370,494**
Deposits received from policyholders under investment contracts	-	-	-	1,379,928
Payments made to policyholders under investment contracts	-	-	-	(1,061,127)
Change in technical provision as shown in the Profit & Loss Account	1,633	840	2,713	259,195
Foreign exchange revaluation	(173)	-	(351)	-
At 31 December 2017	**11,751**	**7,311**	**63,545**	**10,948,490**

The Reinsurers' share of the Provision for Unearned Premiums at 31 December 2017 was €11,197,000 (2016: €9,738,000) and the reinsurers' share of the Provision for Claims was €59,004,000 (2016: €57,432,000). The Provision for Unearned Premiums net of reinsurance at 31 December 2017 was €554,000 (2016: €553,000). The Provision for Claims net of reinsurance at 31 December 2017 was €4,541,000 (2016: €3,751,000).

Provision for unearned premiums

The Provision for Unearned Premiums is calculated as the annual premium multiplied by the proportion of the year for which the premium has not been earned. This proportion is calculated as the number of days between the balance sheet date and the next renewal date of the policy, divided by the total number of days of cover to be provided under the policy.

Life assurance provision

The life assurance provision is calculated by a Fellow Member of the Society of Actuaries in Ireland. The computation was made on the basis of recognised actuarial methods, with due regard to the actuarial principles laid down in Council Directive 92/96/EEC. When calculating the life assurance provision, a stochastic interest rate model is used whereby the EUR swap curve and market implied swaption volatilities were used to calibrate a Hull-White Interest Rate model. The resultant model was used to generate stochastic scenarios which were used to discount the guarantee liability. The model assumed a nil mortality rate in respect of the German portfolio, as this portfolio is not exposed to mortality risk while the mortality assumption for the Italian portfolio was set with reference to Italian national mortality tables.

** = Technical provisions for life assurance policies where the investment risk is borne by the policyholders*

GENERALI

Notes to the Financial Statements (continued)

17. Technical provisions (continued)

Life assurance provision (continued)
There were no changes to the lapse or long term volatility assumptions used by the Company in the calculation of the Liability Option Value for the variable annuity business during 2017.

The life assurance provision was reduced in 2018 following the cancellation of the reinsurance treaty between Generali Italia and the Company.

Provision for claims
The Provision for Claims balance consists of a Reported But Not Settled (RBNS) reserve of €48,079,000 (2016: €49,267,000), an Incurred But Not Reported (IBNR) reserve of €14,915,000 (2016: €11,566,000) and a Claims Handling reserve of €550,000 (2016: €350,000).

IBNR for Sweden uses past experience to project forward how claims will behave by using run-off triangles. For the non-Swedish business, the IBNR is calculated using appropriate percentages of premiums.

RBNS for non-Swedish claims is calculated by taking the present value of future expected claims outgoing, using the EIOPA yield curve as the discount rate (2016: Discount rate: 1.08% for business where the reserves are fully ceded to the reinsurer and 0.59% for business where The Company retains the reserves). RBNS for Swedish claims has been calculated similarly but without discounting.

There is no uncertainty around the timing and amount of Group Risk claims and therefore management does not consider it necessary to disclose claims development tables.

18. Management of Insurance Risk

Insurance Risks
The Company is exposed to life underwriting insurance risk deriving from the Company's core business activities. The Company mitigates this risk primarily through the use of reinsurance agreements with its parent company, Assicurazioni Generali S.p.A. and with a third party reinsurer, National General Alpha Re.

Capital Management
The Company maintains an efficient capital structure consistent with its regulatory requirements. The Company is required to hold sufficient capital to cover the Central Bank of Ireland's Required Minimum Solvency Margin. This Required Minimum Solvency Margin is calculated on a basis prescribed by EU Directives. The Company has additional capital resources available to cover risk exposures in addition to the capital required to meet regulatory requirements.

Solvency II came into effect on 1 January 2016. The Solvency Capital Requirement ("SCR") at 31 December 2017 was €129,246,000 (2016: €118,909,000) and the Minimum Capital Requirement ("MCR") was €58,161,000 (2016: €53,509,000). The Company's available own funds at that date were €282,737,000 (2016: €270,912,000). The Company's ratio of Eligible Own Funds to SCR was 219% (2016: 228%), and to MCR was 486% (2016: 506%).

Capital management policies and objectives
The Company's objectives in managing its capital are to:
- match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- maintain financial strength to support new business growth;
- satisfy the requirements of its policyholders, regulators and rating agencies;
- retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- allocate capital efficiently to support growth; and
- manage exposures to movement in exchange rates.

An important aspect of the Company's overall capital management process is the setting of target risk-adjusted rates of return for individual business units, which are aligned to performance objectives, and ensuring that the Company is focused on the creation of value for shareholders.

Notes to the Financial Statements (continued)

18. Management of Insurance Risk (continued)

Capital management policies and objectives (continued)

The Company has a number of sources of capital available to it and seeks to optimise its debt to equity structure in order to ensure that it can consistently maximise returns to shareholders. The Company considers not only the traditional sources of capital funding (see Note 16) but the alternative sources of capital including reinsurance and securitisation, as appropriate, when assessing its deployment and usage of capital.

Capital resource sensitivities

The capital position of the Company at this stage of the development of the business is most sensitive to the following items:

- Capital requirements of the various business categories;
- Sales volumes;
- Business retention levels;
- Costs; and
- Valuation of the Italian withholding tax prepayment.

The Company's sensitivity to these risks is reduced by:

- A clear understanding of the impact of these risks on the capital position of the Company;
- Regular reviews of the capital position; and
- Analysis of the capital position for any new ventures in advance of agreeing to proceed with any such initiatives.

Basic own funds

	2017 €'000	2016 €'000
Shareholders' funds	175,491	157,621
Elimination of deferred acquisition costs and deferred income liability	(10,960)	(11,247)
Elimination of intangible assets	(11,928)	(9,717)
Solvency II valuation of technical provisions	146,319	154,492
Solvency II valuation of financial liabilities	(1,082)	(2,077)
Solvency II valuation of investments	1,127	1,233
Solvency II valuation of withholding tax asset	(908)	(3,208)
Deferred tax adjustment	(15,322)	(16,185)
Total basic own funds 31 December	**282,737**	**270,912**

During the period, the Company complied with externally imposed capital requirements to which it is subject under Solvency II.

Options and Guarantees

There are no options or guarantees available that can increase benefits payable to policyholders under the Company's current suite of products.

Notes to the Financial Statements (continued)

18. Management of Insurance Risk (continued)

Movement in basic own funds

	2017 €'000	2016 €'000
Opening excess of assets over liabilities	270,912	250,266
Profit recognised since prior financial year	17,870	16,872
Elimination of deferred acquisition costs and deferred income liability	287	(4,518)
Elimination of intangible assets	(2,211)	(9,717)
Solvency II valuation of technical provisions	(8,173)	18,168
Solvency II valuation of financial liabilities	995	(2,329)
Solvency II valuation of investments	(106)	329
Solvency II valuation of withholding tax asset	2,300	2,381
Deferred tax adjustment	863	(540)
Closing basic own funds at 31 December	**282,737**	**270,912**

19. Creditors arising out of direct insurance operations

	2017 €'000	2016 €'000
Amounts due to reinsurers	46,600	38,984
Amounts due to policyholders	6,979	12,237
Commissions due to intermediaries	12	61
Total	**53,591**	**51,282**

There is no difference between the fair value and carrying value as disclosed.

20. Financial liabilities

	2017 €'000	2016 €'000
5 Year 1.26% Registered Note held by Participatie Maatschappij Graafschap Holland N.V.	15,000	15,000
15 Year 2.62% Registered Note held by Generali Belgium	-	15,000
Loan from parent company Assicurazioni Generali S.p.A.	15,250	19,878
12 Year 2.24% Loan from Assicurazioni Generali S.p.A	15,000	-
3 Year 0.78% Loan from Redoze Holding NV	10,000	-
Total	**55,250**	**49,878**

The registered note with Generali Belgium, which was issued on 3 June 2015, was redeemed during 2017 and replaced with a 12 year loan from Assicurazioni Generali S.p.A. the Company also received a €10,000,000 loan from another group company, Redoze Holding NV, during 2017. These notes and loans were issued in order to fund the Italian withholding tax prepayment. No collateral was issued by the Company in relation to these notes. The interest accrued on these loans at the end of 2017 was €178,000 (2016: €336,000).

In 2015, the Company entered into a Quota Share Reinsurance Agreement with its ultimate parent company, Assicurazioni Generali S.p.A, with regard to all policies in the Wealth Protection portfolio. Under this agreement an Advance Claims Deposit of €25,000,000 was received which has been accounted for as a loan. The remaining balance of €15,250,000 includes €1,183,000 accrued interest applied to the principal. This loan was repaid in full on 3 April 2018.

Notes to the Financial Statements (continued)

21. Other creditors

	2017 €'000	2016 €'000
Amounts owing to group companies	518	1,298
Corporation tax	505	-
Value added tax	-	75
Income tax deducted under PAYE	351	246
Other taxes	1,572	21
Total	**2,946**	**1,640**

22. Deferred income liability

	2017 €'000	2016 €'000
Balance at 1 January	3,616	3,715
Amortisation	(623)	(1,129)
Income deferred in current financial year	985	1,030
Balance at 31 December	**3,978**	**3,616**

23. Management of financial and other risks

(a) Introduction

The Company is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and policyholder liabilities. In addition, as part of the Company's Variable Annuities business, the Company invested in a variety of derivative instruments. These included interest rate swaps, interest rate swaptions, currency forwards and bond and equity index futures. A key financial risk is that the proceeds from financial assets and derivatives are not sufficient to fund the obligations arising from contracts with policyholders and the financial guarantees which were provided as part of the Variable Annuities business. The most important components of this financial risk are interest rate risk, equity price risk, currency risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. It manages these positions within an asset liability management framework (ALM) that has been developed to achieve investment returns in excess of obligations under insurance contracts. The Company produces regular reports at portfolio and asset and liability class level that are circulated to the Company's key management personnel. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. Separate portfolios of assets are maintained for non-linked business and unit-linked business. The Company's ALM is also integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities. The Company does not use hedge accounting.

In 2013, as part of the ALM process, the Company identified a requirement to hold long dated bonds to match technical provisions. The 'Held to Maturity' bond portfolio is now in place to meet this requirement. The notes below explain how financial risks are managed using the categories utilised in the Company's ALM framework.

Notes to the Financial Statements (continued)

23. Management of financial and other risks (continued)

The following tables reconcile the balance sheet to each distinct category of liabilities:

2017 Assets	Unit Linked €'000	Group Risk €'000	Variable Annuity €'000	Shareholder €'000	Total €'000
Debt securities-at fair value through profit or loss	1,641,374	-	2,276	55,087	**1,698,737**
Debt securities- held-to-maturity	-	-	-	13,042	**13,042**
Equity securities-at fair value through profit or loss	1,039,204	-	-	-	**1,039,204**
Other securities-at fair value through profit or loss	6,976,772	-	635	22,799	**7,000,206**
Cash at bank	1,321,013	4,341	7,080	2,805	**1,335,239**
Insurance debtors and other assets	11,554	92,680	-	176,882	**281,116**
Total assets	**10,989,917**	**97,021**	**9,991**	**270,615**	**11,367,544**

2017 Liabilities	Unit Linked €'000	Group Risk €'000	Variable Annuity €'000	Shareholder €'000	Total €'000
Technical provisions	10,948,490	75,296	7,311	-	**11,031,097**
Claims outstanding	-	-	-	-	**-**
Provisions for other risks and charges	-	-	-	-	**-**
Other liabilities	41,427	21,725	2,680	270,615	**336,447**
Total liabilities	**10,989,917**	**97,021**	**9,991**	**270,615**	**11,367,544**

2016 Assets	Unit Linked €'000	Group Risk €'000	Variable Annuity €'000	Shareholder €'000	Total €'000
Debt securities-at fair value through profit or loss	1,920,798	-	4,165	49,619	**1,974,582**
Debt securities-held-to-maturity	-	-	-	13,075	**13,075**
Equity securities-at fair value through profit or loss	1,134,128	-	-	-	**1,134,128**
Other securities-at fair value through profit or loss	5,937,012	-	2,917	19,336	**5,959,265**
Cash at bank	1,399,070	6,853	3,894	3,528	**1,413,345**
Insurance debtors and other assets	16,196	85,960	-	159,666	**261,822**
Total assets	**10,407,204**	**92,813**	**10,976**	**245,224**	**10,756,217**

2016 Liabilities	Unit Linked €'000	Group Risk €'000	Variable Annuity €'000	Shareholder €'000	Total €'000
Technical provisions	10,370,494	71,474	6,471	-	**10,448,439**
Claims outstanding	-	2,852	-	-	**2,852**
Provisions for other risks and charges	-	-	-	-	**-**
Other liabilities	36,710	18,487	4,505	245,224	**304,926**
Total liabilities	**10,407,204**	**92,813**	**10,976**	**245,224**	**10,756,217**

Notes to the Financial Statements (continued)

23. Management of financial and other risks (continued)

Interest rate risk

Interest rate risk has a material impact across the assets and liabilities categorised in the Company's ALM framework. The Company manages these positions within the ALM framework that has been developed to ensure that assets are matched to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained. Any gap between the maturity date of the assets and the anticipated maturity date of the liabilities is minimised by means of buying and selling fixed interest securities of different durations.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. Movements in interest rates affect the return on term deposits held and are a factor in price fluctuations on debt securities. Returns on unit-linked contracts, whether classified as insurance or investment contracts, are at the risk of the policyholder, however, the Company is exposed to fluctuations in so far as they impact the amount of fee income received.

An interest rate sensitivity analysis was completed on debt securities, swaps/swaptions and RBNS reserves.

	2017 €'000	2016 €'000
Debt Securities		
Impact of 100bps decrease in interest rates on debt securities	2,701	2,615
Impact of 100bps increase in interest rates on debt securities	(2,523)	(2,447)
Swaps/Swaptions		
Impact of 1bps increase in interest rate curve on swap/swaptions	(17)	(19)
Impact of 1bps increase in interest rate curve on Liability Option Value	(17)	(19)
RBNS Reserves		
Impact on RBNS reserves being sensitised down by 0.5%. (2016: 0.33% from 1.08% for business where the reserves are fully ceded to the reinsurer, and to 0.00% from 0.59% for business where the Company retains the reserves.)	1,434	3,843

No sensitivity analysis was carried out on the Italian withholding tax asset as it is not subject to any inherent interest rate risk. Similarly, the Company's Incurred But Not Reported reserves are based on premiums received and are also not subject to any inherent interest rate risk. Cash is assumed to have zero growth and is also deemed not to be subject to any inherent interest rate risk.

Equity price risk

The Company is exposed to equity price risk as a result of its holdings in equity investments to the extent that these are not matched by liabilities to policyholders. The Company has a defined investment policy in that all equity investments are matched to liabilities to policyholders. In addition, the Company utilises equity index futures to manage equity risk arising from its Variable Annuity guarantees. The Company is also exposed to adverse movements in the value of Unit Linked Assets which would reduce the future profitability of the Company in terms of having an adverse impact on fee income.

The sensitivity analysis for equity risk illustrates how changes in the fair value of equity securities will fluctuate because of changes to market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

An equity price sensitivity analysis was not considered necessary as all equities held are part of assets held to cover linked liabilities and any movement in value will be offset by a corresponding increase or decrease in the technical provisions for life assurance policies where the investment risk is borne by the policyholders ("Unit-linked").

GENERALI

Notes to the Financial Statements (continued)

23. Management of financial and other risks (continued)

Currency risk

The Company generally invests in assets denominated in the same currencies as its policyholder's liabilities, which mitigates the foreign currency exchange rate risk. In addition, the Company used currency forwards to hedge its Variable Annuity guarantees.

A currency risk analysis was not considered necessary as assets denominated in a foreign currency are held as part of assets held to cover linked liabilities and any movement in value will be offset by a corresponding increase or decrease in the technical provisions for life assurance policies where the investment risk is borne by the policyholders.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are government bonds, corporate bonds, EU supranational bonds, bank deposits, Generali Group internal funds, the Italian withholding tax asset, the reinsurers' share of insurance liabilities, amounts due from reinsurers in respect of claims already paid, amounts due from insurance intermediaries and counterparty risk with respect to derivative transactions.

To mitigate credit risk of counterparties the Company has adopted and complies with the Group Risk Guidelines issued by Assicurazioni Generali S.p.A.. The guidelines place limits on the Company's market and credit exposures. In the case of government bonds, for example, the Company can invest up to 15% of its total assets in sovereign debt rated AAA, up to 7.5% in sovereign debt rated AA and up to 5% in sovereign debt rated A. For other counterparties the Company is limited to 3% exposure to an ultimate parent company rated A or higher and 2% for those rated BBB. If the Company expects these limits to be breached, it may request a permanent or temporary dispensation from Assicurazioni Generali S.p.A.. In the case of the Generali Group internal funds there is no limit on the exposure for the Company, however, the directors of the Company have imposed an internal limit of 20% of total assets.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength. The Company has reinsurance arrangements directly with Assicurazioni Generali S.p.A., which has a Fitch rating of "A-" and with a third party reinsurer, National General Alpha Re, a subsidiary of National General Holdings Corp which has a rating of "BBB" from A.M. Best.

Derivatives and the associated counterparty risk were managed in accordance with the "Group Risk Guidelines – Derivatives & Structured Products Guidelines" and the "Group Risk Guidelines – Admitted Counterparties Guidelines".

Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by management. An analysis of policyholders and reinsurers is produced periodically.

Credit risk for unit-linked assets is borne by the policyholder (see Note 24).

Notes to the Financial Statements (continued)

23. Management of financial and other risks (continued)

Credit risk (continued)

The following tables set out the credit risk exposure and ratings of financial and other assets which are most susceptible to credit risk as at 31 December 2017 and 31 December 2016:

2017	AAA	AA	A	BBB	Unrated	Unit–Linked Funds	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Debt securities	13,499	24,197	32,710	-	-	-	**70,406**
Derivatives	-	-	635	-	-	-	**635**
Other securities	-	-	-	-	22,799	-	**22,799**
Unit-linked	-	-		-	-	9,657,349	**9,657,349**
Cash at bank	-	-	46,012	-	-	1,289,227	**1,335,239**
Insurance debtors and other assets	-	-	92,949	145,400	42,767	-	**281,116**
Total	**13,499**	**24,197**	**172,306**	**145,400**	**65,566**	**10,946,576**	**11,367,544**

2016	AAA	AA	A	BBB	Unrated	Unit–Linked Funds	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Debt securities	16,326	27,034	21,908	-	1,591	-	**66,859**
Derivatives	-	-	2,917	-	-	-	**2,917**
Other securities	-	-	-	-	19,336	-	**19,336**
Unit-linked	-	-	-	-	-	8,991,938	**8,991,938**
Cash at bank	-	-	35,117	-	-	1,378,228	**1,413,345**
Insurance debtors and other assets	-	-	94,221	130,523	37,078	-	**261,822**
Total	**16,326**	**27,034**	**154,163**	**130,523**	**58,005**	**10,370,166**	**10,756,217**

Liquidity risk

Liquidity risk refers to the risk that the Company will not be able efficiently to meet both expected and unexpected cash flow requirements. All admissible assets must be redeemable within approved periods. In the event assets may not be redeemable, the Company has entered into agreements with the policyholders to manage such risks.

The following tables below set out the liquidity risk exposure of the Company's financial assets and liabilities as at 31 December 2017:

Financial Assets	2017 Within 1 Year	2017 1-5 years	2017 Over 5 years	2017 Unit-linked funds	2017 Total
	€'000	€'000	€'000	€'000	€'000
Debt securities	10,431	40,894	19,081	-	**70,406**
Derivatives	635	-	-	-	**635**
Other securities	22,799	-	-	-	**22,799**
Unit-linked	-	-	-	9,657,349	**9,657,349**
Cash at bank	46,012	-	-	1,289,227	**1,335,239**
Insurance debtors and other assets	135,716	107,125	38,275	-	**281,116**
Total	**215,593**	**148,019**	**57,356**	**10,946,576**	**11,367,544**

Financial Liabilities	2017 Within 1 Year	2017 1-5 years	2017 Over 5 years	2017 Unit-linked funds	2017 Total
	€'000	€'000	€'000	€'000	€'000
Financial liabilities under investment contracts	-	-	-	10,948,490	**10,948,490**
Claims outstanding on insurance contracts	-	-	-	-	**-**
Insurance creditors	82,607	-	-	-	**82,607**
Other creditors	105,706	40,250	15,000	-	**160,956**
Total	**188,313**	**40,250**	**15,000**	**10,948,490**	**11,192,053**

GENERALI

Notes to the Financial Statements (continued)

23. Management of financial and other risks (continued)

Liquidity risk (continued)

The tables below set out comparative risk data as at 31 December 2016:

Financial Assets	2016 Within 1 Year €'000	2016 1-5 years €'000	2016 Over 5 years €'000	2016 Unit-linked funds €'000	2016 Total €'000
Debt securities	5,583	43,196	18,080	-	66,859
Derivatives	2,917	-	-	-	2,917
Other securities	19,336	-	-	-	19,336
Unit-linked	-	-	-	8,991,938	8,991,938
Cash at bank	35,117	-	-	1,378,228	1,413,345
Insurance debtors and other assets	132,326	94,845	34,651	-	261,822
Total	195,279	138,041	52,731	10,370,166	10,756,217

Financial Liabilities	2016 Within 1 Year €'000	2016 1-5 years €'000	2016 Over 5 years €'000	2016 Unit-linked funds €'000	2016 Total €'000
Financial liabilities under investment contracts	-	-	-	10,370,494	10,370,494
Claims outstanding on insurance contracts	2,852	-	-	-	2,852
Insurance creditors	77,945	-	-	-	77,945
Other creditors	97,427	34,878	15,000	-	147,305
Total	178,224	34,878	15,000	10,370,494	10,598,596

Fair value hierarchy

IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company's financial investments, as detailed in Note 9, comprise debt securities and derivatives and a holding in an investment fund. At each reporting date, the Company reviews its financial investments and classifies them in accordance with IFRS 13. If the Company considers that there has been a change in measurement basis due to a change in inputs, it will reclassify the relevant financial investment to the appropriate level and separately disclose this transfer. There were no changes in valuation techniques during the year.

Similarly, for investments for the benefit of life assurance policyholders who bear the investment risk, the Company reviews these investments at each year end and classifies them according to IFRS13. If the Company considers that there has been a change in measurement basis due to a change in inputs, it will reclassify the relevant financial investment to the appropriate level and separately disclose this transfer. There were no changes in valuation techniques during the year.

Level 2 investments consist of investment funds, derivatives and other structured products. These are fair valued, by the Company, using valuations received from custodians.

Notes to the Financial Statements (continued)

23. Management of financial and other risks (continued)

Fair value hierarchy (continued)

A number of investments for the benefit of life assurance policyholders who bear the investment risk have been classified as Level 3 as they typically consist of unlisted or private securities and the Company relies on unobservable inputs for these assets. The value of assets for which significant unobservable inputs were present in 2017 amounted to €164,455,000 and typically consisted of unaudited financial statements or valuations provided by a third party administrator. Movements in investments with Level 3 inputs, during the year, are disclosed below.

Due to the nature of the Level 3 investments, the Company does not consider that there are any interrelationships between significant unobservable inputs and other unobservable inputs used in the fair value measurement. In addition the Company does not consider that there are any significant sensitivities to the fair value of the Level 3 investments should there be a change in the unobservable inputs.

The following table presents an analysis of the Company's financial investments and investments for the benefit of life assurance policyholders who bear the investment risk as at 31 December 2017:

Fair value hierarchy	2017 Level 1 €'000	2017 Level 2 €'000	2017 Level 3 €'000	2017 Cash €'000	2017 Total Balance €'000
Financial assets at fair value through profit or loss:					
- derivatives / other	-	23,434	-	-	23,434
- debt securities	57,364	-	-	-	57,364
Debt securities - held-to-maturity	14,170	-	-	-	14,170
Unit-linked	2,659,910	6,832,754	164,685	1,289,227	10,946,576
Total	**2,731,444**	**6,856,188**	**164,685**	**1,289,227**	**11,041,544**

	2017 Level 1 €'000	2017 Level 2 €'000	2017 Level 3 €'000	2017 Cash €'000	2017 Total Balance €'000
Financial liabilities at fair value through profit or loss:					
Financial debt	-	57,668	-	-	57,668
Unit-linked	2,659,910	6,834,668	164,685	1,289,227	10,948,490
Total	**2,659,910**	**6,892,336**	**164,685**	**1,289,227**	**11,006,158**

The table below sets out comparative data for the Fair Value Hierarchy as at 31 December 2016:

Fair value hierarchy	2016 Level 1 €'000	2016 Level 2 €'000	2016 Level 3 €'000	2016 Cash €'000	2016 Total Balance €'000
Financial assets at fair value through profit or loss:					
- derivatives / other	-	22,253	-	-	22,253
- debt securities	53,784	-	-	-	53,784
Debt securities- held-to-maturity	14,143	-	-	-	14,143
Unit-linked	3,277,856	5,529,759	184,324	1,378,228	10,370,167
Total	**3,345,783**	**5,552,012**	**184,324**	**1,378,228**	**10,460,347**

Notes to the Financial Statements (continued)

23. Management of financial and other risks (continued)

Fair value hierarchy (continued)

	2016 Level 1 €'000	2016 Level 2 €'000	2016 Level 3 €'000	2016 Cash €'000	2016 Total Balance €'000
Financial liabilities at fair value through profit or loss:					
Loan from group company	-	52,384	-	-	**52,384**
Unit-linked	3,277,856	5,530,086	184,324	1,378,228	**10,370,494**
Total	**3,277,856**	**5,582,470**	**184,324**	**1,378,228**	**10,422,878**

The table below sets out the movement in investments with Level 3 inputs:

Assets measured at fair value based on valuation techniques which comprise unobservable inputs: (Level 3)

	2017 €'000	2016 €'000
Balance at 1 January	184,324	190,354
Investment income	18,463	(3,502)
Premiums	-	-
Surrenders	(120,510)	(131,038)
Transfer from Level 1 into Level 3	22,767	128,510
Transfer from Level 2 into Level 3	59,641	-
Balance at 31 December	**164,685**	**184,324**

Investment income represents the unrealised gain or loss on investments in the year.

The transfer from Level 1 into Level 3 occurred following a review by Management of the underlying assets of 2 related policies, and from Level 2 into Level 3 occurred following a review by Management of the underlying assets of 45 related policies. Management assessed that there were unobservable inputs used to value a number of assets in these policies.

24. Unit-linked contracts

For unit-linked contracts, the Company matches all the liabilities with assets in the portfolio on which the unit prices are based. There is therefore no interest, price, currency or credit risk for the Company on these contracts.

Amounts under unit-linked contracts are generally repayable on demand and the Company is responsible for ensuring there is sufficient liquidity within the asset portfolio to enable liabilities to unit-linked policyholders to be met as they fall due. However, the terms of funds investing in less liquid assets permit the deferral of redemptions for predefined periods in circumstances where there are not sufficient liquid assets within the fund to meet the level of requested redemptions.

25. Financial commitments

The Company had no financial commitments at 31 December 2017 other than the operating lease commitments disclosed in Note 4 (2016: €nil).

Notes to the Financial Statements (continued)

26. Provision for settlement

The German Tax Authorities investigated the insurance legitimacy of a Generali PanEurope product sold by a German Intermediary to German clients between 2002 and 2007. Generali PanEurope management was confident that the product sold complied with all relevant legislation however, the Company made a provision for a probable settlement in 2015, in line with accounting policy. In 2017 the Company (notwithstanding its view on the product's compliance with the legislation) contributed to a settlement in respect of taxation obligations of the German Intermediary to the German authorities. This matter is now closed.

27. Ultimate parent company

The Company is 51% owned by Generali Finance BV, a company incorporated in The Netherlands and 49% owned by Generali Worldwide Insurance Company Limited, a company incorporated in Guernsey. Its ultimate parent undertaking is Assicurazioni Generali S.p.A., a company incorporated in Italy.

The consolidated financial statements of Assicurazioni Generali S.p.A., being the smallest and also the largest group to consolidate these financial statements, are available from the Company Secretary, Assicurazioni Generali S.p.A., Piazza Duca degli Abruzzi, 2 – 34132 Trieste, Italy.

28. Related party disclosures

Transactions with other companies within the Generali Group are not disclosed as the Company has taken advantage of the exemption, within FRS 101, available to qualifying entities from disclosing related party transactions. If the Company is a wholly owned subsidiary, it is exempt from disclosing transactions with other members of the group provided that any subsidiary undertaking which is a party to the transaction is also wholly owned by a member of that group.

29. Cash flow statement

The Company has availed of the exemption in FRS 101 which permits qualifying subsidiaries of a group, which itself publishes consolidated accounts with a consolidated cash flow, not to produce a cash flow statement.

30. Share based payments

The Company has availed of the exemption in FRS 101 which permits qualifying subsidiaries of a group, which itself publishes consolidated accounts of the group in which the Company is consolidated, not to disclose share based payments.

31. Subsequent events

On 18 December 2017, Assicurazioni Generali ("AG") announced that it has entered into a share purchase agreement with Life Company Consolidation Group ("LCCG") to sell its entire shareholding in the Company. The transaction is subject to, inter alia, regulatory approvals and is expected to be finalised during the first half of 2018.

Subject to the sale of the Company, two of the reinsurance treaties with Assicurazioni Generali will be terminated. The Company is currently in discussions to put replacement reinsurance treaties in place with a new reinsurer.

A number of loans from other Generali Group companies will be repaid as part of the sale process using a combination of the Company's existing cash resources and a debt facility provided by LCCG. The amount of the loans payable, including interest accrued was €55,250,000 at 31 December 2017 and included €15,250,000 in relation to the Quota Share Reinsurance Treaty. The Quota Share Reinsurance Treaty terminated on 31 March 2018, and the amount due was repaid in full on 3 April 2018.

GENERALI

Notes to the Financial Statements (continued)

31. Subsequent events (continued)

The Life Assurance Treaty in relation to the Italian Variable Annuities Portfolio was cancelled on 28 February 2018. On 1 March 2018 the Company transferred the Liability Option Value, other reserves and the remaining reinsurance premium deposit associated with this treaty to the cedant. As part of the transfer, the Company also liquidated its asset portfolio used to back the hedged liabilities, including derivative and hedging instruments. In relation to the German portfolio, the Company will continue to reinsure the policyholder guarantee, however this guarantee is in turn directly reinsured. A "back-to-back" reinsurance agreement was put in place and, as part of this agreement, premiums collected from Generali Lebensversicherung by the Company will be remitted directly to Generali Personenversicherungen who will be responsible for discharging any claims arising on the portfolio.

32. Approval of financial statements

The board of directors approved and authorised for issue the financial statements on 25 April 2018.