



Assurant Group Limited Single Group Solvency and Financial Condition Report

Period ended 31 December 2018



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Introduction

Assurant Group Limited (“AGL”) is a UK based insurance holding company. As the EEA parent of two of Assurant’s European insurance companies, Assurant General Insurance Limited (“AGIL”) and Assurant Life Limited (“ALL”), AGL is supervised on a group basis by the Prudential Regulation Authority (“PRA”). AGL also owns directly, and indirectly, a number of other regulated insurance intermediaries and unregulated non-insurance companies. Together these companies are referred to in this document as “Assurant Europe” or “the Group”.

AGIL and ALL are based in the UK and have branches in countries in which Assurant operates in Europe. Both are regulated by the Financial Conduct Authority (“FCA”) and PRA. AGIL and ALL are both subject to Solvency II (“SII”) regulations and are at times referred to in this document as the “SII insurance firms”. The group has no other entities that are subject to SII on a solo basis.

This Solvency and Financial Condition Report (“SFCR” or “Report”) has been prepared under the requirements of the SII regulations as implemented in the UK by the PRA, which became effective from 1 January 2016.

The SFCR covers insurance and non-insurance business undertaken by Assurant Europe as well as its two SII insurance firms, AGIL and ALL. AGL has obtained a waiver from the PRA allowing the preparation of a single group SFCR rather than being required to prepare individual SFCRs for the Group, for AGIL and for ALL. The information in this SFCR contains all of the information that would otherwise have been included in the individual SFCRs. Unless specifically stated, references in this document to Assurant Europe or the Group should be assumed to apply equally to the SII insurance firms AGIL and ALL.

The SFCR includes the public quantitative reporting templates included in Appendix F of this document.

Terms and acronyms used in this document:

Term	Definition
AGIL	Assurant General Insurance Limited
AGL	Assurant Group Limited, the EU holding company of Assurant General Insurance Limited and Assurant Life Limited. The supervised insurance holding company under SII.
ALL	Assurant Life Limited
ADL	Assurant Direct Limited
ARCC	Audit, Risk and Compliance Committee of AGL's group of companies.
Assurant Europe	The Assurant Group Limited group of companies in Europe, including AGIL and ALL and their related branches.
Assurant, Inc. or AIZ	Assurant, Inc. - the ultimate parent and controlling party of AGL.
Board	The Board of Directors of AGL.
Brexit	The exit of the UK from the EU
CAE	Chief Audit Executive of Assurant, Inc.
Connected Living Device	Mobile devices and other portable gadgets including related accessories.
Directors	The Directors of AGL
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ESC	Extended Service Contracts
EU	European Union
ELT	European Leadership Team of AGL's group of companies.
FCA	Financial Conduct Authority in the UK
GAAP	Generally Accepted Accounting Practices
Group, the Group	Assurant Europe
IAS	Internal Audit Services
KFH	A Key Function Holder (KFH) is one which has been identified because of their influence within the system of governance.
LSG	Lifestyle Services Group Limited, an intermediary and insurance administration company within the Group
MCR	Minimum Capital Requirement, calculated as per the SII Directive
MI	Management information
ORSA	Own Risk and Solvency Assessment
PRA	Prudential Regulation Authority in the UK
RMF	Risk Management Framework
SCR	Solvency Capital Requirement, calculated as per the Standard Formula set out in the SII Directive.
SFCR, the Report	Solvency and Financial Condition Report
SIMF	Senior Insurance Manager Function: A SIMF is one which has been identified by management as having 'significant influence' on the management and conduct of a firm's regulated activities. These are identified in a firm's Management Responsibilities' Map.
SMCR	Senior Managers Certification Regime
SoG	Systems of Governance
Solvency II or SII	The Solvency II Regulations of the EU as implemented in the UK by the PRA
SLT	Similar to Life Techniques (Technical Provisions)
Standard Formula	The Standard Formula calculation of solvency capital requirements for firms not using an internal model or partial internal model as set out in the SII Directive.

Summary

Assurant Europe is part of the International business unit of Assurant, Inc. group of companies. Assurant, Inc. is a leading global provider of housing and lifestyle solutions that support, protect and connect major consumer purchases. A Fortune 500 company with a presence in 21 countries, Assurant, Inc. focuses on the housing and lifestyle markets, and is among the market leaders in mobile device protection; extended service contracts; vehicle protection; pre-funded funeral insurance; renters insurance and lender-placed homeowners insurance.

Assurant Europe is a leading provider of mobile and consumer electronics protection. Assurant Europe operates in the UK, France, Germany, Spain and Italy.

Products	Programme Solutions	Services
<p>As people become more dependent on connectivity and technology, we design, create and manage various products that meet consumer needs within a connected and mobile life.</p> <p>Our product philosophy is to continually innovate and deliver the type of solutions that meet consumers ever changing needs.</p> <p>All of our products are distributed by well-known brands throughout the UK and across Europe.</p>	<p>Assurant can create tailor-made product and service programmes across a range of consumer markets to offer an end-to-end packaged solution.</p>	<p>Our propositions to clients are highly flexible and can range from a full “turn-key” solution through to an individual outsourced service.</p> <p>No two businesses are the same and we believe that offering flexibility to suit our clients’ needs, has always been, and will continue to be paramount to a successful business relationship.</p>

What we offer:		
<ul style="list-style-type: none"> • Mobile Device Protection • Extended Warranty • Digital Secure • Airport Lounge Access • Mobile Security • Protection Accessories 	<ul style="list-style-type: none"> • Connected Living • “The Hubb” • Lifestyle Bundles 	<ul style="list-style-type: none"> • Sales Support and Consultancy • Outsourced Customer Servicing • Fraud Investigation • Supply Chain Management • Brokering • Underwriting

Performance for the period

For the year ended 31 December 2018, Assurant Europe made an underwriting loss of £14,446,000 (2017: £907,000 - Profit) under UK generally accepted accounting practices (GAAP). AGIL made an underwriting loss of £12,539,000 (2017: £756,000 - Profit) and ALL an underwriting loss of £639,000 (2017: £423,000) under UK GAAP.

Overall Assurant Europe's loss before tax, excluding the amortisation of goodwill and intangible assets, was £2,112,000 (2017: £20,618,000 - Profit). AGIL and ALL made a loss before tax of £11,340,000 (2017: £1,988,000 - Profit) and of £621,000 (2017: £149,000) respectively.

Further details are provided in Section A.

Risk Management

As a provider of insurance products and services to a variety of corporate and individual clients, risk management is an integral part of Assurant Europe's business processes.

The risk strategy is owned by the Board, and it is the Board's responsibility to ensure that the business strategy and risk strategy do not diverge. The Risk Function has responsibility to report divergence to the Audit, Risk and Compliance Committee together with the appropriate recommendations, including risk mitigation, which could include reassessing risk appetite.

Assurant Europe employs a comprehensive Risk Management Framework that includes a full range of policies, procedures, measurement, reporting and monitoring techniques to ensure that the risk exposures that arise from operating the Group's business are appropriately managed.

All employees are required to follow the Risk Management Framework and risk management policies and procedures.

The Risk function is responsible for overseeing implementation of the risk strategy and challenging the risks inherent within the business strategy.

Capital and Solvency

The AGL Group, AGIL and ALL calculate their solvency capital requirement (SCR) using the Standard Formula. Own Funds, including the calculation of technical provisions, are calculated based on the valuation requirements set out in the SII Directive.

The capital positions of Assurant Europe and the two SII insurance firms are summarised below:

As at 31 December 2018	Assurant Europe	AGIL	ALL
£'000			
Available Own Funds	110,538	79,156	7,462
Eligible Own Funds to meet the SCR and MCR	108,440	79,156	7,462
SCR	71,035	57,198	3,288
Solvency Ratio %	153%	138%	227%

Assurant Europe, AGIL and ALL maintained own funds in excess of their SCR and MCR requirements for the full year.

The difference between available and eligible own funds relates to the quantitative restrictions applied under the SII Directive to the amount of Tier 2 and Tier 3 capital that is eligible to meet the SCR and MCR. Further detail is given in Section E.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the single group SFCR in accordance with the Prudential Regulatory Authority (PRA) rules and SII Regulations.

The PRA Rulebook for SII firms in Rule 6.1(2) and Rule 6.2(1) of the Reporting Part requires that the Group must have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that the Group must ensure that its SFCR is subject to approval by the Directors.

Each of the Directors, whose names and functions are listed in section B1 of this document on page 26, confirms that, to the best of their knowledge:

a) Throughout the financial year in question, the Group and its solo insurance undertakings have complied in all material respects with the requirements of the PRA rules and SII Regulations as applicable; and

(b) It is reasonable to believe that, at the date of the publication of the SFCR, the Group and its solo insurance undertakings continue so to comply, and will continue so to comply in future.

By Order of the Board

Claude Sarfo

Chief Financial Officer

23rd May 2019

Independent Auditors' Report

Report of the external independent auditors to the Directors of Assurant Group Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2018:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2018, ('the Narrative Disclosures subject to audit'); and
- Group templates S.02.01.02, S.23.01.22, S.25.01.22 and S.32.01.22 ('the Group Templates subject to audit').
- Company templates S.02.01.02, S.12.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 in respect of Assurant Life Limited and Assurant General Insurance Limited. ('the Company Templates subject to audit')

The Narrative Disclosures subject to audit, the Group Templates subject to audit and the Company Templates subject to audit are collectively referred to as the 'relevant elements of the Single Group-Wide Solvency and Financial Condition Report'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the **Other Information** which comprises:

- The 'Business and performance', 'System of governance' and 'Risk Management' elements of the Single Group-Wide Solvency and Financial Condition Report;
- Group templates S.05.01.02 and S.05.02.01 and Company templates S.05.01.02, S.05.02.01 and S.19.01.21;
- The written acknowledgement by management of their responsibilities, including for the preparation of the Single Group-Wide Solvency and Financial Condition Report ('the Responsibility Statement');

In our opinion, the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2018 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Single Group-Wide Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, 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

ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the Single Group-Wide Solvency and Financial Condition Report is not appropriate; or
- the directors have not disclosed in the Single Group-Wide Solvency and Financial Condition Report 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 Single Group-Wide Solvency and Financial Condition Report is authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group-Wide Solvency and Financial Condition Report, which describe the basis of accounting. The Single Group-Wide Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Single Group-Wide Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Single Group-Wide Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Single Group-Wide Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Single Group-Wide Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information

is materially inconsistent with the relevant elements of the Single Group-Wide Solvency and Financial Condition Report, 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 relevant elements of the Single Group-Wide Solvency and Financial Condition Report 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.

Responsibilities of Directors for the Single Group-Wide Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Single Group-Wide Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations, which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based, as detailed below:

- Permission to create a Single Group-Wide SFCR.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Single Group-Wide Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Single Group-Wide Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) 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 decision making or the judgement of the users taken on the basis of the Single Group-Wide Solvency and Financial Condition Report.

A further description of our responsibilities for the audit is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

This report, including the opinion, has been prepared for the Board of Directors of the Company in accordance with External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose or to any other party save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements**Other Information**

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements. 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.

The engagement partner on the audit resulting in this independent auditors' report is Gary Shaw.

PricewaterhouseCoopers LLP

Chartered Accountants

1 Hardman Square

Manchester

23rd May 2019

The maintenance and integrity of the Assurant Group Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Single Group-Wide Solvency and Financial Condition Report since it was initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

A Business and performance

A.1 Business

Undertakings included in the SFCR

This is the single Group SFCR for Assurant Europe. It covers the business of Assurant Europe on a consolidated group basis, with AGL as the supervised parent company, and individually for the two UK incorporated insurance firms AGIL and ALL.

		Legal Form	Principle activity
EEA Supervised Group Parent:	Assurant Group Limited	Limited company	Holding company
SII Firms:	Assurant General Insurance Limited PRA firm reference number: 212375	Limited company	General insurance
	Assurant Life Limited PRA firm reference number: 202760	Limited company	Life insurance

Unless otherwise stated the information in this document should be understood to refer to the AGL Group, to AGIL and to ALL.

Regulator

Assurant Europe (on a group basis), AGIL and ALL are supervised by the PRA in the UK. AGIL and ALL are also regulated by the FCA in the UK. PRA and FCA contact details are below:

Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA
0207 601 4878

Financial Conduct Authority
25 The North Colonnade
London
E14 5HS
0800 111 6768

Auditor

This SFCR and the financial statements of AGIL and ALL are audited by PricewaterhouseCoopers LLP who can be contacted on:

PricewaterhouseCoopers LLP, Chartered accountants and statutory auditor
1 Hardman Square
Manchester
M3 3EB

Shareholder

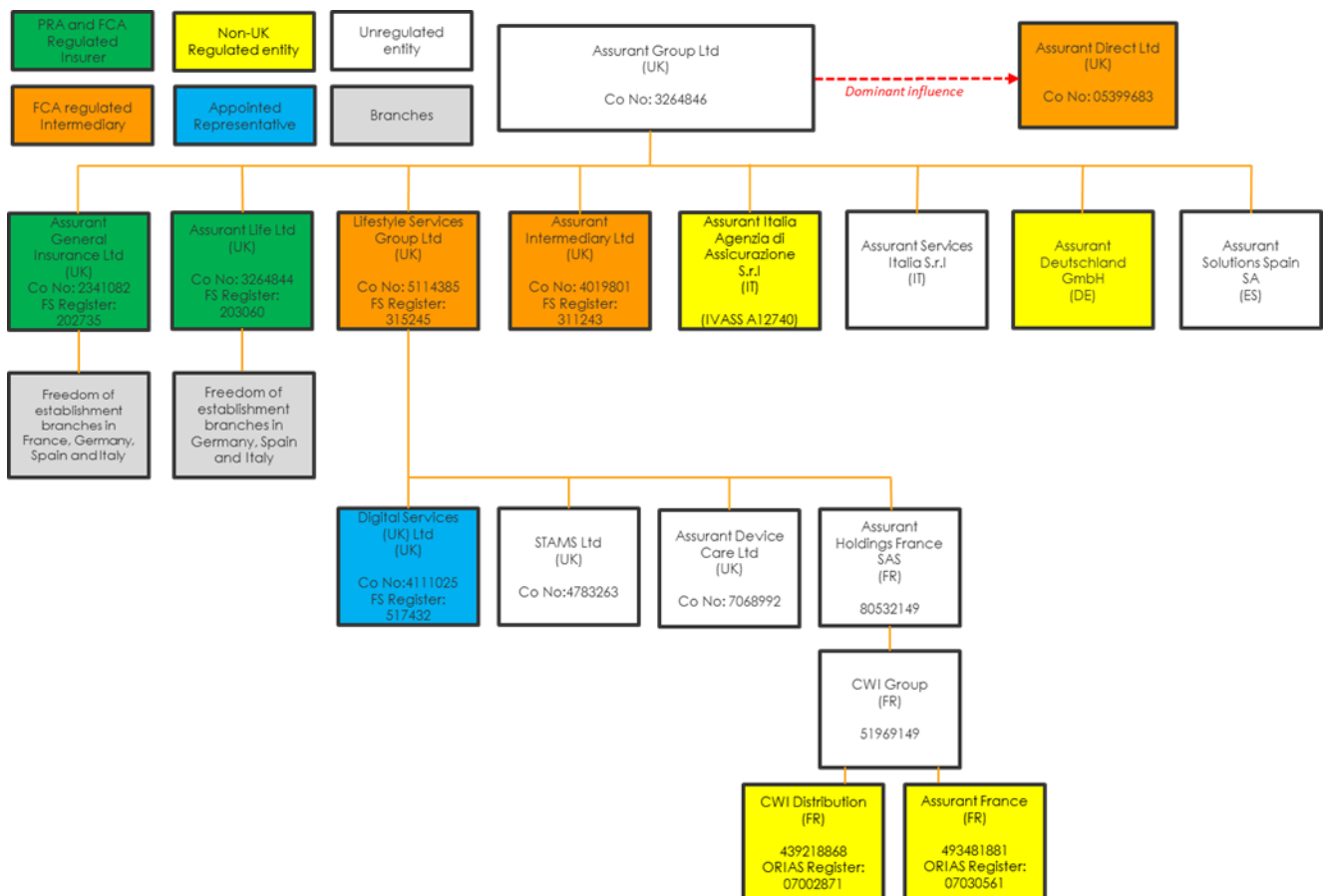
AGL directly holds 100% of the issued share capital and voting rights of AGIL and ALL.

AGL’s immediate parent undertaking is Solutions Cayman, a wholly owned subsidiary jointly owned by Solutions Holdings and ABI International, registered in the Grand Cayman Islands. Solutions Cayman holds 100% of the issued share capital and voting rights of AGL.

The ultimate parent undertaking is Assurant, Inc., a publicly listed company on the New York Stock Exchange, registered in Delaware, United States of America.

Assurant Europe Group Structure

The scope of the Group included in this SFCR for the purposes of providing consolidated SII and financial statement information is shown in the table below



Due to common management at board of directors level between AGL and ADL and the underwriting and service relationships between AGL and ADL, AGL is treated as exerting dominant influence over ADL and therefore ADL is included in AGL’s supervised group. The impact of ADL’s inclusion in AGL’s supervised group is not material.

Lines of Business and Geographical Areas

Assurant Europe is a mixed business of insurance underwriting, claims management and insurance administration, which it operates through companies based in the UK and Europe. Its clients are largely business clients. The Group provides extended warranty, Connected Living Device insurance and blended insurance and non-insurance “lifestyle” products.

Assurant Europe operates two UK insurance companies, AGIL and ALL, and also issues service contracts through an Italian company, Assurant Services Italia S.r.l., which has some insurance properties which are not insurance contracts for Italian regulatory purposes. Assurant Europe operates a number of insurance service companies providing insurance administration services to corporate clients and insurance intermediary services, offering general insurance products and services to UK brokers and independent financial advisors.

In addition to the above, Assurant Europe continues to operate a number of creditor insurance programmes, offering unemployment, disability, death and critical illness cover. These programmes were underwritten by both AGIL and ALL, depending on the length of the policy term.

The majority of AGL’s operations are based in the UK and France and the table below shows a subset of the main operating entities. These entities are regulated by the PRA and/or FCA and by the relevant supervisor where applicable for non-UK jurisdictions.

Legal Entity	Country of incorporation and branches	Principal activity	Major lines of business
European Parent Company			
<ul style="list-style-type: none"> Assurant Group Limited 	<ul style="list-style-type: none"> United Kingdom 	<ul style="list-style-type: none"> European holding company 	<ul style="list-style-type: none"> N/a
SII insurance entities			
<ul style="list-style-type: none"> Assurant General Insurance Limited 	<ul style="list-style-type: none"> United Kingdom Branches: <ul style="list-style-type: none"> France Italy Germany Spain 	<ul style="list-style-type: none"> General Insurance underwriter 	<ul style="list-style-type: none"> Fire and Other Property Damage Income Protection Miscellaneous Financial Loss
<ul style="list-style-type: none"> Assurant Life Limited 	<ul style="list-style-type: none"> United Kingdom Branches: <ul style="list-style-type: none"> Italy Germany Spain 	<ul style="list-style-type: none"> Life Insurance underwriter 	<ul style="list-style-type: none"> Health SLT Other Life

Legal Entity	Country of incorporation and branches	Principal activity	Major lines of business
Insurance intermediary entities			
• Lifestyle Services Group Limited	• United Kingdom	• Intermediary and administrator for products underwritten by AGIL and other underwriters.	
• Assurant Intermediary Limited	• United Kingdom	• Intermediary and administrator for products underwritten by AGIL and other underwriters.	
• Assurant Direct Limited	• United Kingdom	• Intermediary and administrator for products underwritten by AGIL and other underwriters.	
• CWI Distribution	• France	• Intermediary and administrator for products underwritten by AGIL and other underwriters.	
• Assurant France	• France	• Intermediary and administrator for products underwritten by AGIL and other underwriters.	
Other material service companies			
• Assurant Services Italia S.r.l.	• Italy	• Service contracts covering mobile device repair, replacement and upgrade programmes.	• Fire and Other Property Damage (service contracts deemed to have insurance properties under SII)

Other group entities not included above do not have a material impact on the Assurant Europe solvency and capital position.

Significant events during the reporting period

UK exit from the European Union “Brexit”

Assurant is committed to providing clients and policyholders in Europe with its full suite of innovative risk management solutions including insurance and non-insurance related products. Currently, we have market presence within Germany, France, Spain, Italy and the UK and we contract with customers within these local markets. Assurant’s global expertise is delivered in a culturally sensitive way; aligned to the consumer’s need within their local market.

Following the referendum result in 2016, the UK government and parliament have not, as at the date of writing of this report, been able to reach agreement on the nature of the UK’s exit from the EU and the future relationship between the EU and the UK. This failure creates a significant degree of uncertainty for the group over its future operating model.

In order to mitigate this uncertainty, Assurant committed to establishing new European non-life and life insurers outside of the UK. The new insurers will begin to underwrite new policies and renew existing policies for both existing EU and new EU clients of AGL UK insurers in the future. The move from the existing insurers will be managed in order to minimise the operational risk and disruption to our customers, clients and employees.

The volume of business underwritten by AGIL will reduce over the plan period as the existing portfolio of EU policies in force renews in the new insurers, terminates, lapses or expires.

The new insurers are not part of the AGL group and therefore as the volume of business in the UK insurers reduces so will the volume of business undertaken by the group as a whole.

AGIL and ALL have also commenced approvals for a Part VII transfer to move any existing non-UK business out of its UK insurers and into the new insurers. This is expected to complete in 2020 and will affect any remaining policies that are yet to reach renewal, as at the transfer's effective date. Following completion of the above, AGIL's insurance business will be focussed solely on UK business and ALL will cease to have any in-force policies as its existing UK portfolio will expire in 2019.

Acquisition of The Warranty Group

In May 2018, Assurant Europe's parent company Assurant, Inc. completed the acquisition of The Warranty Group, creating a premier global lifestyle provider with meaningful growth potential, significant operating synergies and a highly diversified earnings stream. The Warranty Group provides underwriting, claims administration, and marketing expertise to some of the world's leading manufacturers, distributors, and retailers of consumer goods including automobiles, homes, consumer appliances, electronics, and furniture, as well as specialty insurance products and services for financial institutions.

Jointly operating across 21 countries, the transaction further cements Assurant's leadership position in vehicle protection and supports the company's growth strategy in the broader global lifestyle market with an attractive product and client portfolio and a deepened global footprint.

The European business of The Warranty Group remains in a separately supervised group and there has been little direct impact on the business of the AGL Group.

As a result of the integration of the management of the two European businesses however there have been some changes to key function holders which are documented in Section B.

A.2 Underwriting Performance

Consolidated financial statement information in this SFCR is presented on a UK GAAP basis.

AGIL and ALL prepare financial statements under UK generally accepted accounting principles ("UK GAAP"). No consolidated financial statements are prepared for the Group as AGL has taken advantage of the exemption from preparing consolidated financial statements, under the Companies Act 2006 Part 15 Section 401, as the results of the AGL group are consolidated in the financial statements of the ultimate parent undertaking Assurant, Inc., which are publicly available.

Reference to "financial statements" below should be understood to refer to audited UK GAAP financial statements in respect of AGIL and ALL and to unaudited UK GAAP financial statements in respect of Assurant Europe.

The underwriting performance of Assurant Europe, AGIL and ALL by material SII line of business as reported in the financial statements is set out below:

Assurant Europe*					
Year ended 31 December 2018	Fire & Other		General	Long Term	
£'000	Damage to	Other	Business	Business	Total
	Property		Technical	Technical	
			Account	Account	
Net written premiums	220,089	3,502	223,591	(124)	223,467
Net premiums earned	217,397	5,129	222,526	(124)	222,401
Net movement in long term business provision	-	-	-	644	644
Net claims incurred including claims management expenses	(154,304)	(2,098)	(156,402)	(371)	(156,774)
Net operating expenses	(75,876)	(4,054)	(79,931)	(787)	(80,718)
Net underwriting result	(12,783)	(1,024)	(13,807)	(639)	(14,446)

*unaudited

AGIL				
Year ended 31 December 2018	Fire & Other		General	
£'000	Damage to	Other	Business	
	Property		Technical	
			Account	
Net written premiums	207,718	2,795	210,513	
Net premiums earned	204,758	3,981	208,739	
Net claims incurred including claims management expenses	(144,966)	(1,030)	(145,995)	
Net operating expenses	(71,901)	(3,382)	(75,283)	
Net underwriting result	(12,108)	(431)	(12,539)	

ALL				
Year ended 31 December 2018	Health		Long Term	
£'000	Insurance	Other Life	Business	
		Business	Technical	
			Account	
Net written premiums	(63)	(61)	(124)	
Net premiums earned	(63)	(61)	(124)	
Net movement in long term business provision	175	469	644	
Net claims incurred including claims management expenses	(223)	(148)	(371)	
Net operating expenses	(640)	(147)	(787)	
Net underwriting result	(751)	112	(639)	
Other expenses attributed to the long term business account			18	
Tax and investment income attributed to the long term business account			(179)	
Statutory balance on the long term business account			(800)	

Assurant Europe*					
Year ended 31 December 2017	Fire & Other Damage to Property	Other	General Business Technical Account	Long Term Business Technical Account	Total
£'000					
Net written premiums	231,473	5,002	236,474	(307)	236,167
Net premiums earned	230,143	7,011	237,154	(307)	236,847
Net movement in long term business provision	-	-	-	788	788
Net claims incurred including claims management expenses	(146,377)	(1,566)	(147,943)	(290)	(148,233)
Net operating expenses	(84,454)	(3,426)	(87,880)	(614)	(88,494)
Net underwriting result	(688)	2,018	1,331	(423)	907

*unaudited

AGIL				
Year ended 31 December 2017		Fire & Other Damage to Property	Other	General Business Technical Account
£'000				
Net written premiums		213,881	3,141	217,022
Net premiums earned		221,710	5,905	227,615
Net claims incurred including claims management expenses		(140,325)	(891)	(141,215)
Net operating expenses		(82,736)	(2,907)	(85,644)
Net underwriting result		(1,351)	2,107	756

ALL				
Year ended 31 December 2017		Health Insurance	Other Life Business	Long Term Business Technical Account
£'000				
Net written premiums		(160)	(147)	(307)
Net premiums earned		(160)	(147)	(307)
Net movement in long term business provision		510	278	788
Net claims incurred including claims management expenses		(100)	(190)	(290)
Net operating expenses		(376)	(238)	(614)
Net underwriting result		(125)	(298)	(423)
Other expenses attributed to the long term business account				432
Tax and investment income attributed to the long term business account				(258)
Statutory balance on the long term business account				(249)

The analysis of the long-term business technical account for Assurant Europe and ALL excludes investment income and tax charges/credits that are attributed to long-term business for the purposes of statutory reporting.

For purposes of the consolidation, commission and other expenses paid by the SII insurance entities to other Assurant Europe intermediary and service companies have not been eliminated from the underwriting result and so the figures are in line with those reported in the reporting templates S.05.01 and S.05.02 in Appendix F. The equivalent commission and fee income in the intermediary and service companies and their own expenses e.g. staff wages, sub-broker commissions, overheads etc. are reported as other income and expenses and noted in section A.4 below.

Analysis of premium, claims and expenses by full SII line of business are included in templates S.05.01 for AGL, AGIL and ALL in Appendix F.

Results and performance

Consolidated

The underwriting performance of the two SII insurers is discussed below. As previously described Assurant Europe also issues service contracts in Italy that have some insurance properties but are not insurance contracts for Italian regulatory purposes. The performance of these contracts was not material during the year.

AGIL

Net earned premium in 2018 decreased by £18,876,000 to £208,739,000. The decrease is due to the property reinsurance from a fellow group company in North America ceasing at the end of 2017. Net incurred claims has increased by £5,814,000. This increase is attributable to claim costs that are driven by the increasing level of protection offered by the Company and the impact of external market forces. This is seen in the year on year movement in the loss ratio.

Net commissions incurred has decreased by £12,289,000. The decrease is due to Company no longer writing business or incurring commissions with one legacy client offset by activity in the French branch which continues to grow given it began trading in 2017.

Operating expenses have increased by £713,000. The key driver for this movement has been an increase in costs recharged to the entity from other group companies, especially from the French entities as the French operations are expanding in the year as it only began to trade in 2017.

ALL

Gross written premium are negative due to single premium cancellations. Gross written premium is £112,000 (negative) compared to £292,000 (negative) the year before. This is due to a reduction in the level of cancellations in the Germany and Ireland creditor insurance business.

Analysis by geography

All general insurance business is underwritten in Europe and all risks are located in Europe. All long-term business underwritten by ALL is underwritten in Europe and all risks are located in Europe.

An analysis of premium, claims and expenses by material country of risk location is provided in the template P.05.02 in the appendices.

A.3 Investment Performance

Assurant Europe's investment portfolio is a mix of longer term government and corporate bonds as well as short term investments in collective investment undertakings, being money market liquidity funds and other short term cash deposits. In addition to the investments held to support capital required and technical provisions in AGIL and ALL, the Group may also hold surplus working capital relating to the non-insurance businesses in short term deposits. All investments are made subject to the Group's agreed financial risk policies.

AGIL holds investments in collateralised securities, backed by personal loans and mortgages and by commercial mortgages.

Within the Group, ADL holds a trading equity investment in an unlisted entity.

Interest income is reducing as higher yielding investments purchased in the past have matured and been replaced with more recently issued bonds with lower yields as a result of the prolonged general low yield environment.

Assurant Europe 2018 As at 31 December 2018 £'000	Interest income / (expense)	Realised gains / (losses)	Unrealised gains / (losses)	2018 Total
Government Bonds	148	-	(97)	51
Corporate Bonds	1,675	101	(1,877)	(101)
Collateralised Securities	11	-	(17)	(5)
Collective Investment Undertakings	70	-	-	70
Cash & Deposits	36	-	-	36
Loans and mortgages	101	-	-	101
Equity - Unlisted	-	-	5,616	5,616
Total investment income	2,041	101	3,625	5,767

AGIL As at 31 December 2018 £'000	Interest income / (expense)	Realised gains / (losses)	Unrealised gains / (losses)	2018 Total
Government Bonds	132	-	(95)	37
Corporate Bonds	1,675	101	(1,877)	(101)
Collateralised Securities	11	-	(17)	(5)
Collective Investment Undertakings	35	-	-	35
Cash & Deposits	1	-	-	1
Loans and mortgages	197	-	-	197
Total investment income	2,052	101	(1,988)	165

ALL				
As at 31 December 2018				2018
£'000	Interest income / (expense)	Realised gains / (losses)	Unrealised gains / (losses)	Total
Government Bonds	16	-	(3)	13
Corporate Bonds	-	-	-	-
Collective Investment Undertakings	17	-	-	17
Cash & Deposits	3	-	-	3
Loans and mortgages	26	-	-	26
Total investment income	62	-	(3)	59

Assurant Europe 2017				2017
As at 31 December 2017				Total
£'000	Interest income / (expense)	Realised gains / (losses)	Unrealised gains / (losses)	Total
Government Bonds	129	-	(30)	99
Corporate Bonds	1,830	-	(440)	1,391
Collateralised Securities	9	-	96	104
Collective Investment Undertakings	53	-	-	53
Cash & Deposits	4	-	-	4
Loans and mortgages	101	-	-	101
Equity - Unlisted	-	-	1,626	1,626
Total investment income	2,126	-	1,252	3,378

AGIL				2017
As at 31 December 2017				Total
£'000	Interest income / (expense)	Realised gains / (losses)	Unrealised gains / (losses)	Total
Government Bonds	128	-	(30)	98
Corporate Bonds	1,830	-	(440)	1,391
Collateralised Securities	9	-	96	104
Collective Investment Undertakings	25	-	-	25
Cash & Deposits	1	-	-	1
Loans and mortgages	-	-	-	-
Total investment income	1,993	-	(374)	1,619

ALL As at 31 December 2017 £'000	Interest income / (expense)	Realised gains / (losses)	Unrealised gains / (losses)	2017 Total
Government Bonds	-	-	-	-
Corporate Bonds	-	-	-	-
Collective Investment Undertakings	16	-	-	16
Cash & Deposits	2	-	-	2
Loans and mortgages	-	-	-	-
Total investment income	18	-	-	18

Investment expenses include fees payable to the investment fund manager and an allocation of costs of the Assurant Europe treasury function:

Investment expenses £'000	Assurant Europe	AGIL	ALL
Year ended 31 December 2018	181	181	-
Year ended 31 December 2017	197	184	13

A.4 Performance of other activities

Assurant Europe has a significant amount of non-insurance business including commission income from acting as intermediary for third party insurers, fees for providing insurance and claims administration services and revenue and other fee income in respect of non-insurance products. These fees are generated by the Group's intermediary entities and service companies and are not part of the activity of the insurance firms.

AGIL and ALL do not have any sources of material non-insurance income. Non-insurance expenses primarily relate to realised and unrealised foreign exchange gains, which are recognised in the non-technical account in the financial statements. Both insurance firms have net assets denominated in Euros and made gains on the decrease in the value of British Pound Sterling against the Euro in the year.

Year ended 31 December 2018 £'000	Assurant Europe	AGIL	ALL
Commission and fee income external	92,944	-	-
Commission income from other group companies	53,557	-	-
Operating expenses	(133,159)	553	96
Non-insurance result	13,342	553	96

Year ended 31 December 2017 £'000	Assurant Europe	AGIL	ALL
Commission and fee income external	105,440	-	-
Commission income from other group companies	48,525	-	-
Operating expenses	(135,123)	(315)	414
Non-insurance result	18,843	(315)	414

The above expenses exclude amortisation of goodwill and intangibles arising on consolidation of the group.

Assurant Europe makes use of operating leases for its principle office locations in each of the footprint countries. These arrangements are on standard commercial leases. The Group does not have any material finance leases.

AGIL and ALL do not have any leasing arrangements in place.

A.5 Any other disclosures

None.

B System of governance

B.1 General governance arrangements

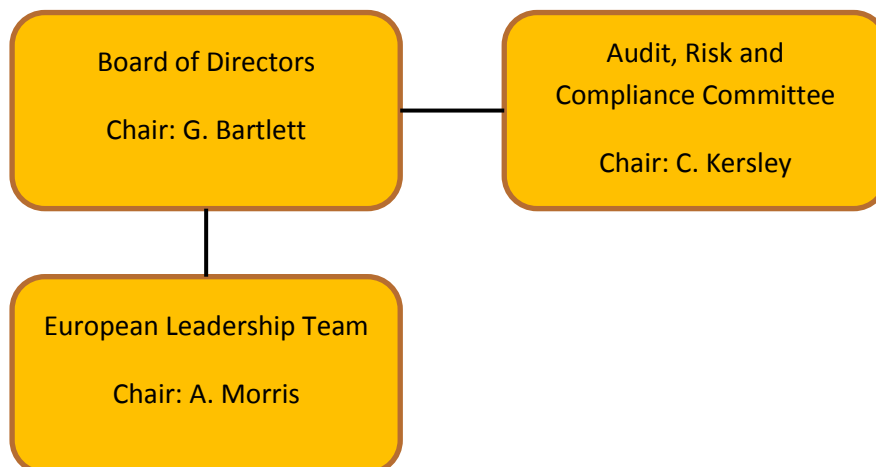
Governance Framework

There were no material changes to Assurant Europe’s governance framework in the year. However, with effect from 1 January 2019, Assurant Europe’s governance framework was updated to include oversight of The Warranty Group’s UK entities. These updates are not reported in this document as they were not effective during the reporting period; they will be reported in AGL’s SFCR for the year ending 31 December 2019.

Assurant Europe organises its internal governance framework in a manner relevant to its business, having management and oversight committees to control its activities in key areas such as (without limitation):

- Setting and monitoring strategy and business plans;
- Managing the day-to-day activities of the business and monitoring overall business performance, including, but not limited to:
 - Financial performance;
 - Sales and client management;
 - Client interactions;
 - Risk management;
 - Performance against plan;
 - Reporting and escalation.

Assurant Europe’s governance framework as at 31 December 2018 was organised through the key bodies shown below:



The European Leadership Team (“ELT”) has various sub-committees to enable it to perform its duties but retain all the responsibilities delegated to it by the Board. Each sub-committee is with delegated authority by the ELT to perform certain roles and responsibilities assigned to it within Terms of Reference set by the ELT. The subcommittees are accountable to the ELT but do not relieve the ELT of any of its responsibilities.

Board
Structure and Membership

The Board and the boards of directors of each of AGL’s direct UK subsidiaries, being AGIL, ALL, Assurant Intermediary Limited and Lifestyle Services Group Limited, have identical membership to enable more efficient oversight and supervision of the Group.

The Board is composed of an appropriate combination of Executive Directors, Group Non-Executive Directors and a sufficient number and quality of Independent Non-Executive Directors who between them have sufficient breadth of understanding of the business to provide effective challenge. The system of governance takes into account the nature, scale and complexity of the risks inherent in the business.

The following were members of the boards of directors of AGL, AGIL and ALL as at 31 December 2018:

Director	Approved Function
Andrew Morris	SIMF1 - Chief Executive Officer
Claude Sarfo	SIMF2 - Chief Finance Officer
George Bartlett	SIMF9 - Chairman
Colin Kersley	SIMF11 - Chair of Audit Committee
Michael Carter	SMF7 - Group Entity Senior Manager

The following key changes occurred with respect to the boards of directors of AGL, AGIL and ALL during 2018 and in early 2019:

- Michael Carter was appointed on 30 July 2018.
- Claude Sarfo was appointed on 6 December 2018.
- Timothy Clancy resigned on 31 July 2018.
- Keith Meier resigned on 31 December 2018.
- Doris Vigo resigned on 31 December 2018.
- Ricardo Morales-Gomez was appointed on 21 January 2019.

Role and Responsibilities of the Board

The Board has ultimate responsibility for Assurant Europe’s business, including approving and overseeing the implementation of the Group’s strategic objectives, risk strategy, financial soundness, corporate governance arrangements, corporate values and regulatory compliance including prudential oversight.

The Board approves strategy taking into account the Group’s long term financial interests and safety, and is collectively responsible for the long term success of the Group.

The role of the Board is to provide entrepreneurial leadership of the Group within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Group’s strategic aims, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management performance.

The Board sets the Group's values and standards and ensures that its obligations to its shareholders and others are understood and met.

The Board ensures that the Group's organisational structure facilitates effective decision making and good governance. This includes setting and enforcing lines of responsibility and accountability which define clearly the key responsibilities of the Board itself as well as of senior management and the control functions. It is the responsibility of the Board to ensure that the control functions are properly positioned, staffed and resourced and are carrying out their roles independently and effectively.

The Board oversees senior management, monitors that senior management's actions are consistent with the strategy and policies approved by the Board, including risk appetite and tolerance, and questions and reviews critical reports and explanations from the senior management team.

Executive Directors have an intimate knowledge of the Group, whereas Non-Executive Directors bring a wider perspective; with relevant skills and experience of best practices they have a key role in constructively and independently challenging the Board and helping to develop strategy and business plans.

The Non-Executive Directors also scrutinise the performance of the Executive in meeting agreed goals and objectives and monitor the reporting of performance. They satisfy themselves on the integrity of financial information, and that the Group's financial controls and systems of risk management, are rigorous and robust.

Audit, Risk and Compliance Committee "ARCC"

To increase efficiency and achieve a deeper focus on financial soundness, risk and compliance, the Board has established a board-level committee, the ARCC. The ARCC is chaired by an Independent Non-Executive Director. Formal and regular ARCC meetings are held which include regular reports from Risk, Compliance, External Audit, Internal Audit and Actuarial.

The ARCC's key responsibilities include:

- assessing the integrity of the annual report and accounts;
- scrutiny of internal financial systems and control and risk management systems;
- oversight of the Group's internal and external auditors;
- recommending the remuneration and terms of engagement of the external auditors to the Board;
- oversight of the solvency and capital position of the Group;
- ensuring compliance with legal and regulatory requirements; and
- managing the whistleblowing and fraud investigation process.

European Leadership Team "ELT"

The CEO of the Group is supported by a group of key senior individuals (including all of the Board's Executive Directors) who have functional responsibilities. Collectively they comprise the European Leadership Team and are responsible for overseeing the day to day management of the Group.

The ELT ensures that the Group's activities are consistent with the business strategy, risk tolerance/appetite and policies approved by the Board, in order to assist the CEO to discharge his responsibilities.

The ELT manages business functions under their supervision as well as controlling the key individuals in their areas, and have considerable influence over the Group's corporate governance arrangements by owning the management governance framework, setting the "tone from the top" and providing oversight of those it manages.

The ELT reviews performance against the Group's business plan and budget, and ensures that its activities are consistent with business strategy and risk tolerance. The ELT is responsible for delegating duties to management and for establishing a management structure that promotes accountability. The ELT is responsible for implementing appropriate systems for managing risks - both financial and nonfinancial - to which the Group is exposed. This includes an effective system of internal management controls in accordance with the AGL Risk Management Framework.

The ELT considers organisational wide issues affecting more than one business unit or function that warrant consideration, and discharges any other function delegated to it by the Terms of Reference of any other committee or the Board.

Key Functions

A Fit and Proper Person framework is followed to ensure functions are led by appropriately skilled people. In addition to the Directors listed in above, the following officers have also been approved by the appropriate UK regulatory bodies as at 31 December 2018 and all are subject to Assurant Europe's Fit and Proper policy:

Senior Managers	Role	SMF
A Morris	President & CEO	SMF1 - Chief Executive
C Sarfo	CFO	SMF2 - Chief Finance Function
M Schofield	CRO	SMF4 - Chief Risk Function
C Holmes	Head of Internal Audit	SMF5 - Head of Internal Audit
P Callaghan	Supply Chain & Warehouse Director	SMF6 - Head of Key Business Area
R Morales-Gomez	Group NED	SMF7 - Group Entity Senior Manager
M J Carter	Chief HR Officer	SMF7 - Group Entity Senior Manager
G Bartlett	Chair	SMF9 - Chair
C Kersley	Chair of ARCC	SMF10 - Chair of the Risk Committee
R Weddell	Chief Compliance Officer	SMF16 - Compliance Oversight
R Green	UK Managing Director	SMF18 - Other Overall Responsibility
P Brodin	France Managing Director	SMF18 - Other Overall Responsibility
M Prada	Managing Director, Central and Southern Europe	SMF18 - Other Overall Responsibility
W Diffey	Chief Actuary	SMF20 - Chief Actuarial Function
G Davies	Chief Underwriting Officer	SMF23 - Chief Underwriting Function

All key functions report to the Board or to a SMF.

Remuneration Policy

Assurant Europe's ELT oversees remuneration policies and procedures for all staff below Executive level. Executive incentive plans and remuneration policies are governed at an Assurant, Inc. level by people with knowledge of relevant UK laws and regulations. For this reason, there is no UK based Board Remuneration Committee although the Group's remuneration policies and procedures are independently overseen by the ARCC Chair through regular meetings and interactions with the local HR Department, including the Chief HR Officer.

Assurant Europe places great value upon the contributions, skills and expertise of our employees and recognises the need to attract and retain the best talent to drive business performance. The remuneration policy not only helps to ensure that the Group has employees with the right skills and qualifications, it also recognises the importance of aligning incentives to encourage appropriate decision

making and alignment with the business' objectives and risk management strategy.

Assurant Europe's remuneration policies and practices seek to provide incentives to employees that are within the approved risk tolerance limits of the European Group and do not undermine the effective risk management of the Group. It is therefore necessary to provide for requirements on remuneration for the purposes of the sound and prudent management of the business and establish remuneration arrangements which do not encourage excessive risk-taking.

Variable remuneration is performance related; the total amount of the variable remuneration is based on a combination of the assessment of performance of the Group and the individual. The performance of the Group always outweighs the performance on the individual to ensure appropriate variable remuneration decision making is made.

There are a number of variable remuneration programmes which cover both short and long-term incentive plans. The programme periods and deferral in respect of the short term programmes are in line with the short term nature of the insurance liabilities the business writes or are linked to client contracts. Each variable remuneration programme has a different scope of employees and performance measurements. Variable remuneration programmes are aligned to the nature of the role and key responsibilities.

Employees are only eligible to participate in one of the short-term incentive plans. Variable remuneration as a percentage of total direct compensation shall not exceed 100% of salary.

The deferral periods for the awards are considered to be appropriate and proportionate to the nature of the Assurant business and to the length of the risk profile described above.

Non-European based Directors receive no variable remuneration based directly on the performance of Assurant Europe, their remuneration being linked to the performance of the wider Assurant, Inc. group. Non-Executive Directors receive no variable remuneration.

Transactions with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body

There were no material transactions with the shareholders of AGL Group in 2018.

B.2 Fit and proper

Assurant Europe must be able to demonstrate that it employs people who are fit and proper for the professional discharge of the responsibilities allocated to them, to assist in driving the appropriate culture in the business to minimise risk and to ensure sound and prudent management of the business.

Assurant Europe acknowledges that fitness and propriety across the business is essential for commercial reputation and customer confidence as well as regulatory compliance. This is ensured by operating consistent procedures during recruitment, and ongoing employment, to be satisfied that an individual:

- will be open and honest in their dealings and is able to comply with the requirements imposed upon them (honesty, integrity and reputation);
- has the necessary knowledge, skills and experience to carry out the function they are to perform (competence and capability); and
- is financially sound (financial soundness).

The Group operates a robust recruitment process and carries out the appropriate due diligence on all candidates. Anyone who is being assessed to perform in a SIMF or KFH role is subject to a rigorous review of their fitness and propriety against the role requirements. All assessments with a fit and proper requirement are supported by an HR professional.

The following supporting evidence for every appointment is maintained: CV, role profile, and interview notes. For a prospective candidate to be passed as 'fit and proper', in addition to comprehensive interviews, additional checks include: credit checks, checks from the Disclosure and Barring Service (DBS) or Disclosure Scotland, or Access Northern Ireland, proof of qualifications, two references covering at least five years' previous employment; and self-certification regarding Conflicts of Interest.

For appointments for role holders based outside of the UK, similar checks are carried out locally which are aligned to appropriate legislation.

If the results of any screening are ambiguous and/or give cause for concern, the matter is raised with the prospective candidate to obtain a satisfactory explanation. Concerns are escalated to, and discussed with, the Senior European Compliance Officer, or the Chief Risk Officer. If screening concerns cannot be satisfactorily resolved, any offer of employment is withdrawn.

B.3 Risk management system including the ORSA

Risk Management System

Assurant Europe employs an enterprise wide approach to its Risk Strategy in order to embed a comprehensive and consistent risk management methodology. The objective of Assurant Europe's Risk Strategy is to establish a rigorous Risk Management Framework to ensure that the principles of good risk management are embedded throughout Assurant.

To this end, the management of the organisation at all levels is required to be risk aware and understand that Risk Management is part of all employees responsibilities in delivering the business objectives in an efficient and effective manner in line with an agreed and established risk appetite and enterprise vision and values.

Risk Strategies

AGL adopts a number of risk management strategies to ensure that the group's Risk Appetite is not exceeded. The choice of strategy varies depending on the nature of the risk and related circumstances. These strategies include:

- Risk acceptance: the AGL Board accepts risks that fall within the boundaries/limits defined in the risk appetite framework. Any risk falling outside the specified limits or boundaries is reviewed to ascertain if the risk appetite requires updating or if an exception should be granted.

- Risk reduction/minimisation: these activities generally relate to control and mitigation activities, and therefore this strategy may include, any or all of the following, the design of new process or accounting controls, contracting controls, changes in product design, improvement in a set of Terms and Conditions, or other changes designed to control and/or mitigate risk.
- Risk transfer: risk is transferred principally through reinsurance agreements. These may include, but are not limited to stop loss, excess of loss, quota share, or other such treaties. Other types of risk transfer can also be considered.
- Risk Avoidance: where an activity is outside the risk appetite of the AGL Group, AGL will seek to avoid exposure to that type of risk.

Process

AGL works within the three lines of defence model and reinforces the requirement for first line management of risk, with oversight and challenge from the second line risk and compliance functions and third line internal audit function:

Enabling Risk Culture	Oversight	Board and Executive	<ul style="list-style-type: none"> • Establishes risk appetite and strategy • ARCC - Approves risk framework and challenges risk management function 	Risk Management Framework and Process Alignment
	3rd Line of Defence	Internal Advisory Services (Internal Audit)	<ul style="list-style-type: none"> • Provides independent assurance on the effectiveness of first and second line of defence functions 	
	2nd Line of Defence	Risk Management Function Compliance Function	<ul style="list-style-type: none"> • Design, interpret and develop overall risk management framework • Overview of AGL Risk Registers • Ownership of ORSA Process and Output • Monitor controls in place against key risks • Challenges risk mitigation and acceptance • Reports on Risk exposures, Issues, mitigations and resolutions 	
	1st Line of Defence	Business / Functions	<ul style="list-style-type: none"> • Executive Risk Owners • Owner of the risk management process • Identifies, manages and mitigates risks • Identifies, manages and reports on Issues 	

Assurant Europe has implemented a robust governance structure around Risk Management that is proportionate to the scale and complexity of the group.

Business areas are responsible for completing a Risk and Control Self-Assessment or RCSA which contributes to the Risk Register of the business. They update the risk registers on a periodic basis defined in the risk register process, using measurement techniques specified in Assurant’s Risk Management Framework.

Management are given authority to manage risks to within the agreed risk appetite. The monitoring processes and controls that operate over the organisation will be complementary to the processes and controls used by the Risk organisation and its committees.

The risk management processes and systems of the Group are combined and there are no separate processes for just AGIL and ALL separately. This includes the ORSA process. Assurant Europe has obtained a waiver from the PRA allowing a single group ORSA process. This process covers all the necessary requirements for each SII insurance firm had it been performed on a standalone basis.

The ORSA is not separate to the Risk Management Framework (“RMF”), but an integral tool to describe the whole risk to the business and, by implication, the ability of the business to meet the funding requirements of its overall business plans including its on-going liabilities now and into the future.

The ORSA Policy states that the principle objective of the ORSA is to “define how Assurant Europe ensures that it is able to maintain appropriate levels of capital to support its short and long-term risks, which are created through it pursuing its business plan, and be able to do so on a continuous basis”.

In general the “ORSA process” is one of coordinating with many areas of the business to ensure that the information, data and calculations are available for reporting through to the Results and ensuring that key stakeholders are available to review and comment on the ORSA outputs.

The process is owned and operated by the Risk Function, which has access and continuing understanding and control of many of the key elements that go to make up the ORSA.

ORSA Process



B.4 Internal control

Assurant Europe's internal control system is designed to provide reasonable assurance that its financial reporting is reliable, is compliant with applicable laws and regulations and its operations are effectively controlled.

The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the risk management and internal control systems. In practise the oversight and management of these systems necessarily involves participation of the Board, the ARCC, the ELT, senior management, Risk, Finance, Compliance, Legal, business managers, various committees and Internal Audit.

Primary responsibility for ensuring day-to-day oversight of the internal control system lies with the relevant Senior Insurance Manager Functions (SIMFs) and Key Function Holders.

Assurant Europe promotes the importance of appropriate internal controls by:

- ensuring that all personnel are aware of their role in the internal control system as per the Governance Map and Fit and Proper Policy;
- ensuring a consistent implementation of the internal control systems across the Group; and
- establishing monitoring and reporting mechanisms for decision making processes. Please see Risk Management and Controls section above for the brief description of the internal control systems relating to the risk function.

Assurant Europe has a Public Disclosure and Supervisory Reporting Policy, Risk Management Policy, Underwriting and Reinsurance Policy, Capital Management Policy, Internal Audit Policy, Outsourcing Policy, Compliance Policy, Fit and Proper Policy and Governance Map which set out its internal control systems in more detail.

Compliance

Assurant Europe operates within a financial services regulatory regime in Europe. The regulators define the standards required within a business via their rules and guidance, which cover key areas around customer protection and sustainability - with expectations that these principles are embedded in the culture of the business, driven from the top of the organisation and managed via robust governance frameworks. All Assurant Europe employees are required to have an awareness of the requirements on them within their role to ensure the business meets the standards required in both letter and spirit, with some Senior Management having specific accountabilities and obligations to the regulators.

Good compliance standards and risk management helps the business build trust with customers, and other stakeholders, and promotes a culture where positive individual behaviours ensure the customer is at the heart of the systems and controls which enable good customer outcomes and the identification/mitigation of poor practice.

Assurant Europe's Compliance function's purpose is to ensure that the Group meets the regulatory requirements in the jurisdictions in which it does business. Through engagement with the business leaders and a variety of activities and processes to identify, assess, control, measure, mitigate, monitor and report compliance risks across the Group as a part of its oversight and administration of the Compliance Plan, the Compliance function ensures a strong regulatory compliance culture within the Group.

The function operates independently from the business and is part of Assurant Europe's second line of defence, which specifically provides advice on regulatory requirements and assurance regarding the effectiveness of first line controls. It is led by the Senior European Compliance Officer who reports directly to the International Compliance Officer of the parent group and also has direct access to the Board and ARCC in order to assist with management of any conflicts of interest. The Senior European Compliance Officer provides regular updates on the Compliance monitoring activity to the Executive Committee, the ARCC and the Board.

The Compliance function also owns and develops Assurant Europe's relationships with key regulators, including the FCA and PRA, which includes taking a forward looking view to manage regulatory change.

B.5 Internal audit function

Reporting to the Chief Internal Auditor of the parent, Assurant, Inc., and to the ARCC, the Internal Audit Services function ("IAS") are responsible for regularly assessing the adequacy of the internal controls system of the AGL group and its subsidiary companies and reporting the findings to the Board (via the ARCC). The bi-annual audit plan is prepared and submitted to the Board of Directors and ARCC each six months for review and approval. Upon approval, IAS distributes the plan to Executive business leaders and executes the plan during the course of the audit plan period. Additionally, at IAS' discretion or at the request of the ARCC, or management, other unannounced audits may be completed.

IAS personnel report directly and solely to the Chief Audit Executive ("CAE") of Assurant, Inc. and the CAE reports directly to the Chair of the Assurant, Inc. Audit Committee; and administratively to Assurant, Inc.'s Executive Vice President and Chief Legal Officer.

The internal audit reporting structure and the charter allow IAS to be independent of the functions audited, and it provides IAS full, free and unrestricted access to all operations, records, property and personnel. Additionally, it provides the authority to allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish audit objectives.

In executing the audit plan, IAS' methodology planning phase focuses on the independence of its staff undertaking any audit engagement. IAS personnel are not permitted to work in a business function or activity within which they have held responsibilities in the previous twelve months or during the timeframe covered by the engagement. Further, to maintain the independence and objectivity of IAS, management remains responsible for making the final decision on accepting and implementing any advice given.

B.6 Actuarial function

Reporting to the Assurant, Inc. actuarial function, the Assurant Europe actuarial function is responsible for calculating the technical provisions and claims reserves for Assurant Europe. It also calculates the SCR, MCR and ORSA capital on a regular basis. In addition to these key responsibilities, the actuarial function is also responsible for reviewing and calculating the appropriateness of insurance product pricing and contributing to the governance committees, capital initiatives and regulatory returns where appropriate.

The Chief Actuary coordinates the calculation of technical provisions, provides opinions on the underwriting policy and reinsurance arrangements, and contributes to the effectiveness of the risk management system.

The Chief Actuary provide annual reports to the ARCC detailing the methodology, assumptions and results of their work for approval. ARCC is responsible for challenging those assumptions and ensuring that they are appropriate and not unduly influenced by management. The Chief Actuary also has access to the independent Non-Executive Directors to escalate any issues or concerns.

B.7 Outsourcing

AGIL and ALL operate as part of the overall Assurant Europe group that is supervised on a group basis by the PRA. AGIL and ALL have no employees and all services are provided by other Assurant Europe group companies. The Board of AGL, the European group parent, and of AGIL and ALL are the same and as such these are not considered to be outsourced arrangements.

Many of Assurant Europe's processes are part of wider Assurant, Inc. global activities and staff working and employed in the European business have responsibilities for the European organisation but also report up through the global enterprise structures. Similarly there are employees of the Global enterprise who perform activities on behalf of the European business. These processes include IT services.

Where such activities relate to critical functions, including Internal Audit and Risk where the SIMFs are employees of the Assurant, Inc. group as described in the previous sections, those employees are also directly responsible to the European Board for activities performed on behalf of the European business and are therefore also not deemed to be outsourced arrangements.

Assurant Europe regularly makes use of third party organisations to provide goods and services to the business in various areas. From time to time, Assurant Europe will choose to source services from third parties or from group companies that would normally be provided internally by the Group itself.

The rationale for this choice is frequently reviewed to make the business more efficient and/or bring innovation and new ideas into the business. However, while Assurant Europe can engage a third party to provide the service, Assurant Europe retains responsibility for ensuring that appropriate performance and quality standards are both set and achieved by the provider and that the services by design and performance deliver fair customer outcomes.

The Outsourcing policy sets out the standards and controls required for selection of providers of this type of arrangement as well as the requirements for ongoing management of these relationships to ensure adequate oversight and governance of performance of the services.

The Assurant Europe Outsourcing policy ensures that Assurant Europe only outsource services and processes where the risks associated with the relationship and provision of services can be appropriately managed and the service provider (third party or intra-group) can meet our required customer and regulatory obligations and mitigate any risk exposure in the areas of concentration risk and operational risk. Furthermore, any consideration of outsourcing a function or activity will be subject to detailed consideration and a detailed business case requiring executive committee approval before proceeding.

Critical and key functions that are outsourced:

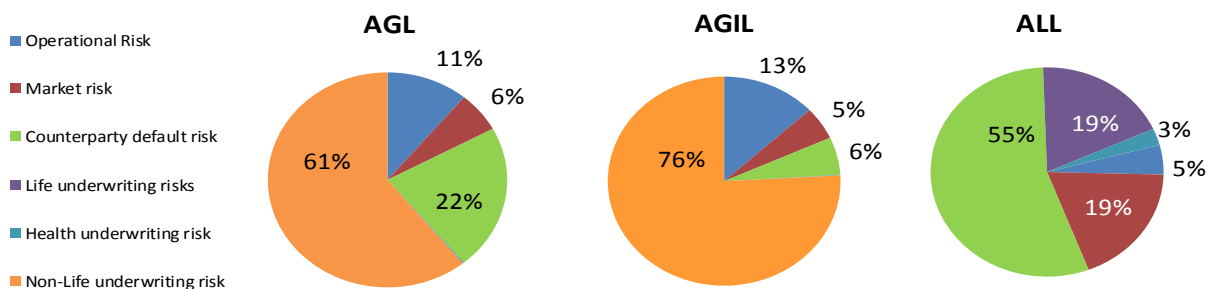
Outsourced function	Jurisdiction of service provider
Investment management	UK, USA
Claims management	EU

B.8 Any other disclosures

None.

C Risk management

The main risks Assurant Europe, AGIL and ALL are exposed to are underwriting risk followed by credit risk due to counterparty default. The charts below show the distribution of the SCR required for the Group and each SII insurer by risk module (excluding the diversification effects between the risk modules).



Each risk type is considered below in turn.

C.1 Underwriting risk

Underwriting Risk is defined as the financial and contractual risks involved when writing or administering insurance policies. Unmitigated, the risk exposure would have a large, material impact on the total risk exposure of Assurant Europe.

Measures used to assess underwriting risk

Premium Risk, the risk that premiums are not sufficient to cover actual claims costs and expenses and to provide Assurant with an appropriate return for the risk taken:

- Expected premiums, claims and expenses (commissions and other acquisition costs, costs to service policyholders and fulfil claims and overheads) are projected three years ahead as part of the annual operating plan and forecast process. Variances between forecast and actual results are reviewed monthly by the senior management team and quarterly by the Board and actions identified and assigned.

- The impact of the 3 year plan on the Group's, AGIL's and ALL's future solvency and economic capital position is modelled through the annual ORSA process.
- All new business proposals are assessed by the Pricing team against target returns on capital and approved by a committee comprising at least one Executive Director and representatives from Risk or Compliance.

Reserve Risk, the risk that claims reserves are insufficient to cover the actual costs of claims that have been incurred:

- In calculating the estimated cost of unpaid claims, the Group uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims.
- The run -off of historic claims reserves is reported to the ARCC annually and the cost of any potential reserve increase is included in the annual ORSA process.

Underwriting risk exposure is also assessed and quantified in Assurant Europe's Standard Formula solvency capital requirement calculation which is completed quarterly.

Material underwriting risks

Non-Life and Health Not Similar to Life Techniques

- Assurant Europe issues non-life insurance policies through AGIL but also considers the service contracts issued in Italy to have risks similar to that of non-life insurance and treats them as such for the purposes of risk management.
- Fluctuation in the frequency and severity of insured events, both relating to policies that were underwritten in the period and to unexpired policies from previous periods, present the most material elements of underwriting risk for Assurant Europe.
- Non-life business includes creditor policies (covering sickness, disability and unemployment), extended warranty contracts (covering mechanical breakdown) and property policies (covering loss, theft and accidental damage) where the actual experience could vary significantly from that anticipated when the policy was originally priced.
- In respect of non-life contracts, the business underwritten is short tail compared to other general insurance businesses. Claims are reported and decisions made quickly, especially for Connected Living Device and other property insurance claims. Speed of payment of claims reduces the uncertainty surrounding the ultimate claim amounts and reduces the exposure to Reserve risk.

Life and Health Similar to Life Techniques Business:

- ALL issued creditor policies, classified as Life business, of up to 10 years in length where the actual experience could vary significantly from that anticipated when the policy was originally priced. As ALL is not currently writing new business it is not in a position to make changes to future premiums to offset adverse performance of previously underwritten products. However, it is still able to control premium and reserve risk through appropriate claims control and reserve risk through setting appropriate reserves.

Risk management

Assurant Europe's underwriting and reserving policies applies to all companies within the Group. In general, the risk appetite of Assurant Europe is to limit the time period for exposure on underwriting risk to less than one year. Where we accept risk beyond one year, this will be in exchange for a higher anticipated financial return.

Assurant Europe has a range of contractual mitigations included within contracts. These allow for Assurant Europe to re-price contracts for new business and renewals and therefore reduce underwriting risk in different scenarios including unexpected financial performance, change of product or processes by the client, impact of regulatory change or change in the supply chain market environment.

Due to the nature of the primary business lines insured, it is continually necessary to scan the horizon for emerging risks with regards to changes in customer behaviour and changes in technology. Assurant Europe's commercial contracts contain controls to protect against any future change in the landscape.

Concentration of underwriting risk

The Group's and insurance firms' policies are held by individuals across a number of geographic areas and it is not exposed to significant insurance concentration risk.

Assurant Europe does not have any material exposure to catastrophe risk.

Risk mitigations

Assurant Europe's use of risk mitigation techniques is set out in its Underwriting and Reinsurance Policy.

The Group will consider reinsurance in the following cases:

- The distributor or client of policies issued by AGIL or ALL, requests Assurant Europe cede insurance risk to a third party including to a client's captive.
- To maximise capital efficiencies in relations to applicable regulatory and internal capital requirements including reinsurance to other Assurant, Inc. group firms.
- To reduce the volatility of Assurant Europe's portfolio by reducing aggregation risk and overall levels of exposure.
- Assurant Europe wishes to utilise reinsure expertise for a contract AGL deems outside of the Group's risk profile.
- AGL has little experience of, for example, a new line of business and may wish to limit its exposure initially.
- As an alternative to a portfolio transfer, where AGL may no longer wish to hold the risk of run-off classes.

The Group will consider any level of risk transfer as is appropriate to the situation.

All reinsurance must meet the selection criteria set out in the Underwriting and Reinsurance policy in order for the risk mitigation to be recognised in Assurant Europe's capital calculations.

The Chief Underwriter assesses the risk transfer and the effectiveness of the risk mitigation. In completing the assessment consideration is given to all related contracts and the overall economic reality of the deal to ensure that risk transfer is not undermined by other arrangements e.g. a profit/loss share transferring a significant proportion of the risk back from the reinsurer to the cedant. All new reinsurance arrangements are approved in accordance with policy.

Performance of reinsurance contracts is monitored through regular reporting to management and, where appropriate, the ARCC.

Assurant Europe does not normally seek to utilise risk mitigation techniques other than reinsurance. Should situations arise where other risk mitigation techniques are considered or present a significant opportunity these will be subject to a full business case review and approval.

C.2 Market risk

Market risk is defined as the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

Measures used to assess market risk

The Group is exposed to market risk and exposures are monitored by the ARCC. The factors that are likely to affect market risk include, but are not limited to, large fluctuations in, or changes to, interest rates, volatility in foreign exchange markets, sudden inflation/deflation, recession, conflict (war, terrorist attack), and political instability.

Management of the AGIL and ALL investment portfolios is outsourced to the investment managers, which operate within the agreed mandates set in accordance with the risk appetite and subject to the prudent person principle. The Assurant Europe Treasury function is responsible for monitoring the activities of the investment managers, as well as monitoring and reporting on performance. Material deviations from the mandate or expected risk appetite are escalated through the Assurant Europe system of governance and to the ARCC and Board if appropriate.

The Group's, AGIL's and ALL's solvency and economic capital positions are modelled through the annual ORSA process. Market risk exposure is also assessed and quantified in Assurant Europe's Standard Formula solvency capital requirement calculation which is completed quarterly.

Material market risks

Assurant Europe does not seek market risk as a means to increase revenue or profit. Market risk is a necessary aspect of managing the solvency of the business. AGL is tolerant of market risk as a mechanism to fund policy liabilities and contribute to the growth of surplus and maintenance of capital requirements.

Included within market risk are:

Interest Rate Risk	The fair value of Assurant Europe's portfolio of fixed income securities is inversely correlated to changes in the market interest rates. Thus if interest rates fall, the fair value of the portfolio would tend to rise and vice versa.
Currency Risk	Assurant Europe operates in the UK and in other European countries, via branches, and is also part of a wider United States group. Accordingly its net assets are subject to currency risk. The primary foreign currency exposures are to Euro and United States Dollar. If the value of Sterling strengthens then the value of the non-Sterling net assets will decline when translated into Sterling. Assurant Europe incurs currency risk in two ways: <ul style="list-style-type: none"> • Operational currency risk - by holding assets and by underwriting liabilities in currencies other than the currency of the primary environment in which the business units operate (non-functional currencies) • Structural currency risk - by operating overseas branches where the currency of the primary environment differs to that of the principal business and being part of an international insurance group
Spread Risk	Spread risk does present a material risk to the business but is closely managed by the use of a suitably diverse investment portfolio. Market value movements or losses caused by the early close out of investments are not considered to be of sufficient materiality to impact solvency.
Property Risk	The Group, AGIL and ALL had no exposure to property risk in the year ended 31 December 2018.
Equity Risk	Assurant Direct Limited, a fellow company that is included in the supervised group due to having the same board and management as AGL, holds a strategic equity trade investment. AGIL and ALL had no exposure to equity risk in the year ended 31 December 2018.

Risk management

The investment portfolio is structured so that asset quality is a primary feature rather than investment return. As a result the portfolio is limited to Government Bonds, Sovereign and Sub-Sovereign debt, Collateralised Securities and investment grade Corporate Bonds which are actively traded.

Investments are required to be above investment grade (BBB-) at purchase. Those that fall below investment grade subsequently are investigated with subject matter experts and the costs of early exit are assessed.

The AGL Board use Assurant Asset Management and Aberdeen Asset Management Limited to manage the investment portfolio. The Group's requirements for the management of its investment portfolio are stipulated in the Investment Management Agreement with the appointed investment managers.

The investment portfolio mandates reflects AGL's risk appetite to mitigate spread risk, and investments are diversified by industry, allocation and quality. The investment managers are given parameters against which they are measured quarterly.

Market risk to the investment portfolio is considered in real time. Risks to the value of investments are discussed quarterly with the investment managers.

Equity risk arises due to a trading investment by Assurant Direct Limited in an unlisted company. The investment is strategic in nature and not held for speculative reasons or as part of the Group's general investment portfolio. The valuation of the investment is reviewed at least annually.

Operational and structural currency risk is managed within the Group by broadly matching assets and liabilities by currency. Currency balance sheets are prepared and reviewed by management quarterly.

Concentration of market risk

Concentration of market risk arises when too much exposure is held in assets which respond to similar risk factors. As noted above, Assurant Europe seeks to diversify its market risk exposure and thereby limits concentration of market risk.

Prudent Person Principle

Assurant Europe's investment practices incorporate the principle of 'Prudent Person'. Accordingly the Board requires that the investment manager appointed to manage the investment portfolio only invests in assets and financial instruments whose risks Assurant Europe can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of its overall solvency needs performed as part of the ORSA.

Risk mitigation techniques used for market risk

Assurant Europe does not use any derivatives or other specific risk mitigation instruments to manage its market risk exposure.

C.3 Credit risk

The Group, AGIL and ALL are exposed to credit risk via:

- default or delay in payments due upon cash;
- reinsurance counterparties failing to meet financial obligations or entering into restructuring arrangements that may adversely affect reinsurance recoveries; and
- default or delay of repayment of loans and receivables.
- AGIL and ALL are also exposed to credit risk in respect of amounts from other group companies.

Assurant Europe considers the credit risk of holding assets in interest bearing investments as part of market risk. Refer to the market risk section above for further information.

Measures used to assess credit risk

Exposures to all counterparties are analysed each quarter and assessed and quantified in Assurant Europe's Standard Formula solvency capital requirement calculation. The output from the resulting analysis is presented to the ARCC, detailing any material changes from the previous period.

Material credit risks

Assurant Europe's maximum exposure to credit risk is represented by the values of financial assets included in the balance sheet at any given point in time. See also section D1 for details of the financial assets for Assurant Europe, AGIL and ALL at the reporting period end.

Risk management

Assurant Europe holds cash balances with a number of banks within Europe but diversifies its exposure to ensure that any bank failures do not materially impact liquidity. This includes holding cash in highly liquid money market funds with next day access which Assurant Europe treats as a counterparty exposure.

Holdings must follow the Financial Risk Policy, which requires cash holdings to be held in counterparties classified as investment grade or above by the main ratings agencies of Moody's, Fitch and/or S&P.

Third party reinsurers are required to be credit scored at 'A' (or equivalent) by two out of three of the main rating agencies (Fitch, Moody's or S&P) or be SII regulated in the EU, and in compliance with their solvency capital requirements, in order to be accepted unless appropriate collateral is provided to mitigate the exposure.

The Group extends payment terms to clients and will have significant amounts due from clients from time to time.

Concentration of credit risk

Balances for the UK Connected Living Device insurance programmes with UK banking clients generally represent the biggest credit exposures outside of cash holdings, but these can vary significantly, not only from client to client, but from time to time. As Assurant Europe has a number of UK banks who are clients as well as providing the Group, AGIL and ALL with banking services, concentration of credit risk is also monitored across asset classes.

Investments in structured entities - collateralised securities and money market funds

The Group invests in collateralised securities and funds managed by external specialist investment managers where investments are pooled within an investment vehicle to provide a diversified exposure to particular classes of underlying investments.

The use of these products allows the Group to broaden the diversification of its investment portfolio in a cost efficient manner.

Risk mitigation techniques used for credit risk

Assurant Europe does not use any specific risk mitigation techniques in respect of credit risk.

C.4 Liquidity risk

Liquidity risk is defined as the risk that Assurant Europe will have insufficient liquid assets available to meet liabilities as they fall due.

Measures used to assess liquidity risk

Liquidity risk is managed by the Group's Treasury management team. Future working capital and regulatory capital requirements are forecast monthly. Annually the AGL Board conducts stress testing scenarios to examine the effect on liquidity levels of various adverse business conditions.

Material liquidity risk

Assurant Europe's exposure to liquidity risks is related to its ability to convert and access its assets, and in particular its bond portfolio, collective investment fund (money market) holdings, deposits and cash and cash equivalents.

The AGIL bond portfolio primarily comprises a mixture of UK government securities and corporate bonds with investment grade ratings. The ALL bond portfolio comprises only government securities. All the securities are in active markets and should be convertible into cash with 5 working days.

Investments in collective investment undertakings are in highly liquid money market funds with next day access.

Deposits other than cash equivalents comprise short term, up to 30 day bank deposits which are accessible in shorter timescales if necessary. Early access would only result in the loss of more favourable interest returns.

Risk management

The Group holds significant cash balances with a number of banks within Europe, but diversifies its exposure to ensure that any bank failures do not materially impact liquidity. Bank cash holdings must follow the liquidity and concentration requirements set out in the Financial Risk Policy.

AGL seeks to maintain assets in classes which can be realised into cash easily with minimal impact on asset valuation. All investible assets should be readily realisable and convertible into cash within 5 working days.

Concentration of liquidity risk

The Group has taken action to diversify the risk to assets, accurately forecast cash flow and future liabilities and maintain access to funding from its US parent in order to mitigate liquidity risk.

ALL holds a significant amount of cash in a single euro money market fund in order to diversify credit risk. This does give rise to a concentration of liquidity risk should a large number of investors in the money market fund all wish to remove their investment at the same time and the fund manager were not able to liquidate sufficient assets to satisfy all the requests. The fund is however highly liquid, with significant investments in cash holdings, cash equivalents and securities traded in active markets and therefore the risk is not considered material.

Risk mitigation techniques used for liquidity risk

Assurant Europe does not use any specific risk mitigation techniques in respect of liquidity risk.

Expected Profit in Future Premium

As required by Article 260(2) of the SII Directive, Assurant Europe calculated the amount of expected profit in future premiums included in the calculation of best estimate technical provisions.

At the end of the reporting period the amount of expected profit in future premiums was as below:

Expected profit in future premiums £'000	Assurant Europe	AGIL	ALL
As at 31 December 2018	281	281	-
As at 31 December 2017	261	261	-

C.5 Operational risk

Assurant Europe is exposed to operational risk, which is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. In particular, this includes the failure of key outsourcing arrangements, business disruption, fraud and loss of key management.

This definition also includes legal risk and reputational risk, as the Group considers reputational risk critical to its franchise and therefore has adopted this broad definition of operational risk.

Measures used to assess operational risk

Operational risks are captured through Assurant Europe's risk register and risk reporting processes as part of the Risk Management Framework.

In assessing capital required in respect of operational risk the Standard Formula SCR uses earned premium and reserves as a proxy for exposure to operational risk. This is a different approach to that adopted in the Assurant Europe ORSA model where individual operational risks are identified and incorporated into the model by use of a frequency and severity approach. The impact of operational risk on the business is also assessed through the stress and scenario testing carried out as part of the ORSA process.

Material operational risk

Assurant Europe categorises the operational risks to which it is exposed as:

- Group Risk
- Legal/contract breach
- Regulatory risk including conduct risk
- People risk
- Process risk
- Technology risk
- Fraud risk

Assurant Europe provides products to a large number of individuals through direct brands, through networks of indirect dealers and under clients' own branding. It is critical to the success of the business, and in order to retain existing clients and attract new clients, that client and customer expectations in terms of service and product performance are met and that customer service is central to the operation. Service levels and other key indicators in both the customer contact centres and claims fulfilment supply chain are monitored closely by management to ensure that they continue to be met and that any issues

that arise are dealt with. The Group also continues to innovate new products and enhancements to existing products to improve and add value to the offering to clients and their customers.

Clients may be lost due to failure to meet service levels but also clients review and put contracts to a competitive tender process periodically (usually between 3 to 5 years depending on the length of the original contract) where service and product quality are key factors. Failure to meet the expectations of both clients and their customers or competitor action during a tender period could result in the loss of that client and have a material impact on the business. Loss of a material client is included in the ORSA Stress and Scenario testing.

Risk management

Assurant Europe has established policies, processes and controls to manage and mitigate its key operational risks.

The process through which the Group's operational risk universe is determined, and subsequent estimates of frequency and severity are assessed is captured in the Operational Risk Policy document. This process safeguards the ongoing improvement of the control environment and ensures that operational risk is identifiable and mitigated as the Group continues to grow.

Risk mitigation techniques used for operational risk

Assurant Europe has a comprehensive insurance programme that provides protection against the majority of material operational risks e.g. property cover, business interruption etc. There are no other specific risk mitigation techniques applied in respect of operational risk.

C.6 Other material risks

UK Exit from the EU

Following the UK's decision to exit the EU and the fact that the UK government is yet to agree the nature or timing of the exit, including whether there will be any transitional period in which existing regulations will continue, there is continuing uncertainty over the period in which the AGIL and ALL will be able to continue that business as currently.

In order to mitigate this uncertainty, Assurant committed to establishing new European non-life and life insurers outside of the UK. The new insurers will begin to underwrite new policies and renew existing policies for both existing EU and new EU clients of AGIL and ALL in the future. The move from the existing insurers will be managed in order to minimise the operational risk and disruption to our customers, clients and employees.

As a result the volume of business underwritten by AGIL will reduce in the future as the existing portfolio of EU policies in force renews in the new insurers, terminates, lapses or expires.

AGL has also commenced approvals for a Part VII transfer to move any existing non-UK business out of its UK insurers and into the new insurers. If it is necessary this is expected to complete in 2020 and will affect any remaining policies that are yet to reach renewal, as at the transfer's effective date.

Following completion of the above, AGIL's insurance business will be focussed solely on UK business. ALL shall have no further policies in force as all UK policies are due to expire in 2019.

Acquisition of The Warranty Group

In May 2018, the AGL Group's company Assurant, Inc. announced the acquisition of The Warranty Group.

The Warranty Group has two insurance subsidiaries based in the UK, London General Insurance Company Limited and London General Life Assurance Company Limited, both regulated under Solvency II by the PRA and the FCA.

Whilst the acquisition has not materially changed the risks written by AGL Group following the acquisition, steps are being taken to integrate the two businesses' operations and head office functions that may lead to increased operational risk in the future.

The impact of the above will continue to be monitored by Assurant's Risk and Compliance functions with any concerns or issues reported to the Audit, Risk & Compliance Committee and Board where appropriate.

C.7 Stress testing and sensitivity analysis

A number of stress and scenario tests are conducted as part of the annual ORSA process. The outcomes of the stresses can be used to determine appropriate management actions as well as to assess the impact of assumptions in the ORSA model.

Stress and scenario testing is a key risk management tool used within Assurant. Reverse stress tests are also conducted that identify situations that would render the business model unviable.

The following stress tests were performed on the 2019 business plan as included in AGL's 2019 ORSA:

Stress Tests

- Premium increase
- Expense increase
- Exchange rate movement
- Investment risk movement of 100 basis points
- Claim frequency
- Technical Provisions deterioration
- Reinsurer default

Scenarios

- Liquidity.
- Significant data breach.
- Business Continuity Event - this scenario covers the costs to the business in the event of a business continuity incident and AGL's ability to recover.
- Competitor pricing across the market reduces margins.
- Loss of key client.
- Claims cost worsening.
- Change in customer behaviour.

Where appropriate, these tests are performed by changing assumptions within the ORSA capital model. This enables the output to be consistent with the capital calculations and to allow for secondary effects. For a small number of tests such as liquidity and business continuity, where these are not explicitly modelled, an impact assessment is made outside of the model.

The tests that had the greatest impact on solvency were the increase in premium (and thus exposure) and the increase in claim frequency.

The results show that Assurant holds sufficient capital to withstand an increase in exposure of 10% across all lines of business.

The methodology for the increase in claims frequency was to increase claim frequency by 10% for the Mobile phone line of business. This is the majority of the Assurant business and is exposed to attritional losses rather than large or catastrophe claims meaning that the impact would happen over time rather than as a one-off hit, giving time to implement management actions.

Assurant manages its solvency ratio above 100% and uses the results of the stress testing to aid an appropriate level of buffer. As such Assurant is able to withstand each of the stresses and scenarios identified above over a 1 year time horizon.

Assurant has a number of management actions that can be implemented to address adverse situations.

C.8 Any other disclosures

There are no other matters to be disclosed.

D Regulatory balance sheet

AGIL and ALL prepare financial statements under UK generally accepted accounting principles (“UK GAAP”). No consolidated financial statements are prepared for the group as AGL has taken advantage of the exemption from preparing consolidated financial statements, under the Companies Act 2006 Part 15 Section 401, as the results of the AGL group are consolidated in the financial statements of the ultimate parent undertaking Assurant, Inc., which are publicly available.

Reference to “financial statements” below should be understood to refer to audited UK GAAP financial statements in respect of AGIL and ALL and to unaudited UK GAAP financial statements in respect of AGL.

Individual assets and liabilities are recognised and valued separately unless a legal right of set-off exists and the assets and liabilities will be settled on a net basis.

All valuations are made on the basis that Assurant Europe, AGIL and ALL are going concerns.

D.1 Assets

The material classes of assets shown on the SII Balance sheets, the SII values and values for the corresponding assets shown in the corresponding proforma or audited financial statements are summarised in the table below:

As at 31 December 2018 £'000	Solvency II Balance Sheet			Financial Statements		
	Assurant Europe	AGIL	ALL	Assurant Europe (unaudited)	AGIL	ALL
Goodwill & Intangible Assets	-	-	-	21,727	-	-
Deferred acquisition costs	-	-	-	13,048	12,190	-
Deferred tax assets	4,356	2,794	-	3,345	3,033	-
Property, plant & equipment held for own use	-	-	-	2,535	-	-
Investments, comprising:	98,845	80,173	5,194	92,144	79,124	5,157
Bonds comprising:	75,087	70,442	4,644	74,001	69,394	4,607
<i>Government Bonds</i>	12,435	7,791	4,644	12,332	7,725	4,607
<i>Corporate Bonds</i>	62,294	62,294	-	61,312	61,312	-
<i>Collateralised securities</i>	357	357	-	356	356	-
Equities - unlisted	9,388	-	-	3,773	-	-
Collective Investments Undertakings	14,210	9,730	550	14,210	9,730	550
Deposits other than cash equivalents	160	-	-	160	-	-
Loans and mortgages	3,942	12,206	2,526	3,942	12,206	2,526
Reinsurance recoverables	2,397	2,289	108	5,818	5,710	108
Deposits to cedants	-	-	-	-	-	-
Insurance and intermediaries receivables	96,946	24,692	7	96,946	24,692	7
Reinsurance receivables	62	62	-	62	62	-
Receivables (trade, not insurance)	10,941	6,915	1,001	10,941	6,915	1,001
Cash and cash equivalents	21,914	2,649	2,506	21,914	2,649	2,506
Other assets	23,928	2,137	207	30,613	4,156	245
Total assets	263,332	133,916	11,549	303,034	150,736	11,549

	Solvency II Balance Sheet			Financial Statements		
As at 31 December 2017	Assurant Europe	AGIL	ALL	Assurant Europe	AGIL	ALL
£'000						
Goodwill & Intangible Assets	-	-	-	48,369	-	-
Deferred acquisition costs	-	-	-	17,680	16,669	-
Deferred tax assets	3,635	1,010	-	1,838	1,194	-
Property, plant & equipment held for own use	-	-	-	2,691	-	-
Investments, comprising:	92,196	74,005	7,460	89,420	72,855	7,460
Bonds comprising:	69,662	69,662	-	68,511	68,511	-
<i>Government Bonds</i>	6,905	6,905	-	5,897	5,897	-
<i>Corporate Bonds</i>	61,866	61,866	-	61,724	61,724	-
<i>Collateralised securities</i>	890	890	-	890	890	-
Equities - unlisted	5,353	-	-	3,727	-	-
Collective Investments Undertakings	12,314	4,344	7,460	12,314	4,344	7,460
Deposits other than cash equivalents	4,867	-	-	4,867	-	-
Loans and mortgages	3,942	-	-	3,942	-	-
Reinsurance recoverables	2,255	2,074	181	1,608	1,404	204
Deposits to cedants	-	-	-	-	-	-
Insurance and intermediaries receivables	80,955	25,576	62	80,955	25,576	62
Reinsurance receivables	767	767	-	767	767	-
Receivables (trade, not insurance)	13,088	-	-	13,088	-	-
Cash and cash equivalents	18,548	2,645	375	18,548	2,645	375
Other assets	35,641	26,265	4,005	42,943	28,068	4,005
Total assets	251,027	132,343	12,084	321,849	149,179	12,107

Goodwill and Intangible Assets

On the SII balance sheet goodwill and intangible assets are valued at zero.

In the financial statements goodwill represents the excess of acquisition costs over the net fair value of identifiable assets acquired and liabilities assumed in a business combination. The cost of the acquisition is the amount of cash paid and the fair value of other purchase consideration. Other intangible assets are initially recognised at cost.

Goodwill and other intangibles are amortised in the financial statements over the expected useful economic lives and tested for impairment at least annually.

Unlisted Equities

Assurant Europe's unlisted equities are held at fair value on the SII balance sheet. In the financial statements the investments are held at the lower of cost and net realisable value.

Deferred acquisition costs

The table above includes deferred acquisition costs, which are shown as a separate asset in the financial statements. In the financial statements acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts. Acquisition costs are deferred to the extent that they are recoverable out of future revenue margins and are amortised in accordance with the pattern of emergence of future related margins.

Under SII deferred acquisition costs are valued at zero.

Deferred tax assets

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income. These timing differences arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Deferred tax assets are recognised on the same basis for SII and in the financial statements. However valuation differences between SII and the financial statements, upon which the tax is calculated, for technical provisions and in respect of other assets and liabilities give rise to a reduction in the overall deferred tax assets.

The deferred tax assets arise due to net operating losses brought forward from prior years for tax purposes that are available to offset against future taxable profits. Assurant Europe reviews the likelihood of recovery of the deferred tax assets based on the expected profitability over the business planning horizon and with due regard to known changes in respect of the relevant tax regulation over that period.

Property, plant and equipment held for own use

Property, plant and equipment is held at depreciated cost in the financial statements. For SII, property, plant and equipment has been valued at zero as the Group does not consider it material or proportionate to expend resource in maintaining records of the items' market values.

Investments and Loans and mortgages

Assurant Europe measures its investments at fair value on the SII balance sheet. The Group uses an exit price for its fair value measurements. An exit price is defined as the amount received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values of financial instruments traded in active markets are based on quoted bid prices on the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If listed prices or quotations are not available, fair value is determined by reference to prices for similar instruments, quoted prices or recent transactions in less active markets, or internally developed models that primarily use, as inputs, market based or independently sourced parameters. All investments are valued based on quoted prices. A consistent valuation method was applied across all investments.

The difference between the SII value of investments in the table above is due to a difference in the classification of accrued investment income, which is recognised in investments for SII and Other assets in the financial statements.

Reinsurance recoverables

Reinsurance recoverables are valued according to the SII technical provision principles as explained in Section D2.

Deposits to cedants, insurance and intermediaries receivables and reinsurance receivables

Receivables are measured at the undiscounted amount of the cash or other consideration expected to be received, net of any allowance for impairment.

Cash and cash equivalents

Cash and cash equivalents are recognised at fair value which is not considered to be materially different to cost.

Other Assets

Prepaid expenses and advance commissions represent the deferral of expenses paid for accounting purposes until they have been deemed to be consumed. In the SII balance sheet these assets are valued at zero unless the Group has a contractual ability to recover all or part of the asset from the third party in result of the termination of the arrangement. Where the group has such ability, the assets are recognised at the contractual amount recoverable less any allowance for impairment. These assets are recognised at amortised cost in the financial statements.

As noted above under “Investments and Loans and mortgages”, accrued investment income is reported as part of Other Assets in the financial statement but is included in the valuation of the related investment for SII reporting.

Any other assets are valued at fair value that is not considered to be materially different to the amortised cost basis as recorded per the financial statements.

Changes to the recognition and valuation bases

There have been no material changes to the recognition and valuation bases in the reporting period.

D.2 Technical provisions

Results

Assurant Europe’s technical provisions by material line of business as at 31 December 2018 are set out in reporting templates 12.01.02 Life and Health SLT Technical Provisions (for AGL and ALL) and also 17.01.02 Non-Life Technical Provisions (AGL and AGIL).

As at 31 December 2018 £'000	Income Protection	Fire & Other Damage to Property*	Misc. Financial Loss	Total Non- Life	Other Life	Health (Similar to life)	Total
Assurant Europe							
Gross best estimate	588	38,508	3,756	42,852	1,544	771	45,167
Reinsurance recoverable	(143)	(126)	(2,020)	(2,289)	(76)	(32)	(2,397)
Net best estimate	446	38,382	1,735	40,564	1,468	739	42,770
Risk margin	62	4,239	141	4,442	26	13	4,480
Total technical provisions	508	42,621	1,876	45,005	1,493	751	47,250
AGIL							
Gross best estimate	588	24,585	2,488	27,661			27,661
Reinsurance recoverable	(143)	(126)	(2,020)	(2,289)			(2,289)
Net best estimate	446	24,459	468	25,373			25,373
Risk margin	62	3,410	65	3,537			3,537
Total technical provisions	508	27,869	533	28,910			28,910
ALL							
Gross best estimate					1,544	771	2,314
Reinsurance recoverable					(76)	(32)	(108)
Net best estimate					1,468	739	2,206
Risk margin					26	13	39
Total technical provisions					1,493	751	2,245

As at 31 December 2017 £'000	Income Protection	Fire & Other Damage to Property*	Misc. Financial Loss	Total Non- Life	Other Life	Health (Similar to life)	Total
Assurant Europe							
Gross best estimate	1,164	31,061	2,592	34,817	2,193	1,115	38,125
Reinsurance recoverable	(144)	(1,822)	(109)	(2,074)	(112)	(69)	(2,255)
Net best estimate	1,020	29,240	2,483	32,743	2,082	1,046	35,870
Risk margin	238	4,390	292	4,919	41	21	4,981
Total technical provisions	1,258	33,630	2,774	37,662	2,123	1,067	40,851
AGIL							
Gross best estimate	1,164	17,376	971	19,511			19,511
Reinsurance recoverable	(144)	(1,822)	(109)	(2,074)			(2,074)
Net best estimate	1,020	15,554	862	17,437			17,437
Risk margin	238	3,623	201	4,061			4,061
Total technical provisions	1,258	19,177	1,063	21,498			21,498
ALL							
Gross best estimate					2,193	1,115	3,308
Reinsurance recoverable					(112)	(69)	(181)
Net best estimate					2,082	1,046	3,128
Risk margin					41	21	62
Total technical provisions					2,123	1,067	3,189

*direct and proportional reinsurance

Bases, methods and main assumptions

Under SII, liabilities must be valued at the amount for which they could be transferred between knowledgeable parties.

Technical Provisions are defined as the sum of a best estimate and a risk margin. The best estimate is the probability weighted mean average of all future cash-flows and the risk margin is the cost of providing the solvency capital requirement necessary to support the liabilities.

The liabilities valued in the technical provisions are those associated with existing contracts at the valuation date. Under SII, contracts must be valued if there is a legal obligation to provide cover even if this is before the commencement date of the policy which is different to the approach under UK GAAP.

The non-life business of AGL and AGIL is split into homogeneous risk groupings referred to as model points. These homogeneous risk groups split the business by currency, cover and underlying product.

The ALL life and health SLT business is examined at an individual policy level, with consideration given to future exposure and expected claims costs. These are then aggregated into the model points and then into SII line of business.

The technical provisions for each model point are calculated using a cash-flow model. This is carried out by predicting the expected cash-flow for each model point separately for each future year until all existing contracts have expired.

Expenses are projected as for the cash flow projections and allocated between model points and currency and between earned and unearned exposure.

The best estimate is calculated separately for premium provisions and claim provision. Premium provisions are established in respect of unearned exposure and claims provisions are established in respect of earned exposure.

Gross cash-flows are calculated separately from reinsurance cash flows in order to recognise if there are significant differences in the timing of these cash flows.

The best estimates are calculated separately for each material currency.

The assumptions underlying the calculation of the technical provisions are derived based on the assumption that AGL and AGIL will continue to write new business, and that ALL will not write any new business.

The yield curve is required in order to discount future cash flows. This enables future cash flows to be evaluated in present-value terms. The present value of future liability cash flows must be evaluated as part of the best estimate liabilities calculation. The yield curve, which is used in the discounting process, represents a risk-free curve.

The risk-free rate of return is the theoretical interest rate that could be earned on an absolutely risk-free investment over a specified period of time. In practice, there is no such thing as an absolutely risk-free investment, as even the most secure investments carry a very small amount of risk. Typically, government bond yields offer a good approximation to a risk-free rate of return. The risk-free rate of return varies according to the term and currency of an investment.

A different risk-free yield curve is required for each currency, in order to reflect the different cost of borrowing in different currencies.

The yield curve is defined based on the zero coupon swap rates which are currently available in the market. Hence the yield curve assumptions are based on “up-to-date and credible information and realistic assumptions” and are consistent with Article 77 of the SII Directive.

The most material AGL and AGIL assumptions are those relating to the loss assumptions and the future earned premium. The loss assumptions are outputs from the existing claims reserving process and the future earned premium assumptions are reconciled with the financial statements.

The most material ALL assumptions are those which underpin the future exposure periods, and the associated claims and expenses cash flows. These cash flows are calculated by combining a number of different assumptions which are set based on past and expected future experience and are outputs of the valuation model which is part of the valuation process.

The material assumptions used in the calculation of the Technical Provisions are presented annually to the ARCC for approval by the Board.

Level of uncertainty

There are several areas of uncertainty in the calculation of the AGIL Technical Provisions which make up the largest part of the Technical Provisions.

Claims reserving is carried out using standard actuarial methods of projecting the paid (or known) claims to estimate the ultimate claim experience. These methods are generally based on the assumption that the future experience will develop in the same way as historic experience. There is uncertainty in the actual future development patterns, for example due to changes in handling processes such as innovative ways to settle a claim as fast as possible.

Since the majority of the business in AGIL is property related there is the key uncertainty of the severity of claims and the additional costs associated with this. The evolution of products such as electrical parts in electrical appliances may result in higher settlement amounts. The frequency and verity assumptions are derived using historic data and reviewed by the Reserving Forum prior to use in the calculation of the Technical Provisions.

The AGIL expense loading is calculated as a proportion of premium. The expenses and premiums in the business plan are compared to derive an expense loading (as a percentage of premium). This yields an estimated expense cashflow for the technical provisions. The key area of uncertainty is the delivery of expense savings, and the emergence of other unexpected costs that are not accounted for in the business plan.

A key area of uncertainty in the ALL Technical Provisions which also contribute to the Technical Provisions will relate to the mortality and morbidity assumptions increasing as this will affect the level of claims cash flows and hence increase the Technical provisions. Due to the relatively small size of the book, the number of claims is subject to statistical volatility. The underlying data and methodology used to inform these assumptions were also the subject of validation and the basis was approved by the board.

The expense assumptions used to calculate the ALL Technical Provisions are derived from the 2018 expenses paid in order to create a per policy expense. An increase in expense costs will increase per policy expenses since ALL is in run off and there won't be a growth in policies to spread the expenses across. This will then increase the expense cash flows in the Technical provisions.

Uncertainty in respect of other business is not material.

Differences between SII and the valuation bases for financial statements

During 2018 it was decided to transition the valuation methodology and basis for ALL for UK GAAP to adopt Solvency II as the basis of preparation for the accounts. This was undertaken in order to simplify the accounts and to aid the users of the accounts. As a result there are no significant differences

between SII and the valuation bases for the ALL legal entity with AGL for the purposes of solvency 2 and UK gaap valuation.

The most material assumptions used in the calculation of the SII best estimates are based on existing Assurant processes which are the same as those used in the preparation of the proforma and audited financial statements.

The methodology for the calculation of the premium provision for the non-life business, in AGIL and the rest of the Group, under SII is fundamentally different to that used in the financial statements. The Premium provision is based on the probability weighted average of future cash flows related to policies within contract boundaries whereas UK GAAP unearned premium reserve is an allocation of premium income to the remaining time to expiry of the insurance contracts already issued. Though not directly comparable the main difference arises due to the recognition of future profit on issued policies and expected profit in future premiums.

Claims Provision

The calculation of the SII best estimate claims provision is based closely on the UK GAAP. Under SII additional adjustments are made to allow for Events Not in Data (ENIDs), an estimate for unknown liabilities not yet captured by the actuarial estimates.

Risk Margin

For SII risk margin is calculated using a cost of capital approach which involves calculating the cost of holding the SCR per SF calculation at each future time period until the technical provisions at the reporting date have run off. The amounts are then discounted back to the current time period. The calculation excludes new business and market risk.

No Risk Margin is recognised under UK GAAP. The risk margin calculation assumes Brexit on 29th March 2019 with only UK business underwritten thereafter in AGL.

Discounting

Under SII the best estimate technical provisions are discounted but are undiscounted under UK GAAP.

The main differences between technical provisions as shown in the financial statements and the SII technical provisions are shown in the table below:

All lines of business	Assurant Europe	AGIL	ALL
	Unaudited	Audited	Audited
As at 31 December 2018 £'000			
Technical provisions per financial statements*	53,875	31,489	2,245
Contract boundary adjustment	(178)	(178)	
Adjustment to best estimate premium provision	(14,625)	(7,182)	
Difference in expense assumptions	3,612	1,480	
Allowance for lapses	30	30	
Adjustment to best estimate claims reserves	255	150	
Discounting	(29)	(71)	
Risk Margin	4,442	3,537	
Miscellaneous & FX	(131)	(345)	
Technical provisions per SII balance sheet	47,250	28,910	2,245

All lines of business	Assurant Europe	AGIL	ALL
	Unaudited	Audited	Audited
As at 31 December 2017 £'000			
Technical provisions per financial statements*	46,717	23,346	3,269
Contract boundary adjustment	(727)	(727)	-
Adjustment to best estimate premium provision	(11,848)	(5,959)	(115)
Difference in expense assumptions	1,802	975	(167)
Allowance for lapses	217	97	51
Adjustment to best estimate claims reserves	(219)	(289)	85
Discounting	(72)	(6)	5
Risk Margin	4,891	4,061	62
Technical provisions per SII balance sheet	40,851	21,498	3,189

* unearned premium reserve less deferred acquisition costs plus claims reserves and claims equalisation reserve, net of reinsurance.

Matching Adjustment

Assurant Europe (Including AGIL and ALL) has not applied the matching adjustment referred to in Article 77b of Directive 2009/138/EC.

Volatility adjustment

Assurant Europe (Including AGIL and ALL) has not used the volatility adjustment referred to in Article 77d of Directive 2009/138/EC.

Transitional risk-free interest rate-term structure

Assurant Europe (Including AGIL and ALL) has not applied the transitional risk-free interest rate-term structure referred to in Article 308c of Directive 2009/138/EC.

Transitional deductions

Assurant Europe has not applied the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

Reinsurance

Reinsurance recoverables represent the net discounted cash flow expected to be received from Assurant Europe's reinsurers. Assurant Europe utilises a variety of reinsurance treaties, primarily of a quota share nature, in order to share risk by ceding back to a client's captive or to remove risks underwritten that are outside of the group's appetite.

Material changes in the relevant assumptions made in the calculation of technical provisions

No material changes have arisen in the assumptions made in the calculation of technical provisions in the period.

D.3 Other liabilities

Solvency II Other Liabilities

As at 31 December 2018 £'000

	Assurant Europe	AGIL	ALL
Insurance creditors, reinsurance creditors and trade payables.	51,649	10,792	1,690
Subordinated loan notes included in basic own funds	33,259	-	-
Other liabilities	41,209	12,770	45
Total Other Liabilities	126,118	23,562	1,735

Solvency II Other Liabilities

As at 31 December 2017 £'000

	Assurant Europe	AGIL	ALL
Insurance creditors, reinsurance creditors and trade payables.	51,512	8,196	528
Subordinated loan notes included in basic own funds	33,115	-	-
Other liabilities	35,364	11,792	148
Total Other Liabilities	119,991	19,988	676

Financial Statements Other Liabilities
As at 31 December 2018 £'000

	Assurant Europe	AGIL	ALL
Insurance creditors, reinsurance creditors and trade payables.	51,649	10,792	1,690
Subordinated loan notes included in basic own funds	33,259	-	-
Other liabilities	43,078	12,770	45
Total Other Liabilities	127,986	23,562	1,735

Financial Statements Other Liabilities
As at 31 December 2017 £'000

	Assurant Europe	AGIL	ALL
Insurance creditors, reinsurance creditors and trade payables.	51,512	8,196	528
Subordinated loan notes included in basic own funds	33,115	-	-
Other liabilities	40,226	11,792	-
Total Other Liabilities	124,853	19,988	528

Deferred tax liabilities

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income. These timing differences arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions.

Deferred tax is measured using tax rates that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Deferred tax liabilities are recognised on the same basis for SII and in the financial statements. However valuation differences between SII and the financial statements, upon which the tax is calculated, for technical provisions and in respect of other assets and liabilities give rise to differences between the amounts reported.

The deferred tax liability in the Assurant Europe proforma consolidated financial statements relates to deferred tax recognised in respect of goodwill and intangibles arising on consolidation that are being amortised to the UK GAAP profit and loss account over those assets' useful economic lives of up to 10 years. As the assets only arise on consolidation they are not taxable and therefore give rise to a timing difference. Under SII the goodwill and intangible assets are valued at zero and therefore no deferred tax timing difference arises.

Deferred tax liabilities in the Assurant Europe SII balance sheet arise due to the tax impact of the other SII valuation adjustments.

Subordinated loans included in basic own funds

AGL has issued subordinated loan notes to an intermediate parent company, outside of the European supervised group.

The loan notes are valued under SII at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction. When valuing liabilities, no adjustment to take account of the own credit standing of the issuer is made. In the financial statements the loan notes are valued at amortised cost.

The subordinated loan notes qualify as Tier 2 basic own funds. Further details of the notes and the repayment during the year are given in Section E.1.

Insurance and Intermediary Payables, Trade Payables and Other Liabilities

For SII, liabilities other than technical provisions are valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction. When valuing liabilities, no adjustment to take account of the own credit standing of the issuer is made. In the financial statements, liabilities are valued at amortised cost.

There are no material differences between the valuation bases, methods and main assumptions used by Assurant Europe, AGIL or ALL for the valuation for solvency purposes and those used for the valuation in the relevant financial statements. The small differences in respect of Other Liabilities relates to reinsurance deferred acquisition costs which are valued at zero for SII (refer also to disclosure in respect of deferred acquisition costs in D.1.)

Other liabilities included above relate to accruals, deferred income and other amounts payable that have not been categorised as insurance or trade payables for the purpose of reporting.

Assurant Europe, AGIL and ALL have no material liabilities under finance leases.

Assurant Europe, AGIL and ALL have no liabilities related to defined benefit pension schemes.

Changes to the recognition and valuation bases

There have been no material changes to the recognition and valuation bases in the reporting period.

D.4 Alternative methods for valuation

No alternative methods of valuation have been used.

D.5 Any other disclosures

There are no material differences between the valuation bases for the consolidated information provided for Assurant Europe group and those used for the solo entity information for AGIL and ALL.

E Capital management

E.1 Own funds

Capital Management Policy

The group internal capital target is to hold the Pillar 1 SCR, or the requirement identified during the ORSA process if higher, plus a Board approved buffer. Separate buffers are set for AGL group, AGIL and ALL. The buffers to be held are set annually, having regard to the results of stress tests applied to projections over the three year planning period. The Board will also consider whether any subordinated loans should be repaid or dividend made to remit any surplus capital above the target to AGL's parent or to release capital out of the insurance firms for use elsewhere in the group.

The Group's, AGIL's and ALL's capital positions are formally assessed quarterly, and reported to the ARCC, to ensure that own funds continue to meet the targets set.

Own Funds

Available own funds for AGL, AGIL and ALL comprise:

As at 31 December 2018	Assurant Europe	AGIL	ALL
£'000			
Tier 1	72,923	76,362	7,462
Tier 2	33,259	-	-
Tier 3	4,356	2,794	-
Available Own Funds	110,538	79,156	7,462

As at 31 December 2017	Assurant Europe	AGIL	ALL
£'000			
Tier 1	79,133	87,772	8,037
Tier 2	33,115	-	-
Tier 3	3,635	1,010	-
Available Own Funds	115,883	88,782	8,037

Tier 1 own funds have three components: share capital, share premium and the reconciliation reserve. The reconciliation reserve comprises retained earnings and other distributable reserves as per the financial statements adjusted for SII valuation differences.

Only AGL has any Tier 2 own funds that are made up of subordinated loans issued to ABI International, an intermediate holding company of AGL. The loans are subordinate to the claims of policyholders of the Group, available to absorb losses, have a minimum term of at least 10 years and no contractual repayment within the first 5 years. Interest is payable annually. No principal or interest is repayable if

AGL is in breach of the group SCR or if payment would result in a breach. The change in value in the year arises on the revaluation of the Euro denominated loan.

Tier 3 capital comprises deferred tax assets relating to timing differences and unutilised tax losses that are expected to be recovered against future taxable profits.

Available own funds for Assurant Europe reduced £5,345,000 during the year due to the adverse performance of the group as described in Section A leading to a decrease in net assets. AGIL available own funds were £9,626,000 below prior year. ALL available own funds were £575,000 below prior year.

The amount of Tier 2 and Tier 3 own funds that are eligible to be set against the SCR is restricted to 50% of that requirement.

Eligible own funds for AGL, AGIL and ALL comprise:

As at 31 December 2018	Assurant Europe	AGIL	ALL
£'000			
Tier 1	72,923	76,362	7,462
Tier 2	33,259	-	-
Tier 3	2,258	2,794	-
Eligible Own Funds	108,440	79,156	7,462

As at 31 December 2017	Assurant Europe	AGIL	ALL
£'000			
Tier 1	79,133	87,772	8,037
Tier 2	33,115	-	-
Tier 3	3,336	1,010	-
Eligible Own Funds	115,584	88,782	8,037

Eligible own funds for Assurant Europe have reduced during the year due as described for available own funds above. The Eligible own funds for AGIL and ALL are the same as available own funds.

MCR Eligible Own Funds by Tier:

As at 31 December 2018	Assurant Europe	AGIL	ALL
£'000			
Tier 1	72,923	76,362	7,462
Tier 2	5,011	-	-
Tier 3	-	-	-
Eligible Own Funds	77,933	76,362	7,462

As at 31 December 2017

£'000	Assurant Europe	AGIL	ALL
Tier 1	79,133	87,772	8,037
Tier 2	4,903	-	-
Tier 3	-	-	-
Eligible Own Funds	84,035	87,772	8,037

Eligible own funds for AGL Group to meet the MCR are £77,933,000 in 2018 (2017: 84,035,000).

The main differences between equity as shown in the proforma or audited financial statements and the excess of assets over liabilities as calculated for solvency purposes are shown in the table below:

As at 31 December 2018

£'000	Assurant Europe Proforma	AGIL Audited	ALL Audited
Equity per financial statements	102,308	78,000	7,462
Valuation of goodwill and intangibles	(19,829)	-	-
Difference between the valuation of technical provisions on a UK GAAP basis and under Solvency II	6,625	2,364	-
Other valuation differences	(2,517)	(970)	-
Deferred tax adjustment	980	(239)	-
Excess of assets over liabilities for solvency purposes	87,567	79,156	7,462

As at 31 December 2017

£'000	Assurant Europe Proforma	AGIL Audited	ALL Audited
Equity per financial statements	131,131	87,998	7,996
Valuation of goodwill and intangibles	(45,274)	-	-
Difference between the valuation of technical provisions on a UK GAAP basis and under Solvency II	5,727	1,621	41
Other valuation differences	(7,216)	(653)	-
Deferred tax adjustment	3,563	(184)	-
Excess of assets over liabilities for solvency purposes	87,931	88,782	8,037

Other valuation differences relate to differences between assets and liabilities valued on a Solvency II basis or on a financial statements basis as discussed in sections D.1 and D.3.

Group own funds are calculated on an accounting consolidation basis. There are no items included in Group own funds that are issued by an undertaking other than AGL, the group insurance holding company.

No deductions are applied to own funds and there are no significant restrictions affecting their availability and transferability.

Neither the Group's nor the SII firms' own funds are subject to transitional arrangements and none have ancillary own funds.

E.2 Minimum capital requirement and solvency capital requirement

The SCR and MCR for AGL group, AGIL and ALL as at 31 December 2018 are:

As at 31 December 2018	Assurant Europe	AGIL	ALL
£'000			
Market Risk	10,109	7,281	333
Counterparty Default Risk	20,645	5,598	682
Non-Life Underwriting Risk	46,342	44,192	-
Life Underwriting Risk	333	-	333
Health Underwriting Risk	678	642	68
Sum of risk modules	78,107	57,713	1,417
Diversification between risk modules	(14,960)	(8,009)	(406)
Basic SCR	63,147	49,704	1,010
Operational Risk	7,888	7,494	48
Standard Formula SCR	71,035	57,198	1,059
MCR	25,053	18,313	3,288

As at 31 December 2017	Assurant Europe	AGIL	ALL
£'000			
Market Risk	8,558	5,939	1,320
Counterparty Default Risk	18,141	20,939	2,392
Non-Life Underwriting Risk	50,807	45,591	-
Life Underwriting Risk	537	-	537
Health Underwriting Risk	1,115	1,043	131
Sum of risk modules	79,159	73,513	4,381
Diversification between risk modules	(14,164)	(12,524)	(1,121)
Basic SCR	64,995	60,989	3,260
Operational Risk	7,907	7,532	90
Standard Formula SCR	72,902	68,520	3,349
MCR	24,514	18,129	3,251

The Assurant Europe, AGIL and ALL SCR's are all calculated using the Standard Formula and no undertaking specific parameters or simplifications are used.

The Assurant Europe Group SCR is calculated on an accounting consolidation basis ("method 1") and relates to fully consolidated insurance undertakings, insurance holding companies and other ancillary service undertakings only. There are no components of the Group SCR arising from other entities.

The MCR has been calculated using the linear calculation as set out in the SII Directive and noted in the accompanying QRTs.

Details of the SCR and MCR calculations, including the MCR inputs and floor, are provided in QRTs S.25.01 and S.28.01 in Appendix F.

Assurant Europe's group SCR has reduced £1,867,000 in the year. Underwriting risk has reduced over the reporting period as the focus of the business moves from creditor and multi-year property risk contracts to shorter term Connected Living products, along with reduced future premiums due to the planned transfer of business in the EU. Market risk has increased through the year due to growth in mainland Europe resulting in higher amounts of Euro being held. The MCR is below the floor set in the SII regulation as a percentage of SCR and therefore the requirement decreases in line with the SCR.

AGIL has experienced the same decrease in SCR as a result of the change in business mix, however it has seen a significant decrease in Counterparty default risk following management action to reduce the trading exposure to unrated intercompany counterparties. The MCR for AGIL is the linear MCR and therefore moves in line with the SCR.

ALL's SCR has fallen due to the reduction in technical provisions over the reporting period. However, as the SCR is below the MCR, SCR movements do not affect ALL's capital requirement. The MCR is at the absolute floor required by the SII regulation, which is based in Euros, and only changes when the Eurosterling rates that firms are required to apply in the calculation change, which occurs annually.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

Neither the group, AGIL nor ALL make use of the duration-based equity risk sub-module in the calculation of the SCR.

E.4 Differences between the standard formula and any internal models used

The Standard Formula is used in the calculation of the group SCR and the solo SCR's for AGIL and ALL.

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

During the year there were no instances of non-compliance with either the SCR or MCR for the AGL group, for AGIL or for ALL.

E.6 Any other disclosures

There is no other material information to disclose regarding the capital management of the Assurant Europe, of AGIL or of ALL.

F. Appendices

**Public Group QRTs - Assurant Group Limited, Assurant
General Insurance Limited, Assurant Life Limited**