Solvency II One Year On

One step forward, two steps back

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Why read?

In this joint publication between Autonomous and Willis Towers Watson, we have analysed the Solvency II statements of 31 European insurers in order to highlight the disparate and incomplete state of current disclosures.

Neither the upcoming Solvency and Financial Condition Reports (SFCRs) to be published in May / June nor the long term reformation of IFRS will meet investor needs.

We propose standardised templates to improve Solvency II as a profit performance / cash generation metric.

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Key Findings

Solvency II One Year On: One step forward, two steps back

Solvency II – one step forward

The primary purpose of Solvency II is to provide a clearer picture of capital adequacy for European insurers. In this it has been successful. For investors, the framing of current coverage ratios within the context of upper/ lower bounds provides guidance as to when dividends may be at risk or additional capital might be returned.

Solvency II – two steps back

As a profit performance and cash generation measure current Solvency II disclosures fall short. This is a live issue given the rapidly shrinking publication of useful EV data in Europe and the fact that the reformation of IFRS (new proposals in May) is unlikely to help for many years. Two substantive issues need addressing:

- Because there is no requirement under Solvency II to produce an in-period movement analysis, nor sensitivities, investors do not have a clear picture of free capital generation;
- Solvency II has forced apart the accounting and solvency reporting, making it harder to understand the dividend paying biting constraint.

The current position

With an aggregate Solvency II coverage ratio of 187% at the end of 2016, the industry's current capital position is comfortable. None the less the industry would do well to address the shortcomings of Solvency II before a crisis. In 2008/09 lack of transparency on cash and capital contributed to the sector's implied cost of equity hitting 20%. The peripheral sovereign crisis (2011) and Brexit concerns (mid-2016) support the view that investor confidence in insurance is febrile. Improved transparency should help.

A way forward

In order to aid the investor community, we propose standardised templates for the insurance industry disclosing, inter alia, a movement in Solvency II free surplus, Solvency II sensitivities, and an explanation of whether Solvency II or IFRS is the biting constraint when it comes to cash remittances and dividend paying capacity.

We appreciate that insurers have faced a significant burden to date in preparing Solvency II results and have struggled to have them ready for the normal IFRS year-end reporting timetable. Insurers may consider deferring reporting dates to enable templates to be prepared.

Accounting Obscurity & the Cost of Equity

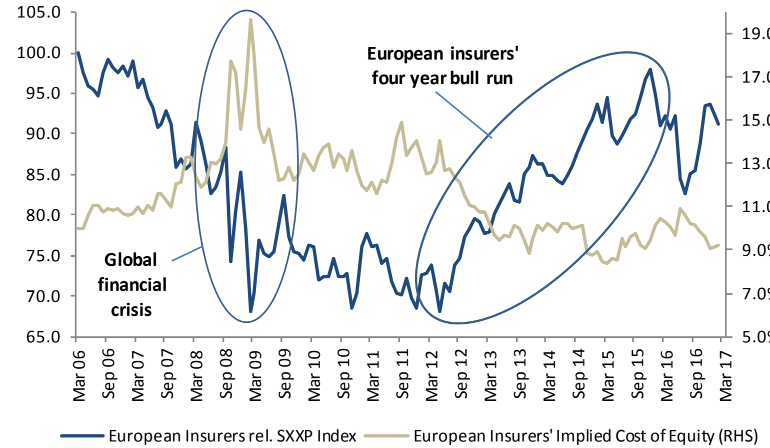
The insurance sector provides its own unique challenges for the generalist investor – two sets of earnings (IFRS & embedded value or EV), three balance sheets (IFRS, EV & Solvency II), a meaningless official cash flow statement and a galaxy of acronyms and industry specific jargon that does little to instil confidence.

In the 2008/09 global financial crisis, when the implied cost of equity (COE) for the sector rose from its usual resting place (~9%) to peak at 20% and again when peripheral sovereign credit blew out in 2011/12 and the implied COE rose to over 14%.

While more stable markets subsequently have seen the sector's implied COE fall back to 9%, there have been more recent reminders that market instability can cause turbulence – European insurance fell16% relative to the broader stock market in mid-2016 in the aftermath of Brexit with the sector's implied COE jumping temporarily above 11%.

Market volatility will always impact a sector with material financial leverage. However, the unprecedented four year run enjoyed by European insurers from the start of 2012 to the end of 2015 was driven by a relentless focus on the sector's cash credentials – the generation of free cash at a divisional level, the remittance of cash to group and the increased payout to shareholders. Over these years, sector operating earnings grew 7% p.a. but dividends were lifted 14% p.a. with the payout ratio increasing from 50% to 60%.

Figure 1: European Insurers' relative share price performance vs. the implied cost of equity, 2006-17



Source: Bloomberg, Autonomous

The cash story ran out of steam last year, with interest rates slowly eroding operating earnings growth and fewer buy-backs lowering the payout ratio and dropping the cost of dividends. There was a second order impact – cash disclosure went backwards as EV was supplanted by Solvency II disclosures.

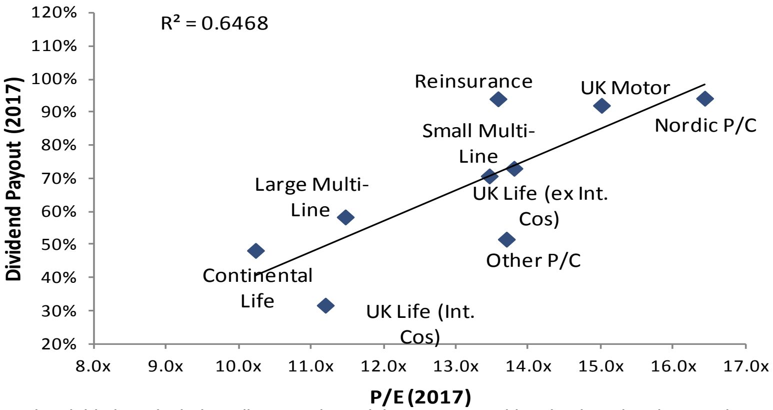
Accounting Obscurity & the Cost of Equity

The connection between cash and valuation in the European insurance sector is shown in Figure 2. Here we have looked at the correlation between the P/E for the nine sub-sectors of the European insurance sector and their dividend payout ratios. In broad terms the P/E should be a function of the potential for earnings growth offered by a company (together with the attendant risks).

From a finance theory perspective, the more that is paid out in dividends, the less that is invested back into the business to generate growth. Thus companies with high payouts usually trade on lower P/Es than those that return less to investors and deploy capital back into the business.

It is counter-intuitive to see the five high payout insurance sub-sectors (87% payout) on a 14x multiple versus 11x for the four sub-sectors with a more normal (52%) payout.

Figure 2: Within the European insurance sector - correlation between P/Es and dividend pay-outs for 2017



Note: the yields here include ordinary and special payments and buy-backs related to earnings.
Source: Autonomous

We conclude that a clear explanation of the 'investor story' in cash terms with a more coherent link between IFRS, EV and Solvency II is essential to sustaining the sector rating.

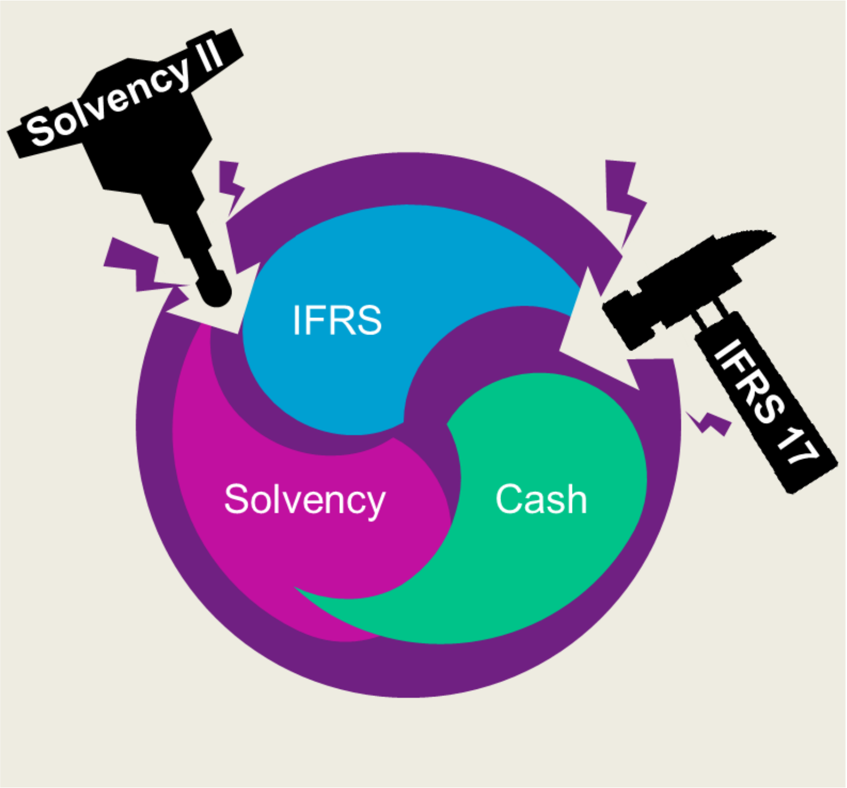
Insurance accounting today

IFRS 4 (Phase I) – a holding position

In 1997 the predecessor of the International Accounting Standards Board (IASB) launched an insurance contracts accounting standards project. In 2002 this was split into two: a Phase I holding position involving enhanced disclosure requirements and Phase II, a comprehensive framework for insurance accounting. In March 2004 the IASB issued IFRS 4 which permitted the continuation of many practices subject to minimum requirements. Separately the IASB issued *IAS 39 Financial Instruments: Recognition and Measurement* which encouraged fair value measurement but enabled amortised cost to be used.

In its wake there was little symmetry within the balance sheet between the asset side and the liabilities, little consistency across national boundaries and, indeed, little consistency even within multi-nationals. Some companies advised analysts to ignore IFRS accounting.

However the old world of IFRS Phase I accounting (and its predecessor) had one key advantage - the close relationship between local accounting practices, local regulatory rules and cash emergence. In most European countries local regulatory reserves were based on local GAAP reserves; in the UK and Ireland local GAAP reserves were based on local regulatory reserves.



Ironically, the political desire for global consistency for accounting and regulation has led to less consistency within each country between local accounting and local regulation, complicating the cash generation story.

Insurance accounting today

IFRS 17 (Phase II) – not the final answer

The IASB has been soldiering on with comprehensive reform for both asset and liability measurement. For insurance liabilities, the IASB lost FASB (the US body) in 2014. Now no longer to be implemented on a global scale, the IASB has published its asset-side standard IFRS 9 (recognition and measurement of financial instruments) effective 2018 and this May is expected to publish a new Insurance Contracts accounting standard (IFRS 17).

While all other industries must adopt IFRS 9 next year, a carve out for insurers means that mandatory implementation for them (of both IFRS 9 and 17) has been delayed until 2021, one quarter of a century after the project was started.

Not that one should regard IFRS 4 Phase II as a final answer to all our prayers. Aviva's CEO recently described it as "the [expensive] answer to the question nobody is asking." Indeed the central tenet of IFRS 17 – no 'day one' profit – presents a hugely more conservative approach to profit recognition than currently exists and will doubtless give rise to a new round of supplementary disclosures to return us to where we were before.

IFRS 17 may enable better investor engagement:

- In the medium term, the IFRS 17 development will increase the pressure on EIOPA/ European Commission to simplify the Solvency II balance sheet and improve alignment with the accounting more generally.
- In the longer term, once IFRS 17 is embedded around the world, the insurance industry might attract a wider generalist investor pool that struggles today to understand why there is such different accounting in different countries.

However, in the next 5-7 years we do not think IFRS 17 represents a solution to the challenges set out in this paper as:

- The effective date is 2021;
- The new standard is complex (being a hybrid between book and market value accounting) with a new income statement, so will take time for users to understand;
- Where existing IFRS remains a good proxy for cash available to meet dividends, the onset of IFRS 17 will likely break this link, creating further communication challenges.

In principle, we believe a going concern forward-looking accounting measure can underpin both accounting (IFRS 17) and regulatory (Solvency ll) approaches, with all the differences lying in a separate Contractual Service Margin and Solvency Capital Requirement respectively.

Insurance accounting today

Historical development of EV / free capital

Not surprisingly, analysts and investors, and even some companies, avoided focusing too heavily on IFRS when it first came into effect. Observers' first port of call for life insurers was embedded value, at the time undergoing its first attempt at rigour under the CFO Forum's European Embedded Value (EEV) Principles and thereafter Market-Consistent Embedded Value (MCEV) Principles. Embedded value originated as a European concept.

While it remains critical for framing life insurance M&A transactions, EV adoption in public markets has not been all embracing, even outside the US. Until now its strongholds have been Europe, Asia-Pacific, Canada and South Africa. In particular, Asia-Pacific is a key consumer of EV data, investors and analysts alike using it as the key valuation metric for the companies, in a similar way that Europeans did fifteen years ago. However in Europe its external disclosure and usage is waning.

EV derived cash/ free capital metrics have become an anachronism in the Solvency II world. The operative word 'free' is governed by one's definition of what is 'required'.

Required capital as defined in the CFO Forum EEV/MCEV Principles is the minimum of local regulatory requirements (Solvency II SCR for EU insurers) and capital required to meet a company's own solvency targets so that companies can lock in more than 100% SCR in a Solvency II world.

Globally, insurers publish EVs totalling around US $1 trillion

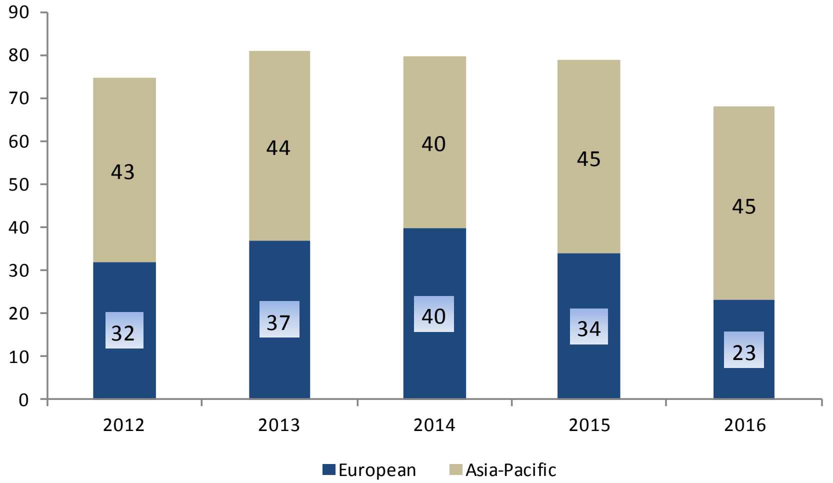
Insurance accounting today

Recent demise of EV reporting in Europe

When looking at the reasons for dropping EV disclosures in recent years, a number have emerged:

- The perception by companies that Solvency II provides similar information to EV;
- The onset of Solvency II has significantly increased the burden faced by insurers, with voluntary information cut back as a result;
- Some insurers have refocused as investment firms, with insurance-specific non-GAAP measures reduced as a result;
- Some insurers have introduced IFRS sources of profits analysis, which can be used as a guide to estimating expected future IFRS profits.

Figure 3:
Number of Companies Reporting EV (by HQ of company)



Source: Willis Towers Watson, Autonomous

A number of firms have continued with Value of New Business written (VNB) reporting while dropping EV reporting, which means there is no ability to judge over time whether the previously reported VNB converts into cash remittances.

Insurance accounting today

Recent demise of EV reporting in Europe

Within Europe, both the usefulness of EV disclosures and the number of EV reporters have significantly reduced in recent years. A revised set of EEV/ MCEV Principles was issued in May 2016 which permits firms reporting under Solvency II to use the same basis to determine the embedded value.

Crucially, in these revised EEV/ MCEV Principles, companies were given greater flexibility regarding the information to be disclosed – prescription has been replaced by 'examples of possible disclosures'. The most important areas where companies have been released from their previous disclosure obligations are:

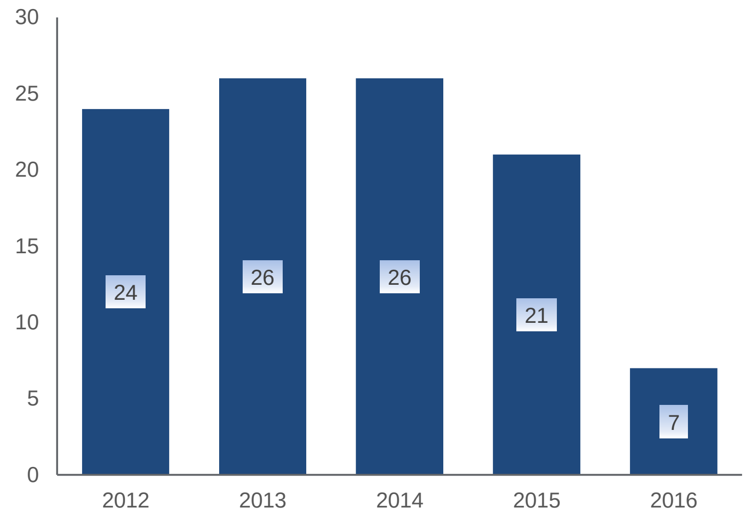
(a) a group EV calculation;

(b) reconciliation with IFRS equity;

(c) the analysis of earnings template that forced companies to reconcile the starting and ending free surplus, required capital and in-force value separately.

It was from this latter template that the cash/ free capital disclosures could be derived.

Figure 4:
Number of European insurers showing EV free surplus analysis



Source: Willis Towers Watson, Autonomous

As a method of deriving cash/free surplus analysis, in Europe too few companies are now publishing for this to be effective

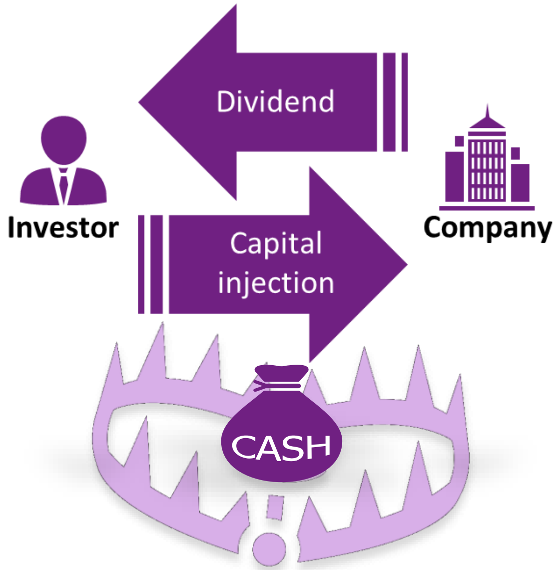
Current State of Solvency II Disclosures

Biting constraints on cash remittance under Solvency II

The issue of what prevents cash being remitted from subsidiaries to the group level is one that has come into sharp focus for shareholders and analysts in recent years. Indeed for those large and diverse European groups that gave EV information on a geographical basis, the dividends up to and down from group level was always a revealing disclosure.

With the advent of Solvency II potential capital and dividend traps could look very different across the insurance industry compared to the old certainties of the Solvency I regime. This is due to:

- Group and solo Solvency II requirements, with each entity required to demonstrate that Own Funds exceed the Solvency Capital Requirement (SCR), with tiering restrictions and company-imposed buffers applying as well;
- Legal restrictions in some countries around distributing profits greater than accounting retained earnings, meaning that for some firms existing IFRS remains the biting constraint for distributable cash.



We now have a lack of clarity as to whether it is IFRS or Solvency II that is the biting constraint when it comes to generating distributable profits. Different companies will have different biting constraints, and within each company different subsidiaries may have different biting constraints. There is added complication that subsidiaries may report on local GAAP (potentially different to IFRS) and local GAAP may be the biting constraint on being able to remit cash to the group centre. While companies could simplify their company structures to help, this will take time.

Current State of Solvency II Disclosures

Other Issues arising from Solvency II

Asset Liability Management

For firms themselves, the differences between IFRS and Solvency II create a capital management issue – which is the primary metric the firm manages to?

When it comes to Asset Liability Management (ALM), firms have a choice of targeting a smooth IFRS profit profile, a smooth Solvency II free surplus generation profile or a smooth Solvency II balance sheet. It is very challenging to manage to more than one metric. The stated risk appetite of insurers does not always make the priority metric clear.

Complexity of model

The complex capital requirement model (whether Standard Formula or Internal Model) makes it harder for users (both investors and management) to understand the current capital position and how it moves over time. Certain movements can be counter intuitive for those more used to Solvency I.

- This in turn makes it harder to project the Solvency II balance sheet / SCR and be confident about the future capital generation of in-force business;
- In addition, the complexity can lead to significant senior management time dedicated to understanding and managing the Solvency II position, distracting insurers from investing in other important initiatives.

Current State of Solvency II Disclosures

Will Solvency II SFCRs help?

SFCR disclosures are coming for the first time this year, with a deadline of 19 May for solo firms and 30 June for Group disclosures, with prescribed tables (known as Quantitative Reporting Templates or QRTs) that will need to be published. Will this new information help investors?

Feature	Benefit	Useful for investors?
Solo focus	✓	Highlights potential blockages in divided paying capacity
Capital ratios	(✓)	Clear interest in capital positions, but additional information required to understand impact of non-shareholder sources of capital
Transitional	(✓)	For UK firms (main users of transitionals), impact needs comparing against risk margin and explanation how the two run off
Matching Adjustment Volatility Adjustment	✗	Impact shown against theoretical "swaps less" rate, more interesting would be comparing against full yield on assets backing liabilities
EPIFP	✗	Unclear definition and purpose in Solvency II

Disclosures: A Proposed Way Forward

This section proposes templates summarising key elements of Solvency II and commercial implications for investors, intended for companies' preliminary results rather than May/June. We recognise that companies have been overwhelmed by the sheer weight of regulatory reporting required for Solvency II and that, of necessity, voluntary disclosures have taken second place. A few weeks' delay in reporting timescales may help in this process.

Suggested templates for disclosure:

- The first two – a standardised template for disclosing Own Funds (Figure 5 page 14) and the SCR (Figure 6 page 15) - are largely an attempt to establish uniformity of disclosure at the time of the preliminary results. All this information should eventually be revealed within the QRTs. Thus there is no additional information being requested here.
- Disclosure of Solvency II Free Surplus Generation (Figure 7 page 16). We focus on a group level view and follow the approach taken in the CFO Forum's EEV/ MCEV Principles to reconcile the embedded value from period to period. Critical here is the clear demarcation of sustainable elements of free surplus generation and the more variable economic and non-economic elements. Companies will need to decide and disclose whether they measure Solvency II surplus generation against a 100% SCR benchmark or a higher percentage that may reflect the way they manage the capital in the business more realistically.
- A standard set of sensitivity tests (page 17), again similar to that found within the CFO Forum's EEV/ MCEV Principles. This would involve a common set of tests, with a consistent high/ low range (e.g. +100bps/ -100bps on risk free rates with no floor at zero) and a standardised approach to applying the sensitivity.
- Finally, in recognition of the fact that Solvency II is not always the binding constraint on remitting cash to group, we have proposed a template (Figure 8 page 18) to explain how subsidiary/ divisional remittances to group level compare with central costs and the dividend. This template also shows a divisional comparison of Solvency II free surplus generation, IFRS earnings and, where different, local GAAP, to help explain the dividend paying biting constraint.

These templates are intended to stimulate a wider debate with the insurance industry in the hope that, for the 2017 year preliminary reporting, we will have a more complete and consistent set of Solvency II disclosures from which we will be able to derive a better understanding of Solvency II free surplus generation, and of the cash and dividend paying capabilities of each company.

Disclosures: A Proposed Way Forward

Figure 5: Suggested Template for Disclosure of Own Funds Data

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier3
Basic Own Funds					
Equity Own Funds (net of minorities & div. accrual)					
- Gross Value	X	X	X	X	X
- Less Non-available Element at Group Level	X	X	X	X	X
- Qualifying Element at Group Level	X	X	X	X	X
Hybrid Debt (pref & subordinated)					
- Gross Value	X		X	X	X
- Less Non-available Element at Group Level	X		X	X	X
- Qualifying Element at Group Level	X		X	X	X
Deferred Tax Assets					
- Gross Value	X		X	X	X
- Less Non-available Element at Group Level	X		X	X	X
- Qualifying Element at Group Level	X		X	X	X
Total Basic Own Funds					
- Available	X	X	X	X	X
- Eligible	X	X	X	X	X
Ancillary Own Funds	X			X	X
Deductions from Basic Own Funds					
- Non-regulated & Other Financial Sectors	X	X	X	X	X
- Those using Deductions & Aggregations Approach	X	X	X	X	X
- Total Deductions	X	X	X	X	X
Own Funds - before deductions					
- Available	X	X	X	X	X
- Eligible	X	X	X	X	X
Own Funds - after deductions					
- Available	X	X	X	X	X
- Eligible	X	X	X	X	X
Disclosure Note					
- Transitionals Impact within Own Funds	X	X			

Source: EIOPA, Autonomous, Willis Towers Watson

Disclosures: A Proposed Way Forward

Figure 6: Suggested Template for Disclosure of SCR & Technical Provision

Gross Technical Provisions	**Best Estimate**	**Risk Margin**	**Total**
Non-Life	x	x	x
Health			
- Short-Term	x	x	x
- Long-Term	x	x	x
Life			
- Traditional	x	x	x
- Unit-/ Index Linked	x	x	x
Solvency Capital Requirement (SCR)			
Split by Risk Type			
Market Risk			
- Interest Rate	x		
- Credit Spread	x		
- Equity	x		
- Real Estate	x		
- Currency	x		
- Inflation	x		
- Other	x		
- Sub-Total	x		
Counterparty Default Risk			
Life Underwriting Risk	x		
Health Underwriting Risk	x		
Non-Life Underwriting Risk	x		
Operational Risk	x		
Other Risk	x		
Total	x		
Calculation of the SCR			
Undiversified SCR under Consolidated Method	x		
Diversification	x		
(as % of undiversified)	(x%)		
Sub-total	x		
SCR for undertakings included under D&A	x		
Capital Requirement for Other Financial Sectors	x		
Total SCR	x		
Disclosure Note			
LAC-DT Impact on SCR	x		
Transitionals Impact within SCR	X		

Source: EIOPA, Autonomous, Willis Towers Watson

Disclosures: A Proposed Way Forward

Figure 7: Suggested Template for Disclosure of Solvency II Free Surplus

	Free Surplus (= Own Funds minus SCR or higher)	Group SCR (or internal target if higher than SCR)	Basic & Ancillary Own Funds (incl. other financial sectors & D&A undertakings)				Reconciliation to EV (voluntary)	
			Tier 1 Un-restricted	Hybrid Debt (T1R, T2, T3)	DTAs	Total	Additional In-force Value	Group EV
Opening Balance	X	X	X	X	X	X	X	X
Opening Model Adjustments	X	X	X	-	X	X	X	X
Extraction of Items that obscure the S/H View								
- Occupational Pension Schemes in Surplus	X	X	X	-	X	X	-	X
- Fully Ring-fenced Funds	X	X	X	-	X	X	-	X
Adjusted Opening Balance (S/H view)	X	X	X	X	X	X	X	X
New Business Impact	X	X	X	-	X	X	X	X
Expected In-Force Return	X	X	X	-	X	X	X	X
(of which Transfers from Locked-in Capital to Free Surplus)	X	X	X	-	X	X	X	X
Non-economic Experience Variances & Operating Ass. Chge	X	X	X	-	X	X	X	X
Operating Impact	X	X	X	-	X	X	X	X
Capital Management Actions	X	X	X	-	X	X	X	X
Economic Impacts	X	X	X	X	X	X	X	X
Other Non-Operating Impacts								
- Foreign Exchange	X	X	X	X	X	X	X	X
- Acquired/ Divested Businesses	X	X	X	X	X	X	X	X
- Other	X	X	X	-	X	X	X	X
Capital & Dividend Flows								
- New Equity/ Debt Raised	X		X	X	X	X	-	X
- Dividends (including accrual)	X		X	-	X	X	-	X
Closing Balance (available)	X	X	X	X	X	X	X	X
Tiering & Eligibility Restrictions	(X)	-	-	(X)	(X)	(X)	-	-
Closing Balance (eligible)	X	X	X	X	X	X	-	-

Source: Autonomous, Willis Towers Watson

Disclosures: A Proposed Way Forward

Standard sensitivities

It would be helpful if a prescribed approach to sensitivity disclosure could be agreed with a minimum set of sensitivities to be tested. Again the CFO Forum EEV/ MCEV Principles provide a good guide. We would suggest the following:

Form of disclosure

- Sensitivities should be disclosed on own funds and SCR separately, both as a monetary amount and a % of own funds/ SCR;

Economic sensitivities - prescribed

- **Interest Rate Sensitivity** – +100bps and -100bps p.a. parallel shift in the reference rates with associated impacts on most other economic assumptions and their consequent movements. On the downside interest rate scenario, the sensitivity should allow for negative interest rates (unlike the prescription in the EEV/ MCEV Principles);
- **Equity Market Sensitivity** – a +/- 10% impact on equity capital values without a corresponding fall/ rise in dividend yields;
- **Corporate Bond Spread Sensitivity** – a +/- 100bps shift in the spreads. Rather than assuming a parallel shift, a more realistic approach (adopted by L&G) is to assume the stress on AA bonds is twice that of AAA bonds, for A bonds it is three times, for BBB bonds four times and so on, such that the weighted average spread stress for the portfolio is 100bps;
- **Credit Migration** – again pioneered by L&G and adopted by Aviva, this stress covers the cost of an immediate big letter downgrade (from, say, A to BBB) on ~20% of the corporate bonds, equivalent to 3x the normal level of migration expected in a 12 month period;

Economic Sensitivities – only if material

- **Sovereign Spread Sensitivity** – a widening of 100bps in Sovereign spreads;
- **Property Market Sensitivity** – a +/- 10% impact on property capital values without a corresponding fall/ rise in rental yields – only to be performed if property is a material element of the balance sheet;
- **Volatility Sensitivity** – only where a material factor because of the existence of options and guarantees, the sensitivity would stress separately a 25% increase in equity/ property implied volatility and a 25% increase in swaption implied volatilities;
- **UFR sensitivity** – to a -100bps narrower UFR;

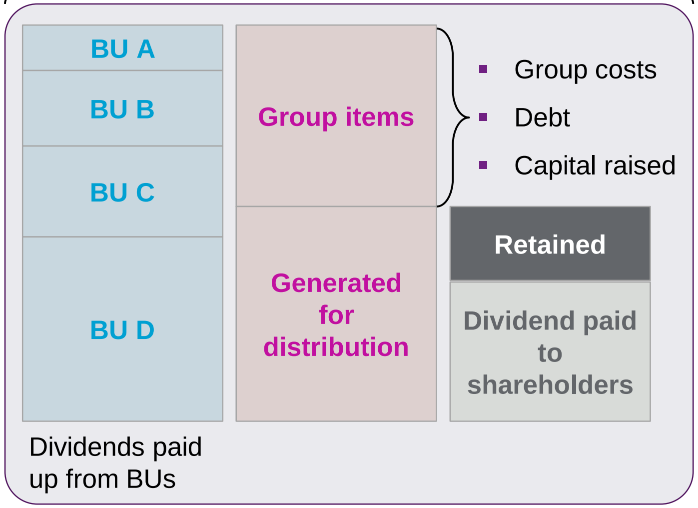
Non-economic sensitivities - prescribed

- **Maintenance Expenses** – a -10% decrease in maintenance costs;
- **Persistency** – a -10% decrease in lapse rates;
- **Mortality/ Morbidity** - -5%/+5% movement in base mortality & morbidity disclosed separately for life and annuity business;

Disclosures: A Proposed Way Forward

Figure 8: Suggested template communicating dividend paying constraints

IFRS segment*	Dividends paid	Main constraint on dividends**	IFRS profit	Free surplus generation
A				
B				
C				
Group				



Metrics should (where possible) be reported on the same level of granularity to aid users

* Business unit or legal entity, as appropriate for company taking into account where there may be material constraints on dividends
** This could be Solvency II or IFRS, company-specific restriction, or something else

Appendix

Detailed Analysis of
2016 Solvency II Disclosures

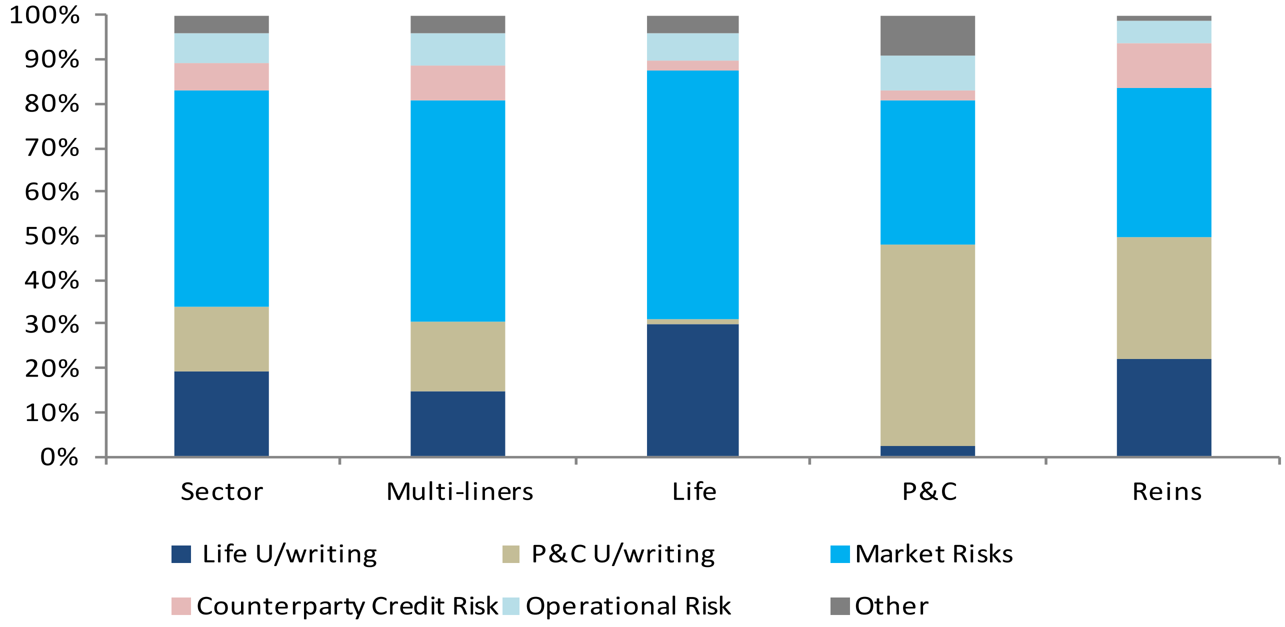
The analysis on the following pages has been conducted by Autonomous Research on the 2016 Solvency II disclosures published as part of normal year-end reporting by the following insurers

Life	Multi-liner	P&C	Reinsurers
Aegon	Ageas	Admiral	Hannover Re
CNP	Allianz	Beazley	Munich Re
Delta Lloyd	ASR	Direct Line	SCOR
JRP	Aviva	Gjensidige	
L&G	AXA	Mapfre	
Old Mutual	Generali	RSA	
Phoenix	NN	Sampo	
PIC	PZU	Topdanmark	
Prudential		Tryg	
St James's Place			
Standard Life			

Current State of Solvency II Disclosures

Figure 9: Split of SCR by Broad Risk Types,

31 December 2016 (23 of 31 firms)

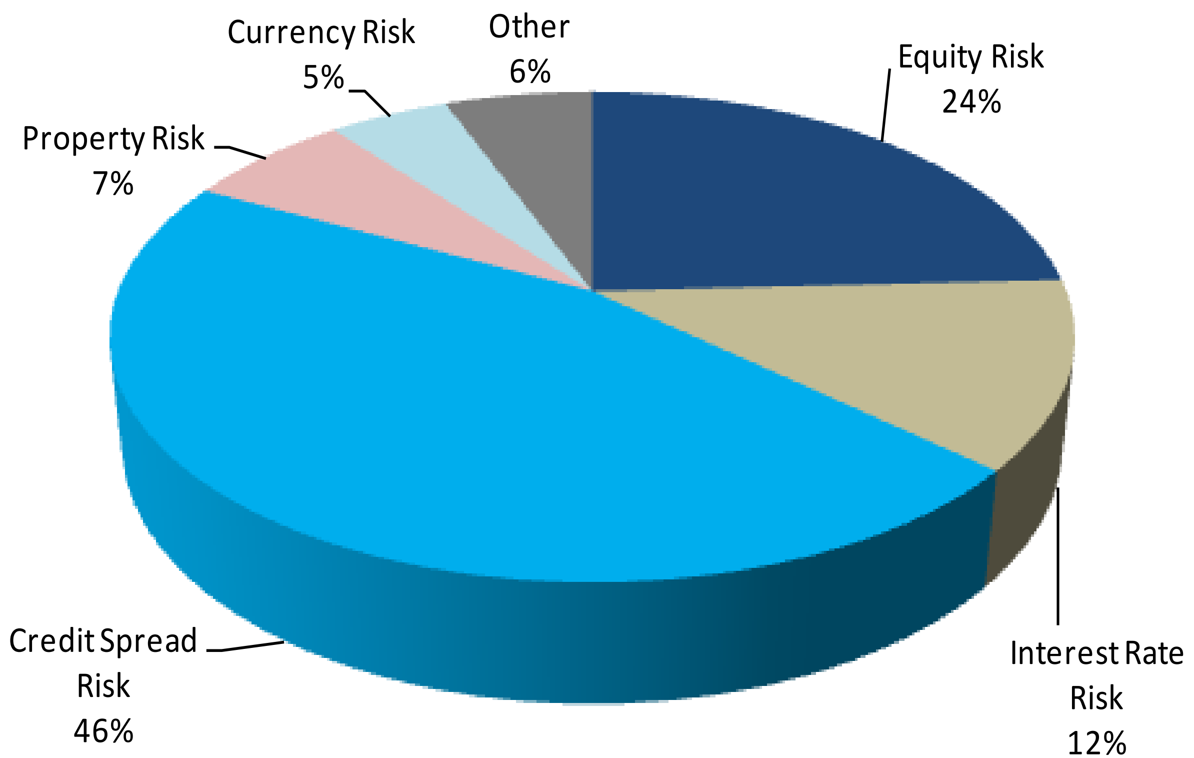


Source: Company Data, Autonomous

Current State of Solvency II Disclosures

Figure 10: Split of Market Risks within SCR,

31 December 2016 (10 firms)

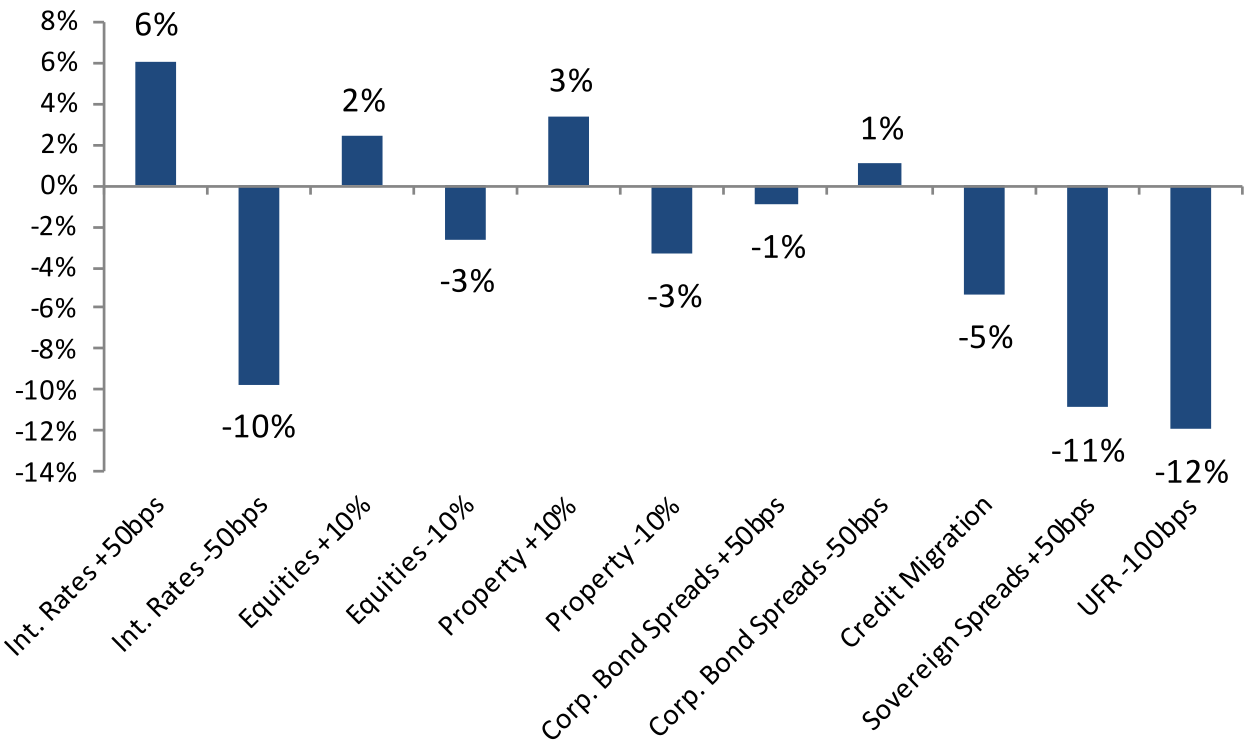


Source: Company Data, Autonomous

Current State of Solvency II Disclosures

Figure 11: Solvency II Surplus Sensitivities,

31 December 2016

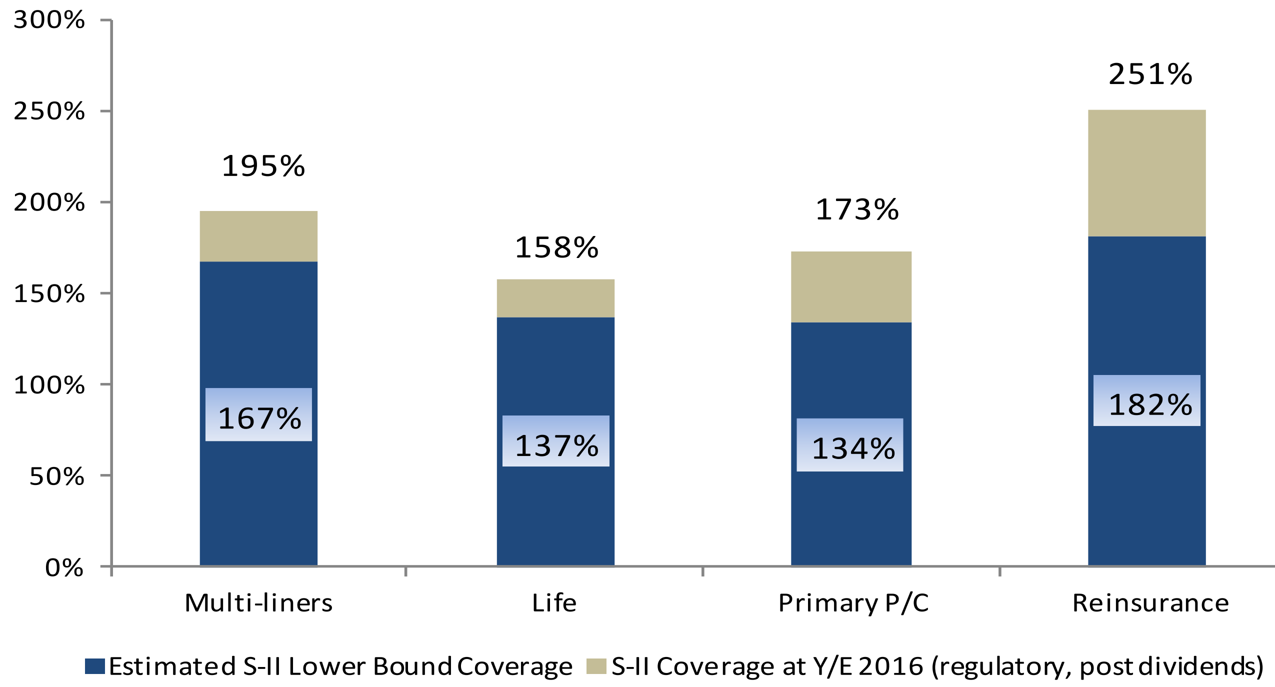


Source: Company Data, Autonomous

Current State of Solvency II Disclosures

Figure 12: Solvency II Coverage / Estimated Lower Bounds,

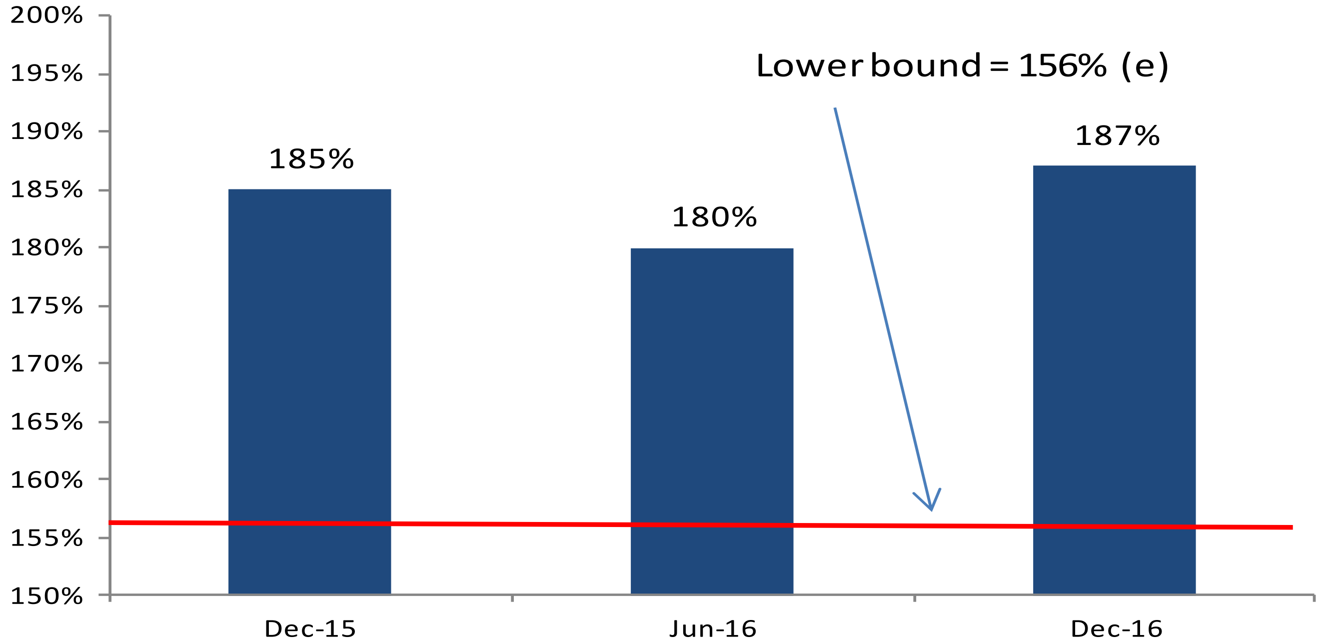
31 December 2016



Source: Company Data, Autonomous

Current State of Solvency II Disclosures

Figure 13: Solvency II Coverage Ratios through 2016

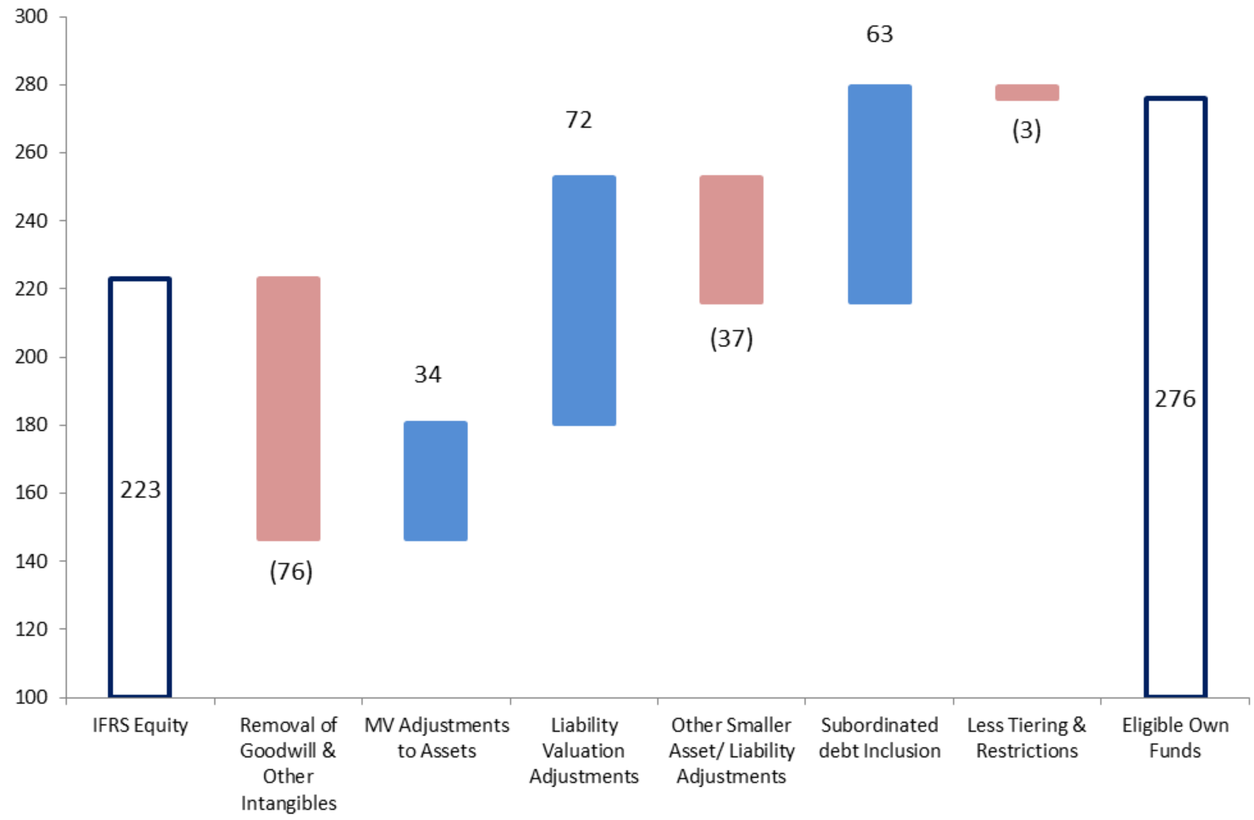


Note: Regulatory basis, post dividend accrual
Source: Company Data, Autonomous

Current State of Solvency II Disclosures

Figure 14: Reconciliation: IFRS Equity to Solvency II Eligible Own Funds

31 December 2016 (17 firms)



Source: Company Data, Autonomous

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