SPINNAKER BIDCO LIMITED

SOLVENCY AND FINANCIAL CONDITION REPORT

Reporting Period 2018

Date of publication: 3 June 2019

50 Cannon Street

London

EC4N 6JJ

CONTENTS

EXECUTIVE SUMMARY

Spinnaker Bidco Limited ("**Spinnaker**") is an EEA insurance holding company whose subsidiaries carry on insurance and related activities (Spinnaker and its subsidiaries hereinafter referred to as the "**Group**"). The only insurance entity in the Group is Aetna Insurance Company Limited ("**AICL**"), which is an insurer licensed in the United Kingdom. The other significant entity within the Group is a regulated insurance mediation company, Aetna Global Benefits (UK) Limited ("**AGBUK**"), in the United Kingdom, whose principal activity in 2018 was to service the insurance business of AICL.

The current harmonised European Union regulatory regime for insurance companies, known as Solvency II, came into force with effect from 1 January 2016. This report is the third Solvency and Financial Condition Report ("**SFCR**") that Spinnaker has been required to publish under the Solvency II regime. This report covers the following in relation to the Group during the reporting period 1 January 2018 to 31 December 2018 (the "**Reporting Period**"): its Business and Performance, its System of Governance, its Risk Profile, its Valuation for Solvency Purposes and its Capital Management. The Group reports its financial results in United Stated Dollars ("**USD**" or "**$**") and the figures stated herein are accordingly USD.

Business of the Group during 2018

The Group forms part of the Aetna International division ("**Aetna International**") of the Aetna Inc. Group of companies (**"Aetna Group"**). On the 28th November 2018, the shareholders of the Group's ultimate parent, Aetna Inc, a company incorporated and domiciled in Pennsylvania, USA completed a share sale agreement with CVS Pharmacy Inc for the sale of Aetna Inc. As such, the Group's ultimate parent is now CVS Health Corporation, a company incorporated in Delaware, USA.

The Group supports the Aetna International strategy to provide international private medical insurance ("**IPMI**") contracts to individuals and groups throughout the global market including Europe, the Middle East, Asia and Africa. The Group's support for the Aetna International strategy is effective through the business accepted by AICL, which includes business written on a direct basis and also on a reinsurance basis from fronting partners in those territories where AICL is not permitted to write business directly.

All IPMI plans sold by AICL are short term in nature and renewable by invitation on an annual basis.

There are two types of pricing structures:

a) *Community rated*

Community rated products include a pricing structure for a single population, with different price points depending on age and location. These will typically be purchased by individuals and small employer sponsored groups

b) *Experience rated*

Experience rated products are offered to larger employer sponsored groups (100+ employees), where a target claims fund is set by reference to the historical claims experience. The claims funds for each experience rated group is reviewed on an annual basis.

The IPMI plan design includes a common architecture and structure for benefit tables across regional variation of plans sold, which facilitate the performance of claims analytics across the entire Aetna International block of business. The cost of medical treatments can be assessed and compared across the multiple locations, with AICL approving annual premium increases to cover medical cost inflation for the AICL products and/or to correct the AICL's claims exposure for experience rated groups. Premium adjustments are calculated and are effective from the date any changes are made to the number of employees or family members covered under the plan.

Business Performance

This report relates to the Group and in particular, the activities of AICL which is the only Solvency II insurance company in the Group. As noted above, AGBUK services the activities of AICL. The underwriting performance of the Group follows AICL as the sole insurance company within the Group.

The earned revenue for the year was $284.6m (2017: $239.7m) and the underwriting result was $76.6m (2017: $66.0m). The growth in earned revenue was broadly in line with expectations and the main contributor for the increase in the underwriting result.

Total costs were $130.1m (2017 $106.4m). The main driver for the increased costs was the increase in service entity costs, which included several one-off costs such as investment in Cloud technology and compliance with General Data Protection Requirements, in addition to continued investment in infrastructure and information technology to support the future growth of the business.

The Solvency II technical provisions were $158.2m (2017: $115.2m) and the business volume change was the main driver for the increase in technical provisions. The medical loss ratio for the incurred claims reported in the financial statements was 73.0% (2017: 72.5%).

Capital Management

The Group uses the Solvency II Standard Formula to calculate its Solvency Capital Requirement. This is appropriate given that the only insurance company within the Group, AICL, has a mono-line product and the majority of contracts are renewable on an annual basis. The Group also reviews the capital requirements against capital models from rating agencies and the Spinnaker Board of Directors is satisfied that the Solvency II Standard Formula is, and remains, the most appropriate method for determining the Group solvency requirements.

The Group's Solvency Capital Requirement (under the Solvency II Standard Formula) at 31 December 2018 is $81.3m (2017: $73.8m). The Group has $134.6m of eligible capital resources to meet its Solvency Capital Requirement, providing a surplus of $54.2m and a solvency ratio of 165%. Both metrics are defined by regulations to mean the excess of the Group's eligible own funds over its Solvency Capital Requirement.

Group – Solvency Capital Summary at 31st December 2017	2018 $m	2017 $m
Total eligible Own Funds	134.6	114.9
Standard Formula for Solvency Capital Requirement	81.3	73.8
Surplus	54.2	41.1
Solvency Ratio	**165%**	**156%**

The Aetna Inc. Group agreed to an additional capital injection of $50m in 2018 to support the strategic growth and solvency position of AICL. The AICL board formally requested the capital contribution and authorised the issue of ordinary shares to the immediate parent in exchange for the contribution received of $50m.

The solvency capital requirement increased by 10% between 2017 and 2018 in line with the growth in the business accepted by AICL

Governance

Spinnaker's Board of Directors is responsible for the governance of Spinnaker. However, the governance processes of the Group principally exist within AICL as the sole Solvency II insurance company within the Group and the main operating company within the Group. These are detailed further below. The main source of income for AGBUK is the fees earned for administrating the AICL business. The AICL governance process includes oversight of AGBUK's activities as its service company. Notwithstanding, AGBUK's board of directors are responsible for and oversee its activities.

The AICL Board has responsibility for ensuring that AICL has an effective system of governance. It is responsible for overseeing the conduct of AICL's business and supervising the executive team which is responsible for its day to day management. The Aetna International Group Chief Finance Officer ("**Group CFO**") is a director of the Spinnaker Board of Directors.

The Group uses the risk management framework of AICL to manage its risks given that the primary activity of the Group is the insurance underwritten by AICL and therefore the Group's risk is driven by this. As noted above, in addition to AICL, the other material entity within the Group is AGBUK, which services the insurance business underwritten by AICL and its risks are therefore inherently linked to AICL. The Spinnaker Board of Directors is satisfied that the risk management framework adopted by AICL is appropriate for managing the risks of the Group as a whole. The Group CFO ensures that the AICL risk management framework appropriately considers risks at the AICL and Group level through his roles within the Group.

AICL's risk management system is fully integrated into the strategic planning and annual business plans approved by the AICL Board. The Group Own Risk & Solvency Assessment process provides the Spinnaker Board of Directors with updates on the Group's risk profile and assists it to capital plan over a three-year horizon. A risk scorecard is used to report on risk tolerances and provide the baseline for risk scenario testing.

The Spinnaker Board of Directors is satisfied with the capital management process in place to ensure AICL and the Group meets its regulatory capital requirements and rating agency expectations and that it continues to do so as its business grows.

DIRECTORS' RESPONSIBILITY STATEMENT

The Spinnaker Board of Directors is responsible for the ensuring that this SFCR has been properly prepared in all material respects with the Prudential Regulation Authority rules **("PRA Rules")** and the Solvency II Regulations 2015 (SI 2015/575) **("Solvency II Regulations").**

The Spinnaker Board of Directors is satisfied that:

(a) throughout the Reporting Period to which this SFCR relates, the Group has complied in all material respects with the PRA Rules and the Solvency II Regulations as applicable to it; and

(b) it is reasonable to believe that, at the date of publication of this SFCR, the Group has continued to so comply, and will continue to so to comply in the foreseeable future.

On behalf of the Spinnaker Board of Directors

Damian Connolly

Director

Report of the external independent auditor to the Directors of Spinnaker Bidco 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 Group Solvency and Financial Condition Report

Opinion

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

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report of Spinnaker Bidco Limited Company as at 31 December 2018 ('**the Narrative Disclosures subject to audit"**); and

- Group templates S02.01.02, S23.01.22, S25.01.22, S32.01.22 ('**the Templates subject to audit"**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**Relevant Elements of the Group 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 profile' sections of the Group Solvency and Financial Condition Report;

- Group templates S05.01.02, S05.02.01;

- the written acknowledgement by the Directors of their responsibilities, including for the preparation of the Group Solvency and Financial Condition Report ('**the Responsibility Statement**');

- Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with PRA rules other than those implementing the Solvency II Directive or in accordance with an EU instrument other than the Solvency II regulations. '**the sectoral information'**.

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report of Spinnaker Bidco Limited 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 *Auditor's Responsibilities for the Audit of the Relevant Elements of the Group 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 Group 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.

Emphasis of Matter – special purpose basis of accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report, which describe the basis of accounting. The Group 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 Group 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 Group Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the SFCR is not appropriate; or
- the directors have not disclosed in the SFCR 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 SFCR is authorised for issue.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the Relevant Elements of the Group Solvency and Financial Condition Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Group 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 Group 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 Group 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 Group Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Group 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.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Group Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Relevant Elements of the Group Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the Relevant Elements of the Group Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which it they based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Our objectives are to obtain reasonable assurance about whether the Relevant Elements of the Group Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but 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 Relevant Elements of the Group Solvency and Financial Condition Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities

Report on Other Legal and Regulatory Requirements.

Sectoral Information

In our opinion, in accordance with Rule 4.2 of the External Audit Part of the PRA Rulebook for Solvency II firms, the **sectoral information** has been properly compiled in accordance with the PRA rules and EU instruments relating to that undertaking from information provided by members of the group and the relevant insurance group undertaking.

Other Information

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency I l firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Spinnaker Bidco Limited'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 purpose of our audit work and to whom we owe our responsibilities

This report of the external auditor is made solely to the company's directors, as its governing body, in accordance with the requirement in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency I l firms and the terms of our engagement. We acknowledge that the directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the company's directors and issued in accordance with the requirement set out in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency I l firms and to facilitate the discharge by the PRA of its regulatory functions in respect of the company, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1 (2) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company through its governing body, for our audit, for this report, or for the opinions we have formed.

William Greenfield.

William Greenfield for and on behalf of KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL
31 May 2019

- The maintenance and integrity of Aetna international's 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 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.

Appendix – relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit

Group standard formula

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of Group template S.22.01.22
  - Column C0030 – Impact of transitional measures on technical provisions

- The following elements of Group template S.23.01.22
  - Rows R0410 to R0440 – Own funds of other financial sectors

- The following elements of Group template S.25.01.22
  - Rows R0500 to R0530 – Capital requirement for other financial sectors (Non-insurance capital requirements)

- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

A. BUSINESS PERFORMANCE

A.1 Business

Company and its subsidiaries

Spinnaker Bidco Limited (hereinafter referred to as “**Spinnaker**”) is a private company limited by shares which is incorporated in England with company number 06078307. Its registered address is 50 Cannon Street, London, EC4N 6JJ, United Kingdom (“**UK**”) and the nature of its business is an insurance holding company.

Spinnaker has the following wholly owned subsidiary companies (Spinnaker and the subsidiaries hereinafter referred to as the “**Group**”):

- **Aetna Holdco (UK) Limited**

  This is a private company limited by shares which is incorporated in England with company number 06030487. Its registered address is 50 Cannon Street, London, EC4N 6JJ, UK and the nature of its business is an insurance holding company.

- **Aetna Insurance Company Limited (“AICL”)**

  AICL is a private company limited by shares which is incorporated in England with company number 05956141. Its registered address is 50 Cannon Street, London, EC4N 6JJ, UK and its principal place of business is 25 Templar Avenue, IQ Farnborough, Farnborough, Hampshire, GU14 6FE, UK. It is a UK authorised insurance company providing international private medical insurance for individuals and groups. AICL also has a branch registered in Singapore.

- **Aetna Global Benefits (UK) Limited (“AGBUK”)**

  AGBUK is a private company limited by shares which is incorporated in England with company number 03554885. Its registered address is 50 Cannon Street, London, EC4N 6JJ, UK and its principal place of business is 25 Templar Avenue, IQ Farnborough, Farnborough, Hampshire, GU14 6FE, UK. It is a UK authorised insurance administrator and service company. AGBUK has branches registered in Singapore and in South Africa.

Regulators

Within the Group there are two UK regulated subsidiaries:

- AICL is a UK insurance company authorised by the Prudential Regulation Authority ("**PRA**") and regulated by both the PRA and the Financial Conduct Authority ("**FCA**") with firm reference number 458505; and
- AGBUK is a UK insurance administrator authorised to carry on insurance mediation activity by the FCA with firm reference number 312279.

The contact details for the PRA and the FCA can be found on their respective websites:

http://www.bankofengland.co.uk/pra/Pages/default.aspx

https://www.fca.org.uk/

AICL also maintains a branch in Singapore which is separately authorised and regulated by the Monetary Authority of Singapore ("**MAS**") (http://www.mas.gov.sg/).

External Auditors

The Group's external auditor is KPMG LLP whose address is 15 Canada Square, London, E14 5GL.

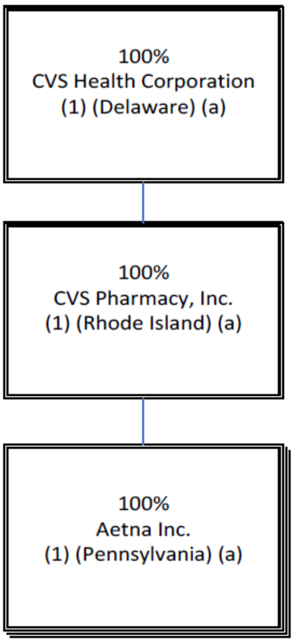
Legal Structure & Qualifying Holdings

The Group forms part of the Aetna International division of the Aetna Inc. Group ("**Aetna Inc. Group**". On the 28th November 2018, the shareholders of the Group's ultimate parent, Aetna Inc, a company incorporated and domiciled in Pennsylvania, USA completed a share sale agreement with CVS Pharmacy Inc for the sale of Aetna Inc. As such, the Group's ultimate parent is now CVS Health Corporation, a company incorporated in Delaware, USA.

The simplified group structure diagram on the next page shows the holders of qualifying holdings in Spinnaker. It also shows those other companies within the Group and who are subject to Group Supervision under the EU Solvency II Directive ("**Solvency II**") (hereinafter referred to as the "**Solvency II Group**").

Legal Entity Organization Chart
Aetna Inc., a CVS Health Company

As of December 31, 2018



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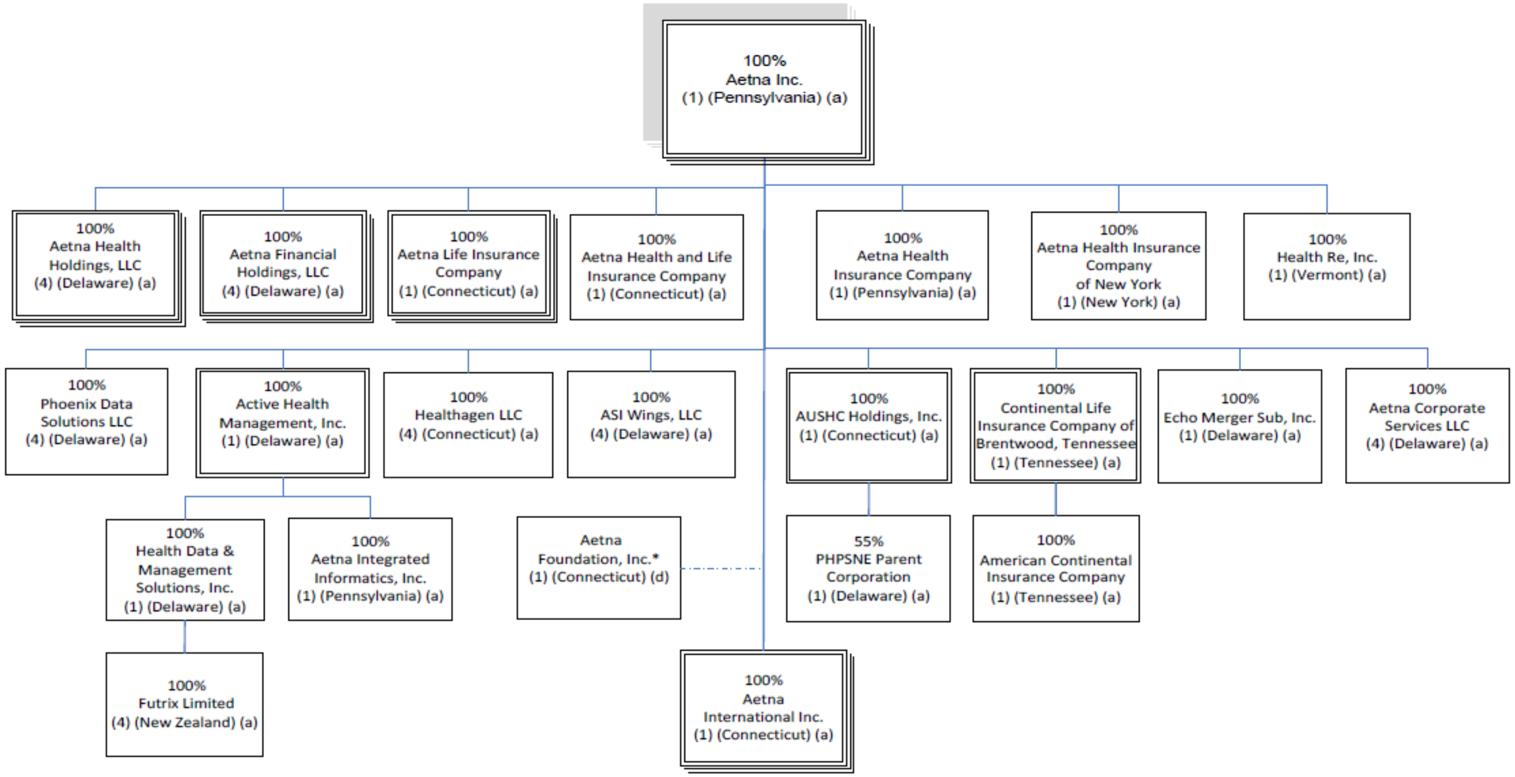
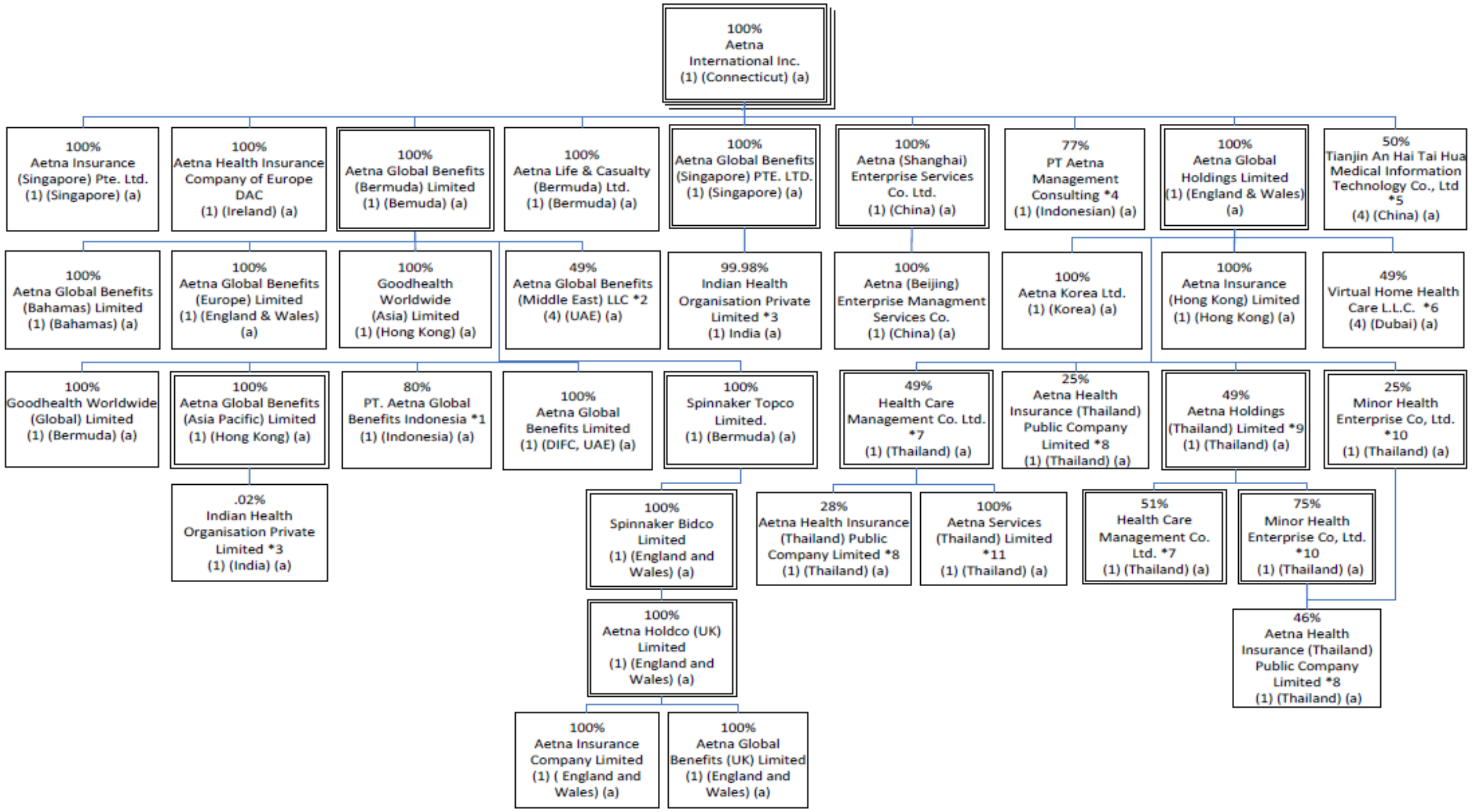
Legal Entity Organization Chart
Aetna Inc., a CVS Health Company
As of December 31, 2018



(1) Corporation
(2) Partnership
(3) Joint Venture
(4) Limited Liability Company
(5) Trust

(a) Consolidated
(b) One Line Consolidation (i.e., equity method)
(c) Separate Account Asset
(d) Not consolidated

Percentages are rounded to nearest whole percent and are based on ownership of voting rights.
* Nonstock Corporation: Aetna does not control this entity. Stand-alone.



*1 PT. Aetna Global Benefits Indonesia is also 20% owned by Suhatsyah Rivai, Aetna's Nominee
*2 Aetna Global Benefits (Middle East) LLC is also 51% owned by Euro Gulf LLC, Aetna's Nominee
*3 Indian Health Organisation Private Limited is 0.019857% owned by Aetna Global Benefits (Asia Pacific); 99.980143% owned by Aetna Global Benefits (Singapore) PTE. LTD.
*4 PT Aetna Management Consulting is also 23% owned by PT Asuransi Central Asia
*5 Tianjin An Hai Tai Hua Medical Information Technology Co., Ltd is also 50% owned by Tianjin Hai Tai Group Co., Ltd
*6 Virtual Home Health Care L.L.C. is 51% owned by CBD Commercial Brokers LLC, Aetna's Nominee
*7 Health Care Management Co. Ltd. is also (1 share) owned by Aetna Global Benefits (Bermuda) Limited
*8 Aetna Health Insurance (Thailand) Public Company Limited is also owned by Aetna Global Benefits (Bermuda) Limited (1 Share), Mr. Sansanapongpherchar (1 Share) Mr. Jitphasong Itsaraphakded (1 Share), Mrs. Suphee Wattana (1 Share), Mr. Buncha Tamphragom (1 Share)
*9 Aetna Holdings (Thailand) Limited is also 51% owned by Mr. Paiboon Sutantivorakoon plus Aetna Global Benefits (Bermuda) Limited owns 1 Share
*10 Minor Health Enterprise Enterprise Co, Ltd is also (1 share) owned by Aetna Global Benefits (Bermuda) Limited
*11 Aetna Services (Thailand) Limited is also (1 share) owned by Aetna Global Benefits (Bermuda) Limited and (1 share) owned by Aetna Global Holdings Limited

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Method of Consolidation

The consolidated data for the purposes of the Group solvency calculation includes full consolidation of Aetna Holdco (UK) Limited, full consolidation of the insurance undertaking, AICL, and full consolidation of AGBUK, the insurance service undertaking, which are subsidiaries of Spinnaker. The Solvency II valuation rules are applied to the assets and liabilities in the consolidated balance sheet.

Employees

The only company within the Group which has employees in the UK is AGBUK. AGBUK's employees principally service the activities of AICL and a sister company within the Aetna Inc. Group, Aetna Life & Casualty (Bermuda) Limited (**"AL&C"**).

Business and significant events in the Reporting Period

This report relates to the Group and, in particular, the activities of AICL which is the only Solvency II insurance company in the Group. Spinnaker supports the Aetna International strategy through its ownership of AICL. As noted above, AGBUK services the activities of AICL and AL&C. AGBUK continues to the cost-plus methodology adopted in 2017 to recover its incurred costs from AICL and AL&C.

A separate solo SFCR has been published for AICL and can be found on the Aetna International website (www.aetnainternational.com).

AICL provides international private medical insurance contracts to individuals and groups throughout the global market including Europe, the Middle East, Asia and Africa. In addition to accepting business directly, AICL also accepts international private medical insurance business on a reinsurance basis from its business partner in the United Arab Emirates (**"UAE"**), Al Ain Ahlia Insurance Co. (PSC) (**"AAA"**).

The Aetna Group continues to invest in infrastructure and Information Technology to support planned business growth of the Aetna International business in the future. This increased the underlying cost base for the service companies supporting the Aetna International business and the respective allocation to the AICL in 2018. The acquisition costs allocated to AICL were $99.3m (2017: $78.8m). The acquisition costs incurred by the service company included some one-off costs for the implementation of cloud technology and compliance with General Data Protection Requirements in 2018. The Company expects the cost base to appear high relative to premiums during 2018 as the payback on the additional investment will be realised with future growth.

The Aetna Group provided an additional capital contribution of $50m in 2018 to ensure the Group was sufficiently capitalised for the planned future growth, whilst absorbing the additional costs of investment in infrastructure and information technology during 2018.

A.2 Underwriting Performance

The underwriting performance of the Group follows AICL as the sole insurance company within the Group.

AICL has a single product, international private medical insurance. It is positioned to support the Aetna International strategy to provide international private medical insurance to employer sponsored groups and individuals in multiple locations. The business accepted by AICL is viewed as one single growth market within the Aetna Inc. Group.

The following table summarises the movement in the underwriting result for AICL between the year ended 31 December 2018 and the year ended 31 December 2017 for comparison:

	2018 USDm	2017 USDm
Net Written Premiums	316.4	267.0
Earned Premiums	284.6	239.4
Incurred Medical Costs	208.0	173.7
Underwriting Result	**76.0**	**66.0**

The total underwriting result in the above table includes risks in multiple locations and the business is substantially similar across the different geographies.

The gross written premiums mainly increased for 2018 due to the additional of one large contract ($16m) which incepted in November 2018, the migration of business to the Singapore branch and additional growth in the Singapore portfolio of $10m.The underwriting loss ratio 73% (2017: 72.6%) was broadly in line year-on-year, with the increase in the underwriting result mainly attributable to the volume growth in revenue. The Board is satisfied that underwriting disciplines and the operating model for robust management of claims operations will ensure appropriate underwriting margins are achieved going forward.

AICL does not report its results by business segment in the financial statements and shows the total underwriting result for the single product line in the profit and loss account. The notes to the financial statements include additional information on premiums, including the home country, the UK, and top 5 other geographic territories, which is shown in the table below:

Gross Written Premiums $m	United Arab Emirates	Singapore	United Kingdom	Thailand	Vietnam	Kuwait
2018	90.0	78.7	44.3	9.5	-	8.8
2017	131.3	40.1	19.2	6.7	6.3	-

The 2018 growth for the UK reflected normal business mix changes in the risk location for people insured under the international private medical insurance plans sold by the Company.

A.3 Investment Performance

The Group's invested assets are owned by AICL.

All assets are invested in a manner that ensures the security, quality, liquidity and profitability of the portfolio as a whole. AICL maintains assets to match its policyholder liabilities at all times. The AICL board has outsourced the management of its investments to the Aetna Inc. Group Treasurer which manages its investments in accordance with AICL board approved risk parameters and liquidity requirements. This places emphasis on low risk (minimum rating A-) and highly liquid assets with minimum appetite (less than 10% of total invested assets) for higher risk equity type investments. The Board has approved a target 50:50 mix for invested assets in government bonds and commercial paper or corporate bonds with minimum credit rating of A-, and the weighting of the invested assets in commercial paper and corporate bonds is 43.2% (2017: 43.4%).

The assets held by AICL in its investment portfolio as at 31 December 2018 (with those held as at 31 December 2017 for comparison) are listed in the table below:

	2018 $m	2017 $m
US Government Bonds	46.8	40.2
Singapore Government Bonds	41.2	17.4
Commercial Paper & Corporate Bonds	66.7	44.2
Cash Deposits	37.1	35.2
Total	**191.8**	**137.0**

The value of assets under management is affected by asset and currency performance. Investment income comprises interest, realised gains and losses on investment and unrealised gains and losses. Movements are recognised in the profit and loss account in the period in which they arise. Interest is accounted for on a time proportion basis using the effective interest method.

The table below provides an overview of the income and expense arising from the Group's investment assets:

Investment return - Bonds	2018 $m	2017 $m
Interest Income	2.8	1.2
Net (losses)/gains on realisation of investments	(1.3)	0.3
Investment return - Bonds	**1.5**	**1.5**

The investment return reflects the conservative strategy adopted by the Board and the low yield reflects the current interest rate environment. The income on the invested assets increased due to an improvement in coupon rates. This was aided by the Board approved decision to allow 50% of the investments to be placed in corporate bonds or commercial paper, with the balance retained in government bonds.

The cash on deposit is placed on a very low yield basis, allowing for cash to be withdrawn on demand. Interest earned in the period was $0.473m (2017: $0.041m).

Other assets and liabilities held in currencies other than the reporting currency, USD, are subject to foreign currency revaluation changes when valued in the reporting currency. The foreign currency unrealised gains/losses are included in the total investment return and the loss in 2018 (2017: $1.5m) was mainly attributable to the weakness in Sterling.

The total financial income is shown in the table below:

Total Financial Income Return	2018 $m	2017 $m
Invested Assets	1.5	1.5
Cash at bank	0.5	-
Other assets/liabilities - Foreign Currency Retranslations	(0.9)	3.1
Total Financial Income Return	**1.1**	**4.6**

A.4 Performance of Other Activities

The Group's only activities during the Reporting Period have been insurance and related activities through its subsidiaries, AICL and AGBUK.

In addition to AICL's premium, AICL charges administration fees for premiums paid by instalment and the administration fees received in the Reporting Period were $0.3m (2017: $0.2m).

Operating costs for the Group include operating costs incurred by AGBUK and administration expenses directly incurred by AICL, including audit and banking fees. The administration costs retained by the Group are shown net of intra-group management fees ($21.7m) recovered from AL&C.

The table below provides an overview of these costs for the Reporting Period (and a comparison with the year ended 31st December 2017):

	2018 $m	2017 $m
Acquisition costs	55.5	43.2
Administration costs	76.6	63.1
Costs recovered from AL&C	(21.7)	(26.4)
Net Costs	**110.4**	**79.9**

The acquisition costs have increased year on year in line with the growth in revenue.

During 2017 and 2018, Aetna International significantly increased investments in the service entities supporting the Aetna International insurance business, with AGBUK increasingly becoming more important strategically to the broader Aetna International business and not just a tied intermediary for AICL. The Group has maintained a cost-plus methodology for charges between related parties in the Aetna Inc. Group, which includes the adoption of cost-plus methodology for services provided by AGBUK. The table above reflects the increased investment in AGBUK and the recovery of costs from AL&C.

No dividends were paid during the Reporting Period (2017: $nil).

A.5 Any other information

There is no other material information to report in relation to the Group's business and performance during the Reporting Period (save as otherwise covered elsewhere in this report).

B. SYSTEM OF GOVERNANCE

B.1 General Information on the System of Governance

Spinnaker Board

Spinnaker's Board of Directors is responsible for the governance of Spinnaker. The Board is comprised of two directors:

- Les Carter - he is the Group CFO for Aetna International.
- Damian Connolly – he is the General Counsel and Company Secretary for Aetna International.

The Spinnaker Board does not have any sub-committees.

Spinnaker's Board of Directors is responsible for the governance of Spinnaker. However, the governance processes of the Group principally exist within AICL as the sole Solvency II insurance company within the Group and the main operating company within the Group. These are detailed further below. The main source of income for AGBUK is the fees earned for administrating the AICL business. The AICL governance process includes oversight of AGBUK's activities as its service company. Notwithstanding, AGBUK's board of directors are responsible for and oversee its activities.

The AICL Board, its sub-committees and executive management

The Board has overall responsibility for ensuring that it has an effective system of governance. It is responsible for overseeing the conduct of AICL's business and supervising the executive team which is responsible for its day to day management. The Board manages its affairs in accordance with the constitution of AICL, its terms of reference and the legal & regulatory framework in which AICL operates. The Board was comprised of six directors as at 31 December 2018: three non-executive directors and three executive directors, as well as the company secretary.

The Board has delegated certain of its responsibilities directly to the executive management team and its sub-committees. During the Reporting Period, there were two Board sub-committees with terms of reference which set out their roles and responsibilities:

- **Audit & Risk Committee**

  The committee has responsibility for the oversight of AICL's financial reporting process, its audit process, its system of internal controls, compliance with laws & regulations and risk exposure (including determining risk appetite and tolerance).

  The finance, compliance, risk management and internal audit functions all provide quarterly updates on their activity to this committee.

- **Investment Committee**

  This committee was responsible during the Reporting Period for the management of all aspects of AICL's investment policy and strategy and oversight of the operation and management of AICL's investment and cash portfolios within an appropriate risk framework. This committee was comprised of four directors: three non-executive directors and an executive director. On 19 April 2018 the Board resolved to disband this committee on the basis that the Board in its full capacity could provide appropriate governance and challenge without the need to have a separate committee. The investment key function holder now reports directly into the Board on investment matters. The Board has delegated authority to the Aetna Inc. Group Treasurer to manage the investment portfolio. AICL's executive management meet regularly with the investment manager to review performance and controls over the assets managed. The executive management team report to the Board and periodically the executive management invite the investment manager to attend the investment committee (and now the Board) meetings for discussion on investment performance.

- **Executive Management Team**

  During the Reporting Period, AICL's executive management team was comprised of the Chief Executive Officer, the Chief Risk Officer and the Chief Finance Officer. They had overall management accountability for the day to day business of AICL and were responsible for reporting on such matters to the Board & its sub-committees. The executive management team are supported by three functional committees (Sales & Marketing, Operations and Finance, Compliance & Risk) which facilitate process management, awareness and appropriate governance amongst the key functions of the business.

AICL's executive management team remain directly responsible for implementing any group strategy at the company level and decisions with respect to how the company should conduct its UK regulated business.

An overview of the key functions of AICL and its key function holders (including their respective company reporting lines) is shown in the diagram on the next page.

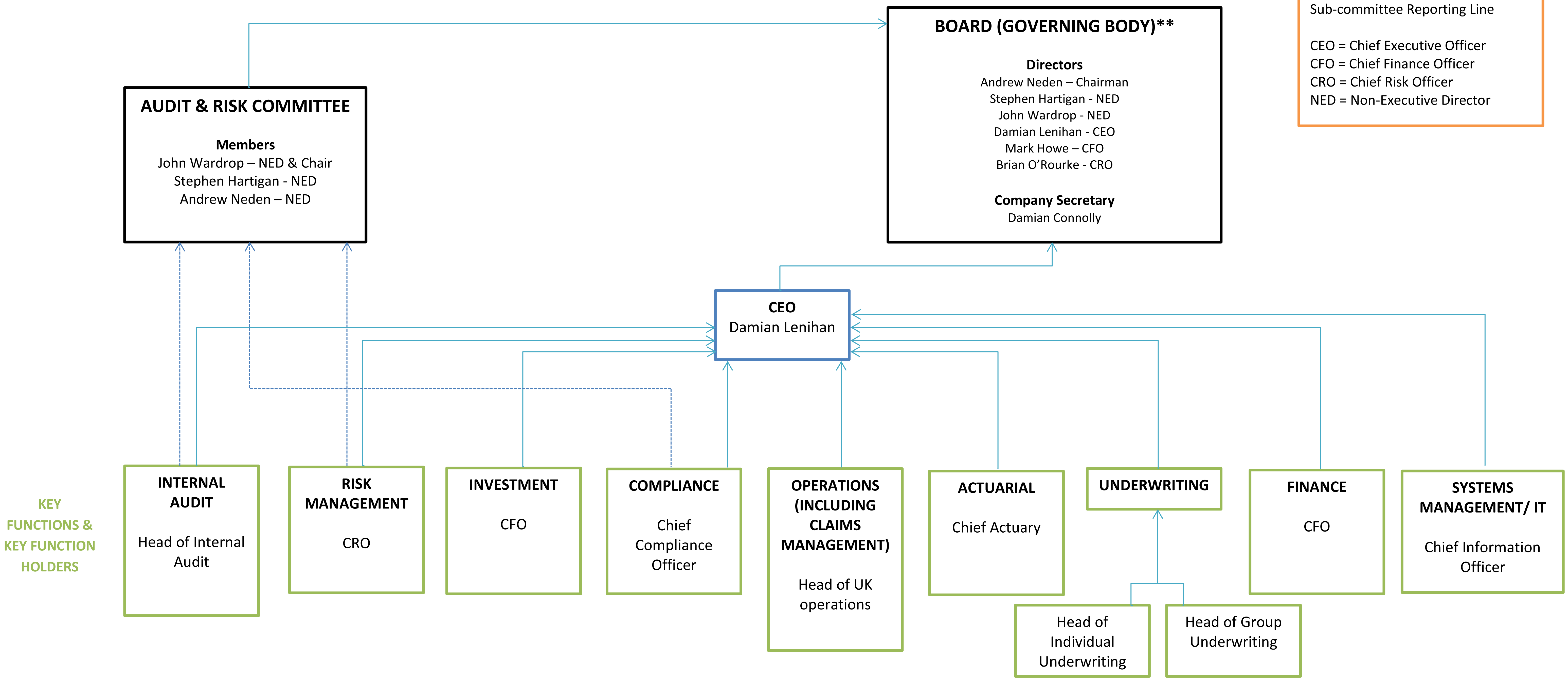
AETNA INSURANCE COMPANY LIMITED
KEY FUNCTIONS AS AT 31.12.2018

KEY

Reporting Line

Sub-committee Reporting Line

CEO = Chief Executive Officer
CFO = Chief Finance Officer
CRO = Chief Risk Officer
NED = Non-Executive Director



* The Investment Committee was disbanded on 19 April 2018 and the Investment Key Function Holder now reports directly to the Board.

** See explanation on following page of the changes made to the Board during the Reporting Period and up to the date of this report.

The following changes to the composition of the directors of the AICL Board occurred during the Reporting Period:

- Damian Lenihan was appointed as a director and replaced David Healy as Chief Executive Officer of the Company on 19 April 2018. David Healy resigned as a company director of the Company on 1 May 2018.

- Mark Howe was appointed as a director and replaced Les Carter as Chief Finance Officer of the Company on 19 April 2018. Les Carter resigned as a company director of the Company on 1 May 2018 but remained the Company's Chief Risk Officer until 1st November 2018. Brian O'Rourke, Executive Director, was appointed as Chief Risk Officer of the Company on 1st November 2018.

Remuneration policy and practices

As noted above, the only company within the Group which has employees in the UK is AGBUK. AGBUK's employees principally service the activities of AICL.

The Aetna Inc. Group establishes the remuneration policy for all employees within its group of companies (including AGBUK), which includes a mixture of fixed pay and bonus incentives.

The Aetna Inc. Group Human Resource function completes market research for Aetna Inc. Group employees to set bench marked pay ranges for fixed pay. The market review also reviews additional market-based benefits which can be added to the basic compensation package.

The Aetna Inc. Group offers defined pension contributions for employees and the contribution rates are set based on market research. The bonus incentives are linked to personal performance and the performance of the Aetna Inc Group. Funding for bonus awards is approved by the Board of Directors of Aetna Inc. The performance of AICL is included in the total performance calculations for determining bonus funding approved by the Aetna Inc. Group and there are no incentives directly linked specifically to the performance of AICL or any other companies within the Group.

The Chairman and Chief Executive Officer of AICL meet on an annual basis to review the Aetna Inc. Group remuneration policy to ensure it is appropriate for the company.

Material transactions with Shareholder

The Aetna Inc. Group agreed to invest additional capital of $50.0m into Spinnaker in 2018. Spinnaker issued ordinary shares to its parent company in exchange for the capital injection and reinvested the capital into its subsidiary holding company, Aetna Holdco (UK) Limited, which in turn reinvested the additional capital into AICL to support AICL's strategic growth and solvency position.

Assessment of Corporate Governance Structure

The governance structure has been designed to ensure that management can provide the necessary oversight of the business and make decisions, whilst also supporting the responsibilities of the AICL Board. The AICL Board has clearly defined responsibilities and delegated authorities to its sub-committees.

The Aetna Inc. Group sets the broad business strategy for the Group. The AICL Board reviews AICL's strategy and annual business plan, which is prepared by the executive management team taking into account the broad strategic direction from the Aetna Inc. Group.

The AICL Board scrutinises the strategy and business to assess its risk and benefits and determine if its implementation is in accordance with:

- the company's risk appetite;
- the company's short term and long term strategy;
- the company's legal and regulatory responsibilities; and
- the fair treatment of the company's policyholders.

The governance structure provides a mechanism for the company to anticipate and respond to potential changes in the business environment or its risk profile in an appropriate amount of time. The risk management structure integrates risk assessment into the strategic and business planning cycles, which enables AICL and therefore the Group (including its other subsidiaries) to maintain a manageable risk profile.

B.2 Fit and proper requirements

The Group has a robust recruitment process and performs appropriate employment checks on all employees operating within its subsidiaries. This is overseen by the Human Resources team with relevant senior management.

In accordance with UK regulatory requirements, AICL has a documented procedure for ensuring that all senior management functions (**"Key Function Holders"**) are, and remain, fit and proper in accordance with UK regulatory requirements.

In assessing whether a person is fit and proper to be a Key Function Holder, AICL considers the following regulatory prescribed criteria in relation to that person:

a) personal characteristics (including being of good repute, honesty, integrity and financial soundness);
b) the level of competence, knowledge & experience;
c) qualifications and professional standards; and
d) the training undertaken or to be undertaken by that person.

In relation to (a) and (b), AICL looks for evidence that the person has:

- appropriate qualifications;
- experience and knowledge in insurance and financial markets;
- an understanding of AICL's business strategy, business model and system of governance;
- an understanding of financial and actuarial analysis (to the extent applicable);
- knowledge of the legal and regulatory framework and requirements applicable to AICL and its business; and
- the ability to adequately support the sound and prudent management of AICL.

The above criteria are assessed prior to the person's appointment as a Key Function Holder through self-assessment questionnaires, interviews with the Human Resources team, senior management and third-party background checks (covering employment references, criminal records checks, credit checks and academic/professional body checks), as appropriate to the function concerned.

Once appointed, the person is subject to periodic fitness and propriety checks by AICL. This fit and proper process and the appointment of Key Function Holders is overseen by the AICL Board.

As indicated above, any other employees operating within the key functions of AICL's business will be subject to a robust recruitment process and appropriate employment checks. This is overseen by the AICL Chief Executive Officer in conjunction with the Human Resources team.

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

Risk Management Function and System

The Group has adopted the risk management framework of AICL given that the primary activity of the Group is the insurance underwritten by AICL. As noted above, in addition to AICL, the other material entity within the Group is AGBUK, which services the insurance business underwritten by AICL and its risks are therefore inherently linked to AICL. The Spinnaker Board of Directors is satisfied that the risk management framework adopted by AICL is appropriate for managing the risks of the Group as a whole. The Group CFO ensures that the AICL risk management framework appropriately considers risks at the AICL and Group level.

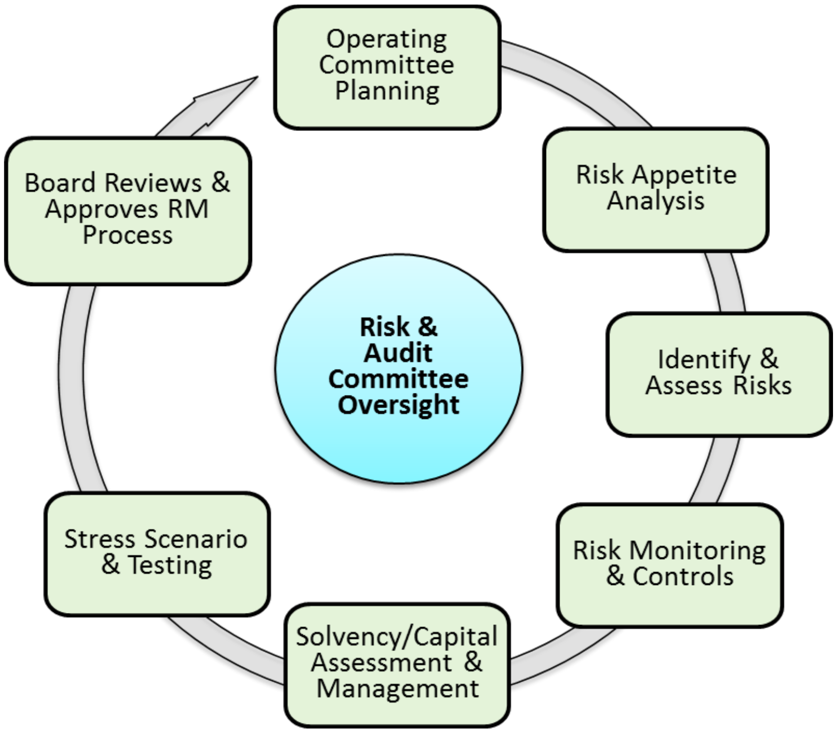
The AICL Board delegates oversight of the risk management system to the AICL Audit & Risk Committee. The Group CFO is responsible for discharging, managing, and the day to day oversight of AICL and the Group's risk management function, including reporting to the AICL Audit & Risk Committee in respect of the same. The risk management function is responsible for the implementation of the Group and AICL's risk management system.

The AICL Audit & Risk Committee has approved the implementation of a risk management system to identify, measure and track risk indicators for AICL and the Group. The risk management system includes a risk appetite statement, risk register, risk tolerances and a risk scorecard for monitoring performance against qualitative and quantitative tolerances. The Group CFO chairs the management risk committee, which meets regularly to review business performance metrics, business developments and other material changes which could impact the risk profile of the business.

The risk management function presents quarterly risk updates to the AICL Audit & Risk Committee, which includes:

- executive summary of the business issues reviewed by the management risk committee;
- risk scorecard summary;
- risk tolerances summary;
- solvency capital summary; and
- an overview of the risk management process.

The Group's risk management ("**RM**") process as managed by AICL can be summarised using the following diagram:



Own Risk Solvency Assessment ("ORSA")

Process

The Spinnaker Board is responsible for the Group ORSA. The Spinnaker Board has considered the risk profile and activities of the Group and is satisfied that the material risks of the Group arise from the insurance activities of AICL and AGBUK through its support of the insurance business of AICL and the Group. The Group ORSA notes the reliance on the AICL risk management process and the AICL ORSA for managing the material risks in the Group.

The AICL ORSA process which encompasses the ORSA process adopted for the Group is described in detail below.

The ORSA is a forward-looking risk assessment of all of AICL's material risks in the context of its business strategy and risk appetite, in order to determine current and future solvency needs of the business. AICL's ORSA process is governed by its ORSA policy, which describes the purpose, process and governance over the ORSA.

The AICL Board is responsible for the AICL ORSA and ensuring that it is performed in accordance with the ORSA policy and applicable law and regulation.

The ORSA process is coordinated by the Group CFO and the risk management function. The objective of the ORSA process is to assess its capital adequacy in light of its assessment of its risks and the potential impacts of its risk environment and enable it to make strategic decisions.

The risk management cycle and reporting to the AICL Audit & Risk Committee supports the objectives of the ORSA by presenting regular updates on the company's risk profile. The risk scorecard is used to track emerging risk issues that impact the company's ability to manage its solvency capital. The tracking includes new business opportunities which could trigger requirements for additional capital.

The key risk assurance functions which provide updates to the AICL Audit & Risk Committee as part of the ORSA process are:

- the risk management function which manages the ORSA process and its outputs, which identifies the key risks; and
- the actuarial function which runs tests on the company's balance sheet, for capital adequacy and produces the resultant output.

The AICL Board reviews the report following completion of the ORSA process and considers the need for any management actions to be incorporated into the final ORSA report, such as:

- assessment of the appropriateness of the Solvency II Standard Formula for determining the Solvency Capital Requirements of the company;
- review of the company's solvency capital calculations and scenarios;
- decisions in relation to its capital;
- reassessment of the company's risk profile and appetite;
- additional risk mitigation actions; and
- reassessment of the company's investment strategy.

The results and conclusions contained in the final ORSA report and the AICL Board's resultant actions and decisions, are communicated to all relevant staff, including outsourced control functions, once the report has been considered and approved by the AICL Board.

Frequency

The ORSA process is repeated and an ORSA report prepared annually or earlier when certain material trigger events occur, as decided upon by the AICL's Audit & Risk Committee in concert with the AICL Board and in accordance with the ORSA policy.

Interaction of solvency and capital management with risk profile

The capital management process monitors the capital requirements for AICL and the Group on a quarterly basis. As part of this, the risk management function prepares risk scorecard summaries, which include tolerances for monitoring the Own Funds available to meet AICL and the Group's Solvency Capital Requirement and Minimum Capital Requirement.

The solvency monitoring is reviewed under the capital management process so that any changes in business circumstances or its risk profile can be tracked for additional capital requirements.

AICL determined that the Solvency II Standard Formula would be used to calculate the required solvency capital and to assess the overall solvency needs. AICL administers a mono-line product with a short tail risk and the Solvency II Standard Formula is appropriate for the level of complexity in the AICL's business. The AM Best capital model was also used to check capital requirements and the capital assessment under this model was slightly lower than the capital requirements under the Solvency II Standard Formula.

B.4 Internal Control System

Group Internal Control System Overview

The Board of each company within the Group is responsible for implementing internal controls which are appropriate and proportionate to its business, its legal and regulatory obligations and the risk which it poses to the Group as a whole. Within each company there will always be a minimum level of reporting to the Board and accounting procedures to enable compliance with applicable company law and to provide appropriate oversight of the business undertaken.

The primary focus of the Group internal control system is in respect of its UK regulated entities, AICL and AGBUK, which carry on insurance business and insurance mediation respectively. The structure of the AGBUK internal control system largely follows that of AICL with differences to reflect that it is an insurance administrator and service company acting principally for AICL. We have outlined below the AICL internal control system.

AICL Internal Control System Overview

AICL operates a "three lines of defence" internal control system:

First line – Business Controls

The AICL Board owns and manages the risks of AICL and has responsibility for AICL's compliance with the requirements associated with the legal and regulatory environment in which it operates.

The AICL Board has implemented systems and controls, including appropriate internal policies and procedures, to comply with such requirements and to manage risks and monitor these alongside the development of its business strategy. The AICL Chief Executive Officer has been delegated responsibility by the AICL Board for management of compliance with business controls and is responsible for reporting on such matters to the AICL Board and its sub-committees.

Second line – Internal Control Functions

The compliance and risk management functions form the second line of defence to ensure that the company has an effective risk management control system. Further detail on the company's compliance function is provided below.

Third line - Internal Audit function

The internal audit function forms the final layer of the internal control system and is an independent and objective function which is ultimately responsible for providing the AICL Board with assurance that the company has effective internal controls. Further detail on the AICL's internal audit function is provided in Section B5 below.

Compliance Function

The Compliance Function is responsible for:

- ***Compliance Risk Monitoring***

The Compliance Function identifies, assesses, monitors and reports to the Board (via the Audit & Risk Committee) on AICL's compliance risks (including the risk of it incurring legal and regulatory sanctions, significant financial loss, significant strategic or operational disruption, significant policyholder detriment or damage to reputation as a result of AICL's failure to comply with applicable laws and regulations). This includes reporting on any material non-compliance by AICL with such measures and/or any applicable law and regulation.

- ***Supporting the implementation of legal & regulatory changes and internal controls***

The Compliance Function assists the business with the implementation of controls to address changes in the legal and regulatory environment and manage compliance risk. This includes advising the Board on AICL's compliance with the rules and other laws, regulations and administrative provisions adopted in accordance with the Solvency II Directive.

- ***Regulatory reporting and correspondence***

The Compliance Function coordinates and oversees the preparation and filing of non-finance related regulatory reports, non-product filings and correspondence with AICL's regulators.

The Chief Compliance Officer is responsible for discharging, managing and overseeing AICL's Compliance Function. He or his delegate reports to the Audit & Risk Committee on compliance matters on a quarterly basis – this includes details of any material compliance breaches and any corrective action undertaken in the previous reporting period.

The Compliance Function also provides updates on compliance activity at monthly Finance, Risk and Compliance management committee meetings, which are comprised of senior management and individuals from other key functions.

The Compliance Function also has a reporting line into the AICL Chief Executive Officer in respect of day to day compliance matters. It otherwise operates independently from the business teams of the company as a second line of defence and the Chief Compliance Officer has a separate group reporting line into the Chief Ethics and Compliance Officer of Aetna Inc. This ensures that the compliance function is an effective and impartial compliance risk governance operation.

There is a compliance policy which is due for review annually and approved by the AICL Board. The Chief Compliance Officer is responsible for this policy and ensuring that it is implemented. The AICL Board ensures that the compliance function has the necessary access to all personnel (including third parties whom the company deals with), systems and records in order that it can perform its role in full support and adherence of the compliance policy.

B.5 Internal Audit Function

The internal audit function of AICL is responsible for providing its Board with independent and objective assurance in respect of AICL's system of governance; in particular, it assists the company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's governance, risk management, internal control.

There is a dedicated internal audit team in the UK which has a primary focus on Aetna International's business and specifically covers AICL. This team forms part of the wider Aetna Inc. Group internal audit function which is headed by the Aetna Inc. Group Head of Internal Audit. The AICL Head of Internal Audit reports is primarily responsible for overseeing and discharging AICL's internal audit function with the support of the local internal audit team and reports to the Aetna Inc. Group Head of Internal Audit.

The AICL Head of Internal Audit and/or his delegate reports to AICL's Audit & Risk Committee on a quarterly basis. This reporting structure ensures that audit issues and action plans receive adequate consideration and effective action.

AICL’s internal audit charter also provides a mechanism for the Chairman of the Audit & Risk Committee to engage directly with the head of the internal audit function, independent of the executive management.

The planning process includes management input, a review of emerging risks and professional auditor judgment. The internal audit charter for the company also provides for the Audit & Risk Committee to request ad-hoc or specific internal audit reviews for AICL, if the Audit & Risk Committee deems this necessary. The AICL Audit & Risk Committee approves the annual internal audit plan for AICL.

Results and conclusions of audit work are reviewed with operating and financial management directly responsible for the activity being evaluated and other management, as deemed appropriate. The purpose of reviewing results is to reach an agreement as to the facts presented by the auditors and to obtain management action plans to address issues. Communications include the engagement’s objectives and scope, as well as applicable conclusions, recommendations, and action plans.

Once an audit is completed and results are communicated, the internal audit function follow-up to ensure that management action plans (“**MAPs**”) are effectively implemented. The status of all management action plans are reported quarterly to the company’s senior management and AICL Audit & Risk Committee, with specific details around any MAPs delayed past their due date.

B.6 Actuarial Function

The actuarial function's activities relate principally to AICL as the only insurance company within the Group. It provides the Group as a whole with support in relation to the Group solvency position, capital planning and risk management.

AICL's actuarial function is responsible for the following AICL and Group activities:

- co-ordination of the calculation of technical provisions. This consists of assessing the sufficiency of the provisions, assessing the uncertainty in the estimates and justifying the differences between successive periods;
- reviewing the appropriateness of the models and assumptions, considering the sufficiency and quality of data, and interpreting deviations of best estimates against experience. There is also a requirement to consider the verifiability of assumed management actions;
- providing opinions on underwriting policy and reinsurance arrangements;
- contributing to the effective implementation of the risk management system of the company. In particular:
    - in relation to the Solvency Capital Requirement ("**SCR**") and Minimum Consolidated Group Solvency Capital Requirement ("**MCGSCR**"), the company's Chief Actuary reviews the output of the model used by AICL to calculate the SCR and MCGSCR. Specifically, any perceived or possible inconsistencies or issues identified in the model results are raised; and
    - the Chief Actuary approves the preparation of the ORSA presented to AICL's Audit & Risk Committee in conjunction with the risk management function.

The Chief Actuary is responsible for discharging, managing and overseeing the actuarial function. In addition to ad-hoc updates to the AICL Board and Audit & Risk Committee (as may be required from time to time), the Chief Actuary is required to produce an annual report for the AICL Board. This report covers all of the information necessary for the AICL Board to form its own opinion on the adequacy of technical provisions and on the underwriting and reinsurance arrangements of the company.

B.7 Outsourcing

The Group outsources and enters into outsourcing arrangements only where there is a sound commercial basis for doing so, and where the risk can be effectively managed. A due diligence process is undertaken prior to any final decision being made as to whether to outsource a material business activity. This addresses all material factors that would impact on the potential service provider's ability to perform the business activity.

The Group has appropriate policies with respect to the outsourcing of activities to third parties and the due diligence which should be undertaken before arrangements with third parties are entered into. In particular, AICL has established an Outsourcing Policy setting out the requirements for identifying, justifying and implementing material outsourcing arrangements in accordance with its Solvency II obligations. This Policy has been adopted by AICL and covers the following:

- definition of outsourcing;
- risk mitigation strategies;
- Board and management responsibility;
- internal control procedures;
- due diligence;
- business continuity management;
- contractual agreements;
- management and control of the outsourcing relationship; and
- final approval.

AICL's outsourcing arrangements are subject to an annual review and a report with any findings from that review are presented to the AICL Board.

The table on the following page details the critical or important operational functions the Group (and in particular AICL) has outsourced together with the jurisdiction in which the providers of such functions or activities are located.

Outsourced Provider	Service Outsourced	Intra-Group (i.e. within the Aetna Group) / Third Party	Jurisdiction	Outsourcing Manager
Aetna Global Benefits (UK) Limited	Operations (including claims management) Sales Actuarial Finance Underwriting Internal Audit Risk Management Legal Compliance Tax Information Technology and Infrastructure	Intra-Group	United Kingdom	AICL CEO
Aetna Life Insurance Company	Investment Management	Intra-Group	United States of America	AICL CFO
PWC	Tax compliance services	Third Party	United Kingdom	AICL CFO
HGS	Claims processing	Third Party	India	AICL CEO
Genpact	Call centre	Third Party	Manila	AICL CEO

Note: Intra-Group for the purpose of the above table means transactions between any related party in the Aetna Inc. Group and not just related parties within the Spinnaker Solvency II Group.

B.8 Any other information

Each company in the Group has assessed its system of governance and has concluded that it effectively provides for the sound and prudent management of their business and that it is proportionate to the nature, scale and complexity of their operations.

There were no material changes to the system of governance of the Group during 2018 (save as those noted elsewhere in this report).

C. RISK PROFILE

Risk management objectives and risk policies overview

Group Risk Management

The Board of each company within the Group is ultimately responsible for its risk management and ensuring that it is appropriate and proportionate to its business, its legal and regulatory obligations and the risk which it poses to the Group as a whole.

AICL has a risk management framework which is used for the Group as a whole and is described in some detail below.

In addition, AICL completes the Group solvency calculation and monitors Group solvency on behalf of Spinnaker and liaises with the Spinnaker Board as necessary to ensure the Group SCR is met and that risks to the Group solvency are monitored and managed.

AICL Risk Management System

AICL is exposed to a variety of risks when undertaking its activities. The AICL Board has policies in place to identify and manage the key risks in accordance with its risk appetite. The key risks that AICL is exposed to are as follows:

- underwriting (insurance) risk;
- market risk;
- credit risk;
- liquidity risk;
- operational risk, and
- Regulatory risk and capital management

The following sections outline AICL's views on each of these risks and the measures and controls in place to manage them.

C.1 Underwriting Risk

AICL accepts underwriting risk through underwriting international private medical insurance contracts. The underwriting risk is split into the following categories:

Premium Risk Premium risk arises from the failure of pricing strategies. It encompasses the risk of loss due to the potential timing, severity and frequency of covered claims differing from the assumptions at the time the risk was underwritten and priced.	**Reserve Risk** Reserve risk arises from failing to set sufficient cash reserves to cover the uncertainty surrounding the timing, frequency and severity of claims costs.
Catastrophe Risk Catastrophe risk arises from the failure to manage risk aggregation or accumulation that may result in an increased exposure to catastrophe losses.	**Lapse Risk** Lapse risk reflects the risk of loss, or of adverse change in the value of insurance liabilities, arising from the discontinuation of a policy.

AICL experienced significant growth in the period, but the growth was mainly driven by business migrating from other related parties in the Aetna Inc. Group, where the business was already consistent with AICL's underwriting protocols and experience, and the additional of one large contract for $16m.

The key elements of the AICL's insurance risk management framework is its underwriting risk, reserving risk, reinsurance risk and lapse risk.

Underwriting strategy

AICL's underwriting strategy is to maintain and grow a balanced portfolio of international private medical insurance contracts with an appropriate spread of risk which will yield a targeted return on risk capital for its shareholders.

Underwriting direction is established during the annual business planning process, when the upcoming underwriting year's target portfolio is structured. The strategy, and associated business targets, is communicated to business managers and appropriate underwriting authorities and controls implemented to ensure the desired risk profile is achieved. Adherence to underwriting guidelines and authorities is achieved through monitoring and review controls established by the executive management team.

Further review of the portfolio, its composition and yield, is formally undertaken by the AICL Board. The short tail nature of international private medical insurance results in the ultimate expected losses associated with a given insurance contract, or portfolio of contracts, being known within a relatively short timeframe after conclusion of the associated contract indemnity term.

Reserving risk

To manage reserving risk and ultimate reserves risk, management employs a number of techniques to monitor premium and claims development patterns. An external independent actuary also performs an annual review of claims reserves.

The objective of AICL's reserving policy is to produce accurate and reliable estimates that are consistent over time.

Reinsurance strategy

AICL has structured a reinsurance programme that is designed to reduce the impact of adverse loss experience on equity to a tolerable level. AICL is exposed to the risk of adverse loss experience on a frequency and severity basis and has structured its reinsurance programme to appropriately respond to such risks in both individual and catastrophic loss scenarios.

The existing reinsurance programme restricts AICL's losses per claim to a maximum of $250k. AICL only contracts with reinsurers that are considered to have an appropriate level of financial standing and credit worthiness, as determined by the AICL Board.

In addition, AICL is exposed to the risk that claims provisions do not meet the ultimate cost of settling claims through claims management risk and reserving risk.

Lapse risk

AICL monitors the mix of individual risk business (where premium refunds may apply for early cancellation) and group risks (where there is likely to be some claims activity resulting in no premium refund). The majority of the business underwritten is group risk business and therefore the potential losses arising from early cancellations are not material.

Material changes to the measures used to assess underwriting risk

There were no material changes to the measures used to assess underwriting risk in the period.

C.2 Market Risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and prices will affect the value of AICL's assets, the amount of its liabilities and/or AICL's income.

The AICL Board approved investments parameters recognise the "prudent person principle" in relation to the management of assets held by AICL, including selection criteria to ensure the assets selected meet clearly identifiable, easily tradable, meet minimum credit rating criteria and that the market valuation can easily be verified by an independent party.

The components of AICL's market risk are shown below.

Market Risk Component	Description
Spread risk	The potential financial loss due to the increase in spread that an asset trades at relative to comparable government bonds.
Currency risk	The potential financial loss due from the change in currency exchange rates causing an adverse change in value of the liabilities compared to assets held.
Interest rate risk	The potential financial loss due to a reduction in value of the investment portfolio due to a change in interest rates.

Spread risk mitigation

There are investment parameters approved by the AICL Board, which focus on high quality debt instruments. The investment assets include a bias towards highly liquid, sovereign government bonds. The AICL Investment Committee (and, since 19 April 2018 when the Investment Committee was disbanded, the AICL Board) reviews performance against the investment parameters and their effectiveness on a quarterly basis and the investment parameters are reviewed and approved by the AICL Board annually. The current investment parameters are an effective control against a market change in spread risk.

Currency risk mitigation

Management reviews the matching of assets and liabilities regularly and reports to the AICL Board (who discusses the effectiveness of the mitigation) on a quarterly basis. There are no material market currency risks which require action.

Interest rate risk mitigation

Interest rate risk is the risk the unfavourable movements in interest rates could adversely impact on the capital values of AICL's financial assets and liabilities.

The investment strategy approved by the AICL Board is focused on high quality, short duration debt instruments. An analysis of AICL's invested assets is detailed in the table below:

Bonds to Maturity	< 3 months $m	4-6 months $m	6-12 months $m	Over 12 months $m	Total $m
US Government Bonds	2.0	-	-	44.8	46.8
Singapore Government Bonds	41.2	-	-	-	41.2
Corporate Bonds and Commercial Paper	22.0	-	-	44.7	66.7
Total	**65.2**	**-**	**-**	**89.5**	**154.7**

Whilst AICL transacts business with insureds who are domiciled in countries outside of the UK, it principally denominates its insurance contracts in USD, its functional currency.

As illustrated above AICL invests in in short term government bonds, corporate bonds and commercial paper. Since the funds are short term they are not subject to large movements from changes in interest rates. AICL does not hold any external borrowings as part of its financial liabilities profile at the balance sheet date so is not exposed to any movement in market interest rates.

The Investment Committee (and, since 19 April 2018 when the Investment Committee was disbanded, the AICL Board) reviews performance against the investment strategy and their effectiveness on a quarterly basis and the investment strategy is reviewed and approved by the Board annually. The quarterly monitoring of asset duration is effective for mitigating against changes in interest rates.

Any interest rate risk arising on AICL is considered to be minimal.

Material changes to the measures used to assess market risk

There are no material changes to the measures used to assess market risk as listed during 2018.

C.3 Credit Risk

AICL defines credit risk as the risk of financial loss to AICL should a counterparty fail to meet its contractual obligations.

AICL only holds investment and cash balances in accordance with the credit ratings specified in the Board approved investment parameters (which as noted earlier recognise the "prudent person principle") to mitigate the risk of financial loss from counterparty default. AICL has used credit quality steps based on ratings from its nominated External Credit Assessment Institutions ("**ECAIs**") when calculating its counterparty default risk.

There are investment parameters approved by the AICL Board for the investment manager, which include parameters for monitoring the credit ratings applied to assets in the investment portfolio.

Two or more credit ratings will be checked, if available and the lower of the two applied or the second from lowest if more than 2 credit ratings available.

AICL's investments and cash ratings are represented in the table below:

Asset Class	Credit Rating	ECAI	% Held	Solvency II Credit Quality Step
Investment Bonds	AAA	Moody	39.6%	1
Investment Bonds	AA	Fitch	5.2%	2
Investment Bonds	A	Moody	21.8%	2
Investment Bonds	BBB	Standard & Poor	0.9%	2
Cash	AA	Moody	1.9%	2
Cash	A	Moody	30.0%	2
Reinsurance asset	A	AM Best	0.6%	2

An update of AICL's investments and cash ratings are presented to the AICL Investment Committee (and, since 19 April 2018 when the Investment Committee was disbanded, the AICL Board) on a quarterly basis and the AICL Investment Committee (now, the AICL Board) monitors the effectiveness of, and compliance with, the investment parameters. The risk appetite for the range of credit ratings allowable for investments and the quarterly monitoring is effective in managing the default risk from counterparties. There were no material changes in the mix of credit ratings attaching to AICL's assets during the Reporting Period.

Policyholder receivable balances are diversified, but unrated, and are continually monitored by AICL's credit control function for impairment, with policies suspended and or cancelled in the event a policyholder breaches premium payment terms.

C.4 Liquidity Risk

Liquidity risk is the risk that AICL does not have timely access to sufficient cash reserves in order to satisfy its obligations as they fall due.

AICL's principal obligations relate to the settlement of claims arising on its insurance contracts. The nature of AICL's insurance activities is such that the profile of claims incurred follows a high frequency, low severity profile.

Such a profile lends itself more readily to cash requirement forecasting than low frequency high severity insurance lines of business such as property catastrophe, thereby reducing inherent liquidity risk.

AICL's finance function forecasts cash requirements on a monthly basis, managing its available cash resources accordingly. The forecasting process takes into account the nature and duration of technical provisions in accordance with the "prudent person principle" under Solvency II rules.

The level of cash retained versus cash released for investment is monitored and reported to the AICL Investment Committee (and, since 19 April 2018 when the Investment Committee was disbanded, the AICL Board). The AICL Investment Committee (and now the AICL Board) set minimum cash balances to be maintained, depending on the volatility expected in the cash flow forecasts.

Allied to this is AICL's strategy of investing a large proportion of insurance funds in high credit quality short duration securities, which provides access to substantial immediate liquidity should this become necessary.

The table below provides details of the liquidity and duration of AICL's financial assets as at 31 December 2018:

	$m	% Total
Cash on demand	41.4	17.8%
Cash on deposit (redeemable within 1 month)	37.1	15.9%
Investment Bonds < 3 months to maturity	89.5	38.3%
Investment Bonds > 3 months to maturity	65.2	28.0%
Total	**233.2**	**100%**

Change in measures used to assess liquidity requirements

The calculation of the technical provisions only includes anticipated margin on the unwinding of future cash flows, with full provision maintained for past due premiums.

C.5 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with AICL's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

Operational risks arise from all of AICL's operations and are faced by all business entities. AICL's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to AICL's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management and is overseen by the AICL Board. Compliance with AICL's standards is supported by a programme of periodic reviews undertaken by the internal audit function.

The results of internal audit reviews are discussed with the management teams, with summaries submitted to the AICL Audit & Risk Committee and senior management of AICL.

The Group CFO has considered the material operational risks identified by the AICL risk management process, including IT operations, office infrastructure and key person dependencies. The Group CFO has noted the controls in operation to mitigate against the material operational risks and is satisfied that the risk mitigation techniques are operating effectively and that there are no additional operational risks for the Group. The Group CFO also reviewed the stress testing scenarios completed for AICL, including operational failure and is satisfied that there no additional actions required for the Group arising out of the operational risk stress testing.

There were no material changes to AICL or the Group's outsourcing risk profile during the period.

C.6 Stress Testing and Sensitivities

The Group has considered the material risks to which it is exposed and has performed stress and scenario testing of the material risks to which it is exposed within the AICL entity. AICL has sufficient Own Funds to meet its SCR. There are no realistic stress scenarios that could bring AICL's Own Funds below its SCR and AICL is more than adequately capitalised to absorb losses.

AICL also completes reverse stress tests on an annual basis to examine the conditions that would render AICL's business model unviable

The table below provides summary details of the stress and scenario testing completed:

Type of Test	Risks Covered	Timeline
Stress & Scenario Testing:		
Business Planning	Material risks over 1-year planning period	Annually
	Material risks over 3-year planning period	Annually
Strategic Planning	All risks	Annually
Risk specific	Liquidity risks	Monthly
	Operational risks	Monthly
	Underwriting risks	Monthly
	Market risks	Quarterly
Reverse Stress Testing:		
Business Planning	Solvency & Capital	Annually
	Liquidity	Annually
Strategic	Strategic & reputational	Annually

In order to monitor the severity and impact of material risks on AICL, the stress tests detailed in the table below were included as part of AICL's ORSA:

Material Stress Tests	Scenario	Own Funds Impact	SCR Impact
Underwriting Risk	3% deterioration in underwriting result	$15m	SCR cover maintained
Market Risk	Increase in credit spread causes reduction in market value of government bonds	Minimal – due to short duration of portfolio – 84% of portfolio matures less than 6 months after valuation date	SCR cover maintained
Credit Risk	20% increase to aged debt creates additional risk charge	Zero	$5m additional charge in SCR SCR cover maintained
Liquidity Risk	100% increase in monthly liquidity requirements to fund claims payments	Minimal Cash flows are monitored on a monthly basis to ensure at least 2 months average claims costs maintained is in liquid cash Current cash on demand is equivalent to 4 months average claims payments	SCR cover maintained

The test results were performed using business planning data from the 2018 business plan originally prepared in quarter 4 2018. The assumptions in the original 2019 business plan and the actual results shown in Sections D&E below have been defined as the base position for the purpose of the stress testing.

In addition to the stress tests completed above, AICL also identified circumstances that could potentially render its business model unviable, including the effects of the failure of the parent company and the impact of significant operational failures or regulatory interventions on the business that could result in business failure. There were no results creating additional actions for AICL.

C.7 Regulatory risk and capital management

Regulatory risk is the risk that the Group breaches the requirements of local regulatory bodies, most notably the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). The company mitigates this risk through the effective operation of defined governance structures and effective capital management. The Group is required to hold sufficient capital to comply with the capital requirements under the Solvency II directive. The Group has complied with these capital requirements throughout the period. Management also carries out its own assessment of the level of capital resources it regards as appropriate in excess of these regulatory minima.

C.8 Other Material Risks

There are no significant risk concentrations at the Group level and no other material risks to report in respect of the Reporting Period.

C.9 Other material information

The information presented in Section C represents the Group's risk profile. There is no other additional information to disclose.

D. VALUATION FOR SOLVENCY PURPOSES

The Group has prepared a full consolidated balance sheet for the subsidiary holding company, Aetna HoldCo (UK) Limited, the insurance undertaking subsidiary, AICL, and AGBUK, the insurance service entity that is treated as an ancillary service undertaking under Solvency II. The ancillary service undertaking is included in the full consolidated balance sheet on the basis that its activities cannot be separated from the operations of the insurance undertaking.

The following table analyses the Group's assets and liabilities on 31 December 2018, showing the movement between the IFRS valuation and the Solvency II valuation.

Net Assets $m	Section – Notes	IFRS 2018	Valuation & Reclassification Adjustments 2018	Solvency II 2018	Solvency II 2017
Property, Plant & Equipment	D1 –1	5.8	(5.8)	-	1.1
Deferred Tax	D1 – 2	-	-	-	-
Intangible Assets	D1 – 3a	1.5	(1.5)	-	-
Deferred Acquisition Costs	D1 – 3b	12.2	(12.2)	-	-
Financial Investments:					
Government Bonds	D1 – 4	87.4	0.6	88.0	57.7
Corporate Bonds & Commercial Paper	D1 – 4	66.7	-	66.7	44.2
Cash Deposit	D1 – 9	-	37.1	37.1	35.3
Reinsurance receivable	D1 – 5a	0.7	-	0.7	1.8
Reinsurance recoverable	D1 – 5b	0.6	0.2	0.8	
Insurance receivables	D1 – 6	167.0	(63.1)	103.9	67.8
Trade receivables	D1 – 7	5.3	(1.5)	3.8	2.6
Other receivable	D1 – 8	15.4	-	15.4	9.6
Cash and cash equivalents	D1 – 9	79.1	(37.1)	42.0	43.2
Total Assets		**441.7**	**(83.3)**	**358.4**	**263.3**
Technical Provisions	D.2	209.2	(51.0)	158.2	115.2
Insurance Balances payable	D3 – 10	35.3	(24.7)	10.6	10.3
Trade and other payables	D3 – 11	14.1	-	14.1	15.9
Other Liabilities	D3 – 12	40.9	-	40.9	7.0
Total Liabilities		**299.5**	**(75.7)**	**223.8**	**148.4**
Net Assets/Own Funds	**E**	**142.2**	**(7.6)**	**134.6**	**114.9**

D.1 Assets

The Group consolidated balance sheet includes assets and liabilities in the consolidated balance sheet, which have been subject to solvency valuation rules on a solo entity basis, and there is no difference in the solvency valuation rules applied to the Group compared to the solo valuation. Related party transactions between subsidiaries are eliminated in the consolidated balance sheet prepared on an accounting basis.

Group assets are valued at the amounts for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. The classes of assets stated in the economic balance sheet are valued individually. The Group monitors the valuation of assets and considers if there are any changes in circumstances which might require a change in the valuation applied. Such changes might include:

- new market developments that change market conditions;
- new information;
- information previously used is no longer available; and
- improvements to valuation techniques.

The Group also applies the materiality principle, applying judgements to estimates and estimation methods where necessary. The principles that have been applied to the valuation of the financial assets is detailed further below.

Note 1: Property, Plant & Equipment

The accounting valuation of property, plant and equipment includes the capitalisation of costs for the fit-out of the UK offices, which does not have any economic value if the Group were to relocate offices and therefore has been excluded from the Solvency II valuation. The Solvency II valuation of property plant and equipment includes furniture and IT equipment, which is moveable and could be exchanged between two knowledgeable and willing parties in an arm's length transaction. However, the value of the furniture and IT equipment is not considered material at the balance sheet date and has been excluded in the valuation of assets for solvency purposes.

Note 2: Deferred Tax

Deferred tax is estimated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is not recognised in the 2018 Solvency II balance sheet (2017: nil) as there is insufficient evidence at the reporting date in relation to the timing of the future economic benefits for the utilisation of the cumulative tax losses. This position will be reviewed when profits are reported in future periods.

The growth in the Group in the last 2 years has mainly stemmed from business migrating to AICL from within Aetna International. The total business remains a single product and there is track record for positive underwriting margins on the business migrated to AICL.

The underwriting margins are expected to exceed the costs attributable to running the business in future periods and generate future profits.

The valuation of deferred tax asset in the Solvency II balance sheet also excludes any potential gains from assets not recognised in the Solvency II balance sheet.

There are no unused tax losses excluded from the deferred tax asset valuation.

Note 3a: Intangible Assets

Intangible assets included in the IFRS consolidated accounts are excluded from the valuation of assets for solvency purposes.

Note 3b: Deferred Acquisition Costs

Deferred acquisition costs of $12.2m in the IFRS accounts are excluded from the valuation of assets for solvency purposes.

Note 4: Financial Investments

The financial assets include investments in government bonds, corporate bonds and commercial paper in accordance with the Board approved investment parameters. The assets are included at fair value using a mark to market approach, based on readily available prices that are sourced independently. The investments are valued under the Level 1 (84% of total value of financial investments), where there are quoted prices in active markets for the same assets. Investments are valued under the Level 2 hierarchy, where there are quoted prices in an active market for similar assets or liabilities or quoted prices for identical assets or liabilities in a market which is not active. Accrued income included in trade receivables under IFRS rules, is added to the market value of the investment bonds under Solvency II valuation rules. There has been no adjustment to the valuation of the financial investments in the Company's financial statements for the Reporting Period and the valuation is based on quoted market prices at the valuation date.

The AICL Board (since 19 April 2018 when the AICL Investment Committee was disbanded) reviews the management of the investment portfolio.

Cash held on fixed term deposit is valued at fair value, representing the valuation of the cash that could be exchanged between two knowledgeable parties in an arm's length transaction. The deposits are renewed monthly for fixed terms. Consequently, there is less than 12 months to maturity and the value of the deposit has not been discounted. These fixed term cash deposits are reclassified as financial assets in the Solvency II balance sheet.

$m	IFRS	Valuation & Reclassification Adjustment	Solvency II
Government Bonds	87.4	0.6	88.0
Corporate Bonds & Commercial Paper	66.7	-	66.7
Cash Deposit	-	37.1	37.1
Total Financial Investments	**154.1**	**37.7**	**191.8**

Note 5a: Reinsurance receivables

Reinsurance recoveries on claims already paid by AICL (but for which payment is yet to be received from the related party reinsurer), are treated as "reinsurance receivables".

The reinsurance recoveries are due within 1 year and the carrying value are taken to approximate fair values under Solvency II valuation rules. The value states represent the amounts the amounts that could be exchanged between two knowledgable and willing parties in an arm's length transaction.

Note 5b: Reinsurance recoverable

For this approach, the actuarial reserving director has reviewed the events that create a recoverable cash flow and the amounts included in the valuation are consistent with the terms of the reinsurance agreement.

It is assumed that reinsurance recoveries on incurred but not reported ("**IBNR**") claims are only relevant for the events not in data ("**ENID**") allowance (which is an estimate of the value of future claims in excess of the $250k retention). The reinsurance recoverable on IBNR is estimated at 17.5% of the ENID amount. This was parameterized by an independent consultancy and validated by considering that the result is similar to that of a small number of large claims that could reasonably be expected to relate to the claims reserve.

Reinsurance recoveries on the premium reserve are estimated as a percentage of the total premium provision before expenses and other non-claims cash flows (such as premiums receivable), based on an historical analysis of claims.

A default allowance of 1.23% is applied based on average credit spreads based on Standard & Poor's default rates from their 2012 corporate bond study for issuers of a similar credit rating to AICL's reinsurer. This adjustment is immaterial but included for completeness.

Reinsurance recoveries were assumed to occur at the same time as the underlying claim payments to members. Due to the small lag between these payments and receipt of cash from the reinsurer (Aetna Life & Casualty (Bermuda) Limited, another Aetna Inc. Group insurance company), this was considered immaterial (total recoverable are about $0.7m, and assuming a discounting lag of 1 year at 1% yield would result in only a $20k change in value).

The amount disclosed in the financial statements for reinsurance recoverable in respect of unearned premiums ($0.5m) is not included in the solvency II valuation of reinsurance recoverable, which was offset by the solvency II revaluation increase to claims recoverable of $0.5m.

Note 6: Insurance Receivables

The Group insurance receivables comprise amounts for AICL past due at the valuation date. The reclassification adjustment below represents the movement of premiums not due at the valuation date out of non-technical assets and into the calculation of the technical provisions under Solvency II valuation rules.

The balance increased between 2018 and 2017 in line with business volume changes.

There are controls and procedures in place to check to ensure the accuracy of invoicing and the monitoring of premiums collected. Summary reports and analysis on the recoverability of debts is provided to senior management and the Board. The valuation of the asset takes into account the effectiveness of the controls and includes an allowance for unrecoverable debts. The valuation included in the Solvency II balance sheet represents cash flows management expect to recover in less than 12 months from the valuation date.

$m	IFRS	Valuation & Reclassification Adjustments	Solvency II 2018	Solvency II 2017
Insurance Receivables	167.0	(63.1)	103.9	67.8

Note 7: Other trades receivable

The receivables (trade, not insurance balances) relate to receivables from related party entities within the Group, which are due within 1 year and carrying value are taken to approximate fair values under Solvency II valuation rules. The value stated represents the amount that could be exchanged between two knowledgeable and willing parties in an arm's length transaction.

The main driver for the increase in the balance between 2018 and 2017 relates to amounts recoverable from related party entities within the Aetna Inc. Group, covering settlements of expense transactions transferable between the related parties.

The IFRS prepayments of $0.9m are excluded from the valuation of assets for solvency purposes (2017: Nil), as there is no future cash flow realisable for the prepayments.

The reclassification adjustment relates to accrued interest on the investment bonds, which is reclassified as financial asset under Solvency II valuation rules.

$m	IFRS	Valuation & Reclassification Adjustments	Solvency II 2018	Solvency II 2017
Trade Receivables	5.3	(1.5)	3.8	2.6

Note 8: Other receivables

The Group receivables (trade, not insurance balances) relate to AICL and AGBUK receivables which are due within 1 year and carrying value are taken to approximate fair values under Solvency II valuation rules. The value stated represents the amount that could be exchanged between two knowledgeable and willing parties in an arm's length transaction.

Note 9: Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits with banks. Cash and cash equivalents are considered to be held at fair value under Solvency II.

$m	IFRS	Valuation & Reclassification Adjustments	Solvency II 2018	Solvency II 2017
Cash and cash equivalents	79.1	(37.1)	42.0	43.2
Total cash	**79.1**	**(37.1)**	**42.0**	**43.2**

D.2 Technical Provisions

The technical provisions comprise the best estimate of the liabilities ("**BEL**") and the risk margin, under Solvency II rules. At 31st December 2018, the technical provisions were:

Technical Provisions	2018 $m	2017 $m
Best Estimate Liabilities (BEL)	153.4	111.0
Risk Margin	4.8	4.2
Total	**158.2**	**115.2**

BEL

The BEL is calculated as the sum of a Gross Premium Reserve and Gross Claims Reserve.

Gross Claims Reserve

The best estimate of provisions for claims outstanding (referred to as the Gross Claims Reserve) is the expected present value of all future claim and expense cash flows related to claim events that occurred prior to the valuation date. Any explicit prudence included the IFRS Outstanding Claims reserve is removed to calculate the best estimate Gross Claims Reserve. Claims cashflows are then projected based on historical payment patterns of the business.

An allowance is included for the best estimate value of expenses (including direct and indirect costs) relating to the settling of these claims.

An adjustment is also made to include other accounting liabilities representing future claims cash flows, such as claims payable that are not already included in the IFRS Outstanding claims reserve.

Gross Premium Reserve

The Gross Premium Reserve is the expected present value respect of future claim, expense and premium cash flows relating to claims events occurring after the valuation date and before the end of the insurance coverage period for the relevant policies.

The claims cash flows for this reserve are calculated by projecting the future premiums to be earned on business that is legally bound at the valuation date (including business not yet incepted at the valuation date) to the end of the coverage period of the relevant policies.

Future expected incurred claims are projected by applying an appropriate loss ratio to the future earned premium; the corresponding claims cash flows are then projected based on historical payment patterns.

An allowance is included for the best estimate value of expense cash flows (including direct and indirect costs) relating to the settling of these claims and future administration of these policies. The Gross Premium Reserve includes allowance for the value of premiums not yet due and other relevant insurance receivables or payables.

The BEL claims cash flows include allowance for ENIDs so that the BEL reflects an expected probability-weighted average of future cash flows.

The cashflows for the Gross Claims Reserve and Gross Premium Reserve are then discounted at yields provided by EIOPA, depending on the projected timing and currency of the cashflows.

Risk Margin

The risk margin is calculated using the following assumptions:

- the business, including reinsurance, is transferred to a reference undertaking with no other insurance obligations or own funds before the transfer, and which does not write any further business (including renewals of existing business);
- the reference undertaking is capitalized as described under Solvency II rules; and
- the assets are selected to minimize market risk.

The SCR under the above assumptions is projected for future years using key risk drivers. The risk margin is calculated by multiplying the projected SCRs by a 6% Cost of Capital and discounting to the valuation date.

IFRS value of technical reserves vs Solvency II Technical Provisions

The quantification of the difference between the IFRS value of technical reserves and the Solvency II Technical Provisions for AICL (which consists only of Medical Expenses business) is shown below.

The technical provisions are subject to uncertainty relating to the following factors:

- estimates of ultimate claims costs for past treatment dates – the estimates rely on past claims experience combined with expert judgment relating to expected claims trends and of operational aspects of the business, such as claims processing;
- estimates of ultimate claims costs for future treatment dates for bound contracts – the estimates rely in future expected claims experience which becomes more uncertain the further into the future the claims are projected; and
- estimates of future expense cash flows relating to bound contracts.

AICL has not applied the matching adjustment, volatility adjustment, transitional risk-free interest term structure or the transitional deduction in calculating its technical provisions.

The reinsurance recoverable is valued at $1.8m using mark to model approach under Solvency II valuation rules. AICL's reinsurer is Aetna Life and Casualty (Bermuda) Limited which is an entity within the Aetna Group.

	2018 $m	2017 $m
IFRS Outstanding Claims Reserve (OCR)	66.4	65.1
IFRS Unearned Premium Reserve (UPR)	142.8	112.4
IFRS Technical reserve	**209.2**	**177.5**
Remove:		
Prudence in IFRS Outstanding Claims Reserve	(4.6)	(5.4)
Unearned Premium Reserve	(142.8)	(112.4)
Premiums not yet due and other receivables/payables	(38.4)	(49.4)
Add:		
Project Gross Premium Reserve claims (excluding Business Bound Not Incepted)	110.2	85.6
Additional allowance for Events Not In Data	5.1	4.6
Best estimate expense allowance for incepted contracts	26.8	11.6
Net Bound But Not Incepted (BBNI) cashflows	(10.2)	-
Discounting of claims and expense cashflows	(1.9)	(1.1)
Total IFRS to Solvency II Best Estimate adjustments	**(55.8)**	**(66.5)**
Best Estimate Liability	153.4	111.0
Add Risk Margin	4.8	4.2
Technical Provisions	**158.2**	**115.2**

D.3 Other Liabilities

Note 10: Insurance Balances payable

The Group insurance balances payable comprise amounts arising on AICL's direct insurance operations, which are not included in the technical provisions. Claims liabilities included under insurance balances payable in the IFRS balance sheet are included in the calculation of the Technical Provisions under Solvency II valuation rules.

The insurance balances which are payable net of the Solvency II classification adjustment, include broker commissions and premium taxes payable.

These liabilities are measured as amounts past due, which represents the amounts expected to be paid, and are measured on the basis of a valuation amount for which they could be settled between knowledgeable willing parties in an arm's length transaction.

$m	IFRS	Valuation & Reclassification Adjustments	Solvency II Valuation Adjustments	2018 Solvency II	2017 Solvency II
Insurance Balances Payable	35.3	(24.7)	-	10.6	10.3

Note 11: Trade and Other payables

Trade payables include amounts due to suppliers, public entities, etc, and which are not insurance related. Trade payables solely comprise amounts which fall due within 12 months and are considered to be held at fair value, representing the value at which the balances could be exchanged between two knowledgeable and willing parties in an arm's length transaction.

Note 12: Other liabilities

Other liabilities include amounts payable to related parties within the Aetna Inc. Group, excluding transactions between related parties in the Group. These liabilities are measured as past due at the valuation date and therefore represent the amount expected to be paid.

There were no changes to the base assumptions used in the calculation of liabilities for the Reporting Period.

D.4 Alternative Valuation Methods

There are no alternative valuation methods applied to the valuation of the Group assets.

D.5 Other Material Information

The information presented in Section D provides a summary view of the valuation for Solvency Purposes of the Group during the period.

E. CAPITAL MANAGEMENT

E.1 Own Funds

Approach to Capital Management

Management focuses on ensuring that there is sufficient capital retained to meet the regulatory requirements, Solvency Capital Requirement ("**SCR**"), Minimum Consolidated Group SCR ("**MCGSCR**"), of the Group and the insurance subsidiary, AICL. The Group finance function provides the Spinnaker Board with information on the Group and AICL's capital position and monitors the surplus in line with internal, regulatory and rating agency capital requirements. The finance, risk management and actuarial functions collaborate to provide the Spinnaker Board with internal and regulatory stress testing.

Composition and quality of own funds

Under Solvency II regulation, capital is referred to as Own Funds and the regulation distinguishes between Basic Own Funds (BOF) and Ancillary Own Funds (AOF). There are tiers of Own Funds and restrictions applied to the extent to which the various components of Own Funds can be used to meet the capital requirements.

There was no change to the capital structure of the Group in 2018, where there is just one class of share issued for capital contributions. The total Own Funds continue to be fully admissible as Tier 1 ("unrestricted") Own Funds available to meet solvency requirements.

Spinnaker Own Funds

Equity in Financial Statements at 31 December 2018 - $m	Tier 1 Unrestricted	Tier 2	Tier 3	Total
Ordinary Share Capital	171.8	-	-	171.8
Share Premium paid	88.3	-	-	88.3
Reconciliation Reserve	(125.5)	-	-	(125.5)
Basic Own Funds	**134.4**	**-**	**-**	**134.4**
Deferred Tax Asset	-	-	-	-
Ring Fenced Adjustment	-	-	-	-
Own Funds available to meet Group SCR	**134.4**	**-**	**-**	**134.4**
Own Funds available to meet Minimum Consolidated Group SCR ("MCGSCR")	**134.4**	**-**	**-**	**134.4**

Spinnaker's ordinary share capital and the related share premium amount are classified as Tier 1 capital since Spinnaker's Articles of Association do not prohibit the cancellation of dividends after they have been declared.

Additional information on the calculation of Spinnaker's Own Funds:

- Spinnaker is not a mixed holding company;
- all the ordinary shares were issued by Spinnaker in the UK;
- where material Own Funds items have been issued by an undertaking that is not an insurance or reinsurance undertaking, Spinnaker's Own Funds have been calculated after the elimination of related party transactions between entities within the Group;
- there is no adjustment or restriction to Own Funds eligible to cover the Group in respect of a ring fencing adjustment for the AICL Singapore branch.
- Spinnaker's Own Funds have been calculated on the fully consolidated Solvency II balance sheet, prepared under the Solvency II method I rules of consolidation.

There is just one class of ordinary share issued by Spinnaker. All the issued shares and attaching share premium are fully paid up. There are no other classes of shares issued, nor any subordinated loans issued by the Group.

There are minimal group diversification benefits ($2.0m) in the Group SCR, compared to the solo SCR completed for AICL, where there are minimum risks retained by AGBUK.

Summary comparison of AICL and Group SCR	AICL $m	Group $m
SCR	79.3	81.3

Details of the capital movements during the period are shown in the table below:

Capital Issued $m	Opening	New Issues	Redemptions	Closing
Ordinary Shares	121.8	50.0	-	171.8
Share Premium	88.3	-	-	88.3
Other Share Capital	-	-	-	-
Total Share Capital	**210.1**	**50.0**	**-**	**260.1**

The Aetna Inc. Group agreed to provide additional capital of $50.0m in 2018 in support of AICL's strategic growth and solvency position.

The AICL Board approved the request for capital and authorised the issue of additional ordinary shares to AICL's immediate parent undertaking in exchange for the capital injection.

The total eligible amount of own funds to cover the Group SCR is $134.4m and the total amount of unrestricted Tier 1 own funds to cover the MCGSCR is $134.4m, with no ring-fencing adjustment in relation to AICL's Singapore branch.

Ring Fencing of AICL Singapore Branch

AICL operates a branch in Singapore which is subject to local regulations and solvency requirements set by the Monetary Authority in Singapore ("MAS"). The Company has interpreted the Solvency II valuation rules to mean that the funds held to meet the base MAS capital requirements for the branch must be ring fenced. The Group has reviewed the methodology for calculating the ring-fenced capital requirement and determined that it is appropriate to compare the calculation of the Singapore branch SCR with 100% of the MAS base capital requirement (2017: 100% of MAS base capital requirement used).

The ring-fencing is treated as follows in the Solvency II calculations:

- an SCR is calculated separately for the branch and the rest of the business. The total SCR is the sum of these two SCRs (this disallows diversification between the two sets of business);
- as the branch SCR is above the base MAS capital requirements, there is no adjustment for ring fenced funds deducted from own funds (2017: Nil); and
- the value of assets in the branch is fully included in the overall own funds of the Group.

The year end 2018 calculation is shown below:

	$m 2018	$m 2017
Singapore Local MAS Capital Requirement	13.5	13.3
Assets subject to ring-fencing restriction	13.5	13.3
Singapore Branch SCR calculation	14.2	13.9
Ring Fencing Deduction to Own Funds	-	-

The following table reconciles the differences (reconciliation reserve) between the equity in the financial statements and the excess of the assets over liabilities as calculated for solvency purposes. The main driver for the change in the reconciliation reserve, is the change in the valuation of technical provisions. There are no material changes to the inputs or assumptions used for the valuation of the technical provisions and the change in value between 2018 and 2017 is driven by volume changes in the business.

Reconciliation Reserve	$m 2018	$m 2017
Excess of Assets over Liabilities in Solvency II Balance Sheet	**134.4**	**114.9**
Less:		
Ordinary Share Capital	(171.8)	(121.8)
Share Premium Account	(88.3)	(88.3)
Deferred Tax	-	-
Ring Fenced fund adjustment	-	-
Reconciliation Reserve	**(125.5)**	**(95.2)**

The reconciliation reserve includes the retained losses included in the consolidated IFRS balance sheet plus the valuation adjustments required for the consolidated Solvency II balance sheet. The analysis of the solvency valuation change is included in the summary balance sheet in Section D.

Analysis of Reconciliation Reserve - $m	IFRS	Solvency Adjustments	Reconciliation Reserve
Retained Losses	117.9	7.6	125.5

E.2 SCR and MCGSCR

The amount of the Group's SCR and MCGSCR at the end of the Reporting Period are $81.3m and $22.0m respectively.

SCR

The table below shows the components of the SCR at 31st December 2018, calculated using the Standard Formula with adjustment for reduced diversification due to ring-fencing of the Singapore branch

SCR Calculation	$m
Market Risk	29.1
Default Risk	25.7
Health Risk	46.3
Diversification	(28.4)
Basic Solvency Capital Requirement	**72.8**
Operational Risk	8.6
SCR	**81.3**

MCGSCR

The MCGSCR was calculated using the following inputs:

- net of reinsurance BEL $158.2m;
- net of reinsurance written premiums in the 12 months to 31 December 2018 of $316.4m; and
- SCR of $81.3m.

These inputs were used in the calculation according to Articles 248-253 of the Solvency II Directive. The resulting MCR is equal to solo MCR of AICL, being the only insurance undertaking in the Group.

There has been no material change in the methodology used to calculate the MCGSCR and SCR. The SCR is calculated using the Standard Formula with no undertaking specific parameters applied.

The regulator has been informed of the use of the Standard Formula by AICL and there are no existing conditions requiring approval of the SCR calculation before finalization.

The Group Capital Plan aims to:

- support the capital requirements for the Group and the underlying subsidiaries, in particular AICL;
- document the regulatory and minimum capital levels under baseline and stress scenarios; and
- describe the capital implications and actions required in the event that a stress scenario occurs.

The Capital Plan is an analysis of the Group's capital sources and uses a three year time frame that takes into consideration:

- macroeconomic and financial market scenarios;
- business and strategic plan;
- applicable regulations; and
- capital resources calculated under future scenarios using the Solvency II standard formula.

The Group has an active capital management process to ensure it meets regulatory capital requirements and rating agency expectations. During the period, the Group received additional capital contributions of $50.0m from the parent to provide support for the strategic growth of the AICL business.

Material Changes in the SCR and MCGSCR over the Reporting Period

There has been no material change in the methodology used to calculate AICL's MCR and SCR during the Reporting Period.

The MCR and the SCR did not significantly change over the reporting, with a slight increase reflecting the continued expected growth of the business. The Aetna Inc. Group continues to support the growth strategy for the Aetna International business and this has been reflected in the increased investment in infrastructure and information technology. These strategic investments increased the cost base of the service companies supporting AICL and the increased costs eroded some of the net capital retained for Own Funds. AICL anticipated the increase through its forward-looking capital management process and additional capital was injected into AICL by the Aetna Inc. Group to support the projected additional business. As a result, AICL's own funds increased commensurately to maintain appropriate SCR coverage.

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

The Group did not make use of the duration-based equity risk sub-module in the reporting during the Reporting Period.

E.4 Differences between the Standard Formula and Internal Model used

The Group uses the Standard Formula to calculate the SCR and therefore no difference exists. There are no simplified calculations used in the application of the Standard Formula.

E.5 Non-Compliance

During the Reporting Period, there were no instances of non-compliance with the Solvency II capital requirements.

This document is available on the Aetna International website

S.02.01.02

Balance Sheet

					Solvency II value	Statutory accounts value
					C0010	C0020
Asset	Deferred Acquisition Costs			R0020	-	12,250
	Intangible assets			R0030		1,458
	Deferred tax assets			R0040	-	-
	Pension benefit surplus			R0050	-	-
	Property, plant & equipment held for own use			R0060	-	5,809
	Investments (other than assets held for index-linked and unit-linked contracts)			R0070	191,786	154,087
		Property (other than for own use)		R0080	-	-
		Holdings in related undertakings, including participations		R0090	-	-
		Equities		R0100	-	-
			Equities - listed	R0110	-	-
			Equities - unlisted	R0120	-	-
		Bonds		R0130	154,662	154,087
			Government Bonds	R0140	88,021	87,447
			Corporate Bonds	R0150	66,641	66,641
			Structured notes	R0160	-	-
			Collateralised securities	R0170	-	-
		Collective Investments Undertakings		R0180	37,124	-
		Derivatives		R0190	-	-
		Deposits other than cash equivalents		R0200	-	-
		Other investments		R0210	-	-
	Assets held for index-linked and unit-linked contracts			R0220	-	-
	Loans and mortgages			R0230	-	-
		Loans on policies		R0240	-	-
		Loans and mortgages to individuals		R0250	-	-
		Other loans and mortgages		R0260	-	-
	Reinsurance recoverables from:			R0270	735	1,327
		Non-life and health similar to non-life		R0280	735	1,327
			Non-life excluding health	R0290	-	-
			Health similar to non-life	R0300	735	1,327
		Life and health similar to life, excluding health and index-linked and unit-linked		R0310	-	-
			Health similar to life	R0320	-	-
			Life excluding health and index-linked and unit-linked	R0330	-	-
		Life index-linked and unit-linked		R0340	-	-
	Deposits to cedants			R0350	-	-
	Insurance and intermediaries receivables			R0360	103,911	166,958
	Reinsurance receivables			R0370	732	-
	Receivables (trade, not insurance)			R0380	-	-
	Own shares (held directly)			R0390	-	-
	Amounts due in respect of own fund items or initial fund called up but not yet paid in			R0400	-	-
	Cash and cash equivalents			R0410	42,012	79,136
	Any other assets, not elsewhere shown			R0420	19,261	20,698
	Total assets			R0500	358,437	441,723

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Balance Sheet

					Solvency II value	Statutory accounts value
					C0010	C0020
Liabilities	Technical provisions – non-life			R0510	158,213	209,233
		Technical provisions – non-life (excluding health)		R0520	-	-
			Technical provisions calculated as a whole	R0530	-	-
			Best Estimate	R0540	-	-
			Risk margin	R0550	-	-
		Technical provisions - health (similar to non-life)		R0560	158,213	209,233
			Technical provisions calculated as a whole	R0570	-	-
			Best Estimate	R0580	153,370	-
			Risk margin	R0590	4,843	-
	Technical provisions - life (excluding index-linked and unit-linked)			R0600	-	-
		Technical provisions - health (similar to life)		R0610	-	-
			Technical provisions calculated as a whole	R0620	-	-
			Best Estimate	R0630	-	-
			Risk margin	R0640	-	-
		Technical provisions – life (excluding health and index-linked and unit-linked)		R0650	-	-
			Technical provisions calculated as a whole	R0660	-	-
			Best Estimate	R0670	-	-
			Risk margin	R0680	-	-
	Technical provisions – index-linked and unit-linked			R0690	-	-
		Technical provisions calculated as a whole		R0700	-	-
		Best Estimate		R0710	-	-
		Risk margin		R0720	-	-
	Contingent liabilities			R0740	-	-
	Provisions other than technical provisions			R0750	-	-
	Pension benefit obligations			R0760	-	-
	Deposits from reinsurers			R0770	-	-
	Deferred tax liabilities			R0780	-	-
	Derivatives			R0790	-	-
	Debts owed to credit institutions			R0800	-	-
	Financial liabilities other than debts owed to credit institutions			R0810	-	-
	Insurance & intermediaries payables			R0820	9,444	35,278
	Reinsurance payables			R0830	1,170	-
	Payables (trade, not insurance)			R0840	-	-
	Subordinated liabilities			R0850	-	-
		Subordinated liabilities not in Basic Own Funds		R0860	-	-
		Subordinated liabilities in Basic Own Funds		R0870	-	-
	Any other liabilities, not elsewhere shown			R0880	55,018	55,018
	Total liabilities			R0900	223,844	299,529
Excess of assets over liabilities				R1000	134,593	142,194

S.05.01.02

Premiums, claims and expenses by line of business

			Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**												Line of Business for: **accepted non-proportional reinsurance**				**Total**
		0	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
			C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written	Gross - Direct Business	R0110	140,915	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	140,915
	Gross - Proportional reinsurance accepted	R0120	176,615	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	176,615
	Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Reinsurers' share	R0140	1,170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,170
	Net	R0200	316,359	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	316,359
Premiums earned	Gross - Direct Business	R0210	132,436	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	132,436
	Gross - Proportional reinsurance accepted	R0220	153,404	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	153,404
	Gross - Non-proportional reinsurance accepted	R0230	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Reinsurers' share	R0240	1,170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,170
	Net	R0300	284,669	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	284,669
Claims incurred	Gross - Direct Business	R0310	88,283	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	88,283
	Gross - Proportional reinsurance accepted	R0320	120,893	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	120,893
	Gross - Non-proportional reinsurance accepted	R0330	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Reinsurers' share	R0340	1,166	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,166
	Net	R0400	208,011	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	208,011
Changes in other technical provisions	Gross - Direct Business	R0410	(1,548)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,548)
	Gross - Proportional reinsurance accepted	R0420	239	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	239
	Gross - Non- proportional reinsurance accepted	R0430	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Reinsurers' share	R0440	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Net	R0500	(1,309)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,309)
Expenses incurred		R0550	102,767	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	102,767
Other expenses		R1200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses		R1300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	102,767

S.05.02.01

Premiums, claims and expenses by country

			Home country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
			C0010	C0020	C0030	C0040	C0050	C0060	C0070
		R0010		United Arab E	Singapore	Thailand	Kuwait	Hong Kong	
			C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written	Gross - Direct Business	R0110	6,331	87,793	993	754	8,803	4,680	109,355
	Gross - Proportional reinsurance accepted	R0120	37,922	2,224	77,674	8,760	(3)	1,037	127,616
	Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-	-	-
	Reinsurers' share	R0140	-	-	-	-	-	-	-
	Net	R0200	44,254	90,018	78,668	9,514	8,801	5,717	236,971
Premiums earned	Gross - Direct Business	R0210	25,836	(2,151)	43,619	1,102	1,989	4,631	75,025
	Gross - Proportional reinsurance accepted	R0220	2	136,803	11	7,138	276	8	144,238
	Gross - Non-proportional reinsurance accepted	R0230	-	-	-	-	-	-	-
	Reinsurers' share	R0240	106	552	179	34	9	19	898
	Net	R0300	25,944	135,204	43,809	8,273	2,274	4,658	220,162
Claims incurred	Gross - Direct Business	R0310	12,666	7	29,532	925	370	3,574	47,074
	Gross - Proportional reinsurance accepted	R0320	-	110,574	-	4,229	10	23	114,836
	Gross - Non-proportional reinsurance accepted	R0330	-	-	-	-	-	-	-
	Reinsurers' share	R0340	-	-	-	-	-	-	-
	Net	R0400	12,666	110,581	29,532	5,155	380	3,598	161,910
Changes in other technical provisions	Gross - Direct Business	R0410	-	-	-	-	-	-	-
	Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-
	Gross - Non-proportional reinsurance accepted	R0430	-	-	-	-	-	-	-
	Reinsurers' share	R0440	-	-	-	-	-	-	-
	Net	R0500	-	-	-	-	-	-	-
Expenses incurred		R0550	4,053	41,547	13,953	2,744	2,660	1,436	66,392
Other expenses		R1200	-	-	-	-	-	-	-
Total expenses		R1300	-	-	-	-	-	-	66,392

S.23.01.04.01 Own funds

All Figures in US$'000

			Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
			C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector	Ordinary share capital (gross of own shares)	R0010	260,095	260,095	-	-	-
	Non-available called but not paid in ordinary share capital at group level	R0020	-	-	-	-	-
	Share premium account related to ordinary share capital	R0030	-	-	-	-	-
	Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-	-	-	-
	Subordinated mutual member accounts	R0050	-	-	-	-	-
	Non-available subordinated mutual member accounts at group level	R0060	-	-	-	-	-
	Surplus funds	R0070	-	-	-	-	-
	Non-available surplus funds at group level	R0080	-	-	-	-	-
	Preference shares	R0090	-	-	-	-	-
	Non-available preference shares at group level	R0100	-	-	-	-	-
	Share premium account related to preference shares	R0110	-	-	-	-	-
	Non-available share premium account related to preference shares at group level	R0120	-	-	-	-	-
	Reconciliation reserve	R0130	- 125,502	- 125,502	-	-	-
	Subordinated liabilities	R0140	-	-	-	-	-
	Non-available subordinated liabilities at group level	R0150	-	-	-	-	-
	An amount equal to the value of net deferred tax assets	R0160	-	-	-	-	-
	The amount equal to the value of net deferred tax assets not available at the group level	R0170	-	-	-	-	-
	Other items approved by supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
	Non available own funds related to other own funds items approved by supervisory authority	R0190	-	-	-	-	-
	Minority interests (if not reported as part of a specific own fund item)	R0200	-	-	-	-	-
	Non-available minority interests at group level	R0210	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	-	-	-	-	-
Deductions	Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230	-	-	-	-	-
	whereof deducted according to art 228 of the Directive 2009/138/EC	R0240	-	-	-	-	-
	Deductions for participations where there is non-availability of information (Article 229)	R0250	-	-	-	-	-
	Deduction for participations included by using D&A when a combination of methods is used	R0260	-	-	-	-	-
	Total of non-available own fund items	R0270	-	-	-	-	-
Total deductions		R0280	-	-	-	-	-
Total basic own funds after deductions		R0290	134,593	134,593	-	-	-
Ancillary own funds	Unpaid and uncalled ordinary share capital callable on demand	R0300	-	-	-	-	-
	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-	-	-	-	-
	Unpaid and uncalled preference shares callable on demand	R0320	-	-	-	-	-
	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-	-	-	-	-
	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-	-	-	-	-
	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	-	-	-	-	-
	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-	-	-	-	-
	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-	-	-	-	-
	Non available ancillary own funds at group level	R0380	-	-	-	-	-
	Other ancillary own funds	R0390	-	-	-	-	-
Total ancillary own funds		R0400	-	-	-	-	-
Own funds of other financial sectors	Credit Institutions, investment firms, financial insitutions, alternative investment fund manager, financial institutions	R0410	-	-	-	-	-
	Institutions for occupational retirement provision	R0420	-	-	-	-	-
	Non regulated entities carrying out financial activities	R0430	-	-	-	-	-
	Total own funds of other financial sectors	R0440	-	-	-	-	-
Own funds when using the D&A, exclusively or in combination of method 1	Own funds aggregated when using the D&A and combination of method	R0450	-	-	-	-	-
	Own funds aggregated when using the D&A and combination of method net of IGT	R0460	-	-	-	-	-
	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0520	134,593	134,593	-	-	-
	Total available own funds to meet the minimum consolidated group SCR	R0530	-	-	-	-	-
	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0560	134,593	134,593	-	-	-
	Total eligible own funds to meet the minimum consolidated group SCR	R0570	134,593	134,593	-	-	-
Consolidated Group SCR		R0590	81,341	-	-	-	-
Minimum consolidated Group SCR		R0610	22,043	-	-	-	-
Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the		R0630	165%	-	-	-	-
Ratio of Eligible own funds to Minimum Consolidated Group SCR		R0650	611%	-	-	-	-
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from		R0660	134,593	134,593	-	-	-
SCR for entities included with D&A method		R0670	-	-	-	-	-
Group SCR		R0680	81,341	-	-	-	-
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included		R0690	165%	-	-	-	-

S.23.01.04.02 Own funds Reconciliation reserve

All Figures in US$'000

				C0060
Accounting consolidation-based method [method 1 and part of combination of methods 1 and 2]	Reconciliation reserve	Excess of assets over liabilities	R0700	134,593
		Own shares (held directly and indirectly)	R0710	-
		Foreseeable dividends, distributions and charges	R0720	-
		Other basic own fund items	R0730	260,095
		Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
		Other non available own funds	R0750	-
	Reconciliation reserve		R0760	- 125,502
	Expected profits	Expected profits included in future premiums (EPIFP) - Life business	R0770	-
		Expected profits included in future premiums (EPIFP) - Non-life business	R0780	-
	Total Expected profits included in future premiums (EPIFP)		R0790	-

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

All Figures in US$'000

		Gross solvency capital requirement
		C0110
Market risk	R0010	29,146
Counterparty default risk	R0020	25,711
Life underwriting risk	R0030	-
Health underwriting risk	R0040	46,269
Non-life underwriting risk	R0050	-
Diversification	R0060	-28,358
Intangible asset risk	R0070	-
Basic Solvency Capital Requirement	R0100	72,768

Calculation of Solvency Capital Requirement

				C0100
Operational risk			R0130	8,574
Loss-absorbing capacity of technical provisions			R0140	-
Loss-absorbing capacity of deferred taxes			R0150	-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC			R0160	-
Solvency Capital Requirement excluding capital add-on			R0200	81,341
Capital add-ons already set			R0210	-
Solvency capital requirement for undertakings under consolidated method			R0220	81,341
Other information on SCR	Capital requirement for duration-based equity risk sub-module		R0400	-
	Total amount of Notional Solvency Capital Requirements for remaining part		R0410	59,891
	Total amount of Notional Solvency Capital Requirements for ring fenced funds		R0420	13,914
	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios		R0430	-
	Diversification effects due to RFF nSCR aggregation for article 304		R0440	-
	Minimum consolidated group solvency capital requirement		R0470	22,043
Information on other entities	Capital requirement for other financial sectors (Non-insurance capital requirements)		R0500	-
		Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	-
		Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	-
		Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non- regulated entities carrying out financial activities	R0530	-
	Capital requirement for non-controlled participation requirements		R0540	-
	Capital requirement for residual undertakings		R0550	-
Overall SCR	SCR for undertakings included via D and A		R0560	-
	Solvency capital requirement		R0570	81,341

S.32.01.04.01

Undertakings in the scope of the group

All Figures in US$'000

Identification code and type of code of the undertaking	Country	Legal Name of the undertaking	Type of undertaking	Legal form	USP: Category (mutual/non mutual)	Simplifications: Supervisory Authority
C0020	C0010	C0040	C0050	C0060	C0070	C0080
LEI/213800TFKO1YDOJNQ602	UK	Aetna Insurance Company Limited	3 - Non-Life undertakings	Company limited by shares	2 - Non-mutual	Prudential Regulation Authority
SC/213800B2XML69WGYEH58/GB/	UK	Aetna Global Benefits (UK) Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 - Non-mutual	-
SC/213800B2XML69WGYEH58/GB/	UK	Aetna Holdco (UK) Limited	Insurance holding company as defined in Art. 212§ [f] of Directive 2009/138/EC	Company limited by shares	2 - Non-mutual	-
LEI/213800B2XML69WGYEH58	UK	Spinnaker Bidco Limited	Insurance holding company as defined in Art. 212§ [f] of Directive 2009/138/EC	Company limited by shares	2 - Non-mutual	-

Identification code and type of code of the undertaking	Ranking criteria (in the group currency): Total Balance Sheet (for (re)insurance undertakings)	Total Balance Sheet (for other regulated undertakings)	Total Balance Sheet (non-regulated undertakings)	Written premiums net of reinsurance ceded under IFRS or local GAAP for (re)insurance undertakings	Turn over defined as the gross revenue under IFRS or local GAAP for other types of undertakings or insurance holding companies	Underwriting performance	Investment performance	Total performance	Accounting standard	Criteria of influence: % capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Inclusion in the scope of Group supervision: Yes/No	Date of decision if art. 214 is applied	Group solvency calculation: Method used and under method 1, treatment of the undertaking
C0020	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
LEI/213800TFKO1YDOJNQ602	133,348,556	-	-	317,529,128	-	-24,632,629	735,852	-23,896,777	IFRS	100	100	100	-	1 - Dominant	100	Included into scope of group supervision	-	Method 1: Full consolidation
SC/213800B2XML69WGYEH58/GB/	-	8,527,898	-	-	73,977,145	-	-	-47,170	IFRS	100	100	100	-	1 - Dominant	100	Included into scope of group supervision	-	Method 1: Full consolidation
SC/213800B2XML69WGYEH58/GB/	-	-	141,686,096	-	-	-	-	-	IFRS	100	100	100	-	1 - Dominant	100	Included into scope of group supervision	-	Method 1: Full consolidation
LEI/213800B2XML69WGYEH58	-	-	142,194,487	-	-	-	-	-	IFRS	-	-	-	-	-	-	Included into scope of group supervision	-	Method 1: Full consolidation