Solvency and financial condition report 2017

The Standard Life Assurance Company 2006

Standard Life

Contents

The Solvency and financial condition report for the Group and its other subsidiaries are available on our website **www.standardlifeaberdeen.com/sfcr**

The Group's Annual report and accounts 2017 is also available on our website **www.standardlifeaberdeen.com/annualreport**

This document may contain certain 'forward-looking statements' with respect to the Company's plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. For example, statements containing words such as 'may', 'will', 'should', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'plans', 'pursues', 'seeks', 'targets' and 'anticipates', and words of similar meaning, may be forward-looking. By their nature, all forward-looking statements involve risk and uncertainty because they are based on information available at the time they are made, including current expectations and assumptions, and relate to future events and circumstances which may be or are beyond the Company's control, including among other things: UK domestic and global political, economic and business conditions (such as the UK's exit from the EU); market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the impact of inflation and deflation; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the impact of competition; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; default by counterparties; information technology or data security breaches; natural or man-made catastrophic events; the failure to attract or retain necessary key personnel; the policies and actions of regulatory authorities; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which the Company and its affiliates operate as well as other factors described in the Risk management section of this report. These may for example result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. As a result, the Company's actual future financial condition, performance and results may differ materially from the plans, goals, strategy and expectations set forth in the forward-looking statements. Persons receiving this document should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update any of the forward-looking statements contained in this document or any other forward-looking statements it may make. Past performance is not an indicator of future results and the results of the Company in this document may not be indicative of, and are not an estimate, forecast or projection of the Company's future results.

Summary

This document sets out a Solvency and financial condition report for The Standard Life Assurance Company 2006 (SLAC 2006 or the Company) for 2017 to satisfy the requirements of Solvency II.

The purpose of the report is to assist policyholders and other stakeholders to understand the capital position under Solvency II of SLAC 2006 as at 31 December 2017.

In 2016, the Solvency II regulatory regime came into force for insurers across the European Union (EU). Under Solvency II, every insurer is required to identify its key risks – e.g. that equity markets fall - and hold sufficient capital to withstand adverse outcomes from those risks. The capital required to withstand these outcomes is the ‘solvency capital requirement’, or SCR. The SCR is calibrated so that the likelihood of a loss exceeding the SCR is less than 0.5% over one year. This ensures that capital is sufficient to withstand broadly a ‘1 in 200 year event’. The capital resources available to meet the requirements are called ‘own funds’.

The main purpose of holding capital is to provide security to policyholders and other customers. The Board considers that the Company is strongly capitalised under Solvency II, as own funds are significantly higher than the SCR as set out in Section c) of this summary.

a) Capital management policies and risk management objectives

Managing capital is the ongoing process of determining and maintaining the quantity and quality of capital appropriate for the Company and ensuring capital is deployed in a manner consistent with the expectations of our stakeholders. For these purposes, the Board considers our key stakeholders to be our policyholder, Standard Life Assurance Limited’s (SLAL) Heritage With Profits Fund (HWPF) and the Prudential Regulation Authority (PRA). The Company adopts the capital management policies and risk objectives of the Group (Standard Life Aberdeen Group).

The primary capital management objective of the Company is to provide security to the policyholder, SLAL HWPF.

SLAC 2006 is a relatively small entity within the Group and is exposed to a limited range of risks, so in practice the capital management of SLAC 2006 is appropriate for the Company.

b) Regulatory capital

The Company’s capital position under Solvency II is determined by aggregating the assets and liabilities of the Company recognised and measured on a Solvency II basis (being own funds) and comparing this to the Company’s Solvency II SCR to determine surplus capital.

The Company’s Solvency II SCR is calculated on the basis of management’s own regulator-approved internal model. The Solvency II capital resources are also subject to minimum capital requirements (MCR). The MCR represents an absolute floor to the level of eligible own funds that the insurance undertaking is required to hold under Solvency II. The MCR for SLAC 2006 is based on the minimum amount of €3.7m.

On 23 February 2018, the Group announced the sale of the majority of the business within the Standard Life Pensions and Savings reportable segment to Phoenix Group Holdings (Phoenix) (the Sale), conditional on shareholder, regulatory and other necessary approvals. The Sale does not include the disposal of SLAC 2006.

c) Capital surplus

The capital surplus is the amount of capital resources (referred to as own funds) that the Company holds in excess of its capital requirement.

The Company is well capitalised under Solvency II with an SCR of £72k (2016: £83k) representing solvency cover of 6,977% (2016: 6,002%).

The Company’s MCR, based on the minimum amount applicable to EEA-based insurance undertakings is £3,251k (2016: £3,332k) representing cover of 154% (2016: 149%). Eligible own funds to meet MCR are £5,012k (2016: £4,981) and are tier 1 unrestricted. The Company has no own fund items subjection to transitional arrangements.

d) Format of the report and material changes

This report is prepared following the structure and headings set out in the Solvency II regulations. A brief outline of each section and details of any material changes in the year to 31 December 2017 are given below. Sections D and E are audited unless otherwise stated. For further details refer to the audit opinion.

Section A Business and performance – this section gives details on how the Company's performance is reported and managed, including details of current year performance. There have been no material changes in the year.

Section B System of governance – this section sets out the overall framework of policies, controls and practices we use to we meet all of the requirements of sound, risk-based management. There have been no material changes in SLAC 2006's systems of governance in the year.

Section C Risk profile – this section sets out the material risks to which SLAC 2006 is exposed and the techniques used to monitor and manage them. There have been no material changes.

Section D Valuation for solvency purposes – provides information on the valuation of assets and liabilities for the Company's Solvency II balance sheet, with particular focus on how technical provisions are valued. There have been no material changes in the year.

Section E Capital management – this section gives details on SLAC 2006's approach to Capital Management, the composition of Solvency II capital and details of the SCR and MCR. There have been no material changes in the year.

In addition to the above certain QRTs are included in Appendix 1. The Glossary at the end of the report defines the key terms and acronyms used throughout.

Parts of this document refer to sections of the Group's Annual report and accounts 2017, which is available to download from the Group's website **www.standardlifeaberdeen.com/annualreport**

A. Business and performance

A.1 Business

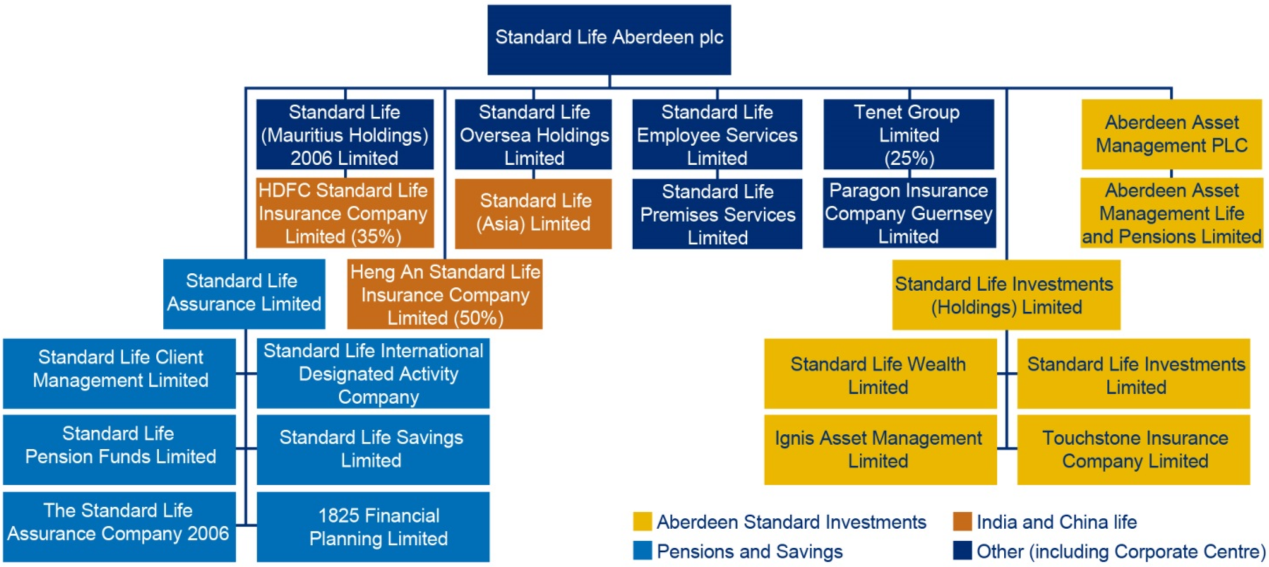
The Company is registered in Scotland (Registered number: SZ000004) and regulated by UK legislation (e.g. including the Companies Act 2006). As a provider of financial services, the regulation of the Company is through the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA).

The Company is a wholly owned subsidiary of Standard Life Assurance Limited (SLAL), an insurance undertaking also registered in Scotland (SC286833).

The Company writes long-term insurance business. It is expected no further business will be written by the Company and the only contract remaining in the Company is a with profits Capital Redemption Policy ("sole member policy").

The Company's ultimate parent and controlling party is Standard Life Aberdeen plc, which is also registered in Scotland (SC286832) and is listed on the London Stock Exchange.

See below for detail of the Company's position within the legal structure of the Group ('the Group' hereafter refers to Standard Life Aberdeen plc and its subsidiaries):



The supervisor of the Company and Standard Life Aberdeen plc is the PRA, 20 Moorgate, London, EC2R 6DA.

The Company's External auditor is KPMG LLP, 20 Castle Terrace, Edinburgh EH1 2EG. KPMG was appointed on 16 May 2017 for the year ended 31 December 2017. The External auditor for the year ended 31 December 2016 was PricewaterhouseCoopers LLP, Atria One, 144 Morrison St, Edinburgh, EH3 8EX.

A.1.1 Significant business events

There were no significant business events in the year.

A.1.2 Material lines of business

On a Solvency II line of business basis, as set out in the Delegated Acts, all the business written by the Company is categorised as other life insurance.

A.1.3 Material geographical areas

The Company operates within the UK.

A.2 Underwriting performance

The Company's underwriting performance in 2017 was £nil (2016: nil).

Appendix 1 sets out the Company's QRT S.05.01.02 *Premiums, claims and expenses by line of business*.

The following table shows the Company's underwriting performance:

	2017 £'000s	2016 £'000s
Net earned premium	–	1
Net insurance benefits and claims	–	(1)
Underwriting performance	**–**	**–**
Net investment return	**16**	25
Profit before tax	**16**	**25**

A.3 Investment performance

The Company uses investment return as a measure of investment performance.

The following table shows the Company's investment return by asset class, including income and expense components:

	2017 £'000s	2016 £'000s
Dividend income	**16**	**25**
Total net Investment return	**16**	**25**

Investment return relates to dividend income received from holding in Seabury Assets Fund Plc – The Sterling VNAV Liquidity Fund, a short term money market fund. No gains or losses have been recognised directly in equity.

The Company has no investments in securitisations.

A.4 Performance of other activities

The tax expense for the year ended 31 December 2017 was £3k (2016: £6k).

The Company has no material leasing arrangements.

A.5 Any other information

On 23 February 2018, the Group announced the sale of the majority of the business within the Standard Life Pensions and Savings reportable segment to Phoenix Group Holdings (Phoenix) (the Sale), conditional on shareholder, regulatory and other necessary approvals. The Sale does not include the disposal of SLAC 2006.

B. System of governance

B.1 General Information on the system of governance

B.1.1 Overview

Standard Life Aberdeen's system of governance is the overall framework of policies, controls and practices by which we meet all the requirements of sound, risk-based management.

Our system of governance comprises:

- **Governance framework** – how we manage our business including the role of the Board and its committees
- **Organisational and operational structure** – how we structure our business and define roles, responsibilities and reporting lines to ensure that appropriate spans of control operate throughout the organisation
- **Risk management system** – a risk-based approach to managing our business. It includes the methods and processes we use to manage risks consistently across Standard Life Aberdeen. We refer to our risk management system as the Enterprise Risk Management (ERM) framework.
- **Internal control system** – contains a range of processes which are captured under our 'Conduct and Operational Risk framework' and includes policies to manage risks at the highest level, how we assess impact and likelihood of risks and how we determine the effectiveness of our key controls.

The Standard Life Assurance Company 2006 (SLAC 2006 or the Company) is a wholly owned subsidiary of Standard Life Assurance Limited (SLAL) and as such it adopts the Group System of Governance. Further details of the System of Governance can be found in Section B of the SLAL Solvency and financial condition report (SFCR).

B.1.2 Governance framework

The Company is an insurance entity and is operated in accordance with its Board Charter. It holds the assets remaining after demutualisation in 2006 and operates in accordance with its Board Charter.

The Company's risks are managed in accordance with the ERM framework and details of the framework can be found in Section B.3.1 on page 20 of the SLAL SFCR.

The function of the SLAC 2006 Board

The role of the SLAC 2006 Board is to organise and direct the affairs of the Company in a manner that seeks to maximise the value of the Company for the benefit of its Members as a whole, while complying with relevant regulatory requirements, the constitution, and relevant corporate governance standards.

The SLAC 2006 Board takes collective responsibility for:

- Determining, within the constraints imposed by the Group Holding Company, SLAC 2006's objectives and strategy
- Ensuring, within the constraints imposed by the Group Holding Company, the necessary financial and human resources are in place to allow SLAC 2006 to achieve its objectives
- Ensuring, within the constraints imposed by the Group Holding Company, that the necessary corporate and management structures are in place to allow SLAC 2006 to achieve its objectives
- Establishing and maintaining a framework of internal controls that enable the strategic financial and operational risks of SLAC 2006 to be assessed and monitored
- Monitoring progress towards the achievement of objectives and compliance with approved plans and policies;
- Reporting to relevant stakeholders
- Appointing Board Committees to meet the SLAC 2006's requirements and relevant corporate governance standards; and
- Delegating clearly defined responsibilities and authorities to the Chairman, Chief Executive and Board committees and otherwise as the Board may determine from time to time

The SLAC 2006 Board has not established any permanent Board committees.

The Remuneration and Nomination and Governance Committees of the Group Holding Company have oversight of the Company.

Code of Business Conduct

Good governance within Standard Life Pensions and Savings is predicated on the ethical behaviour of the organisation's staff. Further details can be found in Section B.1.2 on page 17 of the SLAL SFCR.

Prudent Person Principle

The Prudent Person Principle is a set of qualitative requirements used to govern investment decisions and asset allocations. Further details can be found in Section B.1.2 on page 18 of the SLAL SFCR.

Senior Insurance Managers Regime

The Senior Insurance Managers Regime (SIMR) replaces the existing Approved Person Regime and came into force in March 2016 with the intention of strengthening individual accountability within the insurance industry. The regime seeks to ensure that senior individuals are responsible and accountable for the sound and prudent management of their firms, and behave with appropriate integrity, honesty and skill.

Further details can be found in Section B.1.2 on page 18 of the SLAL SFCR.

Remuneration

The Company adopts the Group's remuneration policy and principles which are detailed in the Standard Life Aberdeen plc Board Charter, Section 2.9. Details of the Remuneration Committee can also be found in the Standard Life Aberdeen plc Board Charter, Appendix III. The Standard Life Aberdeen plc Board Charter is available in the *Who we are - Our approach to governance* section of the Standard Life Aberdeen website: **www.standardlifeaberdeen.com**

Overview of organisational and operational structure

Standard Life Aberdeen has an established and well-defined organisational and operational structure with clearly defined roles, responsibilities and reporting lines to ensure that appropriate spans of control operate throughout the organisation, in relation to its business activities and risk management.

Each business within Standard Life Pensions and Savings maintains a list of all of its decision making committees. Each committee operates under its own Terms of Reference, which sets out its authority, purpose, scope and quorum details. The purpose of a quorum rule is to give decisions made by a committee enough authority to allow binding action to be conducted.

Standard Life Aberdeen's governance functions include the Internal Audit, Risk and Compliance and Actuarial with responsibility for monitoring, reviewing, challenging and reporting on the status of the Company's risks on an ongoing basis. Fit and proper checks are carried out on applicable staff from key functions to ensure that they possess the competency, expertise and integrity necessary for the performance of their duties. Further details can be found in Section B.1.3 of the SLAL SFCR.

B.2 Fit and proper requirements

Standard Life Aberdeen carries out initial 'fit and proper' checks before appointing new Directors (including non-executive Directors), Executives, Heads of Function or other SIMR or PRA/FCA Approved Persons. This process applies across the Group and further details can be found in Section B.2 of the SLAL SFCR.

B.3 Risk management system

Standard Life Aberdeen's risk management system includes the ERM framework and the Own Risk and Solvency Assessment (ORSA). The Company has adopted the ERM framework and an ORSA is produced annually for SLAC 2006. Further details on the risk management system can be found in Section B.3 on pages 20 to 22 of the SLAL SFCR.

B.4 Internal control system

Our internal control system contains a range of processes which are captured under our Conduct and Operational Risk framework. We position the Conduct and Operational Risk framework under the risk control process element of the ERM framework. The Company has adopted the Conduct and Operational framework and further details on the framework can be found in Section B.4 on pages 22 to 25 of the SLAL SFCR.

B.5 Internal Audit function

Group Internal Audit (GIA) is a third line of defence function. Its primary role is to provide independent and objective assurance in order to help the Board and Executive Management to protect the assets, reputation and sustainability of Standard Life Aberdeen Group. It also supports the Company in accomplishing its goals and objectives by bringing a professional and constructive approach to evaluate and improve the adequacy and effectiveness of its internal control system. Further details on GIA can be found in Section B.5 of the SLAL SFCR.

B.6 Actuarial function

SLAC 2006 has the same Actuarial function as SLAL. Further details of the Standard Life Pensions and Savings Actuarial function can be found in Section B.6 of the SLAL SFCR.

B.7 Outsourcing

The Group's Outsourcing policy sets the standards that business units must comply with for outsourcing arrangements. The Company complies with the policy and further details can be found in Section B.7 on pages 26 to 27 of the SLAL SFCR.

In addition to the roles mentioned in the SLAL SFCR, the Standard Life Pensions and Savings Enterprise Risk Management Committee (ERMC) are responsible for reviewing risk assessments for material transactions affecting the Company and annually reviews the list of outsourcing arrangements for the Company.

B.8 Any other information

None.

C. Risk profile

The purpose of this section is to describe the material risks to which the Company is exposed and the techniques used to monitor and manage them.

Please see QRT S.25.03.21 *SCR – for undertakings on full internal models*, a copy of which is included in Appendix 1, to see the split of the solvency capital requirement (SCR) by risk category.

There have been no material changes to measures used to assess the risks, or the nature of the material risks to which the Company is exposed over the reporting period.

C.1 Underwriting risk

The only underwriting risk to which the Company is exposed is expense risk. Standard Life Assurance Limited (SLAL) provides services to the Company in relation to accounting and actuarial reporting. SLAL reserves the right to recharge the Company for these services although in practice it has not recharged in the past, and has stated that it has no intention to do so in the future. Nevertheless a best estimate provision is held for the future value of these expenses, and capital is held for the risk that these expenses are greater than expected.

There are no underwriting risk mitigation techniques in place.

There are no material underwriting risk concentrations to which the Company is exposed.

C.2 Market risk

The Company has no exposure to market risk. The Company is entirely invested in Seabury Assets Fund Plc – The Sterling VNAV Liquidity Fund, which gives rise to credit risk, but not market risk.

C.3 Credit risk

The Company has holdings in unsecured cash (through Seabury Assets Fund Plc – The Sterling VNAV Liquidity Fund), and is exposed to the risk that the issuers of these cash instruments default. The risk is assessed by using a model calibrated to historic probabilities of default and loss given default from suitable indices.

There are no credit risk mitigation techniques in place.

There are no material credit risk concentrations to which the Company is exposed.

C.4 Liquidity risk

Liquidity risk is the risk that the Company is unable to realise investments and other assets in order to settle its financial obligations when they fall due, or can do so only at excessive cost.

The Company has no material liquidity risk as its capital is entirely held in cash (through its investment in Seabury Assets Fund Plc – The Sterling VNAV Liquidity Fund).

C.4.1 The total amount of the expected profit included in future premiums as calculated in accordance with Article 260(2)

No future premiums are anticipated in the Company.

C.5 Operational risk

The latest review of the operational risks in the Company concluded that no material operational risks were deemed to arise in the Company.

C.6 Other material risks

There are no other material risks in the Company.

C.7 Any other information

C.7.1 Risk sensitivity

Standard Life Aberdeen performs a range of sensitivity, scenario and stress tests as part of its established stress and scenario testing (SST) programme which is reviewed annually by the Risk and Capital Committee (RCC). The programme provides management with forward-looking insight into the uncertainties that can put business plan objectives at risk and supports management in proactively managing these uncertainties before they materialise.

The 2017 SST programme covered a range of stresses and stressed scenarios, calibrated at or in excess of a 1-in-200 year probability level, across a continuum of plausible stress environments. The SST programme included stresses to each of our main risk exposures:

- Financial – market, credit, liquidity, fixed interest
- Demographic – longevity, persistency, mortality, morbidity, expense
- Other – conduct, reputational, operational, strategic, regulatory

Solo and combined stress tests informed management with insight on the key individual risk exposures, as well as highlighting the potential impact to business plan objectives of a combined stress scenario.

Tail risk analysis illustrates the granular, sequential progression of a specific, severe market driven event that has the potential to impact the liquidity of the business. Analysis focusses on assessing the monitoring, triggers and management actions that would be relied upon if such a scenario were to arise. The analysis highlighted robust processes are in place to monitor liquidity and support actions to protect Standard Life Aberdeen's ability to meet liabilities as they fall due.

Reverse stress testing considered the circumstances or severe events that, if they emerged, could have the potential to cause the business plan to fail, highlighting the potential actions that could be taken to mitigate the impact of such a scenario. The results highlighted that Standard Life Aberdeen's business model and strategy are resilient to extreme events as a result of robust controls, monitoring and triggers in place to identify events quickly and mitigate escalation.

Scenario projections comprise five-year projections on base, down and severe downside scenarios, highlighting to management the impacts adverse movements in financial markets would have on business plan objectives, and the management actions that would be required to manage the regulatory solvency position.

Liquidity stress testing is performed to assess the ability of the balance sheet to support potential outflows under stress, and assess the effectiveness of our contingency funding plan, including circumstances in which market liquidity is stressed.

The different elements of the SST Programme support the annual business planning process and inform management of the key uncertainties to business plan objectives.

Due to the materiality of exposures in the Company these stresses are not quantified for SLAC 2006. This is based on a qualitative assessment of the materiality, rather than a quantitative materiality threshold. The exposures are not expected to change significantly over time and the Company continues to be capitalised to a level well in excess of its SCR. In the absence of any additional change in investment strategy or any further capital release, we would not anticipate any other material change in capital requirements or resources over time.

C.7.2 Prudent Person Principle

The 'Prudent Person Principle' (PPP) is a set of requirements which govern the investments that an insurer is allowed to make. For example insurers may only invest in assets and instruments whose risks they can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of their overall solvency needs. To avoid repetition we describe the PPP compliance of all asset classes together rather than individually.

SLAC 2006's capital is entirely invested in a short term money market fund (Seabury Assets Fund Plc – The Sterling VNAV Liquidity Fund). This is to ensure the preservation of capital and liquidity by investing in a diversified portfolio of high quality money market instruments.

C.7.3 Use of special purpose vehicles

Throughout 2017 the Company has not owned any special purpose vehicles.

D. Valuation for solvency purposes

In accordance with Solvency II valuation rules and unless expressly stated below, the Company has valued its assets and liabilities at fair value. In order to establish the fair value of assets and liabilities, the following principles have been applied:

- Assets have been valued at the amounts for which they could be exchanged between knowledgeable willing parties in an arm's length transaction
- Liabilities have been valued at the amounts for which they could be transferred or settled between knowledgeable willing parties in an arm's length transaction except that no adjustment is made to take account of the own credit standing of the Company after initial recognition

The valuation of technical provisions is described in Section D.2.

Details on the methods and assumptions used to determine the fair values of assets and other liabilities are included in Section D.4.

The Company's Solvency II balance sheet is reported via QRT S.02.01.02 *Balance sheet*, a copy of which is included in Appendix 1. The balance sheet QRT shows assets and liabilities valued under Solvency II rules using Solvency II scope and balance sheet classifications. Valuation differences between Solvency II and International Financial Reporting Standards (IFRS) statutory accounts values for assets, technical provisions and other liabilities are explained in Sections D.1, D.2 and D.3 respectively.

The structure of the Solvency II balance sheet is different to the structure of the statement of financial position in the Company's IFRS statutory accounts, and therefore reallocation adjustments are required between the two balance sheets.

The table below sets out adjustments which have been applied to assets and liabilities in the Company's IFRS statutory accounts at 31 December 2017. These presentation adjustments move other balances from the balance sheet line items used in the IFRS statement of financial position to the appropriate balance sheet line items used in the Solvency II balance sheet.

In addition to the above reallocations, some line items in the IFRS statement of financial position are named differently in the Solvency II balance sheet. The mappings from IFRS to Solvency II balance sheet lines are also shown in the table below.

31 December 2017 **IFRS statement of financial position headings** **Assets**	**IFRS £'000**	**Presentation adjustments £'000**	**IFRS statutory balance based on Solvency II presentation and scope £'000**	**Solvency II balance sheet headings** **Assets**
Interest in pooled investment funds	4,702	–	4,702	Holdings in related undertakings, including participations
Receivables and other financial assets	3	–	3	Receivables (trade, not insurance)
Cash and cash equivalents	481	–	481	Cash and cash equivalents
Total assets	**5,186**	**–**	**5,186**	**Total assets**
Liabilities				**Liabilities**
Unallocated divisible surplus	5,177	1	5,178	Technical provisions – life (excluding health and indexed-linked and unit-linked)*
Other financial liabilities	1	(1)	–	
Current tax liabilities	8	–	8	Payables (trade, not insurance)
Total liabilities	**5,186**	**–**	**5,186**	**Total liabilities**
Total equity	**–**	**–**	**–**	**Excess of assets over liabilities**

* Risk margin within technical provisions are unaudited.

The following table summarises valuation adjustments at 31 December 2017 between IFRS and Solvency II for assets, technical provisions and other liabilities that are explained in subsequent sections.

31 December 2017 Solvency II balance sheet headings **Assets**	IFRS statutory balance based on Solvency II presentation and scope £'000	Solvency II balance sheet £'000	Valuation adjustments £'000
Holdings in related undertakings, including participations	4,702	4,702	–
Receivables (trade, not insurance)	3	3	–
Cash and cash equivalents	481	481	–
Total assets	**5,186**	**5,186**	**–**
Liabilities			
Technical provisions – life (excluding health and indexed-linked and unit-linked)*	5,178	166	(5,012)
Payables (trade, not insurance)	8	8	–
Total liabilities	**5,186**	**174**	**(5,012)**
Excess of assets over liabilities	**–**	**5,012**	**5,012**

* Risk margin within technical provisions are unaudited.

D.1 Assets

The total value of assets in the Company's Solvency II balance sheet at 31 December 2017 was £5,186k. An analysis of the Solvency II balance sheet by type of asset is provided in QRT S.02.01.02 *Balance sheet*, a copy of which is included in Appendix 1.

Solvency II rules require that assets of insurers be valued on a basis that reflects their fair value, described as an 'economic valuation'.

The following table gives the valuation bases used at 31 December 2017, along with a comparison between Solvency II and IFRS statutory accounts values. The IFRS statutory accounts values below reflect the IFRS statutory accounting values using Solvency II balance sheet presentation as set out earlier in the introduction to Section D. There have been no material changes to the recognition or valuation basis during the period.

Positive valuation differences are show where Solvency II valuations are higher than IFRS.

Balance sheet caption	Description of basis and method of valuation
Investments **(other than assets held for index-linked and unit-linked contracts)**	*Holdings in related undertakings, including participations* Under Solvency II, the Company has a participation in another undertaking when it has ownership, directly or indirectly, of 20% or more of the voting rights or capital of an undertaking. Undertakings will also be treated as participations where significant influence is effectively exercised by the parent. Where control exists, a participation is treated as a subsidiary, where significant influence exists without control, a participation is treated as an associate or joint venture. In the Company's IFRS statutory accounts, interests in pooled investment funds (classified as participations under Solvency II) are valued using quoted market prices in active markets. For Solvency II, these holdings are held at fair value, valued using published prices where these are available. For all related undertakings where quoted prices in active markets are not available and the adjusted equity approach is not possible, fair value is determined using alternative valuation methods as described in Section D.4. Such valuations are consistent with economic value. At 31 December 2017, there is no difference between the Solvency II and IFRS accounting values of participations. **£'000** Participations as per Solvency II balance sheet: 4,702 The above balance is entirely invested in Seabury Assets Fund Plc – The Sterling VNAV Liquidity Fund, a short term money market fund. See Section D.4 for further information on alternative valuation methods.

Balance sheet caption	Description of basis and method of valuation
Receivables (trade, not insurance)	In the Company's IFRS statutory accounts, trade receivables are recorded at amortised cost. This approximates the fair value valuation basis under Solvency II for these assets. Accordingly, there are no valuation differences between the IFRS statutory accounts and the Solvency II balance sheet. **£'000** Receivables (trade, not insurance) as per Solvency II balance sheet: 3
Cash and cash equivalents	Cash and cash equivalents comprise cash balances and demand deposits directly usable for making payments. In the Company's IFRS statutory accounts, cash and cash equivalents are recorded at amortised cost. This approximates the fair value valuation basis for the Solvency II for these assets. Accordingly, there are no valuation differences between the IFRS statutory accounts and the Solvency II balance sheet. **£'000** Cash and cash equivalents as per Solvency II balance sheet: 481

The Company has no material leasing arrangements.

The Company does not have any liabilities for employee benefits.

D.2 Technical provisions

This section provides information on the valuation of technical provisions.

D.2.1 Overview

The value of technical provisions corresponds to the amount to be paid if the Company's insurance obligations were immediately transferred to another insurance undertaking, making use of and consistent with information provided by the financial markets and generally available data on underwriting risks.

The value of technical provisions is determined as the sum of a best estimate and a risk margin.

The best estimate is the value of the single capital redemption policy and future expenses, taking account of the time value of money, using an appropriate risk free interest rate term structure. The calculation is based upon realistic assumptions, using appropriate actuarial and statistical methods and taking account of all future cash inflows and outflows required to settle the insurance obligations.

The risk margin is the additional amount required to ensure that the value of the technical provisions is equivalent to the amount that another insurance undertaking would be expected to require in order to take-over and meet the insurance obligations.

The best estimate and the risk margin are calculated separately.

The valuation approach is summarised in subsequent sections.

D.2.1.1 Nature of the business

The only contract written by the Company is a sole member policy which has been issued to Standard Life Assurance Limited (SLAL). It is a capital redemption policy with a term of 10 years and sum assured of £1k. The policy is reported in the "other life insurance" line of business under Solvency II. The technical provisions at 31 December 2017 are shown in the following table.

Line of Business	Best estimate liability £'000	Risk margin* £'000	Total technical provisions £'000
Other life insurance	157	9	166
Total	157	9	166

* Unaudited

This business is written in the UK only, with all cash flows denominated in Sterling.

D.2.1.2 Valuation approach

A best estimate liability has been set up equal to the value of future expenses, discounted using the Solvency II Sterling yield curve, together with a benefit liability of £1k. The boundary of the contract is given by the expiry date of the contract. The Solvency II yield curve and other best estimate assumptions are described within Sections D.2.1.5 and D.2.1.4 respectively.

D.2.1.3 Risk margin (unaudited)

The risk margin is held in respect of non-hedgeable risks and is required to ensure that the value of the technical provisions is equivalent to the amount that insurance undertakings would be expected to require in order to take over and meet the insurance obligations. The risk margin calculation follows the approach agreed for other entities in our Group internal model, in particular SLAL. This uses a risk driver approach to project the cost of capital included in the risk margin calculation.

D.2.1.4 Non-economic basis

Non-economic assumptions are determined from annual experience investigations, are subject to detailed internal review and are approved by the Board. These assumptions reflect the Company's best estimates of likely future experience, based on recent experience and relevant industry data as appropriate. The approach is to treat the best estimate assumptions as the median of the range of possible assumptions. The best estimate expenses for the Company are based on the expected amount of staff effort and an assumed average salary, with allowance for inflation and overheads.

D.2.1.5 Economic basis

The valuation of future policyholder liabilities requires best estimate economic assumptions, and in particular a future interest rate assumption (i.e. yield curve). The basic risk free yield curve for the UK is based on swap rates, includes an adjustment for credit risk and is specified by EIOPA on a monthly basis. The UK curve specified by EIOPA is based on market data for the first 50 years after which it converges to the ultimate forward rate which is set by EIOPA and is currently 4.2%.

D.2.2 The level of uncertainty associated with the value of technical provisions

The level of uncertainty associated with the amount of technical provisions primarily relates to assumed future experience. The valuation of liabilities requires assumptions about the future expenses and economic conditions, which are inevitably the source of some uncertainty. Given the nature of the business, future expenses are not expected to vary significantly from the current levels used to determine technical provisions. There are no significant simplifications used in the calculation of technical provisions.

D.2.3 Differences between the valuation of technical provisions for solvency purposes and that for financial statements (IFRS)

The liability for the benefit provided under the single policy is £1k under IFRS and Solvency II, which is the value of the sum assured under the capital redemption policy with no allowance for the time value of money. IFRS liabilities include the unallocated divisible surplus. Solvency II technical provisions also include an allowance for future expenses and the risk margin. This can be shown as at 31 December 2017 in the following table:

	Total £'000
IFRS value	5,178
Remove unallocated divisible surplus	(5,177)
Include additional expenses	156
Include risk margin*	9
Solvency II technical provisions	166

* Unaudited

D.2.4 Long-term guarantees package and transitional measures

The Company does not apply a matching adjustment, volatility adjustment or transitional measures when calculating technical provisions.

D.2.5 Reinsurance recoverables and special purpose vehicles

The Company does not have any reinsurance arrangements or special purpose vehicle arrangements.

D.2.6 Material changes

There have been material changes including no change to best estimate annual expense assumptions.

D.3 Other liabilities

This section provides information on the types and values of other liabilities in the Company's Solvency II balance sheet and a quantitative and qualitative explanation of any material differences with their IFRS statutory accounting valuation.

The total value of other liabilities in the Company's Solvency II balance sheet at 31 December 2017 was £8k. An analysis of the Solvency II balance sheet by type of other liability is provided in QRT S.02.01.02 *Balance sheet*, a copy of which included in Appendix 1.

Solvency II rules require that other liabilities of insurers be valued on a basis that reflects their fair value (described as an 'economic valuation') with the exception that liabilities should not be adjusted to take account of an insurer's own credit standing of the Company after initial recognition.

The following table gives the valuation bases and methods used at 31 December 2017 in valuing other liabilities for Solvency II balance sheet purposes along with a comparison between Solvency II and IFRS accounting values.

Positive valuation differences are show where Solvency II valuations are higher than IFRS.

Balance sheet caption	Description of basis and method of valuation
Payables (trade, not insurance)	In the Company's IFRS statutory accounts, trade payables are recorded at amortised cost. This approximates the fair value valuation basis under Solvency II for these liabilities. Accordingly, there are no valuation differences between the IFRS statutory accounts and the Solvency II balance sheet.

	£'000
Payables (trade, not insurance) as per Solvency II balance sheet	8

D.4 Alternative methods for valuation

The assets held in SLAC 2006 are cash and a holding in Seabury Assets Fund Plc – The Sterling VNAV Liquidity Fund. Cash is not valued using an alternative method for valuation (AVM). The holding of £4,702k in Seabury Assets Fund Plc – The Sterling VNAV Liquidity Fund is classified as AVM; however, we consider the valuation uncertainty to be negligible given the very short term nature of the assets held and the active monitoring performed.

An active market exists where transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

D.5 Any other information

None.

E. Capital management

The Standard Life Assurance Company 2006's approach to capital management

The Company adopts the Capital Management policy and objectives of Standard Life Aberdeen Group (the Group).

The Group's capital management approach seeks to ensure that the Group is appropriately capitalised under base and stress scenarios. There have been no changes to objectives or policies over the reporting period.

SLAC 2006 is a relatively small entity within the Group and is exposed to a limited range of risks, so in practice the capital management of SLAC 2006 is appropriate for the Company and is less involved than for other companies in the Group.

E.1 Own funds

E.1.1 Own funds

Own funds are the regulatory capital resources of an insurance undertaking or group under Solvency II.

Own funds comprise of balance sheet items (referred to as basic own funds) and items that may be called up to absorb losses that are off balance sheet (referred to as ancillary own funds). Basic own funds consist of the excess of assets over liabilities (including technical provisions) and certain subordinated liabilities, all of which must be valued in accordance with Solvency II regulations and guidance. Ancillary own funds are subject to prior supervisory approval. The Company has not sought approval for any ancillary own funds as at 31 December 2017.

This section provides information on the structure, amount and quality of the Company's own funds, as well as a quantitative and qualitative explanation of any material differences between equity as shown in the Company's financial statements and the excess of assets over liabilities as calculated for solvency purposes.

E.1.2 Group structure

The Group structure showing major legal entities within the Group, including SLAC 2006, is included in Section A.1.

E.1.3 Composition and quality of own funds

Items of own funds vary in their ability to absorb losses both in the normal course of business and in times of stress. Items are graded into three tiers to reflect their quality (i.e. their ability to absorb losses), with Tier 1 being of the highest quality and Tier 3 the lowest. All the Company's own funds are categorised as Tier 1 unrestricted and are considered to be suitably resourced.

The following table sets out the values of own funds of the Company as at 31 December 2017, shown after application of the tiering limits:

Description	Tier 1 unrestricted £'000	Tier 1 restricted £'000	Tier 2 £'000	Tier 3 £'000	Total £'000
Reconciliation reserve	5,012	–	–	–	5,012
Own funds	**5,012**	**–**	**–**	**–**	**5,012**
Eligible own funds to meet the SCR	**5,012**	**–**	**–**	**–**	**5,012**
Eligible own funds to meet the MCR	**5,012**	**–**	**–**	**–**	**5,012**

There was no ordinary share capital, share premium, surplus funds or subordinated liabilities at 1 January 2017 or 31 December 2017.

More detail on each of the other items included in the previous table is provided in the following sections. A copy of the QRT S.23.01.01 *Own funds* is included in Appendix 1.

E.1.4 Reconciliation reserve

The reconciliation reserve is the amount of excess assets over liabilities (valued in accordance with the Solvency II regulations and guidance) that remain once all the other identified elements of basic own funds have been deducted. As such, it serves to ensure that the total of all the individual basic own funds items are equal to the total excess of assets over liabilities and subordinated liabilities.

The following table analyses reconciliation reserve as at 31 December 2017:

	£'000
Excess of assets over liabilities	5,012
Reconciliation reserve total	**5,012**

E.1.5 Reconciliation of IFRS accounting equity to own funds

The own funds position is different from the equity stated in the IFRS statutory accounts. The table below reconciles the financial statements to the Solvency II own funds position as at 31 December 2017:

	£'000	£'000
Equity attributable to equity holders per the financial statements on an IFRS basis		–
Valuation differences:		
In respect of technical provisions	5,012	
		5,012
Own funds after adjustments		**5,012**

In the IFRS statutory accounts, the unallocated divisible surplus (UDS) represents the difference between assets and all other recognised liabilities in the Company's with profits funds and is presented as a liability. There is no equity attributable to equity holders in the IFRS statutory accounts. In accordance with Solvency II, the UDS is not recognised. See Section D.2.3 for more information.

E.1.6 Movements in own funds during the reporting period (unaudited)

The following table sets out the movements on the Company's own funds, analysed by tier, during 2017:

Description	Tier 1 £'000	Tier 2 £'000	Tier 3 £'000	Total £'000
Opening own funds*	4,981	–	–	4,981
Opening eligibility restrictions*	–	–	–	–
Opening eligible own funds to meet the SCR	**4,981**	**–**	**–**	**4,981**
Movements in period:				
Own funds	31	–	–	31
Eligibility restrictions*	–	–	–	–
Total movements in eligible own funds	**31**	**–**	**–**	**31**
Closing eligible own funds to meet the SCR	**5,012**	**–**	**–**	**5,012**

There were no ancillary own funds at 1 January 2017 or 31 December 2017.

There were no eligibility restrictions at 1 January 2017 or 31 December 2017.

The increase in Tier 1 funds during 2017 relates to the increase in the excess of assets over liabilities for the year.

The Company has no subordinated liabilities or other own fund items subject to transitional arrangements.

There were no material issues or redemptions of own fund items during the period.

E.2 Solvency capital requirement and minimum capital requirement

E.2.1 SLAC 2006's solvency capital requirement (unaudited)

Under Solvency II, every insurer is required to identify its key risks – for example that equity markets fall – and hold sufficient capital to withstand adverse outcomes from those risks. The capital required to withstand these outcomes is the SCR. The SCR is calibrated so that the likelihood of a loss being greater than the SCR in one year is less than 1 in 200.

The Company applies an internal model. Please see QRT S.25.03.21 *SCR – for undertakings on full internal models* to see the split of the SCR by risk category, a copy of which is included in Appendix 1.

Diversification benefits between risks within the SLAC 2006 internal model are described in Section E.4.8.

The Company's SCR does not include a capital add-on and does not include any impact from the use of undertaking-specific parameters. In addition, no simplified calculations have been used. The final SCR is not subject to supervisory assessment.

The Company's SCR at the end of 2017 calculated using its internal model was £72k. As this is lower than the MCR (see below), the biting capital requirement is the MCR, which was equal to £3,251k (€3.7m) at end of 2017.

There have been no material changes to the SCR over the reporting period.

E.2.2 Scope of the internal model (unaudited)

The Company uses an internal model to calculate its SCR. It has no subsidiaries.

E.2.3 Minimum capital requirement

The MCR applies to EEA-based insurance undertakings. The MCR represents an absolute floor to the level of eligible own funds that the insurance undertaking is required to hold under Solvency II. If the level of own funds falls below the MCR, the national regulator would intervene. The MCR should correspond to the amount of capital needed to ensure that the insurance undertakings will be able to meet their obligations over the next 12 months with a probability of at least 85%. It is bound between 25% and 45% of the insurance undertaking's SCR, but subject to an absolute floor (see below).

The MCR for the Company is the minimum amount of €3.7m.

The non-life insurance element of the MCR calculation is zero for the Company, as it does not have any business covered by the non-life insurance calculation.

There have been no material changes to the MCR over the reporting period.

E.3 Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement (unaudited)

The Company is not using the duration-based equity risk sub-module for the calculation of its SCR.

E.4 Differences between the standard formula and any internal model used (unaudited)

The following section sets out the key features of Standard Life Aberdeen's partial internal model, including the key differences between it and the standard formula. The Company uses a full internal model, as it makes no use of the standard formula. In practice only the treatment of credit and expense risk is of relevance to the Company.

E.4.1 Purposes for which SLAC 2006 is using its internal model

The internal model output is used in the following Own Risk and Solvency Assessment processes:

- Insight and Reporting – Regular monitoring of key risk and capital metrics
- Strategic decision making – Supports the longer terms strategic decisions in running our business.

E.4.2 Scope of the internal model in terms of business units and risk categories

The coverage of the internal model risk categories is based on the risks included in Standard Life Aberdeen's Enterprise Risk Management framework (ERM framework). The Group's partial internal model covers the subset of risks identified in the ERM framework which are quantifiable and material.

In addition to the risks covered by the ERM framework, sovereign debt basis risk is also included in the internal model, as required by the Prudential Regulation Authority' Supervisory Statement SS30/15.

The risk categories used in the internal model include:

- Equity (including equity implied volatility)
- Basis risk
- Property (including property implied volatility)
- Currency
- Interest rates
- Swaption implied volatility
- Credit (bonds, asset-backed securities, counterparty)
- Longevity (including proportions married for joint-life annuities)
- Persistency mis-estimation and dependent persistency
- Company specific and economic expense risk
- Mortality mis-estimation and mortality catastrophe
- Morbidity mis-estimation and catastrophe
- Operational risk
- New business risk (adverse variation in business mix or volume over the next year)

The Company currently only has exposure to expense and credit risk at the 99.5th percentile. A fuller description of material risks is included in Section C. The internal model does not include liquidity risk and group specific risks given that these risks are more appropriately considered using qualitative techniques.

E.4.3 Integration of the internal model into the standard formula

The Company has no subsidiaries. Therefore, there is no integration of the internal model into the standard formula.

E.4.4 Methods used in the internal model for the calculation of the probability distribution forecast and the solvency capital requirement

The Company's approach is to calculate the SCR directly from the Probability Distribution Forecast as the Value at Risk of Basic own funds at a 99.5% confidence level over a one year time horizon, in line with Solvency II requirements.

The Group partial internal model calculates the Probability Distribution Forecast of changes in value of own funds is determined by simulating the joint distribution of changes in the individual risk factors and calculating the change in Basic own funds in each simulation. The model consists of a set of functions which describe changes in own funds as a function of changes in risk factors. These functions are calibrated using changes in the values of assets and liabilities obtained by modelling a large number of scenarios using the full actuarial model suite. The Company uses a correlation matrix as a simplification to the Group partial internal model approach.

E.4.5 Main differences in the methodologies and underlying assumptions used in the standard formula and in the internal model

The methods used to calibrate the distributions for the internal model have been developed independently from the standard formula, and as a result there are differences in each of these from the standard formula, in terms of both the granularity of the stress and the level of the stress.

As an internal model firm, we have designed our model around the risks to which we as a Company are exposed, ensuring that each risk module is constructed with the Company's exposures in mind. This will therefore include risks that are not included in the standard formula (see Section E.4.9), and the data used to calibrate our stresses (and to help set our correlations) is in line with risks we are exposed to. The granularity of each of the risk modules has also been chosen considering our risk exposures, and therefore in many instances the granularity of our stresses is different to that of the standard formula.

Our overall approach to aggregating the risk modules to calculate our capital requirements is also different to that used by the standard formula; where the standard formula approach uses a correlation matrix approach, our internal model uses a simulation approach which is described further in Sections E.4.6 and E.4.8.

The key differences between the methodologies and underlying assumptions used in the standard formula and in the internal model are as follows for the key risk modules:

Risk	Key Differences
Equity	▶ The internal model equity stress is calibrated at a more granular level, using market data. ▶ Standard formula equity stress includes a dampener to reduce pro-cyclicality.
Credit (spread risk)	▶ Internal model stresses are calibrated using market data, and include a split by sector (financial / non-financial) which is not included in standard formula stresses.
Longevity	▶ The standard formula longevity stress is a 20% reduction in mortality rates. ▶ Our internal model stress is calibrated using relevant experience, and explicitly allows for future mortality improvements.
Fixed interest	▶ Standard formula stresses are a proportion of the base yield curve. ▶ Internal model stresses are absolute stresses which capture changes in level, shape and curvature of the yield curve.
Lapse risk	▶ The standard formula mass lapse stress reflects an instantaneous lapse rate of either 40% or 70%, depending on the nature of the product. ▶ The internal model dependent persistency stress incorporates market and operational risk elements, and is applied as a multiple of base persistency rates.
Operational	▶ The standard formula uses a factor based approach, with weightings applied to different metrics, such as expenses on unit-linked business. ▶ The internal model capital requirement is derived using input from business subject matter experts to determine the frequency and severity of operational risk events.

E.4.6 Internal model approach

The Company's approach is to calculate the SCR as the value-at-risk of its basic own funds subject to a confidence level of 99.5% over a one-year period. This is the same as the risk measure and time period required in Solvency II regulations. To calculate the aggregate SCR we use a correlation matrix.

E.4.7 Nature and appropriateness of the data used in the internal model

A range of information is used within the internal model; this includes the relevant market data (both current for the valuation date, and the historic data to calibrate stresses), and internal policyholder data used to calculate our liabilities as well as historic policyholder experience to calibrate our underwriting risk stresses. The sources used in each instance have been chosen considering the range of options available and the appropriateness of the data sets for the purpose for which they're used. Where external data is used, this is sourced from reputable suppliers (e.g. Office for National Statistics, Bank of England, Continuous Mortality Investigation). We also have an internal data governance framework, which sets the standard to which the data we use must meet, and is used as a means to escalate and resolve any issues appropriately.

E.4.8 Aggregation methodologies and diversification effects used in the internal model

The Company uses a correlation matrix approach to aggregate capital.

E.4.9 Risks not covered by the standard formula but covered by the internal model

The additional risks that are covered by Standard Life Aberdeen's internal model, but not by the standard formula are:

Risk	Description
Equity implied volatility risk	The risk that the expected volatility of equity markets increases.
Property implied volatility risk	The risk that the expected volatility of property markets increases.
Swaption implied volatility risk	The risk that the expected volatility of interest rates increases.
Sovereign spread risk	The risk that AAA rated government bonds fall in value without a corresponding change in swap rates.
Equity basis risk	The risk that the value of our equity investments move out of line with the equity indices used to price the equity derivatives that we have in place (in particular to hedge the equity risk on with profits policyholder guarantees).
Proportion married risk	The risk of mis-estimating the proportion of reversionary annuities where there is a spouse who would be eligible to receive an annuity (if the main life died).
New business risk	The risk that adverse deviations in volume and mix of new business impact the capital position over the one year time horizon of the capital assessment.

None of these risks are relevant for the Company.

E.5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement (unaudited)

Throughout 2017 own funds have at all times exceeded both the MCR and the SCR.

E.6 Any other information

None.

Statement of Directors' responsibilities

The Directors acknowledge their responsible for the preparation of the Solvency and financial condition report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations, which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under Section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based, as detailed in the PRA approvals and determinations section of this document.

The Board is satisfied that to the best of its knowledge and belief:

(a) throughout the financial year to 31 December 2017, the Company has complied in all material respects with the requirements of the PRA rules, including Solvency II regulations as applicable to the Company; and

(b) it is reasonable to believe that in respect of the period from 31 December 2017 to the date of publication of the SFCR the Company has continued so to comply, and will continue so to comply for the remainder of the financial year to 31 December 2018.

The SFCR was approved by the Board and signed on its behalf by the following Director

Stephen Percival
Director

3 May 2018

Prudential Regulation Authority approvals and determinations

The approvals and determinations in the table below apply to The Standard Life Assurance Company 2006 (SLAC 2006), firms reference number 110464:

Description	Reference	Date of approval	Applicable from
Approval to use a partial internal model for the calculation of its SCR	2247366	5 December 2015	1 January 2016
Approve the major model change to the Standard Life Aberdeen Group internal model.	3802827	30 November 2016	31 December 2016

Report of the external independent auditor to the Directors of Standard Life Assurance Company 2006 ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the Relevant Elements of the Solvency and financial condition report

Opinion

Except as stated below, we have audited the following documents prepared by Standard Life Assurance Company 2006 as at 31 December 2017:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and financial condition report of Standard Life Assurance Company 2006 as at 31 December 2017, ('**the Narrative Disclosures subject to audit**'); and
- Company templates S.02.01.02, S.12.01.02, S.22.01.21, S.23.01.01, S.28.01.01 ('**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 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:

- Information contained within the Relevant Elements of the Solvency and financial condition report set out about above which are, or derive from the Solvency capital requirement, as identified in the Appendix to this report;
- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and financial condition report;
- Company templates S.05.01.02, S.05.02.01, S.25.03.21;
- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and financial condition report (**'the Responsibility Statement'**).

In our opinion, the information subject to audit in the Relevant Elements of the Solvency and financial condition report of Standard Life Assurance Company 2006 as at 31 December 2017 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 Solvency and financial condition report* section of our report. We are independent of Standard Life Assurance Company 2006 in accordance with the ethical requirements that are relevant to our audit of the 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 Solvency and financial condition report, which describe the basis of accounting. The Solvency and financial condition report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework The 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 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 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 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 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 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 Solvency and financial condition report

The Directors are responsible for the preparation of the 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 approval(s) and modifications granted by the PRA under The Solvency 2 Regulations 2015 and section 138A of FSMA respectively.

The Directors are also responsible for such internal control as they determine it is necessary to enable the preparation of a 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 Solvency and financial condition report

It is our responsibility to form an independent opinion as to whether the Relevant Elements of the 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 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 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**

Other Matter

The Company has authority to calculate its Solvency capital requirement using an internal model ("the Model") approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. In forming our opinion (and in accordance with PRA Rules), we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Model, or whether the Model is being applied in accordance with the Company's application or approval order.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Standard Life Assurance Company 2006 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 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 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.

M Wilson

Mostyn Wilson for and on behalf of KPMG LLP
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
3 May 2018

- The maintenance and integrity of Standard Life Aberdeen plc'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 Solvency and financial condition report that are not subject to audit

Solo internal model

The relevant elements of the Solvency and financial condition report that are not subject to audit comprise:

- The following elements of template S.02.01.02:
  - Row R0550: Technical provisions - non-life (excluding health) - risk margin
  - Row R0590: Technical provisions - health (similar to non-life) - risk margin
  - Row R0640: Technical provisions - health (similar to life) - risk margin
  - Row R0680: Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin
  - Row R0720: Technical provisions - Index-linked and unit-linked - risk margin
- The following elements of template S.12.01.02
  - Row R0100: Technical provisions calculated as a sum of BE and RM - Risk margin
  - Rows R0110 to R0130 – Amount of transitional measure on technical provisions
- The following elements of template S.22.01.21
  - Column C0030 – Impact of transitional measures on technical provisions
  - Row R0010 – Technical provisions
  - Row R0090 – Solvency capital requirement
- The following elements of template S.23.01.01
  - Row R0580: SCR
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
- The following elements of template S.28.01.01
  - Row R0310: SCR

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

Appendix 1 – Quantitative reporting templates (QRTs)

S.02.01.02 Balance sheet

Assets		Solvency II value C0010 £000s
Intangible assets	R0030	–
Deferred tax assets	R0040	–
Pension benefit surplus	R0050	–
Property, plant & equipment held for own use	R0060	–
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	4,702
Property (other than for own use)	R0080	–
Holdings in related undertakings, including participations	R0090	4,702
Equities	R0100	–
Equities - listed	R0110	–
Equities - unlisted	R0120	–
Bonds	R0130	–
Government Bonds	R0140	–
Corporate Bonds	R0150	–
Structured notes	R0160	–
Collateralised securities	R0170	–
Collective Investments Undertakings	R0180	–
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	
Non-life and health similar to non-life	R0280	–
Non-life excluding health	R0290	–
Health similar to non-life	R0300	–
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	–
Reinsurance receivables	R0370	–
Receivables (trade, not insurance)	R0380	3
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	481
Any other assets, not elsewhere shown	R0420	–
Total assets	R0500	5,186

Liabilities		**Solvency II value C0010 £000s**
Technical provisions – non-life	R0510	–
Technical provisions – non-life (excluding health)	R0520	–
TP calculated as a whole	R0530	–
Best Estimate	R0540	–
Risk margin	R0550	–
Technical provisions - health (similar to non-life)	R0560	–
TP calculated as a whole	R0570	–
Best Estimate	R0580	–
Risk margin	R0590	–
Technical provisions - life (excluding index-linked and unit-linked)	R0600	166
Technical provisions - health (similar to life)	R0610	–
TP calculated as a whole	R0620	–
Best Estimate	R0630	–
Risk margin	R0640	–
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	166
TP calculated as a whole	R0660	–
Best Estimate	R0670	157
Risk margin	R0680	9
Technical provisions – index-linked and unit-linked	R0690	–
TP 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	–
Reinsurance payables	R0830	–
Payables (trade, not insurance)	R0840	8
Subordinated liabilities	R0850	–
Subordinated liabilities not in BOF	R0860	–
Subordinated liabilities in BOF	R0870	–
Any other liabilities, not elsewhere shown	R0880	–
Total liabilities	R0900	174
Excess of assets over liabilities	R1000	5,012

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)								
		Medical expense insurance C0010 £000s	Income protection insurance C0020 £000s	Workers' compensation insurance C0030 £000s	Motor vehicle liability insurance C0040 £000s	Other motor insurance C0050 £000s	Marine, aviation and transport insurance C0060 £000s	Fire and other damage to property insurance C0070 £000s	General liability insurance C0080 £000s	Credit and suretyship insurance C0090 £000s
Premiums written										
Gross - Direct Business	R0110	–	–	–	–	–	–	–	–	–
Gross - Proportional reinsurance accepted	R0120	–	–	–	–	–	–	–	–	–
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140	–	–	–	–	–	–	–	–	–
Net	R0200	–	–	–	–	–	–	–	–	–
Premiums earned										
Gross - Direct Business	R0210	–	–	–	–	–	–	–	–	–
Gross - Proportional reinsurance accepted	R0220	–	–	–	–	–	–	–	–	–
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240	–	–	–	–	–	–	–	–	–
Net	R0300	–	–	–	–	–	–	–	–	–
Claims incurred										
Gross - Direct Business	R0310	–	–	–	–	–	–	–	–	–
Gross - Proportional reinsurance accepted	R0320	–	–	–	–	–	–	–	–	–
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340	–	–	–	–	–	–	–	–	–
Net	R0400	–	–	–	–	–	–	–	–	–
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	–	–	–	–	–	–	–	–	–
Other expenses	R1200									
Total expenses	R1300									

Note: This page is blank as SLAC 2006 does not have any non-life insurance 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
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Premiums written									
Gross - Direct Business	R0110	–	–	–					–
Gross - Proportional reinsurance accepted	R0120	–	–	–					–
Gross - Non-proportional reinsurance accepted	R0130				–	–	–	–	–
Reinsurers' share	R0140	–	–	–	–	–	–	–	–
Net	R0200	–	–	–	–	–	–	–	–
Premiums earned									
Gross - Direct Business	R0210	–	–	–					–
Gross - Proportional reinsurance accepted	R0220	–	–	–					–
Gross - Non-proportional reinsurance accepted	R0230				–	–	–	–	–
Reinsurers' share	R0240	–	–	–	–	–	–	–	–
Net	R0300	–	–	–	–	–	–	–	–
Claims incurred		–	–	–	–	–	–	–	–
Gross - Direct Business	R0310	–	–	–					–
Gross - Proportional reinsurance accepted	R0320	–	–	–					–
Gross - Non-proportional reinsurance accepted	R0330				–	–	–	–	–
Reinsurers' share	R0340	–	–	–	–	–	–	–	–
Net	R0400	–	–	–	–	–	–	–	–
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	–	–	–	–	–	–	–	–
Other expenses	R1200								
Total expenses	R1300								

Note: This page is blank as SLAC 2006 does not have any non-life insurance business.

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Premiums written										
Gross	R1410	–	–	–	–	–	–	–	–	–
Reinsurers' share	R1420	–	–	–	–	–	–	–	–	–
Net	R1500	–	–	–	–	–	–	–	–	–
Premiums earned										
Gross	R1510	–	–	–	–	–	–	–	–	–
Reinsurers' share	R1520	–	–	–	–	–	–	–	–	–
Net	R1600	–	–	–	–	–	–	–	–	–
Claims incurred										
Gross	R1610	–	–	–	–	–	–	–	–	–
Reinsurers' share	R1620	–	–	–	–	–	–	–	–	–
Net	R1700	–	–	–	–	–	–	–	–	–
Changes in other technical provisions										
Gross	R1710	–	–	–	–	–	–	–	–	–
Reinsurers' share	R1720	–	–	–	–	–	–	–	–	–
Net	R1800	–	–	–	–	–	–	–	–	–
Expenses incurred	R1900	–	–	–	–	–	–	–	–	–
Other expenses	R2500									–
Total expenses	R2600									–

Note: This page is blank as SLAC 2006 does not have any premiums or claims in the year.

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		–	–	–	–	–	
		C0080 £000s	C0090 £000s	C0100 £000s	C0110 £000s	C0120 £000s	C0130 £000s	C0140 £000s
Premiums written								
Gross - Direct Business	R0110	–	–	–	–	–	–	–
Gross - Proportional reinsurance accepted	R0120	–	–	–	–	–	–	–
Gross – Non-proportional reinsurance accepted	R0130	–	–	–	–	–	–	–
Reinsurers' share	R0140	–	–	–	–	–	–	–
Net	R0200	–	–	–	–	–	–	–
Premiums earned								
Gross - Direct Business	R0210	–	–	–	–	–	–	–
Gross - Proportional reinsurance accepted	R0220	–	–	–	–	–	–	–
Gross - Non-proportional reinsurance accepted	R0230	–	–	–	–	–	–	–
Reinsurers' share	R0240	–	–	–	–	–	–	–
Net	R0300	–	–	–	–	–	–	–
Claims incurred								
Gross - Direct Business	R0310	–	–	–	–	–	–	–
Gross - Proportional reinsurance accepted	R0320	–	–	–	–	–	–	–
Gross - Non-proportional reinsurance accepted	R0330	–	–	–	–	–	–	–
Reinsurers' share	R0340	–	–	–	–	–	–	–
Net	R0400	–	–	–	–	–	–	–
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	–	–	–	–	–	–	–
Other expenses	R1200							–
Total expenses	R1300							–

Note: This page is blank as SLAC 2006 does not have any non-life insurance business.

		Home country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400	x	–	–	–	–	–	x
		C0220 £000s	C0230 £000s	C0240 £000s	C0250 £000s	C0260 £000s	C0270 £000s	C0280 £000s
Premiums written								
Gross	R1410	–	–	–	–	–	–	–
Reinsurers' share	R1420	–	–	–	–	–	–	–
Net	R1500	–	–	–	–	–	–	–
Premiums earned								
Gross	R1510	–	–	–	–	–	–	–
Reinsurers' share	R1520	–	–	–	–	–	–	–
Net	R1600	–	–	–	–	–	–	–
Claims incurred								
Gross	R1610	–	–	–	–	–	–	–
Reinsurers' share	R1620	–	–	–	–	–	–	–
Net	R1700	–	–	–	–	–	–	–
Changes in other technical provisions								
Gross	R1710	–	–	–	–	–	–	–
Reinsurers' share	R1720	–	–	–	–	–	–	–
Net	R1800	–	–	–	–	–	–	–
Expenses incurred	R1900	–	–	–	–	–	–	–
Other expenses	R2500							–
Total expenses	R2600							–

Note: This page is blank as SLAC 2006 only operates in the United Kingdom.

S.12.01.02 Life and health SLT technical provisions

			Index-linked and unit-linked insurance			Other life insurance					
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Accepted reinsurance	**Total (life other than health insurance, incl. unit-linked)**
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**
		£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Technical provisions calculated as a whole	R0010	–	–			–			–	–	–
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for the expected losses due to counterparty default associated to TP as a whole	R0020	–	–			–			–	–	–
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	R0030	–		–	–		157	–	–	–	157
Total Recoverables from reinsurance/SPV and Finite Re after adjustment for expected losses due to counterparty default	R0080	–		–	–		–	–	–	–	–
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	–		–	–		157	–	–	–	157
Risk Margin	R0100	–	–			9			–	–	9
Amount of the transitional on Technical Provisions											
Technical provisions calculated as a whole	R0110	–	–			–			–	–	–
Best estimate	R0120	–		–	–		–	–	–	–	–
Risk margin	R0130	–	–			–			–	–	–
Technical provisions - total	R0200	–	–			166			–	–	166

		Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health re-insurance (re-insurance accepted)	Total (health similar to life insurance)
			Contracts without options and guarantees	Contracts with options or guarantees			
		C0160 £000s	**C0170 £000s**	**C0180 £000s**	**C0190 £000s**	**C0200 £000s**	**C0210 £000s**
Technical provisions calculated as a whole	R0210	–			–	–	–
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0220	–			–	–	–
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	R0030		–	–	–	–	–
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080		–	–	–	–	–
Best estimate minus recoverables from reinsurance/SPV and Finte Re – total	R0090		–	–	–	–	–
Risk Margin	R0100	–		–	–	–	–
Amount of the transitional on Technical Provisions							
Technical Provision calculated as a whole	R0110	–		–	–	–	–
Best estimate	R0120		–	–	–	–	–
Risk Margin	R0130	–		–	–	–	–
Technical provisions - total	R0200	–		–	–	–	–

Note: This page is blank as SLAC 2006 does not have any non-life insurance business.

S.23.01.01 Own funds

		Total C0010 £000s	Tier 1 - unrestricted C0020 £000s	Tier 1 - restricted C0030 £000s	Tier 2 C0040 £000s	Tier 3 C0050 £000s
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	–	–		–	
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	–		–	–	–
Surplus funds	R0070	–	–			
Preference shares	R0090	–		–	–	–
Share premium account related to preference shares	R0110	–		–	–	–
Reconciliation reserve	R0130	5,012	5,012			
Subordinated liabilities	R0140	–		–	–	–
An amount equal to the value of net deferred tax assets	R0160	–				–
Other items approved by supervisory authority as basic own funds not specified above	R0180	–	–	–	–	–
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 financial and credit institutions	R0230	–	–	–	–	
Total basic own funds after deductions	R0290	5,012	5,012	–	–	–
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 subordinate 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	–			–	–
Other ancillary own funds	R0390	–			–	–
Total ancillary own funds	R0400	–			–	–
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	5,012	5,012	–	–	–
Total available own funds to meet the MCR	R0510	5,012	5,012	–	–	
Total eligible own funds to meet the SCR	R0540	5,012	5,012	–	–	–
Total eligible own funds to meet the MCR	R0550	5,012	5,012	–	–	
SCR	R0580	72				
MCR	R0600	3,251				
Ratio of eligible own funds to SCR	R0620	69.769				
Ratio of eligible own funds to MCR	R0640	1.542				

		C0060 £000s
Reconciliation reserve		
Excess of assets over liabilities	R0700	5,012
Own shares (held directly and indirectly)	R0710	–
Foreseeable dividends, distributions and charges	R0720	–
Other basic own fund items	R0730	–
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	R0740	–
Reconciliation reserve	R0760	5,012
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	–
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	–
Total EPIFP	R0790	–

S.25.03.21 Solvency capital requirement – for undertakings on full internal models

Unique number of component C0010	Components description C0020	Calculation of the solvency capital requirement C0030 £000s
100	Market risk	65
300	Life underwriting risk	24
701	Operational risk	–
801	Other risks	–
804	Other adjustments	–

Calculation of solvency capital requirement		**C0100 £000s**
Total undiversified components	R0110	89
Diversification	R0060	(17)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	–
Solvency capital requirement excluding capital add-on	R0200	72
Capital add-ons already set	R0210	–
Solvency capital requirement	R0220	72
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	–
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	–
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	–
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	–
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	–
Diversification effects due to RFF nSCR aggregation for article 304	R0440	–

S.28.01.01 Minimum capital requirement – only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
		£000s
MCR_{NL} Result	R0010	–

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
		£000s	£000s
Medical expense insurance and proportional reinsurance	R0020	–	–
Income protection insurance and proportional reinsurance	R0030	–	–
Workers' compensation insurance and proportional reinsurance	R0040	–	–
Motor vehicle liability insurance and proportional reinsurance	R0050	–	–
Other motor insurance and proportional reinsurance	R0060	–	–
Marine, aviation and transport insurance and proportional reinsurance	R0070	–	–
Fire and other damage to property insurance and proportional reinsurance	R0080	–	–
General liability insurance and proportional reinsurance	R0090	–	–
Credit and suretyship insurance and proportional reinsurance	R0100	–	–
Legal expenses insurance and proportional reinsurance	R0110	–	–
Assistance and proportional reinsurance	R0120	–	–
Miscellaneous financial loss insurance and proportional reinsurance	R0130	–	–
Non-proportional health reinsurance	R0140	–	–
Non-proportional casualty reinsurance	R0150	–	–
Non-proportional marine, aviation and transport reinsurance	R0160	–	–
Non-proportional property reinsurance	R0170	–	–

Note: This page is blank as SLAC 2006 does not have any non-life insurance.

Linear formula component for life insurance and reinsurance obligations

		C0040
		£000s
MCR_L Result	R0200	3

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
		£000s	£000s
Obligation with profit participation – guaranteed benefits	R0210	–	
Obligation with profit participation – future discretionary benefits	R0220	–	
Index-linked and unit-linked insurance obligations	R0230	–	
Other life (re)insurance and health (re)insurance obligations	R0240	157	
Total capital at risk for all life (re)insurance obligation	R0250		–

Overall MCR calculation

		C0070
		£000s
Linear MCR	R0300	3
SCR	R0310	72
MCR cap	R0320	32
MCR floor	R0330	18
Combined MCR	R0340	18
Absolute floor of the MCR	R0350	3,251
		C0070
Minimum Capital Requirement	R0400	3,251

Glossary

Annuity

A periodic payment made for an agreed period of time (usually up to the death of the recipient) in return for a cash sum. The cash sum can be paid as one amount or as a series of premiums. If the annuity commences immediately after the payment of the sum, it is called an immediate annuity. If it commences at some future date, it is called a deferred annuity.

Assumptions

Variables, which can be economic or non-economic in nature, used in actuarial models to project expected policy cash flows.

Best estimate liability

The part of technical provisions representing a probability weighted average of future cash flows, taking account of the time value of money, using an appropriate risk free interest rate term structure. The calculation is based upon realistic assumptions, using appropriate actuarial and statistical methods and taking account of all future cash inflows and outflows required to settle the insurance obligations.

Board

The Board of Directors of The Standard Life Assurance Company 2006 (the Company).

Capital resources

Capital resources include the assets in excess of liabilities, valued on a regulatory basis, and certain other components of capital.

Company

The Standard Life Assurance Company 2006.

Director

A Director of the Company.

Discounting

The reduction to present value at a given date of a future cash transaction at an assumed rate, using a discount factor reflecting the time value of money. The choice of a discount rate will usually greatly influence the value of insurance provisions, and may give indications on the conservatism of provisioning methods.

Economic assumptions

Assumptions in relation to future interest rates, investment returns, inflation and tax.

EIOPA

European Insurance and Occupational Pensions Authority.

Executive management

The executive management team is responsible for the day-to-day running of the business of the Group and the Company.

FCA

Financial Conduct Authority.

Group Board

The Board of Directors of Standard Life Aberdeen plc.

Group, Standard Life Aberdeen Group, Group Holding Company or Standard Life Aberdeen

Relates to the Standard Life Aberdeen plc and its subsidiaries following the completion of the merger of Standard Life plc and Aberdeen Asset Management PLC (Aberdeen) on 14 August 2017.

Heritage With Profits Fund (HWPF)

The Heritage With Profits Fund contains all business – both with profits and non-profit – written before demutualisation in the UK, Irish or German Standard Life branches, with the exception of the classes of business which the Scheme of Demutualisation allocated to funds outside the HWPF. The HWPF also contains increments to this business.

Implied volatility

Reflects the financial market's view of the probabilities of a range of future market scenarios. It is a key assumption in a market consistent valuation.

International Financial Reporting Standards (IFRS)
International Financial Reporting Standards are accounting standards issued by the International Accounting Standards Board (IASB).

Merger
The merger of Standard Life plc and Aberdeen Asset Management PLC through the acquisition by Standard Life plc of the entire issued ordinary share capital of Aberdeen Asset Management PLC on 14 August 2017.

Minimum capital requirement (MCR)
The MCR represents an absolute floor to the level of eligible own funds that the insurance undertaking is required to hold under Solvency II.

Non-economic assumptions
Assumptions in relation to future expenses and future lapse, withdrawal, retirement, mortality and morbidity rates.

Non-profit policy
A policy, including a unit-linked policy, which is not a with profits policy.

Option (insurance policy feature)
A benefit feature of an insurance contract that may be selected at the discretion of the policyholder e.g. right to convert a maturity value into an income for life at guaranteed terms.

Own funds
Under Solvency II, the capital resources available to meet solvency capital requirements are called own funds.

PRA
Prudential Regulation Authority.

Quantitative Reporting Template (QRT)
Templates used for the supervisory reporting and public disclosure of quantitative data under Solvency II.

Reinsurance
Process whereby one entity takes on all or part of the risk covered under a policy issued by an insurance company in return for a premium payment.

Risk margin
The part of technical provisions in addition to the best estimate liability required to ensure that the value of the technical provisions is equivalent to the amount that insurance undertakings would be expected to require in order to take over and meet the insurance obligations.

Scheme of Demutualisation or the Scheme
The scheme pursuant to Part VII of, and Schedule 12 to, the Financial Services and Markets Act 2000, under which substantially all of the long-term business of SLAC was transferred to Standard Life Assurance Limited on 10 July 2006.

SLAC 2006
The Standard Life Assurance Company 2006.

SLAL
Standard Life Assurance Limited.

SLI
Standard Life Investments Limited.

Solvency II
Solvency II is an EU-wide initiative that brings consistency to how EU insurers manage capital and risk. Solvency II was implemented on 1 January 2016.

Solvency II Directive
Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance.

Solvency capital requirement (SCR)

The economic capital to be held by an insurer in order to ensure that it will still be in a position to meet its obligations to policyholders over the following 12 months, with a probability of at least 99.5% (i.e. limit probability of failure to less than 1 in 200 years).

Solvency cover

Solvency II Own funds divided by the Solvency capital requirement.

Spread/risk business

Spread/risk business mainly comprises products where we provide a guaranteed level of income for our customers in return for an investment, for example, annuities. The 'spread' referred to in the title primarily relates to the difference between the guaranteed amount we pay to customers and the actual return on the assets over the period of the contract.

Standard Life Group

Prior to demutualisation on 10 July 2006, SLAC and its subsidiaries and, from demutualisation on 10 July 2006 to 13 August 2017, Standard Life plc and its subsidiaries.

Technical provisions

The best estimate market consistent value of our policyholder liabilities is referred to as technical provisions. The calculation is discounted to recognise the time value of money and includes a risk margin, calculated in accordance with Solvency II regulations.

Volatility adjustment

An adjustment made to the liquid part of the risk free interest rate in order to reduce the impact of short term market volatility on the balance sheet.

With profits policy

A policy where, in addition to guaranteed benefits specified in the policy, additional bonuses may also be payable.

Please remember that the value of shares can go down as well as up and you may not get back the full amount invested or any income from it. All figures and share price information have been calculated as at 31 December 2017 (unless otherwise indicated).

This document has been published by The Standard Life Assurance Company 2006 for information only. The Standard Life Assurance Company 2006 is a mutual company registered in Scotland (SZ4) at Standard LifeHouse, 30 Lothian Road, Edinburgh EH1 2DH. The Standard Life Assurance Company 2006 is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.