Solvency and financial condition report 2019

The Standard Life Assurance Company 2006

Standard Life Aberdeen

This Solvency and financial condition report is available on our website **www.standardlifeaberdeen.com/sfcr**

The Standard Life Aberdeen plc group Annual report and accounts 2019 is also available on our website **www.standardlifeaberdeen.com/annualreport**

This document may contain certain 'forward-looking statements' with respect to the financial condition, performance, results, strategy, targets, objectives, plans, goals and expectations of the Company. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts.

Forward-looking statements are prospective in nature and are not based on historical or current facts, but rather on current expectations, assumptions and projections of management about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. For example but without limitation, statements containing words such as 'may', 'will', 'should', 'could', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'hopes', 'plans', 'pursues', 'ensure', 'seeks', 'targets' and 'anticipates', and words of similar meaning (including the negative of these terms), may be forward-looking. These statements are based on assumptions and assessments made by the Company in light of its experience and its perception of historical trends, current conditions, future developments and other factors it believes appropriate.

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/or depend on 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; the impact of competition; the timing, impact and other uncertainties associated with future acquisitions, disposals or combinations undertaken by the Company or its affiliates and/or within relevant industries; default by counterparties; information technology or data security breaches (including the Company being subject to cyberattacks); operational information technology risks; natural or man-made catastrophic events; climate change and a transition to a low carbon economy; exposure to third party risks including as a result of outsourcing; 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 (including changes to the regulatory capital requirements that the Company is subject to) in the jurisdictions in which the Company and its affiliates operate. As a result, the Company's actual future financial condition, performance and results may differ materially from the plans, goals, objectives and expectations set forth in the forward-looking statements.

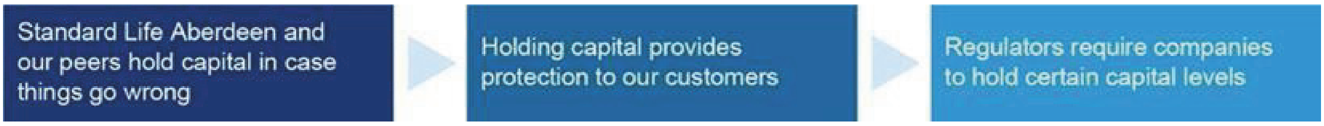
Persons receiving this document should not place reliance on forward-looking statements. Neither the Company nor its affiliates assume any obligation to update or correct any of the forward-looking statements contained in this document or any other forward-looking statements it or they may make (whether as a result of new information, future events or otherwise), except as required by law. Past performance is not an indicator of future results and the results of the Company and its affiliates in this document may not be indicative of, and are not an estimate, forecast or projection of, the Company's or its affiliates' 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 2019 to satisfy the requirements of Solvency II.

The purpose of the report is to assist stakeholders to understand the capital position under Solvency II of SLAC 2006 as at 31 December 2019.

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 capital requirements as set out in Section c) of this summary.

a) Material changes in the year to 31 December 2019

In August 2019, the Company terminated its sole member policy, meaning that the Company no longer has any insurance liabilities and therefore has no technical provisions on its Solvency II balance sheet.

In September 2019, the directors applied to the Financial Conduct Authority / Prudential Regulation Authority to cancel the Company's Part 4A permission (i.e. to de-authorise the Company and cancel its regulated activities) – this application is ongoing.

There have been no other material changes in the year to 31 December 2019.

b) 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, as SLAC 2006 no longer has any policyholders, the Board considers our key stakeholder to be the Prudential Regulation Authority (PRA). The Company adopts the capital management policies and risk objectives of the Standard Life Aberdeen Group (the Group).

The primary capital management objective of the Company is to maintain a sufficient level of capital above its regulatory capital requirements.

SLAC 2006 is a relatively small entity within the Group and is exposed to a limited range of risks.

c) Regulatory capital

The Company's capital position under Solvency II is determined by aggregating the assets and liabilities (a small amount of non-insurance liabilities only, following the termination of the sole member policy during 2019) of the Company recognised and measured on a Solvency II basis and comparing this to the Company's Solvency II capital requirement to determine surplus capital.

The Company's Solvency II SCR is calculated on the basis of the standard formula within the Solvency II regulations. 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 currently based on the minimum amount of €3.7m.

d) 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 eligible own funds available to meet the SCR and MCR of £5,229k (2018: £4,565k) and an SCR of £128k (2018: £158k) representing solvency cover of 4,073% (2018: 2,891%). Eligible own funds are all Tier 1 unrestricted, with no own fund items subjection to transitional arrangements.

The Company's MCR, based on the minimum amount applicable to EEA-based insurance undertakings, is £3,187k (2018: £3,288k) representing cover of 164% (2018: 139%).

e) Events after the reporting period

In early 2020, the existence of a new coronavirus, now known as COVID-19, was confirmed and since this time COVID-19 has spread across China and to a significant number of other countries. COVID-19 has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Company considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. The impact of COVID-19 is inherently uncertain, however it is not expected to have a significant impact on the Company.

f) Format of the report

This report is prepared following the structure and headings set out in the Solvency II regulations. A brief outline of each section is given below.

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.

Section B System of governance – this section sets out the overall framework of policies, controls and practices we use to meet all of the requirements of sound, risk-based management.

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.

Section D Valuation for solvency purposes – this section provides information on the valuation of assets and liabilities for the Company's Solvency II balance sheet.

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.

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.

This SFCR (including the QRTs in Appendix 1) is not subject to external audit. This audit exemption was introduced by PRA Policy Statement PS25/18 from 15 November 2018, and is applicable to certain small Solvency II firms which meet the specified requirements. The Company meets these specified requirements.

All information provided in this document relates to the position at 31 December 2019, unless otherwise stated.

A. Business and performance

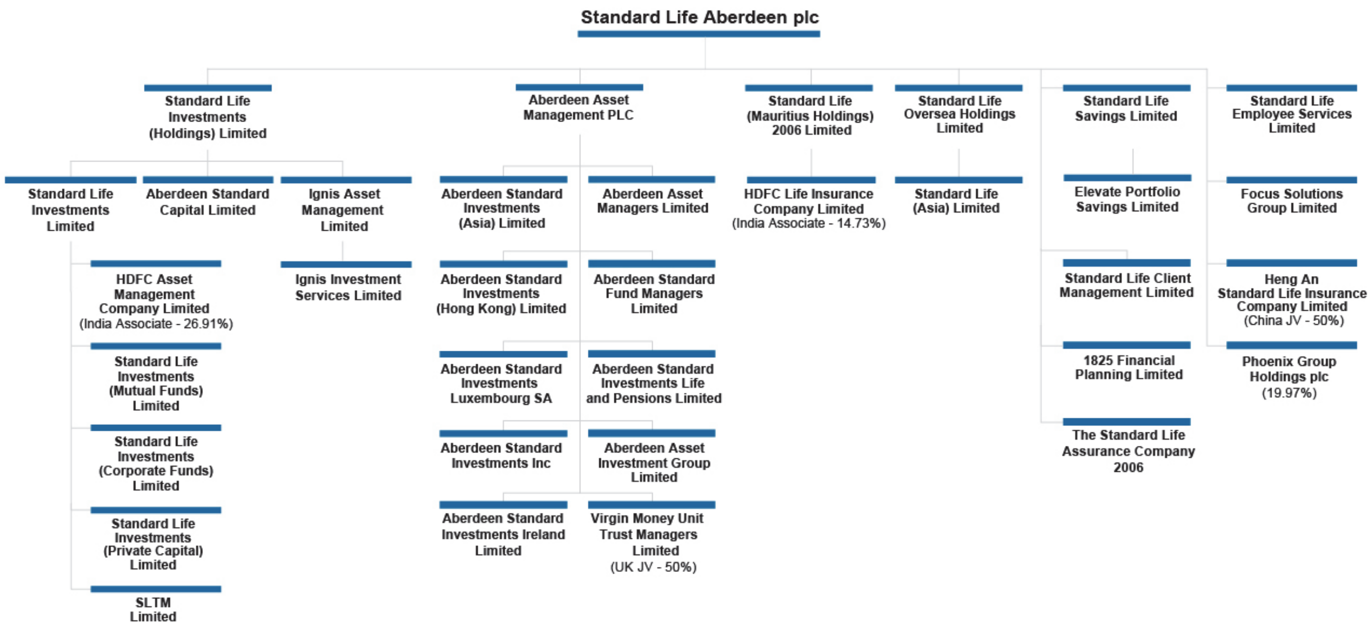
A.1 Business

The Standard Life Assurance Company 2006 is registered in Scotland (Registered number: SZ000004) and subject to UK legislation (e.g. the Companies Act 2006). As an insurance company, SLAC 2006 is regulated by the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA), and is authorised by the PRA.

The Company writes long-term insurance business. The Company has no policyholders, following termination of the with-profits Capital Redemption Policy (sole member policy) during 2019.

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

See below for a summary of the Company's position within the legal structure of the Group:



The supervisor of the Company 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 15 April 2019 for the year ended 31 December 2019. KPMG was also the External auditor for the year ended 31 December 2018.

A.1.1 Significant business events

The Company terminated its sole member policy in August 2019. In September 2019, the directors applied to the Financial Conduct Authority / Prudential Regulation Authority to cancel the Company's Part 4A permission (i.e. to de-authorise the Company and cancel its regulated activities) – this application is ongoing.

A.1.2 Material lines of business

Not applicable, as the Company has no insurance liabilities and no Solvency II technical provisions.

A.1.3 Material geographical areas

The Company operates within the UK.

A.2 Underwriting performance

The Company's underwriting performance in 2019 was £nil (2018: £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:

	2019 £'000s	2018 £'000s
Net earned premium	**–**	1
Net insurance benefits and claims	**(1)**	(1)
Changes in other technical provisions	**1**	–
Underwriting performance	**–**	–
Net investment return	**38**	26
Profit before tax	**38**	26

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:

	2019 £'000s	2018 £'000s
Dividend income	**38**	26
Total net Investment return	**38**	26

Investment return relates to dividend income received from holding in the Aberdeen Standard liquidity fund – Seabury Sterling Liquidity 2 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 2019 was £7k (2018: £5k).

The Company has no material leasing arrangements.

A.5 Any other information

No other information.

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 framework and systems** – 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 within the ERM framework to 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 Aberdeen plc and as such it adopts the Group System of Governance.

B.1.2 Governance framework

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

The Company's risks are considered and managed in accordance with the Group's ERM framework; including a review of the Own Risk and Solvency Assessment (ORSA). Details of the framework can be found in Section B.3.

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 Member(s) 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 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, Nomination and Governance, Audit and Risk and Capital Committees of the Group Holding Company provide oversight of the Company.

Code of Business Conduct

Good governance within the Company is predicated on the ethical behaviour of the organisation's staff. In recognition of this, the Standard Life Aberdeen plc Board has developed, adopted and communicated a Code of Business Conduct which sets standards for employee behaviour in relation to operational excellence, compliance responsibilities, customer service, Standard Life Aberdeen's people and other stakeholders. The code is aligned to the Group's values and is reviewed annually in line with the Group Policy framework that is overseen by the Standard Life Aberdeen plc Board.

Diversity

On an annual basis the SLA Board attests to its compliance with the relevant provisions of the UK Corporate Governance Code issued by the Financial Reporting Council. As part of this the SLA Board approved the following Board Diversity statement.

The SLA Board:

- Believes in equal opportunities and supports the principle that due regard should be had for the benefits of diversity, including gender, ethnicity, age and educational and professional background when undertaking a search for candidates, both executive and non-executive; the SLA Board approved the following Board Diversity statement
- Recognises that diversity can bring insights and behaviours that may make a valuable contribution to its effectiveness
- Believes that it should have a blend of skills, experience, independence, knowledge and gender amongst its individual members that is appropriate to its needs
- Believes that it should be able to demonstrate with conviction that any new appointee can make a meaningful contribution to its deliberations
- Is committed to maintaining its diverse composition
- Supports the Group Chief Executive's firm commitment to achieve and maintain a diverse workforce, both throughout the Group and within his Executive Team
- Has a zero tolerance approach to unfair treatment or discrimination of any kind, both throughout the Group and in relation to clients, customers and individuals associated with the Group

The SLAC2006 Board is subject to the SLA Group governance arrangements in relation to diversity policies in line with the above statement as part of the evolving integrated governance arrangements and the SLA Board Charter, which also includes the terms of reference of the SLA Group Nominations and Governance Committees. Further detail is available at: **https://standardlifeaberdeen.com/who-we-are/governance.**

Senior Managers and Certification Regime (SMCR)

The SMCR was extended to insurers on 10 December 2018, replacing the Senior Insurance Managers Regime (SIMR) and the FCA's Approved Persons Regime.

SLAC 2006 has implemented SMCR and identified additional individuals who fall into the Certification Regime. The Certification Regime covers employees who are not Senior Managers but whose job can cause significant harm to firms or their customers. Firms are required to check and confirm (certify) that certified employees are suitable to do their job on an annual basis.

Group Supervision

A waiver was received from the PRA on 3rd September 2018 which allows SLAC 2006 to modify the financial conglomerate assessment to include off-balance sheet assets in respect of other group entities, when assessing group supervision arrangements. Given the predominance of asset management activity in the Group following the sale of the insurance business to Phoenix, SLAC2006 falls under the remit of the Capital Requirements Directive IV (CRD IV), not Solvency II, for group supervision.

Remuneration

The SLA Group has an overarching Remuneration Policy that applies to all entities in the SLA Group. The SLA Group considers that the Remuneration Policy:

- Is consistent with Article 275 of the Commission Delegated Regulation (EU) 2015/35 (Delegated Regulation)
- Is consistent with, and promotes sound and effective risk management
- Does not encourage risk-taking which is inconsistent with the risk profiles or the instruments constituting the internal linked funds
- Does not impair compliance with its duty to act in the best interests of each of the internal linked funds and its shareholder
- Recognises that different remuneration requirements may be applied within the SLA Group and achieves a high degree of consistency between different regimes and allows for day-to-day arrangements to be controlled at a group level

The Board delegates decision making for remuneration matters to the Group Remuneration Committee in accordance with Group Governance arrangements.

The Group's overarching principles and practice for remuneration are detailed in the Remuneration disclosure: **www.standardlifeaberdeen.com/who-we-are/remuneration-disclosure**

B.1.3 Overview of organisational and operational structure

Standard Life Aberdeen plc 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 the Group maintains a list of all of its decision makers and Governance meetings. Each decision making body operates under its own Terms of Reference, which sets out its authority, purpose, scope and where appropriate, quorum details.

Standard Life Aberdeen plc's governance functions include 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. It should be noted that the Company's Actuarial function is outsourced to Barnett Waddingham LLP (Barnett Waddingham or BW).

Details of the Risk and Compliance function can be found in Section B.4.1, details of the Internal Audit function can be found in Section B.5 and details of the Company's Actuarial function can be found in Section B.6.

Three lines of defence

The Company operates a 'three lines of defence' model in the management of risk so that there are clearly defined roles and responsibilities within our ERM framework:

First line	Second line	Third line
Risk ownership, management and control	Establishment and oversight of risk, compliance and conduct frameworks	Independent assurance, challenge and advice

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, other Senior Management Function holders (SMFs), Key Function Holders (KFHs) (who are certified under SMCR) and other certified employees. These individuals are subject to fit and proper checks requiring them to meet the standards expected of a 'fit and proper' person. This includes proving and maintaining certain standards of:

- Honesty, integrity and reputation
- Competence and capability
- Financial soundness

An assessment is carried out on initial appointment and then repeated annually to ensure they continue to meet the fitness and propriety standards.

This assessment:

- Reviews competence, capability and experience to carry out the documented responsibilities of the role effectively
- Ensures the individuals have the relevant qualifications to perform the role
- Ensures training to perform the function is undertaken
- Checks current behaviour and past business conduct meets the required standard
- Considers whether the individuals have the appropriate personal characteristics to meet their responsibilities

B.3 Risk Management framework and systems

Standard Life Aberdeen's risk management system includes the ERM framework. The Company has adopted the ERM framework.

B.3.1 Enterprise Risk Management framework

The ERM framework ensures that risk is assessed, monitored, controlled and appropriately governed based on a common taxonomy and methodology. The major components of the ERM framework can be grouped into four areas related to how we govern, assess, monitor and control risks.

- **Risk governance:** Our governance drives how we make decisions on current and future risks drawing on our assessment, monitoring and control processes. We seek to ensure that risk decisions are taken at the right level. Most risk decisions are taken in our business units but certain decisions will be taken in senior executive committees or at Board level.
- **Risk assessment:** All three lines of defence have their own processes for assessing risk thoroughly in line with their respective roles. There are well developed processes for coordinating viewpoints, challenging specific assessments and escalating points of difference that might warrant action.
- **Risk monitoring:** The ongoing monitoring of risks and the performance of key controls is a critical activity to allow us to keep track of developments, drive action and ensure appropriate capital allocation
- **Risk control:** We operate processes so that risk is mitigated using controls with clearly identified control-owners. The effectiveness of controls is reviewed on a regular basis.

During 2019, the ERM framework has been strengthened by:

- Streamlining the policy framework
- Transitioning to a core risk system, Shield, as a single system of record for risk data
- Strengthening our risk appetite framework by introducing new risk tolerances to support governance and risk management
- Extending and refining our risk taxonomy to support better articulation and discussion of the risks
- Continuing the programme to refresh risk-control self-assessments across our global functions
- Implementing a single internal capital adequacy assessment process across Standard Life Aberdeen
- Extending the Senior Manager and Certification Regime across all of our UK regulated subsidiaries, including training and support for our senior managers and certified staff

B.3.2 Own Risk and Solvency Assessment

The purpose of the ORSA is to inform and develop:

- The Company's understanding of the current risks to the business
- The Company's management of these risks
- The Company's own assessment of current solvency and capital requirements with respect to the risks
- A forward-looking assessment of the risk and solvency needs of the Company in light of the business plans

The SLAC 2006 ORSA makes proportionate use of the processes that exist within the Group ERM framework.

B.3.3 Risk and Control Self-Assessment

Risk assessment is the process of identifying, assessing, controlling and monitoring operational risks that could threaten or stop delivery of our strategic, financial, conduct and operational objectives and plans. Risk definitions are:

- Conduct Risk - the risk that, through the Group's culture, strategies, decision making and behaviours, fair outcomes are not delivered to clients
- Operational Risk - the risk of loss or adverse consequences for the business resulting from inadequate or failed internal processes, people or systems, or from external events. This covers cyber risk and operational resilience which is a key control priority for SLA Group in the 2020 Business plan.

The Risk and Control Self-Assessment (RCSA) process is an integral part of the framework and is designed to integrate and co-ordinate risk identification and risk management efforts, and improve the understanding, control and oversight of operational and conduct risks. Assurance is provided through a quarterly risk and control sign off by business managers, which is overseen and challenged by the SLA Risk and Compliance Function. Its aim is to evaluate and ensure that the primary controls within key processes are documented and subject to regular assessment by business owners. It provides senior management with assurance over the effectiveness of the control environment across key business areas. The assessment includes a review of the adequacy of the design of the suite of controls and an assessment of the actual performance of those controls.

B.3.4 Risk Events

An operational 'risk event' is a risk that has materialised (i.e. has happened) as a result of a deficiency in the Group's system of internal control or from an external event. It is defined as a specific occurrence that has happened as a result of human error, inadequate or failed internal processes or systems, or an external event that has, or has the potential to, negatively or positively impact our customers, clients, partners, shareholders and employees.

Risk events can occur in any part of the Group and can significantly impact reputation and performance and may cause client, partner, shareholder and/or employee detriment, so must be identified quickly, understood and appropriately responded to. This is important for a number of reasons:

- It enables timely action to minimise the event's impact, preventing further significant problems for the Company, clients, partners, shareholders and employees
- It demonstrates our responsiveness to clients', partners', shareholders' and employees' concerns and maintains their trust where they are impacted
- It provides clarity on the level of risk the business is exposed to, both at an individual (each risk event) and aggregate (across all risk events) level and whether this is within or out with risk appetite (amount of risk we are prepared to accept in pursuing our objectives)
- It supports decision-making on where to direct resources to remediate and mitigate control deficiencies
- It supports the management of capital, helping to inform what the capital requirements are (both regulatory and economic) and how capital is being utilised

RCSAs and risk events and issues are recorded and monitored through the SLA risk system, Shield.

B.4 Internal control system

The framework is based around the Solvency II definition of operational risk which is 'the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events'. The Company's management of operational risk is therefore aimed at identifying risks in existing processes and improving existing controls to reduce the likelihood of failure and the impact of losses. A key element of the internal control system is the three lines of defence described in B.1.3.

SLAC 2006 seeks continuous improvement to internal controls. The effective management of the risk process is overseen by SLA Group's Risk Division, facilitated through SLA Group's risk management system, Shield. This system is the central tool used by the business to manage risks arising through day to day operations. Shield also allows for linkage between risks, controls, events and issues, meaning any gaps or potential deficiencies are clearly highlighted. This assists SLA Group in improving its understanding, control and oversight of operational risks and in turn facilitates the achievement of its objectives.

SLA Group's compliance function sits within the Risk Division; a permanent and independent risk management function which is hierarchically and functionally independent from the SLA Group's operating units (first line).

The Risk and Compliance function includes dedicated teams in each region provide advisory services to the business who draw upon Risk and Compliance shared services team (e.g. anti-financial crime, assurance & monitoring) as required, covering:

- Business partner based alignment & relationship management, including specialisms by channel / asset type
- Risk & Compliance advisory services specific to the business channel / region / country
- Dedicated individuals responsible for compliance embedded in all regions/countries

There are also 3 other teams:

1. Regulatory & Conduct team - they have a global remit for regulatory and conduct matters, covering: regulatory developments, horizon scanning and consultations; regulatory engagement; conduct risk oversight framework including SMCR and board engagement and reporting.
2. Investment Risk Oversight - subject matter expertise in the oversight of investment risk, covering: oversight of product lifecycle process; assurance of investment risk monitoring processes; oversight of operation of investment risk policies.
3. Corporate & Financial Risk - subject matter expertise in the oversight of corporate & financial risk within the Group

Our internal control system contains a range of processes which are captured under our ERM framework.

B.4.1 Risk and Compliance function

The Risk and Compliance function is a second line of defence function, responsible for independent advice, oversight and challenge. Our approach is predicated on strong risk awareness and risk accountability across all lines of defence in our business. We believe that this delivers long-term value for our clients, customers and shareholders, and protects their interests.

The Risk and Compliance Function is responsible for ensuring that:

- Our key business functions have independent compliance and risk advice and oversight
- Our monitoring and oversight activities are well co-ordinated and focused (aligned to the respective priorities of the second and third lines of defence)
- There is an integrated approach to the provision of advice on compliance matters and operational risks
- A consistent, company-wide approach is taken to the application of the Enterprise Risk Management Framework and operation of our key systems
- There is continued focus on key specialisms such as investment risk, regulatory risk, conduct risk, prudential and corporate risks.

The Risk and Compliance function is led by the Standard Life Aberdeen Chief Risk Officer.

B.5 Internal Audit function

Internal Audit 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.

The Company has adopted the ERM framework to provide the basis for ensuring that risks inherent in the design and execution of strategy and the operations of each of the businesses within the Group are adequately identified, assessed, controlled, monitored and communicated in accordance with the overall expectations of stakeholders. IA provides independent verification of the adequacy and effectiveness of the internal risk and control management systems.

To deliver this assurance, Internal Audit undertakes a risk assessed programme of audits across the Group. This audit plan, which reflects their view of the organisation formed through business intelligence gathering and relationship management activities, is approved by the Audit Committee of Standard Life Aberdeen plc and is reviewed on an ongoing basis and formally updated every six months.

The Chief Internal Auditor reports functionally to the Chairman of the Audit Committee and administratively to the Chief Finance Officer of Standard Life Aberdeen plc. The Internal Audit team is made up of general auditors and specialist auditors in accountancy and investment management. An external co-source partnership arrangement ensures the availability of additional expertise as and when required.

Internal Audit is free of influence by any element in Standard Life Aberdeen and therefore the Company, including matters of audit selection, scope, procedures, frequency, timing and reporting; and has additional safeguards in place to ensure that this is maintained when auditing certain specific parts of the business. This maintains an independent and objective attitude necessary in rendering engagement conclusions.

B.6 Actuarial function

The Actuarial function is outsourced to Barnett Waddingham. The roles of Chief Actuary and With-profits Actuary are held by appropriately qualified and experienced individuals, each of whom is a Barnett Waddingham partner. The Company retains overall oversight of the outsourced actuarial services and assesses the performance of the arrangement. The Company has final approval of all SLAC 2006 results, external disclosures and Solvency II regulatory submissions.

B.7 Outsourcing

The Group's Outsourcing policy sets out detailed standards that business units must comply with for outsourcing arrangements.

SLAC 2006 must obtain Board approval where:

- There is a proposed change to re-classify an existing non-outsourcing arrangement as outsourcing
- There is a proposed change to the materiality of an existing outsourcing arrangement
- There is a significant change to the risk profile and/or contractual terms of a current material outsourcing arrangement
- Existing outsourcing arrangements are terminated
- Material outsourced arrangements are added through acquisition (non-material arrangements will require noting by the relevant BU Risk Committee and/or Board).

For each material outsourcing arrangement, the paper to the Board must also name the appointed Executive Sponsor (ES), Accountable Authority (AA) and Supplier Relationship Manager (SRM).

The Standard Life Aberdeen Enterprise Risk Management Committee is responsible for reviewing all proposed outsourcing arrangements that are identified by the designated SLAC2006 Chief Risk Officer as potentially having a material impact on the Company's risk profile

Key material intra-group outsourcing arrangements include the provision of investment management services, investment administration and fund accounting services from Aberdeen Standard Investments to various members of the Group, and the provision of Information Technology and Information Systems support from Group Operations to various members of the Group. The key outsourcing used by the Company, is the outsourcing of the actuarial function to Barnett Waddingham.

B.8 Any other information

No other information.

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.25.01.21 SCR – for undertakings on standard formula, a copy of which is included in Appendix 1, to see the split of the SCR by risk category.

There have been no material changes to measures used to assess the risks or the nature of the 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. Expense risk captures both internal and external expenses, where internal expenses relate to internal staff costs and external expenses relate to both audit fees and the outsourcing of the Company actuarial function and with-profits actuary to Barnett Waddingham. The majority of expenses incurred by the Group in maintaining the Company, both internal and external expenses, are not recharged to the Company.

As the Company no longer has any insurance business, the standard formula expense risk result is zero.

The Company has no material underwriting risk.

C.2 Market risk

The market risks to which the Company is exposed are concentration risk, spread risk and interest rate risk. These exposures relate to the look-through assets (mainly Certificates of Deposit and Commercial Paper instruments) of the money market collective investment scheme (the Seabury Sterling Liquidity 2 Fund) in which the Company is invested. The Company's share of this fund is minimal (under 1%).

The Company has no material market risk.

C.3 Credit risk

The Company has holdings in unsecured cash - both direct bank account exposure and indirect bank account and accrued interest exposure through its investment in the Seabury Sterling Liquidity 2 Fund - where the Company is exposed to the risk that the counterparties default.

The Company has no material credit risk.

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 (all investments are either in cash or liquid assets).

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

Operational risk includes conduct risk.

The Company uses the EIOPA standard formula calculation to derive the operational risk SCR. This calculation is based on technical provisions, earned premiums and unit-linked life insurance business expenses incurred over the previous 12 months. As the Company no longer has any insurance business, the standard formula operational risk result is zero.

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

The Group performs a sensitivity analysis, stress and scenario testing, and reverse stress testing to provide insight into the uncertainties that can put business plan objectives at risk and to support the management of these uncertainties before they materialise.

The business planning process projects the performance, regulatory capital and liquidity of the Group over a three-year period, and considers different scenarios including a severe downside.

Stress testing and scenario analysis looks at plausible, adverse individual and combined stresses that could adversely impact profits, capital and liquidity. A broad range of stresses were performed during the year including to yields, market levels, business volumes and expenses.

Reverse stress testing gives a qualitative and quantitative understanding of plausible but severe risk scenarios which could threaten business model viability.

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.

Due to the non-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 SLAC 2006 continues to be capitalised to a level well in excess of its regulatory capital requirements. 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 (the Seabury Sterling Liquidity 2 Fund) or cash.

C.7.3 Use of special purpose vehicles

Throughout 2019, 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. As explained earlier, the Company has no insurance business and hence no technical provisions under Solvency II.

Details on the methods and assumptions used to determine the fair values of assets and other liabilities are included in Sections D.1, D.3 and 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. At 31 December 2019, valuation differences between Solvency II and the statutory accounts values for technical provisions are explained in Section D.2 – there are no valuation differences for assets and other liabilities. The statutory accounts are prepared in accordance with FRS 101 Reduced Disclosure Framework, and apply the recognition and measurement requirements of IFRS.

The structure of the Solvency II balance sheet is different to the structure of the statement of financial position in the Company's statutory accounts. The table below sets out the assets and liabilities as reported in the Company's statutory accounts at 31 December 2019 and re-presents these using the Solvency II balance sheet structure. This table also summarises a valuation adjustment between the statutory accounts and Solvency II for technical provisions that is explained in Section D.2.

Some line items in the statutory accounts are named differently in the Solvency II balance sheet. The mappings from the statutory accounts to Solvency II balance sheet lines are also shown in the table below.

31 December 2019 **Statutory accounts balance sheet headings**	**Statutory accounts £'000**	**Statutory accounts balance based on Solvency II presentation and scope £'000**	**Valuation adjustments £'000**	**Solvency II balance sheet £'000**	**Solvency II balance sheet headings**
Assets					**Assets**
Investments – other financial investments	4,766	4,766	–	4,766	Collective Investments Undertakings
Prepayments and accrued income – other prepayments and accrued income	3	3	–	3	Receivables (trade, not insurance)
Other assets - cash at bank and in hand	463	463	–	463	Cash and cash equivalents
Total assets	**5,232**	**5,232**	**–**	**5,232**	**Total assets**
Liabilities					**Liabilities**
Fund for future appropriations	5,229	5,229	(5,229)	–	Technical provisions – life (excluding health and indexed-linked and unit-linked)
Creditors – other creditors including tax and social security	3	3	–	3	Payables (trade, not insurance)
Total liabilities	**5,232**	**5,232**	**(5,229)**	**3**	**Total liabilities**
				5,229	**Excess of assets over liabilities**

D.1 Assets

The total value of assets in the Company's Solvency II balance sheet at 31 December 2019 was £5,232k (2018: £5,205k). 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 2019, along with a comparison between Solvency II and statutory accounts values. The statutory accounts values below reflect the 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.

Balance sheet caption	Description of basis and method of valuation
Investments **(other than assets held for index-linked and unit-linked contracts)**	*Collective Investments Undertakings* In the Company's statutory accounts, Investments – other financial investments (classified as Collective Investments Undertakings under Solvency II) are held at fair value. There are no valuation differences between the Solvency II balance sheet and the statutory accounts. **£'000** Collective Investments Undertakings as per Solvency II balance sheet: 4,766 The above balance is entirely invested in the Seabury Sterling Liquidity 2 Fund, a short-term money market fund. See Section D.4 for further information on alternative valuation methods.
Receivables (trade, not insurance)	In the Company's statutory accounts, trade receivables (reported under Prepayments and accrued income) 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 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 statutory accounts, cash at bank and in hand is 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 statutory accounts and the Solvency II balance sheet. **£'000** Cash and cash equivalents as per Solvency II balance sheet: 463

The Company has no material leasing arrangements.

D.2 Technical provisions

This section provides information on the valuation of technical provisions.

D.2.1 Overview

Following the termination of the sole member policy in August 2019, the Company no longer has any insurance business and, as such, has no technical provisions under Solvency II (2018: £634k).

D.2.2 Differences between the valuation of technical provisions for solvency purposes and that for financial statements

The statutory accounts liabilities include the fund for future appropriations, whereas the Company has no technical provisions under Solvency II as it has no insurance business. This is shown as at 31 December 2019 in the following table:

	Total £'000
Statutory accounts value	5,229
Remove fund for future appropriations	(5,229)
Include additional expenses	–
Include risk margin	–
Solvency II technical provisions	**–**

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 statutory accounting valuation.

The total value of other liabilities in the Company's Solvency II balance sheet at 31 December 2019 was £3k (2018: £6k). 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. The Company does not have any liabilities for employee benefits.

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 2019 in valuing other liabilities for Solvency II balance sheet purposes along with a comparison between Solvency II and statutory accounts accounting values.

<table>
<tr><th>Balance sheet caption</th><th colspan="2">Description of basis and method of valuation</th></tr>
<tr><td rowspan="3">Payables (trade, not insurance)</td><td colspan="2">In the Company's statutory accounts, trade payables (reported under Creditors) 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 statutory accounts and the Solvency II balance sheet.</td></tr>
<tr><td></td><td>£'000</td></tr>
<tr><td>Payables (trade, not insurance) as per Solvency II balance sheet</td><td>3</td></tr>
</table>

D.4 Alternative methods for valuation

The assets held in SLAC 2006 are cash and a holding in the Seabury Sterling Liquidity 2 Fund. Cash is not valued using an alternative method for valuation (AVM). The holding of £4,766k in the Seabury Sterling Liquidity 2 Fund is classified as AVM. This AVM classification is due to this investment fund not being traded on a platform meeting the multilateral trading facility definition of Directive 2014/65/EU, meaning that this investment fund does not comply with Article 10(4) of the Delegated Regulation.

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

The directors have submitted an application to the Financial Conduct Authority and Prudential Regulation Authority to de-authorise the Company and cancel its regulated activities – this application is ongoing.

E. Capital management

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

The Company adopts the Capital Management policy and objectives of 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 insurance entity within the Group and is exposed to a limited range of risks, so in practice the capital management of SLAC 2006 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 2019.

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 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 2019, 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	5,229	–	–	–	**5,229**
Own funds	**5,229**	–	–	–	**5,229**
Eligible own funds to meet the SCR	**5,229**	**–**	**–**	**–**	**5,229**
Eligible own funds to meet the MCR	**5,229**	**–**	**–**	**–**	**5,229**

There was no ordinary share capital, share premium, surplus funds or subordinated liabilities at 1 January 2019 or 31 December 2019. More detail on the reconciliation reserve 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.1.3 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 the reconciliation reserve as at 31 December 2019:

	£'000
Excess of assets over liabilities	5,229
Reconciliation reserve total	**5,229**

E.1.4 Reconciliation of statutory accounting equity to own funds

The own funds position is identical to the fund for future appropriations stated in the Company's statutory accounts.

E.1.5 Movements in own funds during the reporting period

The following table sets out the movements on the Company's own funds, analysed by tier, during 2019:

Description	Tier 1 £'000	Tier 2 £'000	Tier 3 £'000	Total £'000
Opening own funds	4,565	–	–	**4,565**
Opening eligibility restrictions	–	–	–	**–**
Opening eligible own funds to meet the SCR	**4,565**	–	–	**4,565**
Movements in period:				
Own funds	664	–	–	**664**
Eligibility restrictions	–	–	–	**–**
Total movements in eligible own funds	**664**	**–**	**–**	**664**
Closing eligible own funds to meet the SCR	**5,229**	**–**	**–**	**5,229**

There were no ancillary own funds at 1 January 2019 or 31 December 2019. There were no eligibility restrictions at 1 January 2019 or 31 December 2019.

The increase in Tier 1 funds during 2019 primarily reflects the release of the Solvency II technical provisions (£634k at 1 January 2019) following termination of the Company's sole member policy in August 2019. 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 Solvency Capital Requirement

The Company uses the Solvency II Standard Formula to calculate the SCR. The calculated SCR at 31 December 2019 is £128k; this compares to the SCR at 31 December 2018 of £158k. The £30k reduction in the SCR is primarily due to life underwriting risk falling to zero following termination of the sole member policy, partly offset by an increase in market concentration risk (due to greater concentration of counterparties in the Seabury Sterling Liquidity 2 Fund).

Please see QRT S.25.01.21 SCR – for undertakings on standard formula, for the split of the SCR by risk module, a copy of which is included in Appendix 1.

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.

E.2.2 Minimum Capital Requirement

The Company's SCR at the end of 2019 calculated using standard formula was £128k. However, the biting capital requirement is the MCR, which is equal to £3.19m (€3.7m) at 31 December 2019.

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%. The MCR is a function of the best estimate liability, where this is bound between 25% and 45% of the insurance undertaking's SCR, but subject to an absolute floor. The MCR for the Company is the absolute floor (minimum) amount of €3.7m.

Both the non-life and life insurance elements of the MCR calculation are zero for the Company, as the Company has no insurance business.

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

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

The Company is not using an internal model.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

Throughout 2019 own funds have at all times exceeded both the MCR and the SCR.

E.6 Any other information

No other information.

Statement of Directors' responsibilities

The Directors acknowledge their responsibility 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 Prudential Regulation Authority waivers and discretions 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 2019, 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 2019 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 2020 (or up to the point that the Company is de-authorised if earlier).

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

Patrick Bartlett
Director
6 April 2020

Prudential Regulation Authority waivers and discretions

The waivers and discretions in the table below apply to The Standard Life Assurance Company 2006 (firm reference number 110464):

Description	Reference	Date of approval	Applicable from
COBS modifications (sole member policyholder SLAL) *[superseded by ref. 5083309 below]*	4732335	1 September 2017	1 September 2017
Modifies financial conglomerate assessment for group supervision	4960068	3 September 2018	3 September 2018
Approval to revert to the use of standard formula to calculate the SCR	4994533	5 November 2018	5 November 2018
Updated COBS modifications to reflect the change in sole member policyholder from SLAL to SLA plc	5083309	14 November 2018	14 November 2018
Modification for Solvency II quarterly reporting requirements	5134181	19 December 2018	19 December 2018

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	4,766
Property (other than for own use)	R0080	–
Holdings in related undertakings, including participations	R0090	–
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	4,766
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	463
Any other assets, not elsewhere shown	R0420	–
Total assets	R0500	**5,232**

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	–
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	–
TP calculated as a whole	R0660	–
Best Estimate	R0670	–
Risk margin	R0680	–
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	3
Subordinated liabilities	R0850	–
Subordinated liabilities not in BOF	R0860	–
Subordinated liabilities in BOF	R0870	–
Any other liabilities, not elsewhere shown	R0880	–
Total liabilities	R0900	**3**
Excess of assets over liabilities	R1000	**5,229**

S.05.01.02 Premiums, claims and expenses by line of business

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance C0210 £000s	Insurance with profit participation C0220 £000s	Index-linked and unit-linked insurance C0230 £000s	Other life insurance C0240 £000s	Annuities stemming from non-life insurance contracts and relating to health insurance obligations C0250 £000s	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations C0260 £000s	Health reinsurance C0270 £000s	Life reinsurance C0280 £000s	Total C0300 £000s
Premiums written										
Gross	R1410	–	–	–	–	–	–	–	–	–
Reinsurers' share	R1420	–	–	–	–	–	–	–	–	–
Net	R1500	–	–	–	–	–	–	–	–	–
Premiums earned										
Gross	R1510	–	–	–	–	–	–	–	–	–
Reinsurers' share	R1520	–	–	–	–	–	–	–	–	–
Net	R1600	–	–	–	–	–	–	–	–	–
Claims incurred										
Gross	R1610	–	–	–	1	–	–	–	–	1
Reinsurers' share	R1620	–	–	–	–	–	–	–	–	–
Net	R1700	–	–	–	1	–	–	–	–	1
Changes in other technical provisions										
Gross	R1710	–	–	–	1	–	–	–	–	1
Reinsurers' share	R1720	–	–	–	–	–	–	–	–	–
Net	R1800	–	–	–	1	–	–	–	–	1
Expenses incurred	R1900	–	–	–	0	–	–	–	–	0
Other expenses	R2500									–
Total expenses	R2600									0

S.23.01.01 Own funds

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
		£000s	£000s	£000s	£000s	£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	5,229	5,229			
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	5,229	5,229	–	–	–
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	5,229	5,229	–	–	–
Total available own funds to meet the MCR	R0510	5,229	5,229	–	–	
Total eligible own funds to meet the SCR	R0540	5,229	5,229	–	–	–
Total eligible own funds to meet the MCR	R0550	5,229	5,229	–	–	
SCR	R0580	128				
MCR	R0600	3,187				
Ratio of eligible own funds to SCR	R0620	4,073%				
Ratio of eligible own funds to MCR	R0640	164%				

		C0060 £000s
Reconciliation reserve		
Excess of assets over liabilities	R0700	5,229
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	5,229
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	–
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	–
Total expected profits included in future premiums (EPIFP)	R0790	–

S.25.01.21 Solvency Capital Requirement – for undertakings on standard formula

		Gross Solvency Capital Requirement C0110 £000s	USP C0080 £000s	Simplifications C0090 £000s
Market risk	R0010	124		–
Counterparty default risk	R0020	14		
Life underwriting risk	R0030	–	None	–
Health underwriting risk	R0040	–	None	–
Non-life underwriting risk	R0050	–	None	–
Diversification	R0060	(10)		
Intangible asset risk	R0070	–		
Basic Solvency Capital Requirement	**R0100**	**128**		

Calculation of Solvency Capital Requirement

		C0100 £000s
Operational risk	R0130	0
Loss-absorbing capacity of technical provisions	R0140	–
Loss-absorbing capacity of deferred taxes	R0150	–
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	–
Solvency Capital Requirement excluding capital add-on	R0200	128
Capital add-ons already set	R0210	–
Solvency Capital Requirement	R0220	128
Other information on SCR		
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 life insurance and reinsurance obligations		C0040 £000s	
MCR$_L$ Result	R0200	–	

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole C0050 £000s	Net (of reinsurance/SPV) total capital at risk C0060 £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	–	
Total capital at risk for all life (re)insurance obligation	R0250		–

Overall MCR calculation		C0070 £000s	
Linear MCR	R0300	–	
SCR	R0310	128	
MCR cap	R0320	58	
MCR floor	R0330	32	
Combined MCR	R0340	32	
Absolute floor of the MCR	R0350	3,187	
Minimum Capital Requirement	R0400	**3,187**	

Glossary

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 Solvency II 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, 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 Standard Life Aberdeen plc and its subsidiaries.

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

Matching adjustment
An adjustment to the risk free yield used to calculate the best estimate to reflect where long-term liabilities are backed by assets which closely match the cash flows, where these assets have yields in excess of risk free and the extend that the assets are expected to be held long term.

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, and inflation.

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 Standard Life Assurance Company was transferred to Standard Life Assurance Limited on 10 July 2006.

SLAC 2006
The Standard Life Assurance Company 2006.

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.

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 have been calculated as at 31 December 2019 (unless otherwise indicated).

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