

Solvency and financial condition report 2016

**The Standard Life
Assurance Company 2006**

Standard Life 

Contents

Summary	3
----------------	----------

A	Business and performance	5
A.1	Business	5
A.2	Underwriting performance	5
A.3	Investment performance	6
A.4	Performance of other activities	6
A.5	Any other information	6

B	System of governance	7
B.1	General information on the system of governance	7
B.2	Fit and proper requirements	8
B.3	Risk management system including the own risk and solvency assessment	8
B.4	Internal control system	8
B.5	Internal audit function	8
B.6	Actuarial function	8
B.7	Outsourcing	9
B.8	Any other information	9

C	Risk profile	10
C.1	Underwriting risk	10
C.2	Market risk	10
C.3	Credit risk	10
C.4	Liquidity risk	10
C.5	Operational risk	10
C.6	Other material risks	10
C.7	Any other information	10

D	Valuation for solvency purposes	12
D.1	Assets	13
D.2	Technical provisions	14
D.3	Other liabilities	16
D.4	Alternative methods for valuation	16
D.5	Any other information	16

Business and performance	System of governance	Risk profile	Valuation for solvency purposes	Capital management	Other information
--------------------------	----------------------	--------------	---------------------------------	--------------------	-------------------

E	Capital management	17
E.1	Own funds	17
E.2	Solvency capital requirement and minimum capital requirement	19
E.3	Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement	20
E.4	Differences between the standard formula and any internal model used	20
E.5	Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement	22
E.6	Any other information	22
	Other information	23
	Statement of Directors' responsibilities	23
	Prudential Regulation Authority approvals and determinations	24
	Report of the external independent auditors to the Directors of The Standard Life Assurance Company 2006	25
	Appendix 1 – Group structure	29
	Appendix 2 – Quantitative reporting templates (QRTs)	30
	S.02.01.02 – Balance sheet	31
	S.05.01.02 – Premiums, claims and expenses by line of business (unaudited)	33
	S.05.02.01 – Premiums, claims and expenses by country (unaudited)	36
	S.12.01.02 – Life and health SLT technical provisions	38
	S.23.01.01 – Own funds	40
	S.25.03.21 – Solvency capital requirement - for undertakings full internal models (unaudited)	42
	S.28.01.01 – Minimum capital requirement – only life or non-life insurance or reinsurance activity	43
	Glossary	45

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

The Group's Annual report and accounts 2016 is also available on our website www.standardlife.com/annualreport

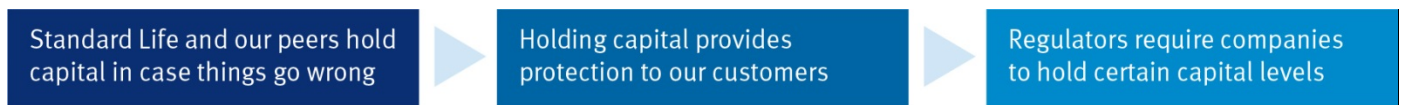
This document may contain certain 'forward-looking statements' with respect to Standard Life's plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. For example, statements containing words such as 'may', 'will', 'should', '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 Standard Life's control, including among other things: UK domestic and global political, economic and business conditions (such as the United Kingdom's exit from the European Union); 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 Standard Life and its affiliates operate. 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, Standard Life'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. Standard Life 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 Standard Life in this document may not be indicative of, and are not an estimate, forecast or projection of, Standard Life'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) 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 2016.

On 1 January 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 Company considers itself to be 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 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.

c) Capital surplus

Our 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 £83k representing solvency cover of 6,002%.

The Company's MCR, based on the minimum amount applicable to EEA-based insurance undertakings is £3,332k representing cover of 149%.

Business and performance	System of governance	Risk profile	Valuation for solvency purposes	Capital management	Other information
--------------------------	----------------------	--------------	---------------------------------	--------------------	-------------------

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 is 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 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 – provides details of 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 2. 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 2016, which is available to download from the Group's website www.standardlife.com/annual-report

Comparison of information with previous reporting periods is not required in this first report in accordance with the regulations.

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. 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 plc, which is also registered in Scotland (SC286832) and is listed on the London Stock Exchange.

See Appendix 1 for detail of the Company's position within the legal structure of the Group ('the Group' hereafter refers to Standard Life plc and its subsidiaries).

See Appendix 1 for detail of the Company's related party undertakings including the name, legal form, country and proportion of ownership interest held.

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

The Company's External auditor is PricewaterhouseCoopers LLP, Atria One, 144 Morrison St, Edinburgh, EH3 8EX.

A.1.1 Significant business events

The original sole member policy that was issued by the Company to SLAL immediately following demutualisation of the Standard Life Assurance Company in 2006 was cancelled during the year. A new sole member policy of assurance was issued to SLAL on 21 December 2016, with the same terms as those of the original cancelled sole member policy, but with a 10 year policy term rather than 999 years. It is expected no further business will be written by the Company. The Company is involved in the management of its investment activities.

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 2016 was £nil (2015: nil).

Appendix 2 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:

	2016 £'000s	2015 £'000s
Net earned premium	1	-
Net insurance benefits and claims	(1)	-
Underwriting performance	-	-
Net investment return	25	60
Profit/(loss) before tax	25	60

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, for the year ended 31 December 2016:

	2016 £'000s	2015 £'000s
Dividend income	25	60
Total net investment return	25	60

Investment return relates to dividend income received from holding in Standard Life Investments' Global 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 2016 was £6k (2015: £15k).

The Company has no material leasing arrangements.

A.5 Any other information

None.

B. System of governance

B.1 General Information on the system of governance

B.1.1 Overview

Standard Life'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 businesses. It includes the methods and processes we use to manage risks consistently across Standard Life. 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) 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

SLAC 2006 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.

SLAC 2006's risks are managed in accordance with the ERM framework and details of the framework can be found in Section B.3.1 on pages 18 to 19 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 SLAC 2006 in a manner that seeks to maximise the value of SLAC 2006 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 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 SLAC 2006.

The Group Audit Committee had oversight of SLAC 2006 during 2016 however a SLAL Audit Committee was constituted in 2016 and has oversight of SLAC 2006 from 2017 onwards.

Code of Business Conduct

Good governance within Standard Life is predicated on the ethical behaviour of the organisation's staff. Further details can be found in Section B.1.2 on page 15 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 pages 15 to 16 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 16 of the SLAL SFCR.

Remuneration

SLAC 2006 adopts the Group's remuneration policy and principles which are detailed in the Standard Life plc Board Charter, Section 2.9. Details of the Remuneration Committee can also be found in the Standard Life plc Board Charter, Appendix III. The Standard Life plc Board Charter is available in the Our Company - governance section of the Standard Life website: www.standardlife.com

Overview of organisational and operational structure

Standard Life 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 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'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 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's risk management system includes the ERM framework and the Own Risk and Solvency Assessment (ORSA). SLAC 2006 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 18 to 20 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. SLAC 2006 has adopted the Conduct and Operational framework and further details on the framework can be found in Section B.4 on pages 20 to 23 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 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 on pages 23 to 24 of the SLAL SFCR.

B.6 Actuarial function

SLAC 2006 has the same Actuarial function as SLAL. Further details of the 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. SLAC 2006 complies with the policy and further details can be found in Section B.7 of the SLAL SFCR.

In addition to the roles mentioned in the SLAL SFCR, the Pensions and Savings Enterprise Risk Management Committee (ERMC) are responsible for reviewing risk assessments for material transactions affecting SLAC 2006 and annually reviews the list of outsourcing arrangements for SLAC 2006.

B.8 Any other information

None.

C. Risk profile

The purpose of this section is to describe the material risks to which SLAC 2006 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 2, to see the split of the solvency capital requirement (SCR) by risk category.

C.1 Underwriting risk

The only underwriting risk to which SLAC 2006 is exposed is expense risk. Standard Life Assurance Limited (SLAL) provides services to SLAC 2006 in relation to accounting and actuarial reporting. SLAL reserves the right to recharge SLAC 2006 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 SLAC 2006 is exposed.

C.2 Market risk

SLAC 2006 has no exposure to market risk. SLAC 2006 is entirely invested in Standard Life Investments' (SLI) Global Liquidity Fund, which gives rise to credit risk, but not market risk.

C.3 Credit risk

SLAC 2006 has holdings in unsecured cash (through SLI's Global 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 SLAC 2006 is exposed.

C.4 Liquidity risk

Liquidity risk is the risk that SLAC 2006 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.

SLAC 2006 has no material liquidity risk as its capital is entirely held in cash (through its investment in SLI's Global 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 SLAC 2006.

C.5 Operational risk

The latest review of the operational risks in SLAC 2006 concluded that no material operational risks were deemed to arise in SLAC 2006.

C.6 Other material risks

There are no other material risks in SLAC 2006.

C.7 Any other information

C.7.1 Risk sensitivity

Standard Life 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). These tests are mainly internally driven by management to improve our understanding of the sensitivity of our business model, supplemented by others that are externally driven, such as regulatory requests.

The 2016 SST programme covered a comprehensive range of stresses to explore a continuum of plausible stress environments. The SST programme included stresses to each of our main risk exposures:

- Financial – market, credit, liquidity
- Demographic – longevity, persistency, mortality, morbidity, expense
- Other – conduct, reputation, operational

The SST programme also included insight into relevant severe combinations of risk events. A variety of stresses were applied to the year end Solvency II balance sheet and calibrated at or in excess of a 1-in-200 year probability level.

The SST programme includes both combined and solo stress tests and forward-looking scenario projections to support the annual business planning process and reverse stress tests to consider circumstances or severe events that, if they emerged, could have the potential to cause the business plan to fail.

The scenario projections comprise five-year projections on base, down and severe downside scenarios. The projections are completed on the regulatory solvency position and also economic capital.

In addition, 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 materiality of exposures in SLAC 2006 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 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 (SLI's Global 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 2016 the Company has not owned any special purpose vehicles.

Business and performance	System of governance	Risk profile	Valuation for solvency purposes	Capital management	Other information
--------------------------	----------------------	--------------	---------------------------------	--------------------	-------------------

D. Valuation for solvency purposes

In accordance with Solvency II valuation regulations 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

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 is 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 2. 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.

Reallocations

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 balances at 31 December 2016. 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.

IFRS statement of financial position headings	IFRS £'000	Presentation adjustments £'000	IFRS statutory balance based on Solvency II presentation and scope £'000	Solvency II balance sheet headings
Assets				Assets
Investments in associates	4,686	-	4,686	Holdings in related undertakings, including participations
Receivables and other financial assets	3	-	3	Receivables (trade, not insurance)
Cash and cash equivalents	493	-	493	Cash and cash equivalents
Total assets	5,182	-	5,182	Total assets
Liabilities				Liabilities
Unallocated divisible surplus	5,164	1	5,165	Technical provisions – life (excluding health and indexed-linked and unit-linked)*
Other financial liabilities	1	(1)	-	
Current tax liabilities	17	-	17	Payables (trade, not insurance)
Total liabilities	5,182	-	5,182	Total liabilities
Total equity	-	-	-	Excess of assets over liabilities

* Risk margin within technical provisions are unaudited.

Valuation adjustments

The following table summarises valuation adjustments at 31 December 2016 between IFRS and Solvency II for assets, technical provisions and other liabilities that are explained in subsequent sections.

Solvency II balance sheet headings	IFRS statutory balance based on Solvency II presentation and scope £'000	Solvency II balance sheet £'000	Valuations differences £'000
Assets			
Holdings in related undertakings, including participations	4,686	4,686	-
Receivables (trade, not insurance)	3	3	-
Cash and cash equivalents	493	493	-
Total assets	5,182	5,182	-
Liabilities			
Technical provisions – life (excluding health and indexed-linked and unit-linked)*	5,165	184	(4,981)
Payables (trade, not insurance)	17	17	-
Total liabilities	5,182	201	(4,981)
Excess of assets over liabilities	-	4,981	(4,981)

* 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 2016 was £5,182k. 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 2.

Solvency II regulations require that assets of insurers be valued on a basis that reflects their fair value, described as an 'economic valuation'. The valuation basis adopted should, as far as possible, be consistent with IFRS.

The following table gives the valuation bases used at 31 December 2016, 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 shown 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)	<p>Holdings in related undertakings, including participations</p> <p>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 or the adjusted equity method. For Solvency II, these holdings are held at fair value, valued using published prices where these are available.</p> <p>At 31 December 2016, there is no difference between the Solvency II and IFRS accounting values of participations.</p> <p style="text-align: right;">£'000</p> <table border="1" style="width: 100%;"> <tr> <td>Participations as per Solvency II balance sheet</td> <td style="text-align: right;">4,686</td> </tr> </table> <p>The above balance is entirely invested in Standard Life Investments' (SLI) Global Liquidity Fund, a short term money market fund. See Section D.4 for further information on alternative valuation methods.</p>	Participations as per Solvency II balance sheet	4,686
Participations as per Solvency II balance sheet	4,686		
Receivables (trade, not insurance)	<p>Trade and other receivables are stated at realisable value in the Solvency II balance sheet. This is consistent with the valuation approach followed in the IFRS statutory accounts.</p> <p style="text-align: right;">£'000</p> <table border="1" style="width: 100%;"> <tr> <td>Receivables (trade, not insurance) as per Solvency II balance sheet</td> <td style="text-align: right;">3</td> </tr> </table>	Receivables (trade, not insurance) as per Solvency II balance sheet	3
Receivables (trade, not insurance) as per Solvency II balance sheet	3		

Business and performance	System of governance	Risk profile	Valuation for solvency purposes	Capital management	Other information
--------------------------	----------------------	--------------	---------------------------------	--------------------	-------------------

Balance sheet caption	Description of basis and method of valuation
Cash and cash equivalents	Cash and cash equivalents comprise cash balances and demand deposits directly useable for making payments, which are valued at amounts receivable on demand.
	There is no difference between the valuation basis for the Solvency II balance sheet and the IFRS statutory accounts.
	£'000
	Cash and cash equivalents as per Solvency II balance sheet
	493

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 are shown in the following table.

Line of Business	Best estimate liability £'000	Risk margin* £'000	Total technical provisions £'000
Other life insurance	174	10	184
Total	174	10	184

* 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 in the following table:

	Total £'000
IFRS value	5,165
Remove unallocated divisible surplus	(5,164)
Include additional expenses	173
Include risk margin*	10
Solvency II technical provisions	184

* 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

A new policy was written during the year, replacing the previous policy which has now been terminated. There has been no change to best estimate annual expense assumptions. However, they are now projected for the term of the new policy.

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 2016 was £17k. 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 2.

Solvency II regulations 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. The valuation basis adopted should, as far as possible, be compatible with IFRS.

The following table gives the valuation bases and methods used at 31 December 2016 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)	Trade payables are recorded under IFRS at amortised cost. This is consistent with the fair value valuation basis under Solvency II. Accordingly, there are no valuation differences between the IFRS statutory accounts and the Solvency II balance sheet.
	£'000
	<u>Payables (trade, not insurance) as per Solvency II balance sheet</u> 17

D.4 Alternative methods for valuation

The assets held in SLAC 2006 are cash and a holding in SLI's Global Liquidity Fund. Cash is not valued using an alternative method for valuation (AVM). The holding in SLI's Global Liquidity Fund (£4,686k) 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 Group (the Group).

The Group's capital management approach seeks to ensure that the Group is appropriately capitalised under base and stress scenarios.

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 2016.

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 Appendix 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 tiering of own funds is based on the extent to which own funds items possess the characteristics of permanent availability and subordination. A further four features also need to be taken into consideration, these are: sufficient duration, absence of incentives to redeem, absence of mandatory servicing costs and absence of encumbrances. Definitions of each of these characteristics are as follows:

- Permanent availability refers to whether an item is available, or can be called up on demand, to fully absorb losses on a going-concern basis, as well as in the case of a winding-up
- Subordination refers to whether, in the case of a winding-up, the total amount of the item is available to absorb losses and the repayment of the item is refused to its holder until all other obligations, including insurance and reinsurance obligations towards policyholders and beneficiaries of insurance and reinsurance contracts, have been met
- Sufficient duration requires that consideration be given to the duration of the item, in particular whether the item is dated or not. Where an own fund item is dated, the relative duration of the item as compared to the duration of the insurance obligations should be considered.
- Absence of incentives to redeem refers to whether the item is free from requirements or incentives to redeem the nominal sum
- Absence of mandatory servicing costs refers to whether the item is free from mandatory fixed charges
- Absence of encumbrances refers to whether the item is free from encumbrances. Encumbrances include factors such as rights of set off, restrictions and charges or guarantees

To be classified as Tier 1, an item of own funds must substantially possess the characteristics of permanent availability and subordination taking into consideration the additional four features described above. For an item of own funds to be classified as Tier 2, it must substantially possess the characteristics of subordination taking into consideration the additional four features.

Where own funds do not meet the criteria to be classified as Tier 1 or Tier 2, the items will be classified as Tier 3.

Business and performance	System of governance	Risk profile	Valuation for solvency purposes	Capital management	Other information
--------------------------	----------------------	--------------	---------------------------------	--------------------	-------------------

Based on the tiering classifications, there are certain regulatory limits regarding the eligibility of own funds to meet capital requirements. Limits are placed on Tier 2 and Tier 3 and hybrid/ restricted (e.g. subordinated liabilities) Tier 1 items to ensure that there is a sufficiently high proportion of highest quality own funds (non-restricted Tier 1) and that only higher quality own funds (Tier 1 and Tier 2 own fund items) cover the minimum capital requirement (MCR).

The key eligibility limits are as follows:

- At least 50% of the solvency capital requirement (SCR) must be covered by Tier 1 own funds (and no more than 20% of those Tier 1 items may be hybrid instruments such as subordinated liabilities) and a maximum of 15% may be covered by Tier 3
- At least 80% of the MCR must be covered by Tier 1 (and no more than 20% of those Tier 1 items may be hybrid instruments such as subordinated liabilities). Tier 3 own funds are not eligible to cover the MCR. This in effect means that Tier 2 basic own funds are eligible as long as they cover no more than 20% of the MCR.

The following table sets out the values of own funds of the Company as at 31 December 2016, 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	4,981	-	-	-	4,981
Own funds	4,981	-	-	-	-
Eligible own funds to meet the SCR	4,981	-	-	-	4,981
Eligible own funds to meet the MCR	4,981	-	-	-	4,981

There was no ordinary share capital, share premium, surplus funds or subordinated liabilities at 1 January 2016 or 31 December 2016.

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 2.

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 2016:

	£'000
Excess of assets over liabilities	4,981
Reconciliation reserve total	4,981

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 2016:

	£'000	£'000
Equity attributable to equity holders per the financial statements on an IFRS basis		-
Valuation differences:		
In respect of technical provisions	4,981	
		4,981
Own funds after adjustments		4,981

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

The following table sets out the movements on the Company's own funds, analysed by tier, during 2016:

Description	Tier 1 £'000	Tier 2 £'000	Tier 3 £'000	Total £'000
Opening own funds*	5,098	-	-	5,098
Opening eligibility restrictions*	-	-	-	-
Opening eligible own funds to meet the SCR	5,098	-	-	5,098
Movements in period:				
Own funds	(117)	-	-	(117)
Eligibility restrictions*	-	-	-	-
Total movements in eligible own funds	(117)	-	-	(117)
Closing eligible own funds to meet the SCR	4,981	-	-	4,981

*Unaudited

There were no ancillary own funds at 1 January 2016 or 31 December 2016.

There were no eligibility restrictions at 1 January 2016 or 31 December 2016.

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.

SLAC 2006 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 2.

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

SLAC 2006 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.

SLAC 2006's SCR at the end of 2016 calculated using its internal model was £83k. As this is lower than the MCR (see below), the biting capital requirement is the MCR, which was equal to £3,332k (€3.7m) at end of 2016.

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

E.2.2 Scope of the internal model (unaudited)

SLAC 2006 uses an internal model to calculate its SCR. It has no subsidiaries.

E.2.3 Standard Life's 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 SLAC 2006 is the minimum amount of €3.7m.

The non-life insurance element of the MCR calculation is zero for SLAC 2006, 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.

Business and performance	System of governance	Risk profile	Valuation for solvency purposes	Capital management	Other information
--------------------------	----------------------	--------------	---------------------------------	--------------------	-------------------

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

SLAC 2006 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's partial internal model, including the key differences between it and the standard formula. SLAC 2006 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 SLAC 2006.

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'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)

SLAC 2006 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

SLAC 2006 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

SLAC 2006'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. SLAC 2006 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	<ul style="list-style-type: none"> 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)	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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

SLAC 2006'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

SLAC 2006 uses a correlation matrix approach to aggregate capital.

Business and performance	System of governance	Risk profile	Valuation for solvency purposes	Capital management	Other information
--------------------------	----------------------	--------------	---------------------------------	--------------------	-------------------

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'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 SLAC 2006.

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

Throughout 2016 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 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 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 Directors are satisfied that:

- (a) throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA rules and Solvency II regulations as applicable to the Company; and
- (b) it is reasonable to believe that the Company has continued so to comply subsequently, and will continue so to comply in future.

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



Mark Hesketh
Director
18 May 2017

Business and performance	System of governance	Risk profile	Valuation for solvency purposes	Capital management	Other information
--------------------------	----------------------	--------------	---------------------------------	--------------------	-------------------

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 Waiver	Applicable from
Approval to use a partial internal model for the calculation of its SCR Approval of policy for changing an approved internal model.	2247366	5 December 2015	1 January 2016
Approve the major model change to the Standard Life group internal model approved in the written notice - Internal model approval dated 5 December 2015 (reference 2247359, 2247366, 2247363) (the 'Original Notice'), on the basis of the application for a major model change submitted on 29 June 2016 and the addendum submitted on 11 November 2016 (the 'Proxy Model Application').	3802827	30 November 2016	31 December 2016

Report of the external independent auditors to the Directors of The Standard Life Assurance Company 2006

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

Report on the Audit of the relevant elements of the Solvency and financial condition report

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2016:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and financial condition report of the Company as at 31 December 2016, ('**the Narrative Disclosures subject to audit**'); and
- Company templates S.02.01.02, S.12.01.02, S.23.01.01 and 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 above which are, or derive from the solvency capital requirement, as identified in the Appendix to this report
- The 'Summary', '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, and 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**').

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

In our opinion the information subject to audit in the relevant elements of the SLAC 2006 Solvency and financial condition report of the Company as at 31 December 2016 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 and Ireland) (ISAs (UK & I)), International Standard on Auditing (UK) 800 and International Standard on Auditing (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and financial condition report* section of our report.

Business and performance	System of governance	Risk profile	Valuation for solvency purposes	Capital management	Other information
--------------------------	----------------------	--------------	---------------------------------	--------------------	-------------------

Emphasis of Matter – Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' 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 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.

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 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 Directors are also responsible for such internal control as they determine 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.

Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and financial condition report

It is our responsibility to form an independent opinion, in accordance with applicable law, ISAs (UK & I) and ISAs (UK) 800 and 805 as to whether the information subject to audit in the relevant elements of the Solvency and financial condition report is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based. ISAs (UK & I) require us to comply with the Auditing Practices Board's Ethical Standard for Auditors.

An audit involves obtaining evidence about the amounts and disclosures in the relevant elements of the Solvency and financial condition report sufficient to give reasonable assurance that the relevant elements of the Solvency and financial condition report are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the relevant elements of the Solvency and financial condition report. In addition, we read all the financial and non-financial information in the Solvency and financial condition report to identify material inconsistencies with the audited relevant elements of the Solvency and financial condition report. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

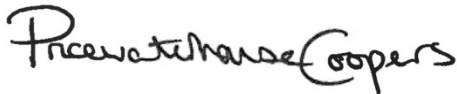
This report, including the opinion, has been prepared for the Directors of the Company to comply with their obligations under External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for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

Other Matter

The Company has authority to calculate its solvency capital requirement using a 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 Part of the PRA Rulebook for Solvency II firms we are required to read the Other Information and consider whether it is materially inconsistent with the relevant elements of the Solvency and financial condition report and our knowledge obtained in the audits of the Solvency and financial condition report and of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The logo for PricewaterhouseCoopers, featuring the company name in a stylized, handwritten-style font.

PricewaterhouseCoopers LLP

Chartered Accountants

Edinburgh

18 May 2017

- The maintenance and integrity of the Standard Life plc 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.

Business and performance	System of governance	Risk profile	Valuation for solvency purposes	Capital management	Other information
--------------------------	----------------------	--------------	---------------------------------	--------------------	-------------------

Appendix – relevant elements of the Solvency and financial condition report that are not subject to audit

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

a) 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

b) The following elements of template S.12.01.02:

- Row R0100: Technical provisions calculated as a sum of BE and RM - Risk margin

c) 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

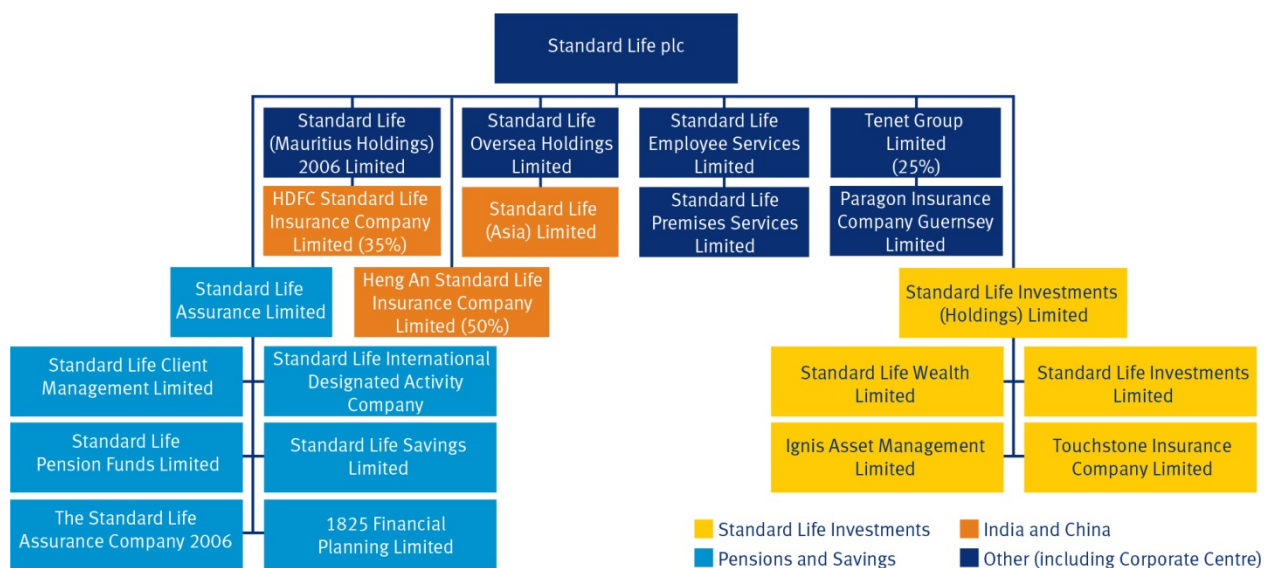
d) The following elements of Company template S.28.01.01:

- Row R0310: SCR

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

Appendix 1 – Group structure

Group structure by operating segment



Related Party Undertakings

The particulars of the Company's related undertakings at 31 December 2016 are listed below:

Name of Related Undertaking	Country of incorporation and registration	Share Class	% Interest held
Standard Life Investments (Global Liquidity Fund) Plc	Republic of Ireland	OEIC	0.18%

Business and performance	System of governance	Risk profile	Valuation for solvency purposes	Capital management	Other information
--------------------------	----------------------	--------------	---------------------------------	--------------------	-------------------

Appendix 2 – Quantitative Reporting Templates (QRTs)

S.02.01.02	Balance sheet	31
S.05.01.02	Premiums, claims and expenses by line of business (unaudited)	33
S.05.02.01	Premiums, claims and expenses by country (unaudited)	36
S.12.01.02	Life and health technical provisions	38
S.23.01.01	Own funds	40
S.25.03.21	Solvency capital requirement - using the internal model (unaudited)	42
S.28.01.01	Minimum capital requirement for life or non-life insurance	43

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	4,686
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	4,686
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	493
Any other assets, not elsewhere shown	R0420	-
Total assets	R0500	5,182

Business and performance	System of governance	Risk profile	Valuation for solvency purposes	Capital management	Other information
--------------------------	----------------------	--------------	---------------------------------	--------------------	-------------------

		Solvency II value C0010 £000s
Liabilities		
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	184
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	184
TP calculated as a whole	R0660	-
Best Estimate	R0670	174
Risk margin	R0680	10
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	17
Subordinated liabilities	R0850	-
Subordinated liabilities not in BOF	R0860	-
Subordinated liabilities in BOF	R0870	-
Any other liabilities, not elsewhere shown	R0880	-
Total liabilities	R0900	201
Excess of assets over liabilities	R1000	4,981

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.

Business and performance	System of governance	Risk profile	Valuation for solvency purposes	Capital management	Other information
--------------------------	----------------------	--------------	---------------------------------	--------------------	-------------------

		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 £000s	C0110 £000s	C0120 £000s	C0130 £000s	C0140 £000s	C0150 £000s	C0160 £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 C0210	Insurance with profit participation C0220	Index-linked and unit-linked insurance C0230	Other life insurance C0240	Annuities stemming from non-life insurance contracts and relating to health insurance obligations C0250	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations C0260	Health reinsurance C0270	Life reinsurance C0280	Total C0300
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Premiums written									
Gross	R1410	-	-	-	1	-	-	-	1
Reinsurers' share	R1420	-	-	-	-	-	-	-	-
Net	R1500	-	-	-	1	-	-	-	1
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	-	-	-	-	-	-	-	-
Reinsurers' share	R1720	-	-	-	-	-	-	-	-
Net	R1800	-	-	-	-	-	-	-	-
Expenses incurred	R1900	-	-	-	-	-	-	-	-
Other expenses	R2500								-
Total expenses	R2600								-

Business and performance	System of governance	Risk profile	Valuation for solvency purposes	Capital management	Other information
--------------------------	----------------------	--------------	---------------------------------	--------------------	-------------------

S.05.02.01 Premiums, claims and expenses by country

	R0010	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
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
		£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.

	R1400	Home country C0150	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country C0210
		x	C0160	C0170	C0180	C0190	C0200	x
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
		£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 only operates in the United Kingdom.

S.12.01.02 Life and health SLT technical provisions

	Insurance with profit participation		Index-linked and unit-linked insurance		Other life insurance		Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance, incl. unit-linked)		Total (life other than health insurance, incl. unit-linked)
	C0020 £000s	C0030 £000s	Contracts without options and guarantees C0040 £000s	Contracts with options or guarantees C0050 £000s	Contracts without options and guarantees C0070 £000s	Contracts with options or guarantees C0080 £000s	C0090 £000s	C0100 £000s	
Technical provisions calculated as a whole									
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	R0010	-	-	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM	R0020	-	-	-	-	-	-	-	-
Best Estimate									
Gross Best Estimate									
Total Recoverables from reinsurance/SPV and Finite Re after adjustment for expected losses due to counterparty default	R0030	-	-	-	174	-	-	-	174
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0080	-	-	-	-	-	-	-	-
Risk Margin	R0090	-	-	-	174	-	-	-	174
Amount of the transitional on Technical Provisions	R0100	-	-	10	-	-	-	-	10
Technical provisions calculated as a whole	R0110	-	-	-	-	-	-	-	-
Best estimate	R0120	-	-	-	-	-	-	-	-
Risk margin	R0130	-	-	-	-	-	-	-	-
Technical provisions - total	R0200	-	-	184	-	-	-	-	184

		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)
		C0160 £000s	Contracts without options and guarantees C0170 £000s	Contracts with options or guarantees C0180 £000s	C0190 £000s	C0200 £000s	C0210 £000s
Technical provisions calculated as a whole							
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0210	-			-	-	-
	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.

Business and performance	System of governance	Risk profile	Valuation for solvency purposes	Capital management	Other information
--------------------------	----------------------	--------------	---------------------------------	--------------------	-------------------

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	4,981	4,981	-	-	-
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 other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230	-	-	-	-	-
Total basic own funds after deductions	R0290	4,981	4,981	-	-	-
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	4,981	4,981	-	-	-
Total available own funds to meet the MCR	R0510	4,981	4,981	-	-	-
Total eligible own funds to meet the SCR	R0540	4,981	4,981	-	-	-
Total eligible own funds to meet the MCR	R0550	4,981	4,981	-	-	-
SCR	R0580	83	-	-	-	-
MCR	R0600	3,332	-	-	-	-
Ratio of eligible own funds to SCR	R0620	60.025	-	-	-	-
Ratio of eligible own funds to MCR	R0640	1.495	-	-	-	-

C0060
£000s

Reconciliation reserve		
Excess of assets over liabilities	R0700	4,981
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	4,981
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	-

Business and performance	System of governance	Risk profile	Valuation for solvency purposes	Capital management	Other information
--------------------------	----------------------	--------------	---------------------------------	--------------------	-------------------

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	76
300	Life underwriting risk	26
701	Operational risk	-
801	Other risks	-
804	Other adjustments	-

Calculation of solvency capital requirement		C0100 £000s
Total undiversified components	R0110	102
Diversification	R0060	(19)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement excluding capital add-on	R0200	83
Capital add-ons already set	R0210	-
Solvency capital requirement	R0220	83
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 (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))	R0420	-
Total amount of notional solvency capital requirements 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 C0020 £000s	Net (of reinsurance) written premiums in the last 12 months C0030 £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 business.

Business and performance	System of governance	Risk profile	Valuation for solvency purposes	Capital management	Other information
--------------------------	----------------------	--------------	---------------------------------	--------------------	-------------------

Linear formula component for life insurance and reinsurance obligations

		C0040	
		£000s	
MCR _L Result	R0200	4	

			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		174	
Total capital at risk for all life (re)insurance obligation	R0250			-

Overall MCR calculation

		C0070	
		£000s	
Linear MCR	R0300	4	
SCR	R0310	83	
MCR cap	R0320	37	
MCR floor	R0330	21	
Combined MCR	R0340	21	
Absolute floor of the MCR	R0350	3,332	
		C0070	
Minimum capital requirement	R0400	3,332	

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.

Asset share

The asset share of a policy is the accumulation of premiums (less any amounts in respect of withdrawals) at the investment returns on the with profits assets, less deductions for expenses and charges (including any deductions for guarantees or contributions to the capital of the HWPF), tax and any other experience adjustments.

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.

Contract boundary

The boundary of an insurance contract (or reinsurance contract) defines the cash flows which must be taken into account when calculating the technical provision in respect of that contract.

Conventional with profits (CWP)

A form of with profits contract where the benefit is expressed in terms of sum assured, regular (or reversionary) bonuses and final (or terminal) bonus.

Cost of guarantees (COG)

This is the expected cost of providing investment guarantees (e.g. guaranteed minimum level of unit growth) to with profits policyholders. A guarantee has a cost if the guaranteed amount is greater than the payout (which is generally based on asset share) would otherwise have been.

Deterministic model

An actuarial projection model in which the input variables are defined in terms of a single best estimate value leading to a point estimate of the value of future cash flows. In comparison, stochastic models use a range of input variables (e.g. future investment returns) in the form of probability distributions leading to a number of modelled outcomes.

Director

A Director of the Company.

Discounting

This is the process of reducing a future cash flow back to present value terms, by way of an assumed future interest (discount) rate.

Economic assumptions

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

Economic scenario generator (ESG)

An ESG generates a large number of economic scenarios which are used to value insurance liabilities.

EIOPA

European Insurance and Occupational Pensions Authority.

Business and performance	System of governance	Risk profile	Valuation for solvency purposes	Capital management	Other information
--------------------------	----------------------	--------------	---------------------------------	--------------------	-------------------

Executive management

The executive management team is responsible for the day-to-day running of the business of the Group and the Company and comprises at 31 December 2016: the Chief Executive, Chief Executive – Life Insurance, Chief Executive – Pension and Savings, the Chief Operating Officer, Chief Financial Officer and the Chief Risk Officer.

FCA

Financial Conduct Authority.

Group Board

The Board of Directors of Standard Life plc.

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

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

Guaranteed benefits

Any minimum benefits guaranteed to be paid on dates or events specified under the relevant policy.

Heritage With Profits Fund (HWPF)

This fund contains most of the business written by Standard Life before demutualisation.

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.

Large fund discounts

The practice of reducing the effective annual management charge applied to a policy depending on the size of the unit fund.

Maintenance expenses

Expenses relating to the ongoing maintenance of business. This would include customer service costs, for example.

Market consistency

A market consistent value is the market value if the instrument is readily traded. In the context of liabilities, a market consistent value is a valuation that is consistent with the prices of assets with similar characteristics to those liabilities. For liability cash flows with option-like features e.g. guarantees, these values should be consistent with market option prices.

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.

Own funds

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

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.

PRA

Prudential Regulation Authority.

Present value of in-force business (PVIF)

The expected future profits (usually excess of charges over expenses) on existing business.

Principles and Practices of Financial Management

Public document that sets out the basis on which with profits business will be managed.

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.

SLCM

Standard Life Client Management Limited.

SLI

Standard Life Investments Limited.

Smoothing

The practice of smoothing can help to reduce the effects of fluctuations in investment returns on with profits payouts. SLAL aims to operate smoothing of payouts in such a way as to be neutral for with profits policyholders as a whole over time. This practice can lead to a balance sheet smoothing cost where it is expected that past smoothing losses cannot be recovered due to guarantees biting.

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 II).

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 their 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).

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.

Stochastic modelling

An actuarial projection model in which the input variables (e.g. future investment returns) are defined in terms of a range of values in the form of probability distributions, reflecting the volatility of those variables. This leads to a range of modelled outcomes. This approach is useful when a policy provides a guarantee e.g. a minimum rate of investment return. A deterministic model would not allow for the volatility of future investment returns and hence is a less appropriate way of estimating the cost of providing the guarantee.

Technical provisions

The value attributed to future insurance obligations determined in line with Solvency II regulations, comprising a best estimate liability plus risk margin.

Technical provisions as a whole

The best estimate and the risk margin are typically calculated separately. Where the future cash flows can be replicated reliably using financial instruments for which a reliable market value is observable (such as unit-linked fund values) then the value of technical provisions equals the market value of those financial instruments ('technical provisions as a whole').

Business and performance	System of governance	Risk profile	Valuation for solvency purposes	Capital management	Other information
--------------------------	----------------------	--------------	---------------------------------	--------------------	-------------------

Unit-linked

Unit-linked refers to a proposition or fund where the customer will buy 'units' of the fund. The value of a unit changes based on the performance of underlying assets, and the number of units in the fund will change depending on the size of the fund.

Unit-linked policy

A policy where the benefits are determined by reference to the investment performance of a specified pool of assets referred to as the unit-linked fund.

Unitised with profits (UWP)

A form of with profit contract where the benefit is expressed in terms of a unit fund (with a guaranteed minimum level of growth), and a final (or terminal) bonus.

Vintage units

A vintage unit method is used in practice for calculating terminal bonus rates on policyholder payouts in respect of UWP pensions business. Regular premium policies are effectively considered as if they were a series of single premium policies, with a terminal bonus rate being calculated separately for each year of payment. The same terminal bonus rates are used for regular and single premium policies, and the terminal bonus rate cannot be negative.

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 2016 (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.

www.standardlife.com © 2017 Standard Life, images reproduced under licence.