Quilter International Isle of Man Limited, Appointed Actuary's Report

22 August 2022

1. INTRODUCTION

I have been asked as Appointed Actuary of Quilter International Isle of Man Ltd ("QIIOM") to comment on the section 21 scheme by which it is proposed to transfer all of the business of Utmost Limited ("UL") to QIIOM (the "Isle of Man Scheme").

Sanction of the High Court of Justice of the Isle of Man is required to allow the transfer of insurance business from one insurer to another. The High Court will only sanction a Scheme if it has received a report from an Independent Actuary that concludes that there are no material adverse effects for policyholders.

I am advised that schemes will be required in Jersey and Guernsey and that these will come into effect at the same time as the Isle of Man Scheme (the "Jersey Scheme" and the "Guernsey Scheme" respectively). In this report, the term "Schemes" is used to refer to the Isle of Man Scheme (which is the legal document outlining the terms for the proposed transfer) and the Jersey and Guernsey Schemes.

It has become general practice for the Independent Actuary report to be accompanied by reports from the Appointed Actuaries ("AA"s) of both the transferring entity (which is called the transferor) and the receiving entity (the transferee).

I am the AA of QIIOM and I have prepared this report to support both the Independent Actuary and the QIIOM policyholders in their assessment of the impact of the Schemes. Therefore, the purpose of this report is to consider the effects of the Schemes on the policyholders of QIIOM, paying regard to the security of their benefits, their fair treatment and their reasonable expectations.

The documents and other information that I have relied upon in preparing this report are set out in the Appendix. I am particularly reliant on the information provided to me by the AA of UL since I have limited prior experience of that company. I have made appropriate enquiries of the former UL AA and based on the information that they have given I have no reason to doubt the veracity of the information provided. This report must be considered in its entirety as individual sections, if considered in isolation, may be misleading. Draft versions of this report must not be relied upon by any person for any purpose. This report is based on information available to me at, or prior to 24th August 2022.

I am a Fellow Member of the Institute and Faculty of Actuaries in the UK having qualified in 2014. I have been the Appointed Actuary of QIIOM since 8 September 2020.

I am an employee of Utmost Services Ltd a company within the same insurance group as UL and QIIOM. I have no QIIOM or UL insurance policies nor personal investments in the Utmost Group plc or any company within it.

Having considered the impact of the proposed Schemes, it is my opinion that the Schemes will have no material impact on the security or benefit expectations of the existing QIIOM policyholders.

2. BACKGROUND TO THE SCHEMES AND THE RELATED INSURANCE COMPANIES

The Utmost Group has been operating since 2013, previously as two separate groups: Utmost International Group Holdings and Utmost UK Group Holdings. In October 2020, the Group underwent a reorganisation which resulted in the Group's two businesses being brought together under a single UK holding company, Utmost Group Limited, which was reregistered as Utmost Group plc ("UG") in July 2021. UG, is a UK based financial services group operating in the UK and international life assurance sectors. It is a provider of insurance and savings products which also specialises in the acquisition and consolidation of books of life assurance business in the UK and internationally.

Life Company Consolidation Group was set up in 2013, and in October 2016 LCCG acquired Utmost Ltd ("UL") from the AXA group UL forms an important component of the Utmost International proposition, alongside Ireland based Utmost PanEurope dac (UPE) and Guernsey based Utmost Worldwide Ltd (UWL).

The background to UPE is as follows. In the period from 2016 there have been a number of acquisitions and subsequent transfers of business, including of the following entities: Aviva Life International Limited, AXA Life Europe dac, Harcourt Life Assurance dac, Scottish Mutual International dac, Augura Life Ireland dac, Union Heritage Life Assurance Company dac and UPE (from Generali).

The background to UW is as follows. UW is a life insurance company based in Guernsey. UW is made up of an Amalgamation in 2015 of Generali International Ltd and Generali Worldwide Insurance Company Limited. UW was acquired by UG on 28 February 2019. UW continues to write group protection, group savings, unit linked savings and portfolio bonds, as well as top-ups on existing contracts.

In November 2021, the Utmost group acquired the international business segment of Quilter group. The acquisition of Quilter International Holdings Limited and its subsidiary, Quilter International Isle of Man Limited (QIIOM), by Utmost Holdings Isle of Man Limited completed on 30 November 2021.

The proposal to transfer UL into QIIOM is a continuation of UG's consolidation strategy. The consolidation of UL and QIIOM by way of a Scheme creates a single Isle of Man insurer has a number of benefits to both the shareholder and policyholders. These include:

- Consolidation is a core business competency for the company – buy then simplify.
- Operational efficiencies – fewer companies mean streamlining of business lines and operational risks, and therefore a reduction in overhead costs required to maintain and manage the business.
- Capital Efficiency – combining risks within one entity generates capital diversification benefits and enables capital fungibility, i.e. enables capital to be utilised against losses without the need for complex inter-group capital transactions.
- Liquidity management – enables the company to manage one pool of assets to meet the resulting business' liquidity needs.

Overall, the consolidation is expected to create a more efficient, robust business, giving greater certainty for policyholders over its ability to meet their expectations and to treat them fairly.

The following sections provide background to each of the entities in the proposed Schemes

QIIOM

QIIOM was founded in the IOM in 1984. It was originally incorporated as NEL Britannia International Insurance Limited, and following a change in ownership it changed its name to Royal Skandia Life Assurance Limited in January 1989 and to Old Mutual International Isle of Man Limited in November 2014. It became QIIOM in February 2020.

The company has 2 branches, in Hong Kong and Singapore, which were established in 1985 and 2008 respectively.

The principal activity of QIIOM is the transaction of international unit-linked life assurance business.

QIIOM is based in the Isle of Man, and offers life assurance investment solutions cross border, predominantly to UK and other expatriates, internationally minded investors and local investors who value the product capabilities.

QIIOM's home regulator is the Isle of Man Financial Services Authority ("IOM FSA") and its branches in Hong Kong and Singapore are regulated by the Hong Kong Insurance Authority ("HKIA") and the Monetary Authority of Singapore ("MAS") respectively. QIIOM is also regulated by the Securities and Futures Commission in Hong Kong in relation to certain products. Further, QIIOM has additional licenses in Jersey, Trinidad and Tobago, and a nonresident Alien Insurance Exemption license in Florida.

QIIOM's primary markets by geographical region are UK, Hong Kong, Singapore, UAE, Europe & selected markets in Latin America.

The company's business largely comprises portfolio bonds and unit linked products.

Portfolio bonds are single premium, open architecture products with a variety of charging structures, and make up the majority of the in-force book and new business written by the business. The bonds are offered on a cross-border basis predominantly in the jurisdictions listed above.

The business also has a book of unit linked products utilising the Company's internal fund offering. Most of this book is closed to new business and the internal fund offering is going through a process of rationalisation.

The business also has a very small book of non-linked legacy products. This book is entirely closed to new business.

UTMOST LIMITED

UL was established in 1991 and commenced business in 1992, originally named as Sun Life Operations Limited and changing its name to Sun Life International (IOM) Ltd in July 1992.

In 2001, following the acquisition of Sun Life by AXA, the company was renamed AXA Isle of Man Ltd.

In terms of ownership of the company, it was originally owned 80% by the Long Term Business Fund ("LTBF") of Sun Life Assurance Society Plc ("SLAS") and 20% by PanEuroLife. In 1998 ownership became 100% by the SLAS Long Term Business Fund. On 1 January 2004, the AXA shareholders bought the company from the SLAS Long Term Business Fund.

On 21 October 2016, AXA Isle of Man Ltd was acquired by LCCG and renamed as Utmost Ltd.

The acquisition represented a significant milestone in the growth of the Utmost Group. The group had focused on acquiring closed books of business prior to the acquisition, whereas UL and the Wealth Solutions proposition is a new business strategy which complemented the existing closed book strategy.

UL is incorporated in the Isle of Man and is authorised and regulated by the Isle of Man Financial Services Authority. For UK business UL is regulated by the UK Financial Conduct Authority. The principal activity of the Company is the writing of long term assurance business, with the provision of two core single premium products primarily targeted at the UK market, being the Evolution Bond ("EVO") and Estate Planning Bond ("EPB").

The EVO is a flexible investment bond which offers a wide range of investment options and is designed for individual, corporate and trustee applicants looking to invest for growth, income, tax planning or wealth transfer purposes. Evolution offers a capital redemption option meaning that it can have a lifetime of up to 99 years and does not end on the death of the policyholder.

The EPB is a single-premium investment bond, which is held in a discounted gift trust from outset and offers a wide range of investment options. It is designed to help the policyholder create a trust fund for their family that reduces their potential liability to inheritance tax immediately and over seven years, from which the policyholder takes a regular, tax-deferred 'income' (withdrawals of capital).

Both products are predominately sold in the UK. There are two modified co-insurance arrangements one with AXA in China and one with AXA Singapore (AXA Singapore having recently been acquired by HSBC in Asia) where the Company provides administration.

3. INFORMATION ON QUILTER INTERNATIONAL ISLE OF MAN LTD

PROFILE OF INSURANCE PORTFOLIO

The table below gives a summary of the business (gross of reinsurance) for QIIOM as at 31/12/2021. These contracts are classified as Class 1 (linked long-term), Class 2 (long-term) and Class 10 (reinsurance accepted) under Isle of Man regulations.

There are many generations of products with similar names. These have been grouped together in the following summary table with the table of marking and product names underneath this table:

Product Group	Policy Count	Fund Value (£m)
EIB	24,163	8,643.5
NonEIB	36,273	1,958.8
PnG	18,943	9,699.6.3
Other	2	0.0
Old Mutual International Guernsey Ltd Reassurance	757	173.7
QIIdac Reassurance	160	7.1
TOTAL	**80,298**	**20,482.7**

Table 3.1.1(a)

EIB	NonEIB	PnG
Structured Investment Bond	Broker Bond – Regular	Flexible Investment Account
Executive Investment Bond – Prior to Oct 2014	Broker Bond – Single	International Portfolio Bond – Life
Executive Investment Plan (HK only) – Prior to Oct 2014	Capital Investment Plan	International Portfolio Bond – Redemption
Collective Investment Bond – Prior to Oct 2014	Executive Wealthbuilder – Regular	Wealth Management Plan (Hong Kong only)
Collective Investment Plan (HK only) – Prior to Oct 2014	Executive Wealthbuilder – Single	Executive Investment Bond – Oct 2014 and later
Executive Redemption Bond – Prior to Oct 2014	Guaranteed Mortgage and Investment Plan	Executive Investment Plan (HK only) – Oct 2014 and later
Collective Redemption Bond – Prior to Oct 2014	International Mortgage Account	Collective Investment Bond – Oct 2014 and later
Life Insurance Portfolio – Prior to Oct 2014	Managed Account Plus	Collective Investment Plan (HK only) – Oct 2014 and later
	Managed Capital Account	Executive Redemption Bond – Oct 2014 and later
	Managed Pension Account	Collective Redemption Bond – Oct 2014 and later
	Pension Wealthbuilder Account – Regular	Life Insurance Portfolio – Oct 2014 and later
	Pension Wealthbuilder Account – Single	Life Investment Portfolio (SILK)
	Portable Pension Plan – Regular	
	Portable Pension Plan – Single	
	Royal Skandia Care Account	
	Wealthbuilder Account – Regular	
	Wealthbuilder Account – Single	
	Managed Savings Account	

Other	Reassurance Accepted from Quilter International Ireland dac (QIIdac)	Reassurance accepted from Old Mutual International (Guernsey)
Term Assurance	Alpha Portfolio	(Selestia) Offshore Collective Investment Bond
The Five Plus Plan	International Bonus Bond	
	Maxima	
	Omega Portfolio	
	Omega Portfolio – Millennium	
	Omega Portfolio for Capital	
	Prima Revised	

Table 3.1.1(b)

Linked Contracts

QIIOM has predominantly written variants of unit linked contracts. The main marketing names of these contracts are:

- Capital Investment Plan, Guaranteed Mortgage and Investment Plan,
- Executive Investment Bond, Collective Investment Bond, Executive Redemption Bond, Collective Redemption Bond, Structured Investment Bond,
- Life Insurance/Investment Portfolio, Broker Bond
- Executive Wealthbuilder Account, Wealth Builder Account,
- The Five Plus Plan,
- Portable Pension Plan, Pension Wealthbuilder Account
- Managed Pension Account, Managed Savings Account, International Mortgage Account, Managed Account Plus,
- Managed Capital Account,
- Royal Skandia Account,
- Flexible Investment Account, International Portfolio Bond – Life, International Portfolio Bond – Redemption, Wealth Management Plan.

Further, QIIOM has provided reinsurance cover to Quilter International Ireland dac and Old Mutual International (Guernsey) Ltd. The products reinsured by QIIOM are:

- Omega Portfolio, Omega Portfolio – Millennium, Prima, Alpha Portfolio, International Bonus Bond (Maxima),
- Selestia Offshore Collective Investment Bond.

The Quilter International Ireland dac policies are expected to transfer during 2022 to Utmost PanEurope dac by way of a Section 13 Insurance Business Transfer in the Republic of Ireland. The reinsurance arrangements will also transfer so that following the transfer QIIOM will provide the same cover as now but to Utmost PanEurope dac.

The majority of product types are single premium contracts, many of which allow additional single premium top-ups. The Managed Capital Account is a single premium contract with the option to add recurring single premiums. There are a significant number of contractual regular premium products many of which, for example the Managed Savings Account, allow additional single premium top-ups and/or regular premium increments.

Regular premium variants provide an option to make the policy paid up. Some variants, for example the Managed Pension Account, are flexible allowing contracts to be written as regular or single premium.

Most contract types are written on either whole of life, meaning there is no fixed end date to the contracts, or a capital redemption basis providing a maturity benefit after 99 years. Executive Investment Bond and Collective Redemption Bond are examples respectively. Some contracts are for a term specified at the outset of the contract, for example 15 years or are written to a specific retirement date, for example the Managed Pension Account.

Investment options vary according to contract type. Some contracts offer a limited range of investments for example the Broker Bond allows investment in only the Broker Bond fund. Others offer a wide range of investments in internal linked funds, for example the Executive Wealthbuilder Account allows for investment in a full range of internal QIIOM unit linked funds. Finally, some contract types, for example the Executive Investment Bond allows investment in externally managed funds or as open architecture providing significant investment flexibility to customers.

The Structured Investment Bond permits investment in funds that make significant use of derivative instruments. QIIOM provides no guarantees in relation to these products with policyholders receiving the returns on these funds and taking the associated investment risk.

Various approaches to charges are applied by the different contract types with QIIOM retaining discretion in some cases. Some older variants invest the first year or years' premiums in capital units or invest in capital units which are switched to accumulation units after a period of time. Capital units typically carry an increased, compared with accumulation units, annual management charge designed to recoup QIIOM's initial expense outlay. The Pension Wealthbuilder Account is an example of a product that uses capital units to recoup initial expenses.

Charge types include annual management charges which may be taken as a proportion of funds under management, proportion of premium or higher of the two in some cases, and monthly or quarterly administrative charges which are expressed as fixed monetary amounts per annum. Discretionary increases are applied annually, in line with inflation, to some fixed monetary charge types.

Most contract types apply some form of early encashment penalty in the early years of the contract, whilst others apply penalties throughout the term. Some contracts, for example Executive Wealthbuilder, provide for the full bid value of units on surrender. Typically, contracts with capital units, for example the Portable Pension Plan, pay the funded value of the capital units plus the bid value of accumulation units on surrender.

Contracts with fixed maturity dates typically pay the bid value of units on those dates, though also offer an option to extend the term in some cases. Some products, for example, Managed Savings Account, pay a loyalty bonus at maturity depending on the premium payment history.

Most non-redemption contract types allow joint life or single life basis for payment of death benefits.

Many contract types pay death benefits in excess of the value of the contract. For example, the Flexible Investment Account pays 101% of the surrender value on death and the Prima contract pays 101% of the bid value of units on death. Hong Kong variants of the Collective Investment Plan and Executive Investment Plan, and the Wealth Management Plan pay 105% of the bid value of units on death. Other contract types provide for a minimum guaranteed amount on death, for example the Managed Account Plus pays a minimum of 75% of the total contractual premium on death reducing as the policyholder ages beyond age 55. Some contracts allow the policyholder to add additional life cover or to specify a minimum life cover amount. For example, the Life Insurance Portfolio contracts allow the policyholder to select a minimum life cover amount, and earlier versions of the Executive Investment Bonds allow the policyholder to specify an additional amount of life cover, expressed as a percentage of the fund, for example 120%. Death benefits under these arrangements are reinsured, depending on the underlying product and when they were issued, to a range of reinsurers including SCOR Global Life Reinsurance Ireland Ltd and RGA Reinsurance Company. Life Investment Portfolio contracts written in the Singapore Branch are reinsured to Munich Reinsurance Company, Singapore.

Some contract types include a waiver of premium benefit. Typically, the waiver of premium benefit is payable after a period of 26 weeks of incapacity where the insured is able to evidence that they are not able to carry out their own or any other occupation. This benefit is reinsured to Hannover Reinsurance (UK) Ltd.

The Royal Skandia Care Account provides a long-term care benefit which is expressed as a benefit amount per annum, dependent on satisfying the requirements for ongoing care defined in the contract. The long-term care risk associated with this product is reinsured to Munich Reinsurance Company (UK) Life Branch.

Non-Linked Contracts

At the end of 2021 the company has one remaining term assurance contract which provides a guaranteed benefit if the assured life dies within the remainder of the term. The mortality risk on this policy is reinsured to Phoenix in the UK. The company no longer underwrites new non-linked contracts.

GOVERNANCE

The QIIOM Board retains ultimate responsibility for the affairs and management of QIIOM and, to satisfy the general obligations placed on it by Isle of Man Companies legislation, the Isle of Man Government Financial Services Authority and where appropriate the UK Financial Conduct Authority. The Board must ensure that such delegation is properly controlled. This entails the Board undertaking certain key tasks itself, and ensuring appropriate notification with respect to delegated tasks.

Following the acquisition by Utmost, Board governance underwent change, aligning to the approach followed by UL. From 1st April 2022, the QIIOM Board delegates certain tasks to a small number of committees:

- the Audit Committee, whose primary objective is to review and examine all systems of financial control of QIIOM (and UL and UHIOM) and to ensure that each of these companies is complying with its own Articles of Association and the legal and regulatory framework within which it operates,

- the Risk and Compliance Committee, which oversees that QIIOM (as well as UL and UHIOM) complies with Utmost's Group Risk and Compliance Management frameworks,

- the Remuneration Committee, a sub-committee of the UHIOM Board, which makes recommendations as to the Chief Executive and senior management's pay,

- the Investment Committee, which makes recommendations in relation to the overall investment strategy of QIIOM (as well as UL and UHIOM) and which monitors and reports on those companies' investment activities.

QIIOM's Appointed Actuary carries out investigations into QIIOM's (and UL's) financial performance and in future will make recommendations to the Actuarial Governance Forum. The Actuarial Governance Forum is made up of senior executives in the Finance team. This forum makes recommendations to the QIIOM Board regarding judgements over key financial assumptions for solvency and financial reporting purposes.

In addition, QIIOM are expected to adopt the same structure and responsibilities for management committees and processes as currently employed by UL. A number of key functions transferred to the UL management structure with immediate effect from the acquisition of QIIOM:

- pricing of new products and special cases is carried out by a dedicated pricing with guidance from the Appointed Actuary and oversight and sign-off from the CFO and CEO,

- setting of annual increases to discretionary charges is carried out by the product review team with guidance from the Appointed Actuary and oversight and sign-off by the CFO and CEO,

- management of internal linked funds, for example the closing and opening of new funds and the pricing process for these funds,

- underwriting of life insurance benefits is carried out by a third-party specialist firm within strict guidelines agreed with QIIOM's reinsurers and monitored by the Appointed Actuary.

The QIIOM Appointed Actuary provides the QIIOM Board, on an annual basis, a review of the underwriting and reinsurance arrangements of QIIOM.

The QIIOM Appointed Actuary carries out regular solvency valuations for the purposes of regular submission to the FSA and also for monitoring compliance with QIIOM's capital policy requirements – see below.

ADMINISTRATION

Prior to Utmost's acquisition of the QIIOM book of business on 30 November 2021, the administration of the book of business was fully outsourced to Quilter International Business Services (QIBS) in the Isle of Man. As part of the acquisition of QIIOM, Utmost acquired all Quilter International entities including QIBS.

Pre-acquisition the servicing model for this book relied on QIBS and subsequent chain outsource arrangements with Quilter UK (Quilter Business Services (QBS)) for IT and Head Office functions and other third-party arrangements. Some new agreements have since been put in place to reflect the change of ownership of QIIOM. These agreements are a transitional services agreement ("TSA") between QIBS and QBS and a new intragroup agreement between QIBS and Utmost Services Limited (USL), whereby USL provides services to QIBS (including services from staff transferred from Quilter UK and other services now required to be provided by the Utmost group). Furthermore, by 30 September 2022, as a result of a project to transfer services from QIBS to USL, USL (rather than QIBS) will be the provider of services to QIIOM, via Utmost Administration Limited, with services and costs under the TSA also being charged by QIBS to USL.

The amendments to the servicing arrangements set out above will be put in place prior to the Scheme coming into effect. These amendments are required as a result of the acquisition of QIIOM regardless of whether the Scheme takes effect or not.

CAPITAL POSITION

The following table shows the solvency position of QIIOM as at the end of 2021 measured under the Isle of Man Risk Based Capital regime. The figures are in £ms.

Actual end 2021	**QIIOM £ms**
Own Funds	666.1
Solvency Capital	345.8
Excess	320.3
Solvency Coverage Ratio	193%

Table 3.4.1

The above table shows that as at the end of 2021, QIIOM had a comfortable excess over its required capital under the Isle of Man Risk Based Capital regime of £320.3m.

CAPITAL POLICY

Having towards the end of 2021 joined the Utmost Group, QIIOM adopted in March 2022 a similar capital policy as the majority of the rest of the Utmost businesses. This is such that QIIOM aims to always cover at least 135% of the Isle of Man Risk Based Capital requirements and maintain a solvency capital ratio of at least 150% immediately after the payment of any dividend.

Further, QIIOM is expected to adopt the Utmost Group policy on liquidity which compares the liquid cash resources with expected cash outflows over the following year. Limits are set for 3, 6 and 12 month periods. Unit linked cashflows are ignored for this purpose since they are backed by explicit financial resources and policyholders, in general, take the liquidity risk in relation to these investments.

Table 3.4.1 shows that QIIOM comfortable met its capital policy capital requirements as at the end of 2021.

RISK PROFILE

The following table shows the risk profile of QIIOM measured under the Isle of Man Risk Based Capital regime as at the end of 2021.

Component	**QIIOM (Standalone)**
Equity Type 1	49.7
Equity Type 2	26.1
Diversification	*-4.4*
Equity Total	**71.5**
Interest rates	6.8
Equities	71.5
Property	0.0
Spread	6.7
Concentrations	0.0
Currency Risk	64.6
Diversification	*-34.0*
Total Market Risk	**115.6**
Mortality	3.1
Expenses	96.8
Lapses	218.8
Catastrophe	0.5
Diversification	*-38.7*
Life Insurance Risks	**280.5**
Market	115.6
Default	2.4

Life	280.5
Diversification	*-68.7*
Basic Capital Requirement	**329.8**
Operational	30.0
Diversification	*-14.0*
SCR	**345.8**

Table 3.6.1

QIIOM's business is entirely made up of unit linked policies sold internationally with no material investment guarantees. The risk exposures relate primarily to uncertainty over future revenues and expenses, particularly relating to those around investment performance, currency, expenses and mass lapses.

As an Isle of Man company, QIIOM reports in UK Pounds Sterling, ("GBP"), whereas premiums and benefits are denominated in a range of currencies. The capital requirement for currency risk reflects the potential loss of future revenue resulting from adverse movement in currency markets which reduce the GBP value of future revenues. For QIIOM, a large part of the future revenue is expected to be denominated in GBP as these revenues are linked to the currency of the premiums. However, there are significant revenues in other currencies for example the Euro, the US Dollar and the Swedish Krona. Any depreciation of these currencies against Sterling will reduce the future revenues in GBP terms. This currency risk makes up a significant proportion of the market risk capital component. Before allowing for diversification effects, currency risk contributed £64.6m to QIIOM's end 2021 capital requirements.

Policyholder unit funds are invested in a diverse range of equities and bonds and the individual funds are in general subject to the same underlying economic factors. This risk to solvency coverage is reflected in the equity, interest rate and spread risks contributions to market risks which contributed a total of £85m towards QIIOM's end 2021 capital requirements before allowing for diversification effects.

QIIOM incurs operational and other expenses in administering the contracts through to claim, including the expenses incurred with third party outsourcers. The risk of expenses being higher than expected is reflected in a contribution to capital requirements of £96.8m at the end of 2021 before diversification.

A portion of QIIOM's own funds is derived from future profits made on policies currently in force. When policies are surrendered QIIOM loses this future income stream. Also, QIIOM suffer expenses in relation to the administration of these contracts. A significant proportion of QIIOM's unit linked business is not subject to surrender penalties. Consequently, QIIOM is exposed to a risk that unit linked policyholders surrender their policies ahead of expectation. This is reflected in a contribution to capital requirements, before diversification, of £218.8m at the end of 2021 under mass lapse risk.

In addition to the risks mentioned above there are operational risks associated with administering the business. Examples of operational risks include failure of people, systems and processes leading to expenditure in excess of amounts budgeted. The Isle of Man Risk Based Capital basis gives an operational risk component of £30m.

4. INFORMATION ON UTMOST LIMITED

PROFILE OF INSURANCE PORTFOLIO

The table below gives a summary of the business (gross of reinsurance) for UL as at 31/12/2021. These contracts are classified as Class 1 (linked long-term) and Class 2 (long-term) under Isle of Man regulations.

Product Group	Policy Count	Fund Value (£m)
Evolution Bonds	16,160	9,109.8
Estate Planning Bonds	12,460	2,451.5
Regular Premium Savings	238	83.5
TOTAL	**28,858**	**11,644.8**

Table 4.1.1

UL has marketed many product variants under the three categories shown in the above table.

Investment Bonds

Investment bonds have been written under various marketing names since 1991. These are single premium savings bonds written on either whole of life or capital redemption bases. The contracts carry no material guaranteed benefits with policyholders receiving the returns on their underlying funds net of any deductions for charges. The contracts are primarily written offshore to UK nationals. Charging structures have varied considerably over the years since 1991 with many variations still in-force at the end of 2021.

The main variants of Investment Bonds are as follows:

- Evolution bonds are written on either a life assured or capital redemption bases and allow the investor to make single or regular withdrawals and to pay in additional single premiums.
- Estate Planning bonds, which are written on a capital redemption basis, aim to help investors, the grantees, reduce potential Inheritance Tax Liabilities. The Estate Planning bonds may be issued with a regular withdrawal from the bond providing an income to the grantee during their lifetime. Typically, these contracts are held in a separate trust. Following the death of the grantee there are no further withdrawals and the remaining investments behaves much like a single premium savings bond held in trust.

These variants have been written under several marketing names, including Evolution and Estate Planning Bond as follows:

- Elevate variants were written through financial advisers using the Elevate adviser platform. This was designed to streamline back-office functionality for the adviser making it simpler and less time consuming to issue new policies.
- International With-Profits Bonds variants allowed investment in either the AXA Sun Life or Sun Life Assurance Society with-profits funds through a reinsurance arrangement with AXA. Note that after purchase of those companies by first Friends Life and then Aviva, these with-profits funds are part of the Aviva Life & Pensions UK Ltd company.

- AXA China and AXA Singapore both wrote variants of these bonds directly in those regions. The bonds were reinsured to Utmost Limited with the underlying investments posted back with the issuing AXA entity – this is the ModCo arrangement discussed further below.
- A number of contracts were issued with guaranteed returns dependent upon the return of some index, for example the FTSE100. These were known as Tranche Products. All the guarantees on these products are now expired with the proceeds invested in cash funds awaiting encashment by the investor. The products were marketed under the following names:
    - Guaranteed Growth Bond and Protected Growth Bond
- Other marketing names used for variants of these bonds that were issued with a range of charging structures include:
    - Classic Portfolio Bond, Deferred Distribution Bond, Gift and Income Plan, International Investment Bond, International Portfolio Bond,
    - International Select Bond, Master Portfolio Bond, Offshore MLC Bond, Offshore Redemption Bond,
    - Premier Invest, Prime Portfolio, Prime Redemption Bond
    - Selective Portfolio, and
    - Winterthur bonds

Several variants of the above bonds were written in policy segments allowing the investor to manage their investments through encashment of individual segments as opposed to the whole bond.

Bonds written on a life assured basis provide a small amount of life cover. All contracts typically pay the value of the underlying units on death. In addition, some contracts either pay 1% additional percentage of the bid value of units or a fixed amount per policy segment, for example £1 per segment.

There are no reinsurance arrangements other than those with Aviva UK Life & Pensions and AXA China and AXA Singapore mentioned above.

Capital redemption variants of the products, in some cases, include a guaranteed return after 99 years. The guaranteed amounts are expressed in a small number of ways. UL carries out a regular assessment of the value of these guaranteed benefits and its most recent conclusion is that the amounts are not material.

Regular Premium Savings

Regular Premium Master Plan was marketed between 1992 and 1999. The few remaining in force contracts were written on a life assured basis with limited death benefits..

Regular Investment Account was launched in 2007 and closed to new contracts during 2012. The contract was written on a life assured basis for whole of life. Contracts are split into policy segments with death benefits being set equal to the surrender value of a segment plus £1. Premiums may be varied, premium holidays taken and additional single premiums may be paid.

GOVERNANCE

The UL Board retains ultimate responsibility for the affairs and management of UL and, to satisfy the general obligations placed on it by Isle of Man Companies legislation, the Isle of Man Government Financial Services Authority and where appropriate the UK Financial Conduct Authority. The Board must ensure that such delegation is properly controlled. This entails the Board undertaking certain key tasks itself, and ensuring appropriate notification with respect to delegated tasks.

The UL Board delegates certain tasks to a small number of committees:

- the Audit Committee, whose primary objective is to review and examine all systems of financial control of UL (and QIIOM and UHIOM) and to ensure that each of those companies is complying with its own Articles of Association and the legal and regulatory framework within which it operates,
- the Risk and Compliance Committee, which oversees that UL (as well as QIIOM and UHIOM) complies with Utmost's Group Risk and Compliance Management frameworks,
- the Remuneration Committee, a sub-committee of the UHIOM Board, which makes recommendations as to the Chief Executive and senior management's pay.
- the Investment Committee, which makes recommendations in relation to the overall investment strategy of UL (as well as QIIOM and UHIOM) and which monitors and reports on the investment activities of those companies.

UL's Appointed Actuary carries out investigations into UL's (and QIIOM's) financial performance and in future will make recommendations to the Actuarial Governance Forum. The Actuarial Governance Forum is made up of senior executives in the Finance team. This forum makes recommendations to the UL Board regarding judgements over key financial assumptions for solvency and financial reporting purposes.

Furthermore, UL employ the following management committees and processes:

- pricing of new products and special cases is carried out by a dedicated pricing with guidance from the Appointed Actuary and oversight and sign-off from the CFO and CEO,

- setting of annual increases to discretionary charges is carried out by the product review team with guidance from the Appointed Actuary and oversight and sign-off by the CFO and CEO,

The UL Appointed Actuary provides the UL Board, on an annual basis, a review of the underwriting and reinsurance arrangements of UL, (though the latter is a simple update as it relates only to the Aviva Life & Pensions UK Ltd Reinsurance arrangement which has been inforce for several years).

The UL Appointed Actuary carries out regular solvency valuations for the purposes of regular submission to the FSA and also for monitoring compliance with UL's capital policy requirements – see below.

ADMINISTRATION

UL policies are administered by Utmost Services Ltd ("USL"). USL is an Isle of Man based service company providing life insurance and investment administration services primarily to UL and also to its Irish sister company Utmost PanEurope dac. USL is the legal entity which employs all of the Utmost group staff based in the Isle of Man and which holds the majority of the contracts with external suppliers. The services provided by USL are Actuarial; Change Management; Compliance and Business Risk; Company Secretarial; Finance and Accounting; Human Resources; Information Systems; Internal Audit; Legal; Marketing; Media Relations; Operational Support; Supply of equipment and other goods; Tax; Technical; and Underwriting.

In addition, Utmost Trustee Solutions Limited is an isle of Man company which acts as trustee on UL policies where this is required on the policy. Utmost PanEurope dac also provides underwriting services to UL.

A new contract between QIIOM and UAL will be put in place prior to the Scheme coming into effect. This contract will provide for administration services to be provided to QIIOM in respect of the transferred in UL business following the Scheme, as well as services that QIIOM already require – see section 3. Following the Scheme, the same USL staff and administration systems will continue to provide the same services to UL's transferring policies with UAL procuring these services on behalf of QIIOM from USL.

The Schemes will therefore have no impact on the quality of services provided to ULs policyholders.

CAPITAL POSITION

The following table shows the solvency position of UL as at the end of 2021 measured under the Isle of Man Risk Based Capital regime. The figures are in £ms.

£ms, end 2021	**UL** **Actual end 2021**
Own Funds	276.5
Solvency Capital	180.2
Excess	96.3
Solvency Coverage Ratio	153%

Table 4.4.1

The table shows that as at the end of 2021 UL had a comfortable excess over and above the Isle of Man Risk Based Capital solvency capital requirements of £96.3m.

CAPITAL AND LIQUIDITY POLICY

UL has adopted the same capital policies as the majority of the rest of the Utmost businesses whereby it aims to always cover at least 125% of the Isle of Man Risk Based Capital requirements and maintain a solvency capital ratio of at least 150% immediately after the payment of any dividend.

Further, UL seeks to maintain excess liquid capital resources of at least 10% of its Solvency Capital Requirement, again measured using the Isle of Man Risk Based Capital basis.

Table 4.4.1 shows that as at the end of 2021 UL meets its capital policy.

RISK PROFILE

The following table shows the risk profile of UL, calculated under the Isle of Man Risk Based Capital Regime. Figures are in £ms and are measured as at the end of 2021.

Capital Component	**UL**
Equity Type 1	56.0
Equity Type 2	23.8
Diversification	*-4.3*
Total Equity	**75.5**
Interest rates	16.2
Equity	75.5
Property	0.6
Spread	10.8
Concentration	2.0
Currency	29.5
Diversification	*-35.8*
Market Risk	**98.8**

Mortality	4.2
Longevity	1.0
Expenses	14.5
Lapse	111.0
Catastrophe Risk	0.2
Diversification	*-11.5*
Life Insurance Risks	**119.4**
Market	98.8
Default	6.7
Life	119.4
Diversification	*-49.7*
BSCR_TOTAL	**175.3**
Operational	9.5
Diversification	*-4.6*
SCR	**180.2**

Table 4.5.1

UL's business is entirely made up of unit linked policies sold internationally with no material investment guarantees. The risk exposures relate primarily to uncertainty over future revenues and expenses, particularly relating to those around investment performance, currency, expenses and lapses.

As an Isle of Man company, UL reports in UK Pounds Sterling, ("GBP"), whereas premiums and benefits are denominated in a range of currencies. The capital requirement for currency risk reflects the potential loss of future revenue resulting from adverse movement in currency markets which reduce the GBP value of future revenues. For UL, a large part of the future revenue is expected to be denominated in GBP as these revenues are linked to the currency of the premiums. However, there are significant revenues in other currencies, for example the US Dollar, the Euro and the Swedish Krona are the main non-GBP currency exposures for UL. Any depreciation of these currencies against Sterling will reduce the future revenues in GBP terms. This currency risk makes up a significant proportion of the market risk capital component. Before allowing for diversification effects, currency risk contributed £29.5m to UL's end 2021 capital requirements.

Policyholder unit funds are invested in a diverse range of equities and bonds and the individual funds are in general subject to the same underlying economic factors. This risk to solvency coverage is reflected in the equity, interest rate and spread risks contributions to market risks which contributed a total of £98.8m towards UL's end 2021 capital requirements before allowing for diversification effects.

UL incurs operational and other expenses in administering the contracts through to claim, including the expenses incurred with third party outsourcers. The risk of expenses being higher than expected is reflected in a contribution to capital requirements of £14.5m at the end of 2021 before diversification.

A portion of UL's own funds is derived from future profits made on policies currently in force. When policies are surrendered UL loses this future income stream. Also, UL suffer expenses in relation to the administration of these contracts. A significant proportion of UL's unit linked business is not subject to surrender penalties. Consequently, UL is exposed to a risk that unit linked policyholders surrender their policies ahead of expectation. This is reflected in a contribution to capital requirements, before diversification, of £111m at the end of 2021 under mass lapse risk.

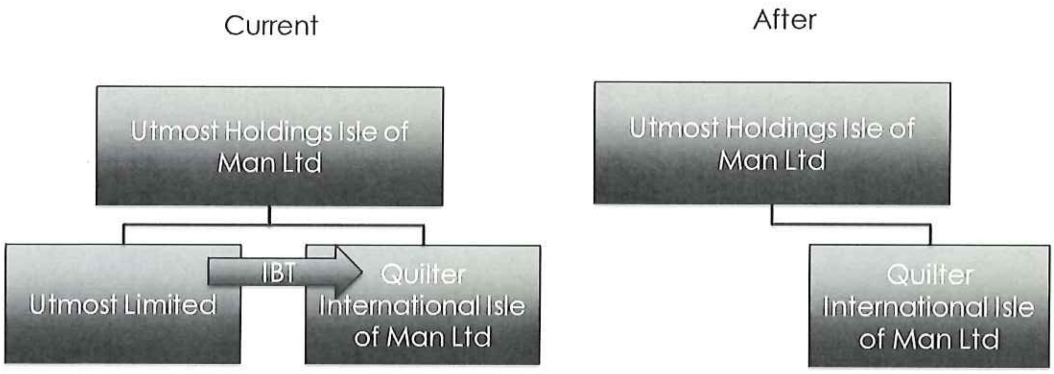
In addition to the risks mentioned above there are operational risks associated with administering the business. Examples of operational risks include failure of people, systems and processes leading to expenditure in excess of amounts budgeted. The Isle of Man Risk Based Capital basis gives an operational risk component of £9.5m.

5. PROPOSED TRANSFER

Subject to the approval of the High Court of Justice in the Isle of Man and other courts as set out below, it is envisaged that the Schemes will take effect at 23:59 on 30 November 2022.

POLICY TRANSFER

The pre-transfer structure of the Isle of Man businesses under Utmost Holdings Isle of Man Ltd is shown below:



The proposal is to transfer all the business of UL to QIIOM. The Schemes provide that:

- The transferring UL policies will transfer to QIIOM and the liabilities in respect of these policies will become liabilities of QIIOM,
- QIIOM will become entitled to all rights, benefits and powers of UL in respect of each transferring policy,
- Policyholders will be entitled to the same rights with QIIOM as were available to them within UL, and
- All assets of UL, with their associated rights and obligations, bar those assets required by UL to continue to meet their minimum solvency capital requirements together with a small amount to cover ongoing costs of UL prior to its liquidation, will transfer to QIIOM.

There are a small number of UL policies where the policyholder is resident in Jersey or Guernsey. An analysis of the requirements in these states has concluded that separate Schemes, substantively based on the Isle of Man Scheme, approved by:

- the Royal Court of Jersey (the "Jersey Court"), and
- the Royal Court of Guernsey (the "Guernsey Court")

are required so as to ensure that all in-scope policies, and associated assets and liabilities, are transferred from UL to QIIOM.

COSTS OF THE SCHEMES

QIIOM will bear the costs and expenses incurred in connection with the preparation and carrying into effect of the Schemes. No policyholders will bear any costs in relation to the Schemes.

SERVICING ARRANGEMENTS

UL policies are administered by Utmost Services Ltd ("USL"). USL is an Isle of Man based service company providing life insurance and investment administration services primarily to UL and also to its Irish sister company Utmost PanEurope dac. The Scheme will move the contract that provides for these services to QIIOM. Following the Scheme the same USL staff and administration systems will continue to provide the same services to UL's transferring policies. The Schemes will therefore have no impact on the quality of services provided to ULs policyholders.

QIIOM policies are serviced through Quilter International Business Services, QIBS, including through a Transitional Services Arrangement ("TSA") with Quilter Business Services ("QBS") and an intragroup agreement with USL. Furthermore, by 30 September 2022, as a result of a project to transfer services from QIBS to USL, USL (rather than QIBS) will be the provider of services to QIIOM, via Utmost Administration Limited, with services and costs under the TSA also being charged by QIBS to USL.

This model will continue to be used following the transfer. The transferor service contracts between QIIOM and QIBS are unaffected by the Schemes.

The TSA that is in place between QIBS and QBS is to facilitate a wider separation and integration programme for all the Quilter International Isle of Man business which is likely to run until December 2023. This separation activity is required regardless of the transfer.

As the servicing arrangements for QIIOM are already performed utilising outsourced services and intercompany agreements, no material changes are anticipated as to how these services are performed and delivered to the policyholder.

QIIOM applies "actuarial funding" to a small number of product types. Under this approach the actual assets held to back the policy are determined from a calculation. The calculation of the amount of assets to hold takes account of the current surrender value of the policy and amongst other considerations, future charges. This amount may or may not be the same as the face value of the policy at a particular point in time. QIIOM has no intention of applying this approach to incoming UL unit linked policies.

Overall therefore, while there are changes to servicing arrangements necessitated by the separation of the Quilter International Isle of Man from its former owner, Quilter, the Scheme will have no effect on the standards of service enjoyed by either the incumbent QIIOM policyholders nor the transferring UL policyholders.

PRIOR SCHEMES

There are no prior Schemes applying to the transferring business of UL and hence there are no requirements from prior Schemes to take into consideration when assessing the impact of the proposed Schemes on policyholders.

REINSURANCE TREATIES

UL has entered into two separate reinsurance arrangements, now with Aviva Life & Pensions UK Ltd, for the provision of with-profits fund linked investments. These arrangements were first established with Sun Life Assurance Society and AXA Sun Life when UL was part of the AXA group of companies. The funds have changed names with various changes of ownership but are now the FLAS With-Profits Sub-Fund and the FLC With-Profits Sub-Fund. Aviva Life & Pensions UK provides all of the with-profits fund administration required to maintain these investments. These arrangements will be novated on the Scheme Effective Date by way of separate agreement with Aviva Life and Pensions UK and policyholders will continue to be invested in the same funds under the same terms as current.

A floating charge over the assets of Aviva Life & Pensions UK exists which acts to rank the reinsurance arrangement alongside the rights of other Aviva Life & Pensions UK policyholders in the unlikely event of Aviva

Life & Pensions UK being wound-up. UL and Aviva are in discussions regarding the method for transferring this arrangement to QIIOM so that the arrangements are unaffected by the Scheme.

UL has entered into two separate arrangements, with AXA China Region Insurance Company (Bermuda) Ltd and AXA Insurance PTE Ltd insurance (AXA Singapore) subsidiaries in the AXA group. (AXA Singapore has recently been acquired by HSBC in the Asia region). These are referred to as the ModCo treaties. These arrangements enable UL to provide administration services to AXA policies ceded to UL under these treaties. UL is acting as the reinsurer in this arrangement, however:

- the treaty operates in such a way that all investments are held with the ceding AXA company, and
- UL does not accept any liability for providing insurance benefits under this arrangement.

UL's obligations under the AXA China Region ModCo treaty will be novated on the Scheme Effective Date to QIIOM by way of separate novation agreements with AXA.

TAXATION

The Schemes will not alter policies and will not result in the cancellation or the issue of new policies to policyholders. As such there is no tax impact on policyholders as a result of the Schemes.

LEGAL

Legislation requires that the policyholders of UL and QIIOM are notified of the Schemes. This means that all policyholders whether transferring or non-transferring must be directly notified of the Schemes. However, the relevant legislation provides the court with the discretion to direct that only transferring policyholders be directly notified of the Schemes.

However, in practice such dispensation would typically be requested only in circumstances where the proposed transfer is not expected to have a material adverse effect on policyholders. It is intended that a dispensation will be sought from the court, such that only the UL transferring policyholders are directly notified of the proposed transfer. All policyholders will be indirectly notified of the proposed transfer by means of publication of notices on Utmost's website and in the press according to local laws and also publication in the Financial Times International Edition.

POLICYHOLDER COMMUNICATION

I understand that this report and the reports of the Independent Actuary and the AA for the other companies will be made available to all policyholders via a webpage dedicated to the proposed transfer.

I understand that there will be advertising in two Isle of Man newspapers, gazettes in Guernsey and Jersey and the Financial Times International Edition.

It is proposed to not mail existing QIIOM policyholders. In my opinion the impact of the proposed Schemes on existing QIIOM policyholders is not material. I note that existing QIIOM policyholders will have access to this report and the report of the Independent Actuary as mentioned above. For these reasons, I support the proposals not to send a direct mailing to existing QIIOM policyholders.

I am, therefore, comfortable with the proposed communications plan.

6. IMPACT OF THE PROPOSED TRANSFER ON POLICYHOLDERS OF QIIOM

POLICYHOLDER BENEFIT SECURITY

The table below shows the solvency cover of QIIOM pre-Schemes compared with the solvency cover of QIIOM post Schemes. The figures assume that the Schemes had taken effect at the end of 2021.

The solvency coverage shown is as recorded under the IMO FSA Risk Based Solvency regime which is the primary regulatory requirement for QIIOM.

UL and QIIOM use broadly the same methodology to determine their capital requirements. On joining the Utmost group QIIOM have adopted a small number of methodology and assumption changes. These are reflected in the reported solvency position for QIIOM and will continue to apply post Scheme. In addition, over the course of 2022, QIIOM expect to adopt the following further methodology changes which will bring QIIOM and UL fully into line with regards methodology:

- Discretionary charges will be assumed to increase in line with inflation under stressed inflationary conditions,
- A change to the details of the mass lapse stress which produces broadly similar results but aligns with the UL methodology.

The following table has two pre-Scheme columns. The "Actual" column shows the actual solvency position as presented to the Isle of Man FSA at the end of 2021 whereas the "Adjusted" column shows the effect of harmonising methodologies as set out above. The final column shows the solvency coverage post scheme allowing for the combination and the harmonisation of bases.

	Pre-Scheme			**Post Scheme**
	QIIOM Actual	**QIIOM Adjusted**		**QIIOM (Combined)**
Own Funds	666.1	675.1		930.0
Solvency Capital	345.8	332.7		498.1
Excess	320.3	342.4		431.9
Solvency Coverage Ratio	193%	203%		187%

Table 6.1.1

The table shows that the solvency coverage ratio enjoyed by QIIOM policyholders is comparable before and after the Scheme being marginally reduced by the Schemes from 203% after harmonisation of methodologies as mentioned above to 187% in the newly combined QIIOM. The resulting coverage ratio remaining significantly above QIOM's minimum Capital Policy, see Capital Policy in Section 3, amount of 135% and above the 150% level above which further dividends may be paid.

Further analysis of the impact on policyholder benefit security is set out in the section below that deals with projected solvency coverage.

RISK PROFILE

The table below shows the risk profile of QIIOM pre-Schemes against the risk profile of QIIOM post-Schemes. This table allows for harmonization adjustments mentioned above so as to emphasize the impact of the transfer under the Scheme.

Component		QIIOM Adjusted		QIIOM Combined
Equity Type 1		59.4		109.4
Equity Type 2		33.4		54.6
Diversification		*-5.5*		*-9.4*
Equity Total		**87.3**		**154.6**
Interest rates		6.9		6.3
Equities		87.3		154.6
Property		0.4		1.0
Spread		6.0		16.3
Concentration		0.0		2.0
Currency		73.7		99.5
Diversification		*-38.9*		*-60.4*
Total Market Risk		**135.4**		**219.2**
Mortality		5.2		9.0
Longevity		0.3		1.3
Expenses		53.9		72.3
Lapses		221.5		326.6
Catastrophe		1.2		1.4
Diversification		*-28.6*		*-41.2*
Life Insurance Risk		**253.6**		**369.4**
Market		135.4		219.2
Default		2.4		9.0
Life Insurance		253.6		369.4
Diversification		*-74.7*		*-120.4*
Total Basic SCR		**316.6**		**477.2**
Operational Risk		30.0		39.5
Diversification				
SCR		**332.7**		**498.1**

Table 6.2.1

The above table shows that broadly QIIOM has a similar mix of risks post-Schemes as QIIOM pre-Schemes. This is because, while UL has proportionately less currency risk than QIIOM, UL is above half the size of QIIOM and hence the reduced currency risk has minimal overall impact on QIIOM.

The above analysis is based on the IOM FSA Risk Based Solvency regime which is calibrated to a specific level of risk. However, I am not aware of any risks that have not been adequately allowed for when considering the results under the IOM FSA Risk Based Solvency as a whole.

Therefore, it is reasonable to conclude that the Schemes present no material new risks to the policyholders of QIIOM.

PROJECTED SOLVENCY COVERAGE

The following table shows the evolution of solvency coverage ratios, under the IOM Risk Based Solvency regime for QIIOM pre-Schemes vs QIIOM post-Schemes. Note that:

- The following table is based on forecasts made by both UL and QIIOM for the internal business planning purposes:
    - The projections commence from end December 2021 financial positions,
    - The projections assume that the Scheme took effect at the end of December 2021, and
    - Adjustments are made to allow for the harmonisation of methodologies as set out above assuming that those changes were adopted as at the end of 2021.

£m	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
QIIOM Adjusted						
Own Funds	675.1	607.5	574.7	572.4	533.2	493.0
SCR	332.7	322.3	299.2	283.0	269.9	259.4
Coverage Ratio	203%	188%	192%	202%	198%	190%
Excess over 150%	176.1	124.0	126.0	147.9	128.4	103.9
Liquidity	104.2	97.4	108.1	118.9	116.7	102.9
Excess over £41m policy	63.2	56.4	67.1	77.9	75.7	61.9
Dividend assumed in the year		80	65	65	65	65
QIIOM Post Scheme						
Own Funds	930.0	862.3	837.9	843.8	814.2	785.1
SCR	498.1	491.7	470.9	459.8	452.0	447.5
Coverage Ratio	187%	175%	178%	184%	180%	175%
Excess over 150%	182.8	124.7	131.5	154.1	136.3	113.8
Liquidity	164.1	160.3	175.3	191.5	195.5	188.7
Excess liquidity over £60m*	104.1	100.3	115.3	131.5	135.5	128.7
Dividend assumed in the year		100	85	85	85	85

Table 6.3.1

**Estimated post Scheme liquidity policy by summing pre-Scheme policies*

Both companies are predominantly unit linked companies. The overall progression of solvency coverage is therefore similar for both companies. Solvency coverage improves with investment returns, the writing of profitable future business and with expense synergies. Cash emerges in the business as value embedded in unit linked policies is released as charges are collected in excess of the expenses of managing the business. Solvency coverage reduces as a result of the payment of dividends.

Project solvency coverage reduces from a range around 190% to 200% pre-Scheme to a range of 175% to 185% post Scheme. Note that amounts in excess of 150% are available both pre and post Scheme to pay additional dividends under the Capital Policy.

However, the post-Scheme projections show that QIIOM's projected solvency coverage ratios are comfortably above QIIOM's minimum capital policy amount of 135% and further that by the end of the forecast, having allowed for £440m of dividend payments under the plan, there are still a further c. £110m to £120m of dividend payable while remaining above the minimum capital policy after dividends ratio of 150%.

POLICYHOLDERS' REASONABLE EXPECTATIONS

The Schemes will have no material effect on the servicing arrangements for QIIOM policyholders. Consequently, the policyholders will continue to receive the same standard of service before and after the Scheme.

The Schemes have no impact on the rights and obligations of QIIOM policyholders and is not expected to have any tax consequences for them.

The Scheme will have no impact on the funds policyholders are invested in and the range of fund choice and associated prices available to them.

There will be no changes to the approach to the application of discretion, for example in the setting of charges for administration of unit linked policies.

Therefore, it is reasonable to conclude that the Schemes give rise to no material impact on the reasonable expectations of policyholders.

7. CONCLUSIONS

Having considered the impact of the proposed Schemes on existing QIIOM policyholders and together with the information provided to me by the previous Appointed Actuary of UL and my knowledge of UL as its Appointed Actuary, it is my opinion that:

- the Schemes will have no material adverse impact on the security of the benefits of QIIOM policyholders;
- the fair treatment and reasonable benefit expectations of QIIOM policyholders will not be materially adversely affected by the Schemes; and,
- the Schemes will have no material adverse impact on the current and projected solvency position of the combined entity.

Tom Morfett, FIA

Thomas Morfett

Appointed Actuary,

22/8/22

Quilter International Isle of Man Limited

22/08/2022

APPENDIX RELIANCE AND LIMITATION

RELIANCES:

The conclusions in this report rely upon:

- Information provided to me by Jonathan Phiri, former Appointed Actuary for Utmost Limited.
- Estimates of the financial impact on QIIOM of the transfer of the UL business provided by Wraxall Capital Solutions ltd, an actuarial consulting firm with extensive experience of supporting business transfers, engaged by Utmost Services Limited to support this work.
- Actual BEL, Risk Margin and IOM FSA Risk Based Capital risk profiles of the transferee UL business at end 2021 provided by UL.
- Estimates of the IOM FSA Risk Based Capital risk profiles of the UL transferee business on a post transfer basis provided by Wraxall Capital Solutions ltd.
- Internal assessments of QIIOM's financial position and risk profile for the purposes of QIIOM's stress and Scenario testing and Own Risk and Solvency Assessments.
- That the Scheme documents and Policyholder communication proposals are substantially in the form provided to the FSA on 18 July 2022.

LIMITATIONS:

The sole purpose of this report is to assist the Independent Actuary, Mr Philip Simpson, principal of Milliman LLP, to form his opinion of the effects of the Schemes on the various groups of affected policyholders. This report should not be used or relied upon for any other purpose.

This report should be read in its entirety as individual comments taken out of context may be misleading.

This report is made available to interested policyholders of UL and QIIOM so that they may review the basis upon which the Independent Actuary has formed his opinion.