Utmost Limited Solvency and Financial Condition Report Year-End 2019

Month: June 2020

Author: Utmost Limited

Owner: Board of Directors

INDEX

Introduction

The harmonised European Union ("EU") wide regulatory regime for Insurance Companies, known as Solvency II, came into force with effect from 1 January 2016. The regime requires reporting and public disclosure arrangements to be put in place by insurers. The objective of the Solvency and Financial Condition Report ("SFCR") is to increase transparency in the insurance market by requiring insurance and reinsurance undertakings to disclose publicly, on at least an annual basis, a report on their solvency and financial condition. Although it is not a regulatory requirement the company has decided to produce this report to be consistent with other parts of the Utmost International Group ("UIG").

This report covers the Business and Performance of Utmost Limited ("UL' or 'the Company"), its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. The Company's Board of Directors ("the Board") has ultimate responsibility for all of these matters and is assisted by various governance and control functions put in place to monitor and manage the business.

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 provision of two core single premium products primarily targeted at the UK market.

The Company's financial year runs to 31 December each year and the results are reported in Sterling (£).

Summary

BUSINESS AND PERFORMANCE

The principal activity of the company is the writing of long term assurance business classified as both investment and insurance contracts. There are two main products currently available to the market, 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's designed to help the policyholder create a trust fund for their families 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 with AXA entities in China and Singapore where the Company provides administration. Premiums written in these jurisdictions under the agreements are included.

The Company generated a profit after tax for the 2019 financial year of £21,333k. This compares to a profit after tax of £23,989k in 2018. The key drivers behind the lower profit in 2019 are a reduction in revenue of £10.1m offset by a fall in origination costs of £6.0m and a reduction in fees and expenses of £0.9m. Other changes were as a result of normal business as usual activity.

SYSTEM OF GOVERNANCE

Corporate governance represents the sum of the methods, models and planning, management and control systems that are required for the operation of the governing bodies. Utmost Holdings Isle of Man Limited and its subsidiary Companies' (collectively called "UHIOML" or the "Group") Risk Management Governance and Control Framework consists of company policies, administrative and accounting procedures and organisational structures, which are aimed at identifying, measuring, managing and monitoring the main risks.

The specific Risk Policies, together with their Guidelines and Operating Procedures, provide more detailed rules on the Internal Control and Risk Management System.

Risk governance is aimed at establishing an effective organisational structure based on a clear definition of risk roles and responsibilities, and on a set of policies, guidelines and operating procedures. As part of its governance structure, the Group Board of Directors ("BoD") has established a series of BoD Committees with specific delegated authorities.

The key aspects of the Framework are:

Internal Control Environment - The Group has established a positive internal control environment. The control environment is the foundation for all other components of internal control, providing discipline and structure. It sets the tone of the organisation, influencing and strengthening the control consciousness of all employees.

It includes the integrity, ethical values, competence development of the personnel, management's philosophy and operating style, the way roles and responsibilities are assigned, the organisation structure and governance. The oversight and direction provided by the BoD is a fundamental element for a successful control environment.

Internal Control Activities - The Group ensures that management directives are effectively carried out through the establishment of adequate control activities. These ensure that necessary actions are taken to address risks in order to achieve each of the Group's objectives.

Control activities are set up throughout the organisation, at all levels and in all business functions. The control activities may include approvals, authorisations, verifications, reconciliations, reviews of operating

performance, security of assets. Control activities are appropriate to the risks arising from the activities and processes to be controlled. Processes and controls are documented. Monitoring of the controls and documentation is considered to be an essential part of the management of the business.
Duties and responsibilities are clearly allocated, segregated and coordinated. They are reflected in the description of tasks and responsibilities included in Role Profiles for each individual. Effective cooperation between personnel is fostered. Powers of delegation provide for any significant decision to involve at least two key managers before the decision is being implemented.
Internal controls include the task of identifying and managing any areas of potential conflicts of interest appropriately.
Contingency plans are maintained and updated to address material risks as and when identified, which could cause vulnerabilities to entities within the Group. The aim of contingency planning is to enable the entity to continue its business activity at a predetermined minimum level to protect individuals and tangible property as well as assets. Contingency plans are reviewed, updated and tested on a regular basis.

Awareness - The Group ensures that all personnel are aware of their role in the internal control system. All personnel receive a clear message from senior management that control responsibilities are to be taken seriously.

Monitoring and Reporting - The Group ensures that the quality of the performance of the internal control framework is assessed over the time at a business level.

Monitoring and reporting mechanisms within the internal control framework is established in order to provide the Senior Management and BoD with the relevant information for the decision-making processes.
Ongoing monitoring occurs in the course of the operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. Internal control deficiencies are reported upstream and to the control functions, with serious matters reported to Senior Management and the BoD

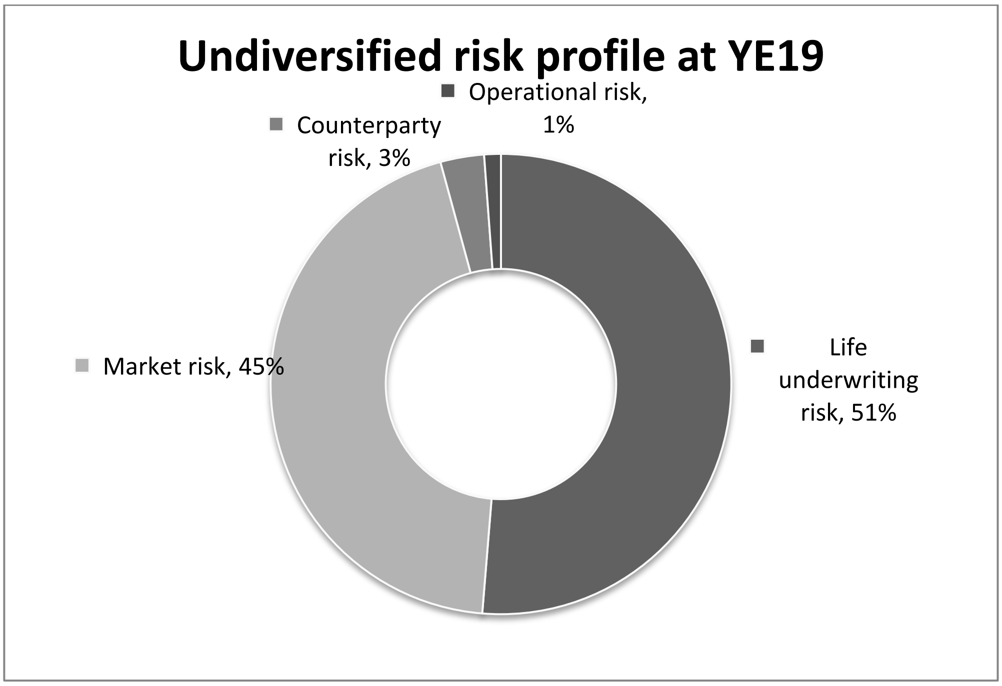
RISK PROFILE

Risks are generally grouped by risk types for the purposes of risk identification and measurement in accordance with the Company's risk management policy. The groups used are life underwriting/insurance (including longevity risk), market, counterparty default, operational, liquidity and other material risks, including regulatory and cyber risks. The classes of risk to which the Company is exposed have not changed significantly over the year.

Risk identification is carried out on a regular basis as part of the business planning process. The process involves consideration of both internal and external data, and their application in both normal and stressed environments. Sources for identifying risk include risk event analysis, management information and other governance processes, and input from management and internal committees.

The Company sets its capital risk appetite and limits considering the Solvency II Solvency Capital Requirement (SCR) and the solvency coverage ratio. The Company also reports SCR under the local insurance and valuation regulations prescribed by the Isle of Man Financial Services Authority. The SCR and solvency coverage ratio are used to assess the significance of risks and to determine appropriate strategies for their management.

The chart below shows the composition of the Company's undiversified SCR as at 31 December 2019:



Market Risks

UL is exposed to market risk as a result of adverse market movements on underlying policyholder assets.

The Company typically invests the single premiums collected in financial instruments but does not bear the market risk directly. However, UL is exposed to adverse market movements, as income to shareholders is calculated as a percentage of asset values, and therefore decreases in market values reduce UL's fee income.

The key market risks UL are exposed to are:

- Equity risk: a reduction in equity values and equity based components of future profits recognised in the shareholder income.
- Currency risk: where movements in exchange rates can result in gains or losses on shareholder income. The Company's base currency is GBP and the next largest exposure is to USD.
- Interest rate risk: movements in interest rates directly impact the present value of future asset and liability cash flows.
- Property risk: where movements in property values reduce the related components of future profits. There is limited exposure to property investments held by policyholders.
- Spread risk: defined as the risk that arises from changes in or volatility of credit spreads over the risk free interest rate term structure. This risk may be specific to the standing of an obligor or guarantor or may be systemic. UL's has exposure both within policyholder and shareholder assets.
- Concentration risk: additional risk arising from aggregated exposures to entities under the common control of a single name entity.

Market risks contribute £115.9m of SCR before diversification (2018: £106.7m). The SCR arising from Equity and Currency risks are the main contributors to market risk. Equity SCR increased from £59.3m to £68.2m whilst Currency SCR increased from £24.6m to £25.5m.

Counterparty Risks

UL is exposed to the risk of incurring losses due to the inability of counterparties to honour their financial obligations. UL's direct credit risk exposure includes both credit and counterparty default risks.

The Company's key default risks include:

- The exposure the Company has to Aviva Life and Pensions Limited as a result of the reinsurance agreement in place to allow the Company's policyholders access the With-Profits funds
- The counterparty default exposure from cash deposits.

Life Underwriting Risk

Life Underwriting Risk relate to the risk of unfavourable underwriting and expense experience, relative to assumptions, resulting in reduced profitability for UL. The key life risks for the Company are:

- Lapse risk: this arises from customers lapsing their policies earlier than expected through either partial or full surrenders. This also includes a catastrophic event resulting in a mass lapse event
- Expense risk: defined as the change in the value of liabilities resulting from changes in the expenses incurred in servicing insurance contracts.

Operational Risk

Operational Risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. UL is exposed to operational risk as part of its day-to-day operations. An operational risk management framework has been implemented to identify, assess and monitor operational risks.

Liquidity Risk

Liquidity risk refers to the risk that the company will not be able to meet both expected and unexpected cash flow requirements. UL manages this Risk to meet its own obligations and cash commitments due to unexpected contingent market situations, through an ongoing monitoring of actual and expected cash flows, and the availability of assets that can be sold easily without loss in the event of need. This activity aims at maintaining a high financial robustness both in the short and long term horizons, which helps to mitigate UL's liquidity risk and is the basis for the evaluation of the adequacy of the adopted measures.

Further information on UL's risks is included in Section C.

VALUATION FOR SOLVENCY PURPOSES

UL's assets, technical provisions and other liabilities are valued in accordance with the Solvency II Directive, and also on the local Isle of Man regulations as stipulated in the Insurance (Long-Term Business Valuation and Solvency Regulations 2018, a risk based solvency regime similar to Solvency II. The principle underlying the approaches is that the value determined is that at which the relevant item could be exchanged, transferred or settled by knowledgeable and willing third parties in an arm's length transaction.

The valuation methods used by the Company have not changed during the year. The Company has not applied any transitional measures, nor does it apply matching or volatility adjustments, in its valuation of technical provisions.

The Solvency II assets and liabilities and technical provisions at 31 December are outlined below.

Solvency II Assets, Liabilities and Technical Provisions

	31 December 2018 £'000	31 December 2019 £'000
Total Assets	9,688,997	10,474,303
Total Liabilities	9,418,168	10,197,259
Net Technical Provisions	270,829	277,044

UL's assets, liabilities and technical provisions increased during 2019. The key reason for the increase was the impact of positive market performance on policyholder asset values and better persistency experience during the year.

Further information on UL's assets and liabilities, including the differences between the Solvency II value and the Statutory Accounts value, is provided in Sections D1 and D3.

CAPITAL MANAGEMENT

UL calculates its Solvency Capital Requirement according to the Standard Formula methodology, corresponding to a Value-at-Risk of basic own funds of the Company subject to a confidence level of 99.5% over a one year period. At year-end 2019 UL had a solvency capital ratio, using the Standard Formula methodology, of 159%.

UL's Own Funds are all classified as Tier 1. The table below outlines the Own Funds that are eligible to meet the SCR and Minimum Capital Requirement ("MCR").

There were no instances of non-compliance with the SCR or MCR over the reporting period.

Solvency Capital Requirement and Minimum Capital Requirement

	31 December 2018 £'000	31 December 2019 £'000
Solvency Capital Requirement	139,826	151,020
Minimum Capital Requirement	62,922	67,959
Isle of Man Minimum Capital Requirement	52,097	53,432
Eligible Own Funds	234,879	240,668
Solvency Coverage Ratio	167.98%	159.36%
Minimum Solvency Coverage Ratio	373.29%	354.14%
Isle of Man Minimum Solvency Coverage Ratio	450.85%	450.42%

Further details on UL's capital position are outlined in Section E.

COVID-19

Since 31 December 2019 a risk event in relation to the global Covid-19 pandemic has emerged. The potential impact arising from increased death claims due to Covid-19 has been estimated and allowances made for market fluctuations following falls in equity markets and government bond yields, credit spread widening and exchange rate movements.

The impact analysis concluded that the solvency of the Company has not been impacted and the Company remains in a strong position. The Company continues to monitor its solvency weekly and reporting the figures to the Isle of Man FSA.

Whilst possible changes in policyholder behaviour may occur these are being monitored through a range of management information, with the Company's focus remaining on maintaining the highest customer service levels. The Company has also invoked its business continuity management procedures and it continues to operate as near normal service as possible whilst observing government guidelines.

A. Business and Performance

A.1. BUSINESS

Legal Entity Name:
Utmost Limited

Registered Office:
Royalty House
Walpole Avenue
Douglas
Isle of Man
IM1 2SL

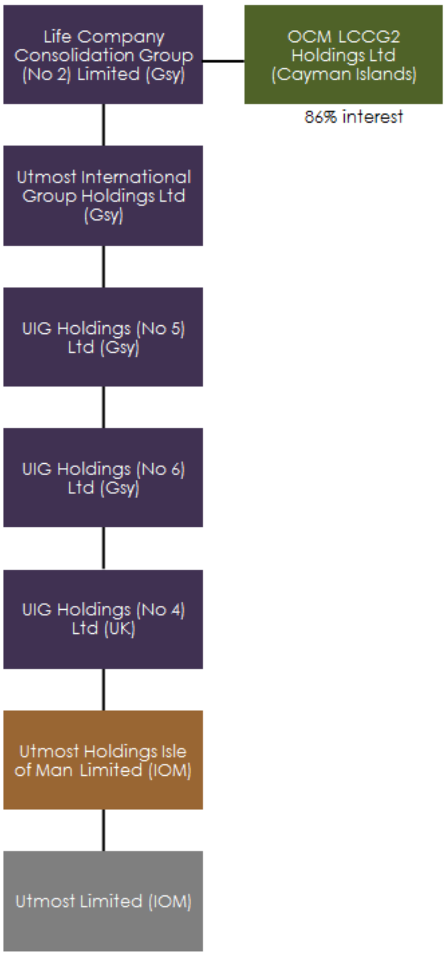
Auditors:
PriceWaterhouseCoopers
Sixty Circular Road Douglas, Isle of
Man
IM1 1SA

Regulated by: :
Isle of Man Financial Services Authority (IOM FSA)
PO Box 58
Finch Hill House
Douglas
Isle of Man
IM99 1DT

Board of Directors as at 31 December 2019:

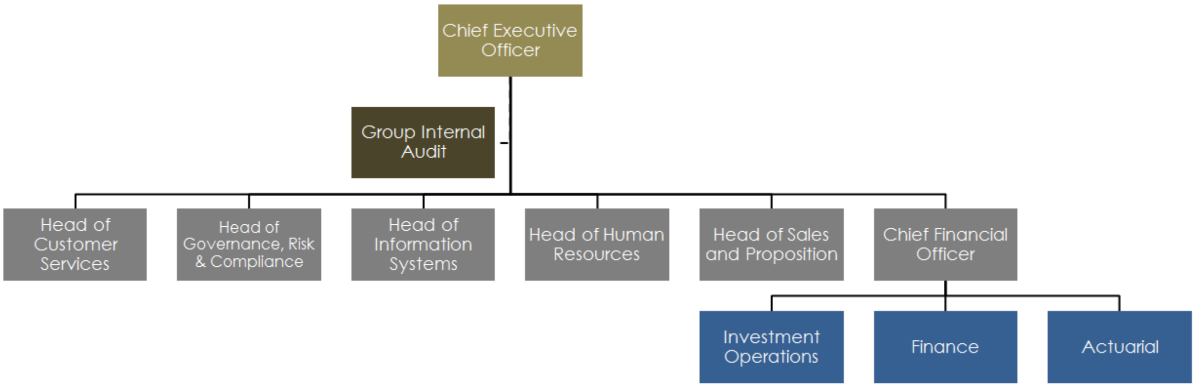
Name	Position	Nationality	Date Appointed
Neil Duggan (Chairman)	Independent Non-Executive	British	March 2013 (Chairman - September 2018)
Matthew Coffey	Independent Non-Executive	Irish	September 2018
Michael Foy	Executive, Chief Executive Officer	British	February 2008
Chris Hall	Independent Non-Executive	British	November 2013
Ian Maidens	Non-Executive	British	October 2016
Karl Moore	Executive, Chief Financial Officer	British	September 2018
Paul Thompson	Non-Executive	British	October 2016

UL Ownership Structure (all ownership is 100% unless otherwise stated)



UL is incorporated in the Isle of Man and is authorised by the IOM FSA to conduct insurance business.

UL Organisational Structure



A.2. UNDERWRITING PERFORMANCE

The majority of the Company's gross premium written in both 2019 and 2018 was from the United Kingdom. Premiums received during the year relate to Evolution and Estate Planning Bond single premiums, and regular premiums.

Gross Written Premiums

	31 December 2018 £'000	31 December 2019 £'000
Gross Written Premiums	297,995	386,268

Increased new business unit-linked sales in the UK contributed to the higher gross written premiums in 2019 compared to 2018.

The financial statements have been prepared on a going concern basis in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101").

Detailed information on the Company's premiums, claims and expenses is included in S.05.01.02 and S.05.02.01 in Section F. Quantitative Reporting Templates.

A.3. INVESTMENT PERFORMANCE

Investments for the Benefit of Life Assurance Policyholders who bear the Investment Risk

The investments linked to insurance policies are selected by policyholders, or their appointed advisors or, where applicable, by asset managers selected by the policyholders and appointed for the purpose by the Company. The assets are owned by the Company. The Company is required to maintain assets to match its policyholder liabilities at all times. The value of assets under management is affected by new business, asset and currency performance, fee deductions and policies maturing or surrendering each year.

Investments for the benefit of life assurance policyholders who bear the investment risk

Policyholder Investments	31 December 2018 £'000	31 December 2019 £'000
Investments	8,944,108	9,812,317
Cash balances and cash equivalents	75,609	42,867
Total	**9,019,717**	**9,855,184**
Breakdown of Investments		
External life funds	247,460	265,030
Equities	466,711	592,268
Funds	7,884,573	8,564,426
Deposits	309,477	358,136
Other Investments	35,887	32,457
Total Investments	**8,944,108**	**9,812,317**

Total policyholder investments increased from 2018 to 2019 primarily due to financial market performance and new business premiums, partially offset by policyholder withdrawals.

Company Financial Investments

Company financial investments are primarily bonds, investment funds and investments in subsidiaries.

Company Financial Investments

Company Financial Investments	31 December 2018 £'000	31 December 2019 £'000
Financial Assets		
Investment Funds	10,279	10,923
Deposits	17,000	17,050
Cash balances and cash equivalents	13,494	12,058
Total Financial Assets	**40,773**	**40,031**
Long term loan	20,000	20,000
Total Company Financial Investments	**60,773**	**60,031**

Investment income on the Company's financial investments relates to interest income on the long term loan, deposits, and cash and cash equivalents, and dividend income from investment in funds. Movements are recognised in the statement of comprehensive income in the period in which they arise.

Investment performance

Investment performance on Policyholder and Company Financial Investments	31 December 2018 £'000	31 December 2019 £'000
Interest income	3,970	4,735
Dividend income	43,627	16,409
(Loss)/Gains on investments	(416,949)	999,527
Total Investment Performance	**(369,352)**	**1,020,671**

A.4. PERFORMANCE OF OTHER ACTIVITIES

Expenses

Operating expenses for the Company include acquisition and other commission for direct insurance. The expenses include payroll costs as well as third party administrator related expenditure and office overheads. Depreciation of tangible fixed assets, amortisation of intangible fixed assets, write-off of intangible fixed assets and Auditors' remuneration for the audit of the entity's financial statements are also included. Operating costs are charged through the technical account of the statement of comprehensive income of the Company.

Dividends

During 2019 the Company paid dividends of £19,900k to its immediate parent Utmost Holdings Isle of Man Limited (2018: £42,100k).

Leasing Arrangements

The Company has no leases in place. The office lease is part of Utmost Services Limited and not under the Company.

A.5. ANY OTHER INFORMATION

A.5.1 COVID-19

Since 31 December 2019 a risk event in relation to the global Covid-19 pandemic has emerged. The potential impact arising from increased death claims due to Covid-19 has been estimated and allowances made for market fluctuations following falls in equity markets and government bond yields, credit spread widening and exchange rate movements.

The impact analysis concluded that the solvency of the Company has not been impacted and the Company remains in a strong position. The Company continues to monitor its solvency weekly and reporting the figures to the Isle of Man FSA.

Whilst possible changes in policyholder behaviour may occur these are being monitored through a range of management information, with the Company's focus remaining on maintaining the highest customer service levels. The Company has also invoked its business continuity management procedures and it continues to operate as near normal service as possible whilst observing government guidelines.

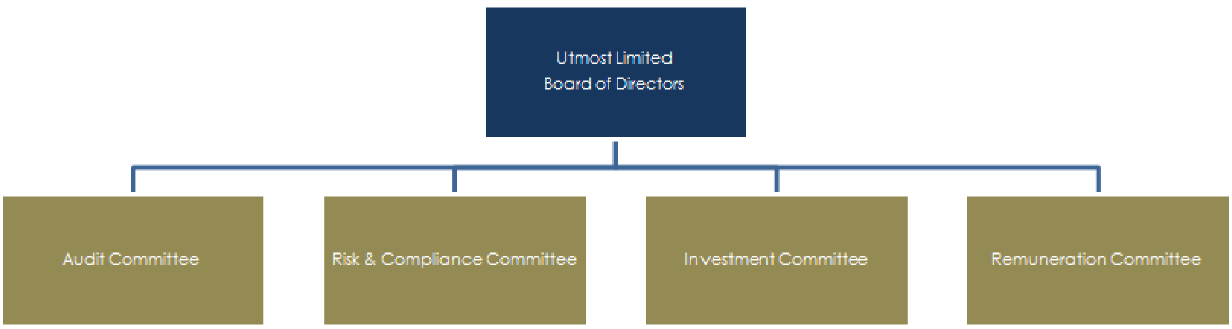
B. System of Governance

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

Corporate governance represents the sum of the methods, models and planning, management and control systems that are required for the operation of the Company's governing bodies.

UL's corporate governance is based on a number of cornerstones, such as the central role played by the Board, the correct management of situations that present conflicts of interest, transparency in disclosing decisions regarding the management of the Company, and the effectiveness of the ICRM.

B.1.1. INFORMATION ON GENERAL GOVERNANCE

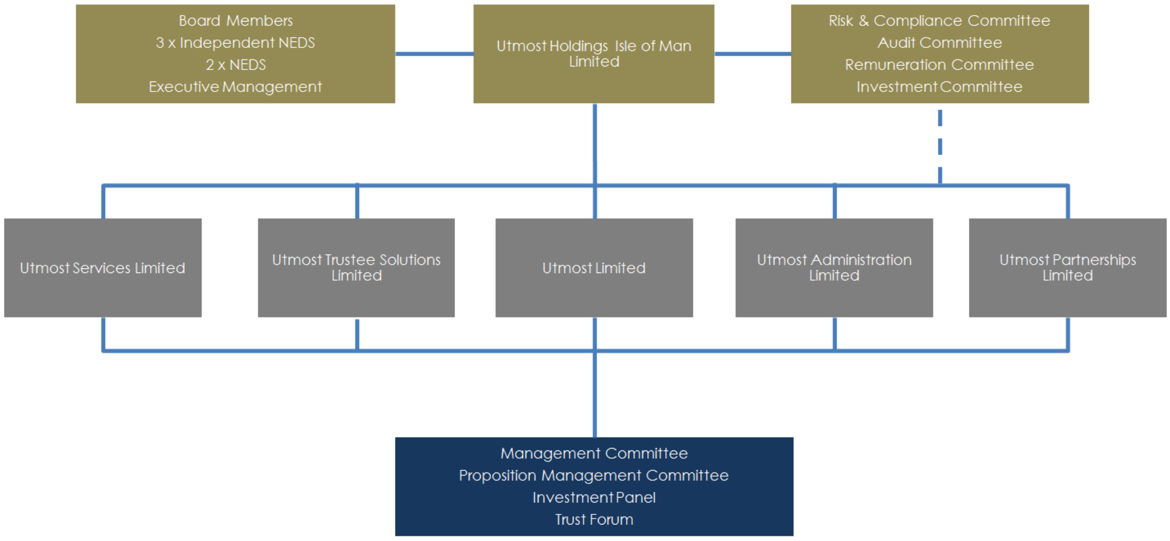


Utmost Holdings Isle of Man Limited is the holding company of the Group. The Board of Utmost Holdings Isle of Man Limited consists of three independent non-executive directors, two non-executive directors and two executive directors.

The Board takes overall responsibility for the management of the Group which includes:

- Strategic planning and direction;
- Setting budgets;
- Compliance with regulatory and legal expectations;
- Risk management including setting the risk appetite; and
- Remuneration policies

Governance Structure



The Utmost Limited Board consists of three Independent Non-Executive Directors, two Non-Executive Directors and two Executive Directors, with membership reviewed every three years.

All Committees have been established and authorised by the Board of Utmost Holdings Isle of Man Limited and have the delegated authority from the other Group companies to provide oversight. The Committees consist of the three Independent Non-Executive Directors, Non-Executive Directors, and the relevant Executive Directors with contributions from the appropriate Subject Matter Experts. For the Audit Committee this will include the external auditor, PwC, and ordinarily the Head of Internal Audit.

The Board has a Terms of Reference (TOR) and a Statement of Reserved Matters (SORM). The Board is responsible for organising and controlling the affairs of the Company effectively and to do this within a Group context, it delegates a wide variety of tasks.

The Board, however, retains ultimate responsibility for the affairs and management of the Company 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, it 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 SORMs identify those matters which the boards require to be brought before them for decision in all instances.

Committee	Membership/Attendees	Purpose/Responsibilities	Frequency
Risk & Compliance Committee	3 x Independents NEDS, 2 X NEDS, Chief Executive Officer, Chief Financial Officer, Appointed Actuary, Head of Internal Audit, Head of Governance, Risk & Compliance	To oversee the Group's risk and compliance management arrangements, ensuring that risk appetite is appropriate and adhered to; that relevant regulatory requirements have been identified and adequate arrangements are in place to ensure compliance; and that key risks are identified and managed.	Quarterly
Audit Committee	3 x Independents NEDS, 1 X NED, Chief Executive Officer, Chief Financial Officer, Appointed Actuary, Head of Internal Audit, PWC, Head of Governance, Risk & Compliance	For ensuring that there is a framework for accountability; examining and reviewing all systems and methods of financial control; ensuring the Company is complying with its Articles of Association; ensuring compliance with all applicable legal and regulatory requirements; and overseeing all matters relating to the relationship between the Company and its Group companies and the External Auditors.	Quarterly
Remuneration Committee	3 x Independents NEDS, 2 X NEDS, Chief Executive Officer, Head of Human Resources	Recommending to the Board the remuneration policy for the Chief Executive Officer. Recommending and monitoring the level and structure of remuneration for senior management. Reviewing the on-going appropriateness and relevance of the remuneration policy.	Ad-hoc (at least annually)
Investment Committee	3 x Independents NEDS, 2 X NEDS, Chief Executive Officer, Chief Financial Officer, Appointed Actuary	Recommending the overall strategic investment policy for the Board's consideration. Identifying, monitoring, reporting and controlling the Company's investment activities. Recommending the overall strategic investment policy for the Board's consideration.	Quarterly

Underpinning the Board and Committees are:

- The Management Committee;
- The Proposition Management Committee;
- The Investment Panel; and
- Trust Forum

B.1.2. INFORMATION ON RISK MANAGEMENT, INTERNAL AUDIT, COMPLIANCE AND ACTUARIAL FUNCTIONS INTEGRATION INTO THE ORGANISATIONAL STRUCTURE

In accordance with local regulatory and Risk Based Solvency Regime UL has established a Risk Management Framework which is defined as a set of strategies, guidelines, processes and procedures aimed at identifying, measuring, monitoring and reporting on a continuous basis the risks to which UL is exposed.

Risk governance is aimed at establishing an effective organisational structure based on a clear definition of risk roles and responsibilities, and on a set of policies, guidelines and operating procedures.

In addition, as part of its governance structure UL has established a series of Board Committees with specific delegated authorities (as outlined above).

The Internal Control and Risk Management framework is put in place in UL through a specific on-going process which involves, with different roles and responsibilities, the Board, Management Committee and the organisational functions. The functions involved in the risk management process operate according to the Three Line of Defence approach:

- The operational functions (Risk Owners) are the first line of defence. The Risk Owners are ultimately responsible for risks concerning their area and to define and update the actions needed to make their risk management processes effective and efficient. They control the activities undertaken from which risks may arise. The risk management initiatives defined by the Risk Owners address the way the risks are managed. In addition, there are a number of support units (e.g. Actuarial) and oversight (Risk Officer) responsible for constantly monitoring specific risk categories, in order to measure and analyse them and to identity risk mitigation actions to the Risk Owners.

- The Risk Management, Legal and Compliance and elements of the Actuarial Function represent the Second Line of Defence. The Risk Management Function oversees the whole Risk Management Framework ensuring its effectiveness. It supports the Board and the Management Committee in defining the Risk Strategy and in the development of the methodologies to identify, take, assess, monitor and report risks. It also supports the Operating functions implementing and adopting the relevant policies and guidelines. The Legal and Compliance Function is in charge of evaluating whether the internal processes are adequate to mitigate compliance risk. The Actuarial Function, through the Head of the Actuarial Function ("HoAF"), challenges the contents and assumptions of the Own Risk and Solvency Assessment ("ORSA") and provides an assessment on the appropriateness of the ORSA.

- Group Internal Audit is the Third Line of Defence. Group Internal Audit is responsible for independently evaluating the effectiveness of the Internal Control and Risk Management Framework and for confirming the operational effectiveness of the controls.

The roles and responsibilities of each of the control functions (Risk Management, Legal and Compliance, Actuarial and Internal Audit) and how they interact with the organisation in the execution of that responsibility are set out in their respective Role Profiles.

Risk Management Function acts as guarantor for the effective implementation of the risk management framework, as required and as established by the Board.

The Risk Management Function supports the Board and the Management Committee in the definition of the risk management strategy and the development of tools for risk identification, monitoring, management and reporting.

B.1.3. MATERIAL CHANGES TO THE SYSTEM OF GOVERNANCE

At the September 2019 Risk & Compliance Committee meeting it was reiterated that the Utmost Isle of Man companies (the IOM Group) would adopt those policies of Utmost Holdings Ireland Limited (UHIL) to ensure consistency across the wider Utmost International Group, including Utmost Worldwide Limited.

Where at all possible, policies would be restricted to a few pages, with differences required due to jurisdictional requirements to be recorded in the relevant Appendices. Whilst this is appropriate for policies, this will not always be the case as will be demonstrated with the Risk Framework documentation.

B.1.4. REMUNERATION POLICY

Balanced Remuneration Package

The UL remuneration package comprises of 4 key elements; basic salary, annual staff performance/recognition /incentive scheme, contribution to a Company Pension Scheme and a number of other staff benefits. Basic salary is based on an individual's role profile and reflects their skills, competencies, performance and relevant experience in that role. Salaries are benchmarked against industry through the Isle of Man specific salary survey. The annual staff performance/recognition/incentive schemes are specific to the roles that are undertaken and are based on company and individual performances in line with the business objectives.

The salary structure has been designed to recognise that different roles command higher salaries. Also for each grade a salary band has been set to allow flexibility for the company to recognise individuals who are performing well within a role.

Target Setting and Appraisal

For non-sales support staff based in the Isle of Man Utmost Wealth has established a bonus scheme. The aim of the scheme is to recognise the delivery of objectives achieved at both company and individual employee level. In addition, for qualifying employees it recognises the behaviours displayed by employees in meeting their objectives.

B.1.5. MATERIAL TRANSACTIONS DURING THE REPORTING PERIOD

During the 2019 the Isle of Man companies successfully migrated the administration of a number of blocks of business owned by the Utmost Wealth Irish companies onto its administrations platform.

B.2. FIT AND PROPER REQUIREMENTS

A core component of an effective risk culture is the knowledge and skills of the Company's resources. In order to confirm that the right resources and skills are in place, UL has implemented a process to ensure that it meets the requirements of the IOM FSA Fitness and Propriety Guidance and related procedures in order to assess the fitness and propriety both initially and on an on-going basis of the individuals who are performing key functions.

B.2.1. DESCRIPTION OF THE SPECIFIC REQUIREMENTS CONCERNING SKILLS, KNOWLEDGE AND EXPERTISE REQUIRED

As part of the IOM FSA Fitness and Propriety Guidance a number of roles within UL have been identified where the company is required to complete an assessment. The types of roles have been categorised as ones requiring regulatory approval before an appointment can be made, and others where notification to the IOM FSA is only required. For both categories UL must assess if the individual is considered to be Fit and Proper.

The assessment of 'Fit and Proper' considers a number of components, these include:

Integrity
Financial Standing
Competence

B.2.2. PROCESS FOR ASSESSING THE FITNESS AND THE PROBITY OF THE PERSONS

The relevant roles with UL that the IOM FSA consider they need to approve before an appointment can be made are:

Code	Role
R8	Chief Executive
R4	Director
R11	Appointed Actuary
R13	Head of Compliance
R12	Principle Control Officer
R15	MLRO
R16	DMLRO
R18	Senior Manager with Significant Responsibility
R19	Financial Controller
R20	Head of Operations

Roles that do not need prior approval of the IOM FSA, but need to be notified are:

Code	Role
R9	Company Secretary
R17	Person responsible for the submission of Regulatory Returns

HR in conjunction with GRC manage the ongoing maintenance of employee roles through their time with the Company.

B.3. RISK MANAGEMENT FRAMEWORK INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

B.3.1. RISK MANAGEMENT SYSTEM

The Risk Management Function is separate from the operational business units and does not have operating responsibilities.

The Risk Management function consists of the Head of Governance, Risk & Compliance supported by a Risk Officer.

The Risk Management Function oversees the sustainability of the risk management framework and supports the BoD, the Management Committee and departmental managers in defining risk management strategies and the instruments to monitor and measure risks, providing, through an appropriate reporting system, the elements for an assessment of the performance of the risk management framework as a whole. The Risk Management Function is responsible in particular for the following activities:

- Define the risk measurement methodologies
- Cooperates, with the Risk Owners, on the definition of the operating limits attributed to the operating structures and on the definition, with the first level functions (i.e. senior management) in charge of control, of the procedures for the prompt verification of such limits.
- Validates the information flows, prepared by the various Risk Owners, necessary to ensure the timely control of risk exposures and the prompt identification of any operational anomaly.
- Presents appropriate monthly reports to the Management Committee, BoD and the Risk and Compliance Committee on the overall performance of the risk control and management framework and its ability, in particular, to react to context and market changes, as well as on the development of risks and any instances in which the operating limits have been exceeded.
- Ensures that the Management Committee reacts to results from the stress tests if unexpected events or results are identified.

Risk Management Function

The Risk Management Function is separate from the operational business units and does not have operating responsibilities or a direct reporting line to those responsible for the operating activities.

Policy Framework

The documentation tree is structured into:

- First Level Policies (required by art.41 of the Solvency II Directive and approved by the Board).
- Second Level Policies approved by the Board.
- Guidelines providing operating rules.
- Operating Procedures.

Risk Management System

The purpose of the Risk Management Framework is to ensure that all risks to which the Group is exposed to are properly and effectively managed on the basis of the risk strategy defined, following a set of processes and procedures and based on clear governance provisions.

The principles defining the Risk Management Framework are provided in the Risk Management Policy, which is the cornerstone of all risk-related policies and guidelines. The Risk Management Policy outlines all risks the entity is exposed to, on a current and on forward-looking basis.

The Risk Management process is defined in the following phases:

Risk Management Process

1. Risk Identification

The purpose of the risk identification phase is to ensure that all material risks to which the Company is exposed are properly identified. For that purpose, the Risk Management Function interacts with the main Business Functions in order to identify the main risks, assess their importance and ensure that adequate measures are taken to mitigate them according to a sound governance process. Within this process, emerging risks are also taken into consideration.

Based on Solvency II risk categories, and for the purpose of SCR calculation, risks are categorised according to the Risk Map below.

Risk Map

Financial Risks	Credit Risks	Insurance Risks	Other Risks
Equity	Credit Default	Mortality CAT	Operational
Interest Rate	Counterparty Default	Mortality no CAT	Liquidity
Currency		Longevity	Regulatory and Compliance
Concentration		Lapse	Cyber
Property		Expense	
Spread			

2. Risk Measurement

The UL has formally adopted a number of risk assessment methodologies. In compliance with Solvency II regulation, the SCR is calculated based on the European Insurance and Occupational Pensions Authority ('EIOPA') Standard Formula. On an annual basis the Company completes an appropriateness assessment of the Standard Formula against the risk profile.

3. Risk Management and Control

UL operates a sound Risk Management Framework in line with the established strategy and processes. To ensure that the risks are managed according with the risk appetite, as outlined within the Risk Appetite Statement ("RAS"). The RAS sets the desired level of risk (in terms of risk appetite and risk preferences) and limits excessive risk-taking. Tolerance Levels on the basis of capital and liquidity metrics are set accordingly. Should an indicator approach or breach the defined Tolerance Levels, escalation mechanisms are activated.

4. Risk Reporting

Risk monitoring and reporting is a key Risk Management process which allows Business Functions, Management Committee and the board, also the relevant regulatory Authority to be aware of, and informed about, the risk profile development, risk trends and any matters outside of risk tolerances.

Risk factors are taken into consideration in the following decision making processes: Strategic Planning Process; Capital Allocation and Management; Asset Liability Matching and Investments; Solvency, Liquidity and Funding; Product Pricing, Development and Monitoring; Management Information; and Performance Management.

Risk Culture

A core objective of the Risk Management Function is to embed a positive and open risk management culture within the Group. In support of this objective, risk management and compliance training is provided to all new staff. In addition, the following structures have been established in order to embed a risk culture:

- The senior management team, supported by the Risk Management Function, meet regularly to review risk management issues and to integrate risk management thinking into the decision making process. Furthermore, material risk incidents and the results of risk assessments are reviewed, resulting in the required corrective actions being identified.
- The Head of Governance, Risk & Compliance is a member of the senior management team in this role their role integrates risk management thinking into the decision making process.
- The strategic planning process must remain consistent with the Own Risk and Solvency Assessment ("ORSA") in order to include a risk based forward-looking view in the development of the strategic plan.
- The Risk Management Function is involved in the material initiatives which may impact on the risk profile of the Group. The role of the Risk Management Function is to integrate the risk management assessment methodologies into the decision making process by supporting the business in identifying, assessing and managing the risks associated with these initiatives.

B.3.2. INTERNAL MODEL FRAMEWORK: GOVERNANCE, DATA AND VALIDATION

This section is not applicable to UL. The local regulator has encouraged insurers to use the Standard Formula based on the Insurance Long Term Business Valuation and Solvency Regulations 2018. The Company aims to test the appropriateness of the Standard Formula through the ORSA process.

B.3.3. ORSA PROCESS

The ORSA process is a key component of the Risk Management framework which is aimed at assessing the adequacy of the solvency position and the risk profile on a current and forward-looking basis.

The ORSA Methodology is considered proportionate to support the assessment of the risk profile and is in line with the implementation of Solvency II. In its target state, the ORSA effectively enables the reporting of overall solvency needs and the verification of continuous compliance with regulatory requirements. To this end:

- The material risks have been identified and addressed according to Company methodologies. Utmost Limited's key risks have been identified through the Departmental Risk Registers and the Market Risk Appetite Statement.
- The ORSA process is performed in line with the local strategic planning process.
- UL has identified a series of trigger events to allow the ORSA process to respond to changes in its risk profile. These are as follows:

- Change in the risk profile depending on changed assumptions underlying the Solvency Capital Requirement;
- Change in the risk profile consequent to failed remedial actions within an appropriate timeframe;
- Breaches to the regulatory capital requirements over the business planning period;
- Changes to the structure, amount and quality of "Own Funds", which might compromise the achieving of Business Plan target or breach regulatory requirements;
- Changes in business model, business strategy, products and lines of business, emerging risks, investment strategy, reinsurance strategy, portfolio rebalancing and any other relevant changes to key business processes that are material to risk taking activity;
- Significant change in the legal environment, such as new regulations impacting the marketing of insurance products, pensions, taxation, court awards, changes in claims environment, etc.;
- Change in the ORSA governance such as the outsourcing of Risk Management activities (or in-sourcing of activities previously outsourced).
- Utmost Limited defined and applied the market and business assumptions for the projection of the capital and solvency position. These assumptions are part of the strategic planning process.
- The market and business assumptions are considered a reasonable assessment of the macroeconomic developments.

UL conducts its business in compliance with law, internal regulations and professional ethics. Although the ORSA is a process strongly driven by Risk Management, all stakeholders involved in the production of this Report are both committed to provide timely input to the process and understand the implications that the ORSA assessment may have on their key decision-making processes.

B.3.4. RISK EMBEDDING IN CAPITAL MANAGEMENT PROCESS

Capital Management Planning and Risk Management are strongly integrated processes. This integration is deemed essential to ensure alignment between business and risk strategies.

The ORSA process is a key component in the Risk Management Framework which is aimed at assessing the adequacy of the solvency position of the company and risk profile on a current and forward looking basis. On a quarterly basis the Board of directors assess the solvency position of the company and known factors which may influence the position. This review includes verifying the assumptions made and the adequacy of the current and future capital needs.

B.4. INTERNAL REGULATIONS FRAMEWORK

The Board of UL has established an Internal Regulations Framework (IRF) to ensure that the business complies with the applicable laws and regulations. The IRF is structured into:

- First Level Policies (required by art.41 of the Solvency II Directive and approved by the BoD).
- Second Level Policies approved by the BoD.
- Guidelines providing operating rules.
- Operating Procedures.
- Minimum standards / contents or limits for breaches which a formal approval is required.

Roles and Responsibilities have been defined as follows:

Board of Directors

The BoD ensures that the internal control and risk management system, as well as the other elements of the system of governance are consistent with the Governance and Control Framework and the Risk Policies at all times. To this end, the BoD reassesses the consistency periodically and at least once a year.

The BoD holds the ultimate responsibility for the compliance with applicable laws, regulations and administrative provisions, including those adopted pursuant the Solvency II Directive for insurance and reinsurance.

Compliance and Risk Committee

On the basis of the applicable system of delegated powers, the Group has established a Risk and Compliance Committee to support the CEO in the implementation, maintenance and monitoring of the internal controls and risk management system. The Risk and Compliance Committee:

a. identifies, evaluates and addresses the actions to mitigate the significant risks;
b. monitors the adequacy of the main policies, procedures and processes to mitigate the risks;
c. monitors the effective implementation of the Risk Policies;
d. challenge and evaluate the results of the risk assessments.

The Control Functions participate in the committee's meetings providing their evaluation on the adequacy of the internal control system.

Senior Management

The Group has adopted a Fit and Proper Policy in order to define the minimum standards to be applied in terms of fitness and probity to all relevant personnel identified in the Policy. The Fit and Proper Policy also defines the procedure for assessing the fitness and probity of the relevant personnel (both when being considered for the specific position and on an ongoing basis), and a description of the situations that give rise to a re-assessment of the above mentioned fit and proper requirements. The Group undertakes due diligence of all persons identified under the Fit and Proper guidelines to ensure they can perform their duties by carrying out the following assessments of being Competent and Capable, Honest, Ethical and Act with Integrity and Financial Soundness.

Risk Owners (First Line of Defence)

The heads of operational departments have direct responsibility to take charge for risks, manage them and implement appropriate control measures. To this end, they provide the Senior Management with the information needed to define the policies, methods and tools for the management and control of the risks for which they are responsible, oversee their implementation and ensure their adequacy over time. They also ensure that the operational departments that are under their responsibility comply with their objectives and policies, implement corrective actions within the scope of their autonomy, while on a higher hierarchical level, they submit specific recommendations or proposals to the senior management.

Controls are an integral part of every business process and are primarily the responsibility of the Manager of the individual business area. Each business area is responsible to identify, assess and mitigate through adequate controls and training initiatives the risks embedded in the relevant processes.

B.4.1. INTERNAL CONTROL FUNCTIONS (Second and Third Lines of Defence)

The company has established the Actuarial, Compliance and Risk Management Function as second line of defence and the Audit Function as third line of defence according to the provisions of the relevant Policies.
The Control Functions are to be considered key functions in the system of governance of the Group.

They are independent from the operational functions and, as a consequence, they: (i) retain the responsibility for taking the decisions necessary for the proper performance of their duties without interference from others and (ii) be able to report their results and any concerns and suggestions to the BoD without restrictions as to their scope or content from anybody else.

Actuarial Function (Second Line of Defence)

The Actuarial Function has the responsibility to:

a. coordinate the calculation of technical provisions;
b. ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
c. assess the sufficiency and quality of the data used in the calculation of technical provisions;
d. compare best estimates against experience;
e. inform the BoD of the reliability and adequacy of the calculation of technical provisions;
f. oversee the calculation of technical provisions in the cases where there are insufficient data or appropriate quality to apply a reliable actuarial method;
g. express an opinion on the overall underwriting policy;
h. express an opinion on the adequacy of reinsurance arrangements; and
i. contribute to the effective implementation of the risk management system.

Compliance Function (Second Line of Defence)

The Compliance Function has the responsibility to advise the business areas and BoD on compliance with laws, regulations and administrative provisions, including those adopted pursuant to the Solvency II Directive for insurance and reinsurance Company's. The Compliance Function advises also on other laws, regulations and administrative provisions.

Moreover, the Compliance Function has the responsibility to assess the possible impact of any changes in the legal environment on the operation of the relevant Company and to identify and assess the compliance risks, including the adequacy of the measures adopted to prevent non-compliance.

Risk Management Function (Second Line of Defence)

The Risk Management Function is separate from the operational business units and does not have operating responsibilities or a direct reporting line to those responsible for the operating activities.

The Risk Management Function, oversees the accurate implementation of the risk management framework in accordance with the Solvency II Directive, the other applicable legal and regulatory provisions, the directions given by the BoD and the provisions of the Risk Management Policy.
This function supports the BoD and senior management in defining the risk management strategies and tools for identifying, monitoring, managing and measuring risks. It also provides the information needed to evaluate the adequacy of the risk management framework as a whole, through an adequate reporting system.

The Risk Management Function is responsible to report to the BoD on risks that have been identified as potentially material. The Risk Management Function should also report on other specific areas of risks both on its own initiative and following requests from the administrative, management or supervisory Body.

The Risk Management Function has the responsibility to:

a. assist the BoD and other functions in the effective operation of the risk management system;
b. monitor of the risk management framework and the implementation of the Risk Management Policy;
c. monitor the general risk profile of the Group and provide the reporting defined in the RAS, including the reporting in case of tolerances breaches;
d. coordinate a detailed reporting on risk exposures and, in particular, coordinate ORSA Report preparation, based on the process defined in the Risk Management Policy;
e. advise BoD on risk management matters, including in relation to strategic affairs such as corporate strategy, mergers and acquisitions and major projects and investments and, in general, foster risk management embedding with business decision making processes;
f. as part of the broader risk identification process, identify and assess emerging risks.

B.4.2. INTERNAL AUDIT FUNCTION (Third Line of Defence)

The Internal Audit Function has the responsibility to evaluate the adequacy and effectiveness of the internal control framework of the Group and to report to the BoD any finding or recommendation.

The Internal Audit function has the responsibility to:

a. establish, implement and maintain an audit plan setting out the audit work to be undertaken in the upcoming years, taking into account all activities and the complete system of governance of the Group;
b. take a risk-based approach in deciding its priorities;
c. issue audit reports with agreed (with the Auditee) actions (to mitigate the identified risks) based on the result of the audit work and submit a written report to the BoD on at least an semi-annual basis on activities and significant issues during the period and a proposal of an action plan. The BoD determines what actions are to be taken with respect of each of the issues presented in the report to the BoD and ensure that those actions are carried out;
d. significant issues reported in the audits will be closely monitored to ensure a proper closing of the agreed actions and then tested for effectiveness. The progress of this and the outstanding issues will at least annually be reported to the BoD.

To assist in carrying out its duties in relation to the risk management and internal control system, the Group has established an Audit Committee (meets quarterly) - consisting of non-executive directors, the majority of whom are independent, which perform research, advisory and makes recommendations. The Committee consists of at least three members. The Audit Committee as a whole has relevant financial experience and at least one member has an appropriate qualification. The Terms of Reference of the Audit Committee reference in full the powers delegated to the Committee by the BoD and outline the reporting structures between the Audit Committee and the BoD and outlines their remit.

B.5. OUTSOURCING

UL does not have any third party outsourcing arrangements. However, it does rely on the services of another company within the Isle of Man group of companies for the provision of staff, services and systems for its business activities. A legal agreement is in place to manage the arrangement.

The Company has developed an Outsourcing policy, outlining the regulatory requirements should the Company decide to outsource any significant activities.

B.6. ANY OTHER INFORMATION

B.6.1. ASSESSMENT OF THE ADEQUACY OF THE SYSTEM OF GOVERNANCE TO THE NATURE, SCALE AND COMPLEXITY OF THE RISKS INHERENT IN THE BUSINESS

The UL Board, as part of the ORSA process, has assessed its corporate governance framework and has concluded that it effectively provides for the sound and prudent management of the business, which is proportionate to the nature, scale and complexity of the operations of the Company.

B.6.2. OTHER MATERIAL INFORMATION REGARDING THE SYSTEM OF GOVERNANCE

The following additional processes are implemented under the System of Governance.

Business Continuity

UL has established a Business Continuity Plan which identifies key personnel to form an Incident Management Team (IMT) which will manage any disruptive incident that may occur. Testing of the elements of the plan is conducted on a regular basis

Information Technology and Cyber Security

The Company has established a framework for the policies and processes which the senior management of the Utmost Isle of Man Group have adopted to implement an information security management framework which complies with ISO/IEC 27001:2013 ("the ISMS"). The Framework covers aspects of information processing and security including cyber security.

C. Risk Profile

The Company's risk profile is best represented by the following Risk Map:

RISK MAP			
MARKET RISKS	**CREDIT RISKS**	**INSURANCE RISKS**	**OTHER RISKS**
Equity Price	Credit Default	Mortality CAT	Operational
Interest Rate	Counterparty Default	Mortality no CAT	Liquidity
Currency		Longevity	Regulatory and Compliance
Concentration		Lapse	Cyber
Property		Expense	
Spread			

The breakdown of the Solvency Capital Requirements is as follows:

	31December 2018 £'000	31December 2019 £'000
Life underwriting risk	94,366	99,297
Market risk	77,202	86,081
Counterparty risk	5,060	5,930
Operational risk	2,104	2,264
Diversification	-38,906	-42,552
Adjustment for the loss-absorbing capacity of deferred taxes	-	-
Solvency Capital Requirement	**139,826**	**151,020**

C.1. UNDERWRITING RISK

The Company's life underwriting risks arise from both products, the Estate Planning Bond where the grantees are underwritten for purposes of discounted gift trust and the Evolution bonds where there are lives assured and there is Capital Redemption.

C.1.1. RISK EXPOSURE AND ASSESSMENT

The Risk Map shown in C above sets out the underwriting/insurance risks to which the Company is exposed. The key risks include:

- Mortality risk – defined as change in the value of liabilities resulting from changes in the mortality rates, where an increase in mortality rates leads to an increase in the value of insurance liabilities. Mortality risk also includes the Mortality Catastrophe risk, defined as a change in the value of insurance liabilities resulting from extreme or irregular events;
- Longevity risk – defined as the risk that people live longer than expected leading to an increase in the

value of insurance liabilities

- Lapse risk – defined as the change in liabilities due to changes in the expected exit rates. Exits can happen from either a partial or full surrender of a policy. This also includes a catastrophic event with a mass lapse resulting: and
- Expense risk – defined as the change in the value of liabilities resulting from changes in the expenses incurred in servicing the contracts.

The SCR for underwriting/insurance risks is calculated using the Standard Formula approach. The measurement is made by applying pre-defined stresses to the best estimate liabilities at levels calibrated to the Solvency II confidence level of 99.5%.

- For the Mortality risks, the uncertainty in insured population mortality and its impact on the Company is measured by applying permanent and catastrophe stresses to the policyholders' death rates
- For Longevity risk, an instantaneous and permanent decrease of 20% is made to the mortality rates used to calculate technical provisions
- For Lapse risk, the measurement is calculated as the worst case of the effect of a permanent increase or decrease in the underlying lapse rates or a mass lapse event
- Expense risk is measured through the application of stresses to the amount of expenses and expense inflation that the Company expects to incur in the future.

C.1.2. RISK MANAGEMENT AND MITIGATION

Underwriting/insurance risks are closely monitored on a monthly basis to ensure the Risk appetite is not breached. Mortality and longevity risk are not significant and are monitored through feedback mechanism from the actuarial experience investigations to the underwriting team.

C.1.3. RISK SENSITIVITY FOR UNDERWRITING RISKS

The Company carries out stress and scenario testing as part of the ORSA process which includes stress testing for the material underwriting risks. The results of this analysis showed that the most material impact on the SCR cover was in the lapse down and expense stresses. Lapse down also significantly affects the Present Value of Future Profits (PVFP), and the net solvency effect remains acceptable. Expense risks are controlled through management focus on cost control, and longer term strategies to seek efficiencies across the Utmost International Group of Companies. Sensitivity to expense shock is shown in the table in Section C.2.3.

C.2. MARKET RISK

C.2.1. RISK EXPOSURE AND ASSESSMENT

The Company is exposed to market risks both directly and indirectly. Directly through the investment risk it bears on shareholder invested assets. Indirectly through the exposure of the Present Value of Future Profits (PVFP) to the investment decisions made by policyholders where they bear investment risk. The Company is also exposed to market risks in its technical provisions where these are calculated with reference to market data such as interest rate yield curves.

The key Market Risks that UL is exposed to include:

- Equity risk: mainly a reduction in ad valorem fees earned on equity based components of future profits recognised in the Technical Provisions.
- Currency risk: where the movement in exchange rates can result in gains and losses arising from net changes in currency mismatched asset and liability positions

- Spread Risk: defined as the risk that arises from changes in or volatility of credit spreads over the risk free interest rate term structure. This risk may be specific to the standing of an obligor or guarantor or may be systemic. The spread risk module is calibrated to also include an element for default on credit exposures.
- Interest rate risk: where movements in interest rates directly impact the present value of future asset and liability cash flows.
- Market risk concentration risk: additional risk arising from aggregated exposures to entities under the common control of a single name entity.

Equity, currency and yield risks represent the three most material components of the SCR at a sub-module level.

C.2.2. RISK MANAGEMENT AND MITIGATION

The Company has an Asset Liability Matching Policy which also dictates where shareholder investments should be invested. The Company does not invest directly into equities. Monitoring of market risk is performed on a monthly basis as part of risk reporting. Actual monthly movements are compared to the risk appetite limits and appropriately reported through the Red, Amber and Green statuses.

C.2.3. RISK SENSITIVITY FOR MARKET RISKS

The Company carries out stress and scenario testing as part of the ORSA process which includes stress testing for the material market risks. No scenarios were identified that would render the Company insolvent at the balance sheet date. The sensitivity of the Company's position to market and expense shocks are shown in the table below.

Solvency Ratio Sensitivity	YE19			
	Eligible Own Funds	Solvency Capital Requirement	Solvency Ratio	Change in percentage points
Base Position	**240.7**	**151.0**	**159%**	
Equity Value +40%	283.7	184.0	154%	-5%
Equity Value -40%	197.0	116.8	169%	9%
Risk Free Rate +50 bps	240.1	148.2	162%	3%
Risk Free Rate -50 bps	241.4	153.6	157%	-2%
Spreads worsening	234.5	153.7	153%	-7%
Expenses +10%	226.7	148.7	152%	-7%
GBP +20%	228.8	141.8	161%	2%
GBP -20%	252.3	160.4	157%	-2%

C.3. COUNTERPARTY DEFAULT RISK

C.3.1. RISK EXPOSURE AND ASSESSMENT

The counterparty default risks that UL is exposed to arise from its exposure to banks, in relation to cash, reinsurers and other debtors, including policyholders. Default risk is the risk that these counterparties are unwilling or unable to honour their obligations to the Company. In assessing counterparty default risk, the Company further considers the default exposure of risk mitigations, and the interactions with other risks, such as underwriting/insurance risks.

C.3.2. RISK MANAGEMENT AND MITIGATION

For the reinsured fund links with Aviva Life & Pensions Ltd (ALAP), UL manages its counterparty exposure through active monitoring of ALAP's credit rating and regular reviews of the performance of the sub-funds through which its policyholders are exposed to. In addition, the Company holds a negative pledge agreement on ALAP's assets in the case of insolvency.

UL also monitors its cash counterparty risk by using only rated banks, unless there is a regulatory requirement to the contrary. Limits are set through the Risk Appetite Statement and other exposures monitored against these.

C.3.3. RISK SENSITIVITY FOR CREDIT RISKS

The Company performs stress and scenario testing as part of the ORSA process which includes stress testing for the material counterparty default risks. The results show the Company to be resilient to counterparty default stresses.

C.4. OPERATIONAL RISK

C.4.1. RISK EXPOSURE AND ASSESSMENT

The Operational Risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Losses from events such as fraud, litigation, damages to premises and failure to comply with regulations are therefore covered in the definition. It also includes financial reporting risk, strategic but excludes reputational risks.

In line with industry practices, UL adopts the following operational risk classification categories:

- Model and calculation errors – defined as losses that could arise in respect of compensation to clients and or regulatory fines due modelling and/or calculation errors;
- Business disruption and system failures – defined as the losses arising from disruption of business or system failures;
- Execution, Delivery and Process Management – defined as the losses from failed transaction processing or process management, from relations with trade counterparties and vendors.
- Internal fraud – defined as the losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or Company policy, excluding diversity/discrimination events, which involves at least one internal party;
- External fraud – defined as the losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party;
- Clients, Products and Business Practices – defined as the losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product;
- Employment Practices and Workplace Safety – defined as the losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events;

- Damage to Physical Assets – defined as the losses arising from loss or damage to physical assets from natural disaster or other events;

Following best industry practices, UL's framework for Operational Risk Management includes as main activities the risk incident reporting and loss data collection process, risk assessment and scenario analysis.

The risk incident reporting and loss data collection process involves the collection of losses incurred as a result of the occurrence of operational risk events and provides a backward-looking view of the historical losses incurred due to operational risk events.

The risk assessment and scenario analysis processes provide a forward-looking view on the operational risks UL is exposed to. The Annual Operational Risk and Compliance Assessment provides a high-level evaluation of the forward-looking inherent and residual operational risks faced by UL. The outcomes of the assessment drive the scenarios assessed as part of the scenario analysis. Scenario analysis is a recurring process which provides a detailed evaluation of the key operational risks faced by UL and their potential impact.

C.4.2. RISK MANAGEMENT AND MITIGATION

The Company monitors operational risks through incident reporting and regular reporting whilst profiling issues that are identified and the Risk function working with the business areas concerned to address them.

No major operational risk incidents were identified during 2019. The Company continues to monitor six main operational risks identified during the year namely:

- Model and calculation error risks – mainly to do with the newly implemented actuarial projections model
- Execution and process management – risk of anything being processed incorrectly which includes dealing errors, unit pricing errors and claims processing errors. Another area of risk in this category has been failure to roll out business efficiency initiatives due to IT resources being tied to competing projects.
- Fraud – internal and external fraud when attempts are made to fraudulently obtain money by deception
- Human resource risk – the risk of failing to fill vacancies with suitably qualified individuals due to the limited resource pool on the Isle of Man compounded by Work Permit rules.

C.5. LIQUIDITY RISK

C.5.1. RISK EXPOSURE AND ASSESSMENT

Liquidity risk refers to the risk that the Company will not be able to meet both expected and unexpected cash flow requirements.

UL has a Liquidity Risk Policy in place within its overall Investment Policy that is reviewed and approved at least annually by the Board. The policy requires that the Company maintains a proportion of its assets not backing liabilities to policyholders in assets classes expected to be the most liquid in times of significant market stress.

The CFO is responsible for managing the on-going liquidity requirements of UL.

C.5.2. RISK MANAGEMENT AND MITIGATION

The Company manages Liquidity Risk to meet its own obligations and cash commitments along with unexpected contingent market situations, through a constant monitoring of actual and expected cash flows, and the availability of assets that can be sold easily without loss in the event of need. This activity is aimed at maintaining a high level of financial robustness both in the short and long term, which helps to mitigate UL's liquidity risk and is the basis for the evaluation of the adequacy of the adopted measures. The Company also has in place contractual means to manage cash outflows from surrenders from its unit-linked and investment-linked policies, whereby it is able to match the timing of cash flows with receipts from disposal of the underlying assets.

UL maintains sufficient liquidity levels with specified limits relating to the minimum amount of shareholder assets invested in short term liquid investments such as cash and cash equivalents or government and regulated covered bonds.

C.6. OTHER RISKS

C.6.1. REGULATORY RISK

Regulatory risk arises when changes in regulations are not appropriately and timely implemented. There is also the risk of the impact of regulation will have on the Company's products that could make them unattractive in the market.

Due to the nature of the business, the Company and its customers have to comply with various regulatory pronouncements that could arise from the main Isle of Man and UK insurance regulators, HMRC in the UK, CRS and FATCA reporting requirements. Failure to comply with these could lead to regulatory fines and sanctions.

The Company performs an active role in checking for changes in regulation and also actively participates in consultations. Product developments and enhancements always consider potential regulatory changes.

C.6.2. CYBER RISK

This is one of the recent emerging risks which has become real. Hacking and phishing of systems and/or data is now a significant risk to UL.

The potential implications include the Company having to meet the costs of compensation either to customers or to regulatory authorities when found to be negligent. There could be significant reputation risk as result.

The Company has put IT infrastructure in place such as server firewalls, perform penetration testing and limits client data accessible via web-based servers.

D. Valuation for Solvency Purposes

D.1. ASSETS

D.1.1. VALUATION OF ASSETS FOR SOLVENCY II BALANCE SHEET

The following paragraphs describe the value of assets for solvency and financial statements purposes, along with the valuation criteria and the common methodology used by UL for the determination of fair value of assets and liabilities. The following sections are covered in the report below:

- Valuation of assets – explanation of differences between the financial statements and Solvency II balance sheet.
- Fair value hierarchy – explanation of methods used to classify assets into three levels, based on the inputs used in valuation techniques to increase consistency and comparability of fair value measurements.
- Guidance on fair value measurement approach – UL reviews its financial investments and classifies them in accordance with IFRS 13 'Fair Value Measurement'. The same approach is taken for investments held on behalf of life assurance policyholders who bear the investment risk.
- Valuation techniques – the methods used to maximise the use of observable inputs.

Solvency II Assets Valuation

	31 December 2018 £'000	31 December 2019 £'000
Solvency II Valuation	9,688,997	10,474,303
Statutory Accounts Valuation	9,769,531	10,535,922
Difference	**(80,534)**	**(61,619)**

Valuation of Assets

Certain assets are excluded or measured at fair value to comply with Solvency II principles. In particular, the exceptions and non-applicable items for UL are summarised in below.

Valuation of Assets 31 December 2019	Solvency II £'000	Statutory Accounts £'000	Difference £'000
Deferred origination costs	0	61,619	(61,619)
Modified Coinsurance Account	523,975	523,975	0
Long term loan	20,000	20,000	0
Assets held for unit-linked funds	9,855,184	9,855,184	0
Investments (other than assets held for unit-Linked funds)	10,923	10,923	0
Debtors and receivables	30,757	30,757	0
Deposits (other than deposits held for unit-linked funds)	17,050	17,050	0
Cash and Cash Equivalents	16,414	16,414	0
Total Assets	**10,474,303**	**10,535,922**	**(61,619)**

The primary objective for valuation as set out in Article 75 of L1 - Dir (EIOPA guidelines) requires an economic, market-consistent approach to the valuation of assets and liabilities. According to the approach for Solvency II, when valuing balance sheet items on an economic basis, undertakings need to consider the risks that arise from a particular balance sheet item, using assumptions that market participants would use in valuing the asset or the liability.

Assets should be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

Liabilities should be valued at the amount for which they could be transferred, or settled, between knowledgeable and willing parties in an arm's length transaction.

This valuation section describes the value of assets for Solvency II purposes and for financial statements, valuation criteria and the methodology used by the Company for the determination of fair value of assets and liabilities.

Deferred origination costs (DOC)

Commission costs incurred in the acquisition of new business are deferred as a DOC asset. This asset is amortised against future revenue margins on the related policies. The DOC asset is reviewed for recoverability at the end of each accounting period against future revenue margins expected to arise from the related policies. They are the part of acquisition costs allocated to future reporting periods. DOC is recognised under UK GAAP but is disallowed for Solvency II asset valuation purposes. As a result, the DOC asset for Solvency II decreased by £61,619k to nil.

Modified Coinsurance Accounts

The Modified Coinsurance Accounts relates to two contracts that the Company has entered into, one with AXA Hong Kong Insurance (Bermuda) Limited (CRIB) and one with AXA Insurance Pte Limited (AIPL). Upon entering these agreements, the underlying unit-linked assets equal to the statutory reserves of CRIB and AIPL became the property of CRIB and AIPL respectively as the ceding insurance companies. The Company acts as the reinsurer for the statutory reserve of the ceded business for both CRIB and AIPL. Under the agreement with CRIB the Company remains at risk of loss from lapse and surrenders, and under the agreement with AIPL the Company remains at risk of loss from lapse and surrenders, and also mortality risk.
The underlying unit-linked assets in the Modified Coinsurance Accounts are measured at fair value under UK GAAP and so there is no difference in value under Solvency II.

Investments including assets held for unit-linked funds

Under Solvency II, financial assets backing unit linked contracts are segregated into their own category on the balance sheet. Assets are measured at fair value for both statutory accounts and Solvency II purposes, being the amount for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction, and in accordance with the fair value hierarchy required under IFRS 13 'Fair Value.

Investments (other than assets held for unit-Linked funds)

Investments held for the benefit of the Company, rather than for unit-linked funds, are measured at fair value for both statutory accounts and Solvency II purposes. The investment held by the Company is a Collective Investment Fund and is valued monthly, and is not considered illiquid.

Debtors and receivables

Receivables represent amounts owing to the Company. Receivables are held at initial book value in the Company's financial statements and are recoverable within one year. There is no valuation difference under Solvency II and the statutory financial statements.

Deposits (other than deposits held for unit-linked funds)

Deposits other than those held for unit-linked funds consist of deposits held for the benefit of the Company, which have a maturity of less than 12 months. There is no valuation difference under Solvency II and the statutory financial statements.

Cash and cash equivalents

Cash is a liquid asset and comprises cash holdings in current accounts. Balances are held at initial book value in the Company's financial statements. There is no valuation difference under Solvency II and the statutory financial statements.

Fair Value Hierarchy

IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categories the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs:

Level 1 inputs
Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions. If an entity holds a position in a single asset or liability and the asset or liability is traded in an active market, the fair value of the asset or liability is measured within Level 1 as the product of the quoted price for the individual asset or liability and the quantity held by the entity, even if the market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Level 2 inputs
Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly.

Level 3 inputs
Level 3 inputs are unobservable inputs for the asset. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

Guidance on Fair Value Measurement Approach

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

A fair value measurement requires an entity to determine all of the following:

- The particular asset or liability that is the subject of the measurement (consistently with its unit of account);
- For a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use);
- The principal (or most advantageous) market for the asset or for the liability; and
- The valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or the liability and the level of the fair value hierarchy within which the inputs are categorised.

IFRS 13 provides further guidance on the measurement of fair value, including the following:

- An entity takes into account the characteristics of the asset or the liability being measured that a market participant would take into account when pricing the asset or the liability at measurement date (e.g. the condition and location of the asset and any restrictions on the sale and use of the asset);
- Fair value measurement assumes an orderly transaction between market participants at the measurement date under current market conditions;
- Fair value measurement assumes a transaction taking place in the principal market for the asset or the liability, or in the absence of a principal market, the most advantageous market for the asset or the liability;
- A fair value measurement of a non-financial asset takes into account its highest and best use;
- A fair value measurement of a financial or non-financial liability or an entity's own equity instruments assumes it is transferred to a market participant at the measurement date, without settlement, extinguishment, or cancellation at the measurement date;
- The fair value of a liability reflects non-performance risk (the risk the entity will not fulfil an obligation), including an entity's own credit risk and assuming the same non-performance risk before and after the transfer of the liability; and
- An optional exception applies for certain financial assets with offsetting positions in market risks or counterparty credit risk, provided conditions are met (additional disclosure is required).

Valuation Techniques

The Company uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell the asset would take place between market participants and the measurement date under current market conditions. The three valuation techniques used are:

- Market approach – uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets/liabilities or a group of assets/liabilities (e.g. a business).
- Cost approach – reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost).
- Income approach – converts future amounts (cash flows or income and expenses) to a single current

(discounted) amount, reflecting current market expectations about those future amounts.

In some cases, a single valuation technique will be appropriate, whereas in other cases multiple valuation techniques will be appropriate.

Further information on the Company's assets is included in S.02.01.02 in Section F.

D.2. TECHNICAL PROVISIONS

The Technical Provisions as at 31 December 2019 have been assessed adopting UL's methodology and techniques which are compliant with the Solvency II framework and are proportionate to the nature, scale and complexity of the business in question.

Technical Provisions results as at 31 December 2019 are set out in the table below. No transitional adjustments have been deducted from the Technical Provisions.

Main Technical Provisions Results

Entity	31 December 2018 £'000	31 December 2019 £'000
Best Estimate of Liabilities	9,340,962	10,112,624
Risk Margin	65,222	71,797
Gross Technical Provisions	**9,406,184**	**10,184,421**
Reinsurance Recoverable	(135,843)	(131,002)
Net Technical Provisions	**9,270,342**	**10,053,419**

The increase in the technical provisions from 31 December 2018 to 31 December 2019 is mainly due to strong investment returns.

The difference between IFRS reserves and SII technical provisions is due to the methodological differences between the two valuations. The valuation of the IFRS reserves is based on technical provisions calculated in accordance with local accounting principles. The Solvency II valuation, instead, is based on the projection of future cash flows performed using best estimate assumptions, and discounting using the current interest rate term structure. Moreover, under the Solvency II framework, the valuation of technical provisions includes the risk margin which is not included in the valuation of IFRS reserves.

The main factors that have an impact on the Technical Provisions are set out below:

- The best estimate assumptions;
- The application of contract boundaries; and
- Projected SCRs: The risk margin is a constituent part of the total technical provisions. As the risk margin is based on projected SCRs the method and assumptions used in projecting these SCRs can have a sizeable impact on the resulting risk margin.

In calculating the technical provisions, the Company has made material judgments in relation to:

- The choice of what are deemed to be best estimate assumptions;
- The use of certainty equivalent deterministic calculations;
- The choice of method used in calculating the risk margin; and
- The application of contract boundaries.

Best Estimate of Liabilities

The BEL is defined as the probability-weighted average of future cash-flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant risk-free interest rate term structure.

The method used to derive the BEL is the direct approach, which specifically refers to a valuation method based on projecting and discounting on a market consistent basis all expected future cash flows to policyholders in the certainty equivalent scenario. Therefore, the cash flow projection used in this context considers all potential cash in-and-out flows required to settle the insurance obligations over their lifetime, within the appropriate contract boundaries.

The projected future cash flows typically include:

- Single and Regular premium receipts (subject to contract boundaries);
- Claims payments with an allowance for any early discontinuance charges;
- Expenses;
- Commissions;
- External fund charges; and
- Any overseas withholding tax

These cash flows are then discounted using the relevant risk-free rates provided by EIOPA to obtain the gross BEL.

Reinsurance Recoverables

The best estimate of the reinsurance recoverable is set equal to the best estimate liability determined by the Company and confirmed by the reinsurer for the reinsured fund link policies.

Risk Margin

The risk margin represents a prudent margin for unavoidable uncertainty. The risks considered are:

- Mortality Trend Risk;
- Mortality Catastrophe Risk;
- Longevity Risk;
- Lapse Risk;
- Expense Risk;
- Counterpart Default Risk with respect to Reinsurance contracts; and
- Operational Risk.

Description of the Level of Uncertainty of Technical Provisions Valuation

The key sources of uncertainty for the Company are expenses, policyholder behaviour assumptions such as surrenders. There was a subsequent event arising after the reporting date, that of the Covid-19 pandemic, which was excluded from the technical provision valuation as at the year end.

It is noted that no significant simplified methods were used to calculate technical provisions, including those used for calculating the risk margin.

The Company does not apply a volatility adjustment, as referred to in Article 77d of Directive 2009/138/EC

No basic own fund items have been subject to transitional arrangements.

Further information on the technical provisions is included in S.02.01.02 and S.12.01.02 in Section F.

D.3. OTHER LIABILITIES

D.3.1. VALUATION OF LIABILITIES FOR SOLVENCY II BALANCE SHEET

The following paragraphs describe the valuation criteria and the common methodology used by UL for the determination of fair value of other liabilities.

Valuation of Liabilities

In the Solvency II environment, fair value should be generally determined in accordance with International Financial Reporting Standards ("IFRS"). Certain liabilities are excluded or fair valued to comply with Solvency II principles. In particular, the exceptions and non-applicable items for the Company are as follows.

- Technical liabilities;
- Deferred taxes;
- Financial liabilities;
- Deferred income liability;
- Other liabilities; and
- Contingent liabilities (not applicable for UL).

Solvency II Liabilities Valuation

	31 December 2018 £'000	31 December 2019 £'000
Solvency II Valuation	9,442,284	10,220,798
Statutory Accounts Valuation	9,734,410	10,499,368
Difference	**(292,126)**	**(278,570)**

Value of Liabilities

Values of Liabilities 31 December 2019	Solvency II Value	Statutory Accounts Value	Difference
	£'000	£'000	£'000
Technical Liabilities – Life (Inc. Index Linked and United Linked)	10,184,421	10,379,159	(194,738)
Deferred Tax Liabilities	0	0	0
Financial Liabilities	0	0	0
Deferred Income Liability	0	83,832	(83,832)
Other Liabilities	36,377	36,377	0
Total Liabilities	**10,220,798**	**10,499,368**	**(278,570)**

The valuation section describes the value of liabilities for solvency purposes and for financial statements, valuation criteria and the common methodology used by the Company for the determination of fair value of assets and liabilities.

Technical Liabilities

The Technical Liabilities comprise the Technical Provisions for life assurance policies where the investment risk is borne by the policyholders, the provision for claims, the life assurance provision and the provision for unearned premiums.

Under Solvency II, Technical Provisions comprise the Best Estimate Liabilities (BEL) and risk margin. The BEL recognises the cash flow required to meet policyholder liabilities, while the risk margin represents a prudent margin for unavoidable uncertainty. The Technical Provisions liability for Solvency II were £194,738k lower than the IFRS liabilities.

Please refer to section D2 for detailed narrative on the valuation of Technical Provisions.

Deferred Tax Liability

The Company has no Deferred Tax Liability.
In general, on the Solvency II balance sheet, deferred tax assets and liabilities arise because there are differences between the value ascribed to an asset or a liability for tax purposes, and its value in accordance to the Solvency II principles.

Therefore, a deferred tax liability ("DTL") should be recognised in the following cases:

- The Solvency II Balance Sheet value of an asset is higher than the related carrying value for tax purposes; or
- The Solvency II Balance Sheet value of a liability is lower than the related carrying value for tax purposes.

A DTL is the recognition of a tax debt to be paid at a later date because of a future profit which is already anticipated in the economic balance sheet. This profit (i.e. the difference between the market value and the book value) leads to an increase of the net asset value. A DTL will be recognised for unrealised taxable gains such as an increase of a financial asset value, or a decrease of the value of Technical Provisions when shifting from book value to market value.

Financial Liabilities

All financial liabilities outstanding at 31 December 2018 were repaid in full during 2019.

Deferred Income Liability

Deferred Income Liability of £83,832k relates to the unit linked business deferred income liability recognised under IFRS but disallowed under Solvency II.

Other Liabilities

Other liabilities represent amounts owing by UL mainly on outstanding claims. Claims are settled once all due diligence is received from the customer. The policyholder is regularly contacted on outstanding requirement to ensure prompt settlement. Death claims follow the normal probate process and are settled accordingly.
Other trading balances are settled in the normal course of business and usually settled within one month.

Fair Value Measurement Approach

The fair value measurement approach for other liabilities is outlined above. Further information on UL's liabilities is included in S.02.01.02 in Section F.

D.4. ALTERNATIVE METHODS FOR VALUATION

The Company does not use any alternative methods for valuation.

D.5. ANY OTHER INFORMATION

No other information noted.

E. Capital Management

E.1. OWN FUNDS

According to the Article 87 of the Directive 2009/138/EC (hereinafter 'Directive' or 'L1 – Dir"), own funds comprise the sum of Basic Own Funds, referred to in Article 88 and ancillary own funds referred to in Article 89.

E.1.1. CAPITAL MANAGEMENT POLICIES

The Company operates the following capital policy:

- Seek to maintain a Regulatory Solvency Coverage Ratio of at least 125% at all times.
- Maintain a Regulatory Solvency Coverage Ratio of 150% immediately after payment of a dividend.

This is underpinned by the following framework:

- A description of the procedure to ensure that own fund items, both at the time of issue and subsequently, meet the requirements of the applicable capital and distribution regime and are classified correctly as the applicable regime requires;
- A description of the procedure to monitor the issuance of own fund items according to the medium-term capital management plan;
- A description of the procedure to ensure that the terms and conditions of any own fund item are clear and unambiguous in relation to the criteria of the applicable capital regime; and
- A description of the procedures to:
    - ensure that any policy or statement in respect of ordinary share dividends is taken into account in consideration of the capital position; and
    - identify and document instances in which distributions on an own funds item are expected to be deferred or cancelled.

Planning and managing own funds are a core part of the strategic planning process.

Basic Own Funds

According to Article 88 of L1-Dir, Basic Own Funds is defined as the sum of the excess of assets over liabilities (reduced by the amount of own shares held by the insurance or reinsurance undertaking) and subordinated liabilities.

The components of the excess of assets over liabilities are valued in accordance with Article 75 and Section 2 of the Directive, which states that all assets and liabilities must be measured on market consistent principles.

Basic own fund items shall be classified into three tiers, depending on the extent to which they possess specific characteristics. Article 69 of Delegated Acts issued at October 2014 (hereinafter 'L2 – DA' or 'DA"), outlines Tier 1 capital, with Article 72 and Article 76 covering Tier 2 and Tier 3 capital respectively.

UL's basic own funds includes ordinary share capital and a reconciliation reserve. UL has Tier 1 capital only.

Basic Own Funds

	Total	Tier 1 Unrestricted	Tier 1 Restricted	Tier 2	Tier 3
	£'000	£'000	£'000	£'000	£'000
Total eligible Own Funds to meet the SCR at 31 Dec 2019	240,668	240,668	0	0	0
Total eligible Own Funds to meet the SCR at 31 Dec 2018	234,879	234,879	0	0	0

Tier 1 Basic Own Funds

Basic own fund items are classified into three tiers, depending on the extent to which they possess specific characteristics. Generally, assets which are free from any foreseeable liabilities are available to absorb losses due to adverse business fluctuations on a going-concern basis or in the case of winding-up. The Company's excess of assets over liabilities, is valued in accordance with the principles set out in L1 - Dir, and treated as Tier 1. Details on the composition of UL's Own Funds assets are outlined above.

Ordinary Share Capital:

The paid-in ordinary share capital is identified by the following methods:

- The shares are issued directly by the undertaking with the prior approval of its shareholders or, where permitted under national law, it's administrative, supervisory or management body.
- UL has issued 23,380,000 ordinary shares issued at par of £1 each.

Reconciliation Reserve:

The excess of assets over liabilities are divided into amounts that correspond to capital items in the financial statements and a reconciliation reserve. The reconciliation reserve may be positive or negative. For UL, the reconciliation reserve is made up of the revenue reserves as per the financial statements and adjustments to assets and liabilities for Solvency II purposes, as outlined in sections D1 and D3.

Tier 2 Basic Own Funds

This does not apply to the Company.

Tier 3 Basic Own Funds

This does not apply to the Company.

Reconciliation between Equity in the Financial Statements and Basic Own Funds

The Company has Basic Own Funds of £240,668k at 31 December 2019, while the shareholders' equity per the statutory accounts is £36,554k. The table below reconciles the movement from shareholders' equity to basic own funds.

Reconciliation to Shareholders' Equity

Reconciliation of Shareholders Equity to Basic Own Funds	31 December 2018 £'000	31 December 2019 £'000
Shareholder Equity	35,121	36,554
Elimination for Deferred Acquisition Costs and Deferred Income Liability	26,110	22,212
Elimination of Intangible Assets	0	0
SII Valuation of Technical Provisions	173,648	181,902
SII Valuation of Financial Liabilities	0	0
SII Valuation of Investments	0	0
Deferred Taxes	0	0
Basic Own Funds	**234,879**	**240,668**

Own Funds increased by £5,789k in 2019 compared to 2018. This is mainly driven by strong investment performance and better projected persistency, increasing the future expected profits.

Deduction from Own Funds

The Company does not have any deduction from own funds.

Ancillary Own Funds

The Company does not have any ancillary own funds.

E.1.2. ELIGIBLE OWN FUNDS

Own Funds Assets

	Total £'000	Tier 1 Unrestricted £'000	Tier 1 Restricted £'000	Tier 2 £'000	Tier 3 £'000
Total Eligible Own Funds to Meet the SCR at 31 Dec 2019	240,668	240,668	0	0	0
Total Eligible Own Funds to Meet the SCR at 31 Dec 2018	234,879	234,879	0	0	0
Total Eligible Own Funds to Meet the MCR at 31 Dec 2019	240,668	240,668	0	0	0
Total Eligible Own Funds to Meet the MCR at 31 Dec 2018	234,879	234,879	0	0	0

The Company maintains an efficient capital structure to meet its regulatory requirements. The Company is required to hold sufficient capital to cover 150% of the SCR. The SCR at 31 December 2019 was £151,020k. The Company's Own Funds at that date were £240,668k. This represents a solvency ratio of 159.36%.

E.1.3. ELIGIBLE OF OWN FUNDS TO MEET THE SOLVENCY CAPITAL REQUIREMENT

All of the Company's Own Funds are classified as Tier 1 and are eligible to meet the SCR.

E.1.4. ELIGIBLE OF OWN FUNDS TO MEET THE MINIMUM CAPITAL REQUIREMENT

All of the Company's Own Funds Tier 1 capital is eligible to meet both the Solvency II and Isle of Man MCRs.

Further information on the own funds is included in S.23.01.01 in Section F.

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1. SCR, MCR AND ISLE OF MAN MCR VALUES

The SCR at year-end 2019 was £151,020k. The MCR at year-end 2019 was £67,959k and the Isle of Man MCR was £53,432k. The calculations of the capital follow EIOPA's Standard Formula regime. The Directive 2009/138/EC and the Delegated Regulation (EU) 2015/35 describe the process to be followed by companies applying the Standard Formula approach, defined by EIOPA. The calculation of the Isle of Man MCR follows the Insurance and Valuations Regulations, 2018 of the Isle of Man.

The primary reason for changes in capital requirements from 2018 to 2019 is strong investment returns on policyholder portfolios compounded with better persistency experience leading to funds staying longer on the books.

SCR SCR and Isle of Man MCR Values

	31 December 2018 £'000	31 December 2019 £'000
Solvency Capital Requirement	139,826	151,020
Minimum Capital Requirement	62,922	67,959
Isle of Man Minimum Capital Requirement	52,097	53,432
Eligible Own Funds	234,879	240,668
Solvency Coverage Ratio	167.98%	159.36%
Minimum Solvency Coverage Ratio	373.29%	354.14%
Isle of Man Minimum Solvency Coverage Ratio	450.85%	450.42%

E.2.2. SCR BREAKDOWN

A summary of Company's SCR is provided below with further detail provided in S.25.01.21 in Section F.

SCR Breakdown

	31 December 2018 £'000	31 December 2019 £'000
Life Underwriting Risk	94,366	99,297
Market Risk	77,202	86,081
Counterparty Risk	5,060	5,930
Operational Risk	2,104	2,264
Diversification	(38,906)	(42,552)
Solvency Capital Requirement	**139,826**	**151,020**

Further information on UL's SCR is included in S.25.01.21 in Section F.

E.3. USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

This section is not applicable to UL.

E.4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

This section is not applicable to UL.

E.5. NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND SOLVENCY CAPITAL REQUIREMENT

UL has complied with the MCR and the SCR at all times.

E.6. ANY OTHER INFORMATION

No additional information required.

F. Quantitative Reporting Templates

F.1.S.02.01.02 BALANCE SHEET

		Solvency II Value
Assets		**C0010**
Goodwill	**R0010**	
Deferred acquisition costs	**R0020**	
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant and equipment held for own use	**R0060**	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	27,972,860
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	
Government Bonds	**R0140**	
Corporate Bonds	**R0150**	
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	10,922,507
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	17,050,353
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	10,158,558,655
Loans and mortgages	**R0230**	20,000,000
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	20,000,000
Reinsurance recoverables from:	**R0270**	220,660,725
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**	220,660,725
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	27,057,640

		Solvency II Value
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	3,700,168
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**	16,414,247
Any other assets, not elsewhere shown	**R0420**	
Total Assets	**R0500**	10,474,303,295
Liabilities		
Technical provisions – non-life	**R0510**	
Technical provisions – non-life (excluding health)	**R0520**	
Technical provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	
Risk margin	**R0550**	
Technical provisions - health (similar to non-life)	**R0560**	
Technical provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	
Risk margin	**R0590**	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
Technical provisions calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	
Technical provisions calculated as a whole	**R0660**	
Best Estimate	**R0670**	
Risk margin	**R0680**	
Technical provisions – index-linked and unit-linked	**R0690**	10,197,258,667
Technical provisions calculated as a whole	**R0700**	
Best Estimate	**R0710**	10,112,623,833
Risk margin	**R0720**	84,634,834
Other technical provisions	**R0730**	
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**	
Debts owed to credit institutions resident domestically	**ER0801**	
Debts owed to credit institutions resident in the euro area other than domestic	**ER0802**	
Debts owed to credit institutions resident in rest of the world	**ER0803**	

		Solvency II Value
Financial liabilities other than debts owed to credit institutions	**R0810**	
Debts owed to non-credit institutions	**ER0811**	
Debts owed to non-credit institutions resident domestically	**ER0812**	
Debts owed to non-credit institutions resident in the euro area other than domestic	**ER0813**	
Debts owed to non-credit institutions resident in rest of the world	**ER0814**	
Other financial liabilities (debt securities issued)	**ER0815**	
Insurance and intermediaries payables	**R0820**	33,176,523
Reinsurance payables	**R0830**	
Payables (trade, not insurance)	**R0840**	3,200,490
Subordinated liabilities	**R0850**	
Subordinated liabilities not in Basic Own Funds	**R0860**	
Subordinated liabilities in Basic Own Funds	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	
Total liabilities	**R0900**	10,233,635,679
Excess of assets over liabilities	**R1000**	240,667,616

F.2.S.05.01.02 PREMIUMS, CLAIMS AND EXPENSES BY LINE OF BUSINESS

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	**R1410**		415,000	385,852,604						385,852,604
Reinsurers' share	**R1420**		415,000	0						415,000
Net	**R1500**		0	385,852,604						385,852,604
Premiums earned										
Gross	**R1510**		415,000	385,852,604						385,852,604
Reinsurers' share	**R1520**		415,000	0						415,000
Net	**R1600**		0	385,852,604						385,852,604
Claims incurred										
Gross	**R1610**		8,709,000	581,076,435						589,785,435
Reinsurers' share	**R1620**		8,709,000	0						8,709,000
Net	**R1700**		0	581,076,435						581,076,435

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
Changes in other technical provisions										
Gross	**R1710**		23,011	1,017,276,511						1,017,299,522
Reinsurers' share	**R1720**		23,011	0						23,011
Net	**R1800**			1,017,276,511						1,017,276,511
Expenses incurred	**R1900**			40,156,651						40,156,651
Administrative expenses										
Gross	**R1910**									
Reinsurers' share	**R1920**									
Net	**R2000**									
Investment management expenses										
Gross	**R2010**			29,967,254						29,967,254
Reinsurers' share	**R2020**			0						0
Net	**R2100**			29,967,254						29,967,254
Claims management expenses										
Gross	**R2110**			378,060						378,060

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
Reinsurers' share	**R2120**			0						
Net	**R2200**			378,060						378,060
Acquisition expenses										
Gross	**R2210**			3,390,524						3,390,524
Reinsurers' share	**R2220**			0						0
Net	**R2300**			3,390,524						3,390,524
Overhead expenses										
Gross	**R2310**			6,420,814						6,420,814
Reinsurers' share	**R2320**			0						0
Net	**R2400**			6,420,814						6,420,814
Other expenses	**R2500**									
Total expenses	**R2600**									40,156,651
Total amount of surrenders	**R2700**			370,700,000						370,700,000

F.3.S.05.02.01 PREMIUMS, CLAIMS AND EXPENSES BY COUNTRY

		Home country	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)		Total for top 5 countries and home country (by amount of gross premiums written)
			IM	HK	SG				
		C0220	C0230	C0240	C0250	C0260	C0270		C0280
Premiums written									
Gross	**R1410**		380,917,863	5,193,461	156,280				386,267,604
Reinsurers' share	**R1420**		415,000	0	0				415,000
Net	**R1500**		380,502,863	5,193,461	156,280				385,852,604
Premiums earned									
Gross	**R1510**		380,917,863	5,193,461	156,280				386,267,604
Reinsurers' share	**R1520**		415,000	0	0				415,000
Net	**R1600**		380,502,863	5,193,461	156,280				385,852,604
Claims incurred									
Gross	**R1610**		550,037,881	37,694,333	2,053,220				589,785,434
Reinsurers' share	**R1620**		8,709,000	0	0				8,709,000
Net	**R1700**		541,328,881	37,694,333	2,053,220				581,076,434
Changes in other technical provisions									
Gross	**R1710**		1,026,887,679	-9,740,587	152,431				1,017,299,522
Reinsurers' share	**R1720**		23,011	0	0				23,011
Net	**R1800**		1,026,864,668	-9,740,587	152,431				1,017,276,511
Expenses incurred	**R1900**		39,605,132	535,408	16,111				40,156,651
Other expenses	**R2500**								
Total expenses	**R2600**								40,156,651

F.4.S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS

		Index-linked and unit-linked insurance			Other life insurance			Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)		Total (Health similar to life insurance)
			Contracts without options and guarantees	Contracts with options		Contracts without options and guarantees	Contracts with options or guarantees			Contracts without options and guarantees	
		C0030	C0040	C0050	C0060	C0070	C0080	C0150	C0160	C0170	C0210
Technical provisions calculated as a whole	**R0010**										
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**										
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	**R0030**		9,981,621,645		131,002,187			10,112,623,833			
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	**R0040**										
Recoverables from reinsurance (except SPV and Finite Re)	**R0050**										

		Index-linked and unit-linked insurance			Other life insurance				Health insurance (direct business)		
			Contracts without options and guarantees	Contracts options		Contracts without options and guarantees	Contracts with options or guarantees	Total (Life other than health insurance, incl. Unit-Linked)		Contracts without options and guarantees	Total (Health similar to life insurance)
before adjustment for expected losses											
Recoverables from SPV before adjustment for expected losses	**R0060**										
Recoverables from Finite Re before adjustment for expected losses	**R0070**										
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 Finite Re	**R0090**		9,981,621,645		131,002,187			10,112,623,833			
Risk Margin	**R0100**	84,634,834									
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	**R0110**										
Best estimate	**R0120**										
Risk margin	**R0130**										

		Index-linked and unit-linked insurance			Other life insurance			Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)		Total (Health similar to life insurance)
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			Contracts without options and guarantees	
Technical provisions - total	**R0200**	10,197,258,667									
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0210**	10,197,258,667									
Best Estimate of products with a surrender option	**R0220**										
Gross BE for Cash flow											
Cash out-flows											
Future guaranteed and discretionary benefits	**R0230**										
Future guaranteed benefits	**R0240**										
Future discretionary benefits	**R0250**										
Future expenses and other cash out-flows	**R0260**										
Cash in-flows											
Future premiums	**R0270**										
Other cash in-flows	**R0280**										
Percentage of gross Best Estimate calculated using approximations	**R0290**										

		Index-linked and unit-linked insurance			Other life insurance			Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)		Total (Health similar to life insurance)
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			Contracts without options and guarantees	
Surrender value	**R0300**										
Best estimate subject to transitional of the interest rate	**R0310**										
Technical provisions without transitional on interest rate	**R0320**										
Best estimate subject to volatility adjustment	**R0330**										
Technical provisions without volatility adjustment and without others transitional measures	**R0340**										
Best estimate subject to matching adjustment	**R0350**										
Technical provisions without matching adjustment and without all the others	**R0360**										
Gross TP Amount calculated using simplified methods	**RTT01**										

F.5.S.23.01.01 OWN FUNDS

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	23,380,000	23,380,000			
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**	217,287,616	217,287,616			
Subordinated liabilities	**R0140**					
An amount equal to the value of net deferred tax assets	**R0160**					
Other own fund items approved by the 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**					

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Deductions						
Deductions for participations in financial and credit institutions	**R0230**					
Total basic own funds after deductions	**R0290**	240,667,616	240,667,616			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**					
Unpaid and uncalled preference shares callable on demand	**R0320**					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**					
Other ancillary own funds	**R0390**					
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	240,667,616	240,667,616			

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Total available own funds to meet the MCR	**R0510**	240,667,616	240,667,616			
Total eligible own funds to meet the SCR	**R0540**	240,667,616	240,667,616			
Total eligible own funds to meet the MCR	**R0550**	240,667,616	240,667,616			
SCR	**R0580**	151,019,768				
MCR	**R0600**	67,958,896				
Ratio of Eligible own funds to SCR	**R0620**	1.5936				
Ratio of Eligible own funds to MCR	**R0640**	3.5414				
Reconciliation reserve						
		C0060				
Reconciliation reserve		C0060				
Excess of assets over liabilities	**R0700**	240,667,616				
Own shares (held directly and indirectly)	**R0710**					
Foreseeable dividends, distributions and charges	**R0720**					
Other basic own fund items	**R0730**	23,380,000				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**					
Reconciliation reserve	**R0760**	217,287,616				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	0				
Expected profits included in future premiums (EPIFP) - Non-life business	**R0780**					
Total Expected profits included in future premiums (EPIFP)	**R0790**	0				

F.6.S.25.01.21 SOLVENCY CAPITAL REQUIREMENT – STANDARD FORMULA

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
Market risk	R0010	86,080,597	86,080,597	
Counterparty default risk	R0020	5,930,319	5,930,319	
Life underwriting risk	R0030	99,297,182	99,297,182	
Health underwriting risk	R0040			
Non-life underwriting risk	R0050			
Diversification	R0060	-42,551,844	-42,551,844	
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	**R0100**	148,756,255	148,756,255	
Calculation of Solvency Capital Requirement				
		Value		
		C0100		
Adjustment due to RFF/MAP nSCR aggregation	R0120			
Operational risk	R0130	2,263,513		
Loss-absorbing capacity of technical provisions	R0140			
Loss-absorbing capacity of deferred taxes	R0150			
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160			
Solvency Capital Requirement excluding capital add-on	**R0200**	151,019,768		
Capital add-on already set	R0210			
Solvency capital requirement	R0220	151,019,768		
Other information on SCR				

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
Capital requirement for duration-based equity risk sub-module	**R0400**			
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	151,019,768		
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**			
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	**R0430**			
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**			
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation (*)	**R0450**	4 – No adjustment	* 1 - Full recalculation 2 - Simplification at risk sub-module level 3 - Simplification at risk module level 4 - No adjustment	
Net future discretionary benefits	**R0460**			

F.7.S.28.01.01 LINEAR FORMULA COMPONENT FOR LIFE INSURANCE AND REINSURANCE OBLIGATIONS

Linear formula component for non-life insurance and reinsurance obligations		MCR components	
		C0010	
MCRNL Result	R0010		
Background information		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
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		
Linear formula component for life insurance and reinsurance obligations		C0040	
MCRL Result	R0200	72,654,116	

Total capital at risk for all life (re)insurance obligations		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	**R0210**		
Obligations with profit participation - future discretionary benefits	**R0220**		
Index-linked and unit-linked insurance obligations	**R0230**	10,158,558,655	
Other life (re)insurance and health (re)insurance obligations	**R0240**	220,600,725	
Total capital at risk for all life (re)insurance obligations	**R0250**		
Overall MCR calculation		**C0070**	
Linear MCR	**R0300**	72,654,116	
SCR	**R0310**	151,019,768	
MCR cap	**R0320**	67,958,896	
MCR floor	**R0330**	37,754,942	
Combined MCR	**R0340**	67,958,896	
Absolute floor of the MCR	**R0350**	3,200,000	
Minimum Capital Requirement	**R0400**	67,958,896	