Utmost Worldwide Limited, Head of Actuarial Function Report

6 May 2022

1. INTRODUCTION

I have been asked as Head of Actuarial Function of Utmost Worldwide Limited ("UW") to comment on a Section 44 (Insurance Business Law 2002) scheme by which it is proposed to transfer a small amount of business from Utmost Worldwide Limited ("UW") to Utmost PanEurope dac ("UPE") (the "Guernsey Primary Scheme"). This transfer is being carried out at the same time as a Section 13 transfer in Ireland of all of the business of Quilter International Ireland Dac ("QIID") to UPE.

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

I am advised that to give full effect to the transfer of the QIID policies under the Section 13 Irish scheme, additional schemes will be required in Ireland and Guernsey and that these will come into effect at, or shortly after the same time as the Irish Scheme (the "Guernsey Parallel Scheme"). Further, I am advised that to give effect to the transfer of the small number of policies from UW to UPE a further Scheme is required in Guernsey ("the Guernsey Primary Scheme"). The parallel Scheme is conditional on the Irish Scheme, the Guernsey Primary Scheme is not. In this report, the term "Schemes" is used to refer to the Irish Scheme (which is the legal document outlining the terms for, and giving effect to, the proposed transfer), the Guernsey Parallel Scheme and the Guernsey Primary Scheme. The Guernsey Parallel Scheme will involve QIID as transferor and UPE as transferee. The Guernsey Primary Scheme will involve UW as the transferor and UPE as the transferee.

It has become general practice for the Independent Actuary report to be accompanied by reports from the Heads of Actuarial Function ("HoAF") of both the transferring entities (which are called the transferors) and the receiving entity (the transferee).

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

The documents and other information that I have relied upon in preparing this report are set out in the Appendix. This report is based on information available to me at, or prior to 6 May 2022.

I am a Fellow Member of the Institute and Faculty of Actuaries in the UK having qualified in 2001. I have been the Appointed Actuary and Head of Actuarial Function of UW since November 2003.

I am an employee of UW. My staff pension plan is invested in UW's fund range that is offered to UW employees, otherwise I have no UW or UPE insurance policies nor personal investments in the Utmost Group plc or any company within it.

Having considered the impact of the proposed Schemes, it is my opinion that the Schemes will have no material impact on the security or benefit expectations of neither the existing UW policyholders nor the small number of transferring policyholders.

2. BACKGROUND TO THE SCHEMES AND THE RELATED INSURANCE COMPANIES

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

In July 2016, the business that is now UG acquired the Ireland based life insurance businesses of Aviva, Aviva Life International Limited, subsequently renamed to Utmost Ireland dac ("UI").

Harcourt Life Ireland dac ("HLI") was, until November 2017, named Scottish Mutual International dac ("SMI"). HLI was made up of several entities that were acquired by UG over the period March 2015 to March 2017, namely:

- Harcourt Life Assurance dac ("HLA"), acquired in March 2015,
- Scottish Mutual International dac, acquired in December 2015,
- Augura Life Ireland dac ("ALI"), acquired in November 2016, and
- Union Heritage Life Assurance Company dac ("UHL"), acquired in March 2017.

These entities came together on 31 March 2018 when the businesses of HLA, ALI and UHL were transferred, via a scheme of transfer, into HLI.

UPE was acquired from Generali by UG on 19 June 2018. UW was acquired from Generali by UG on 28 February 2019.UI and HLI were transferred, via another scheme of transfer, to UPE with effect from 31 October 2019.

In November 2021, the Utmost group acquired the international business segment of Quilter group. The acquisition of Quilter International Holdings Limited and Quilter International Ireland DAC (QIID) by Utmost Holdings Isle of Man Limited completed on 30 November 2021. As part of a subsequent business reorganisation within the Utmost group, QIID was then acquired by UPE.

There is a proposed transfer of QIID into UPE, in accordance with the consolidation strategy of UG.

This proposal is to transfer a small book of specific policies, the "Dutch Policies", from Utmost Worldwide Limited ("UW") to UPE, in conjunction with the proposed transfer of QIID into UPE. This proposal is a result of the Dutch regulator, the DNB, requiring all third country insurance companies (e.g UW) to run-off their positions over a period of 2 years from 2021.

The transfer of the Dutch policies will be achieved by Court approval Guernsey. There will be a Scheme to transfer the Dutch policies to UPE and further Schemes in Ireland and Guernsey to transfer the QIID policies to UPE. The Schemes will take effect on the same date which is anticipated to be a month end in the third quarter of 2022.

A waiver will be sought to remove the requirement under Guernsey law to write to the non-transferring UW policyholders. The transferring policyholders will be written to, concurrently with all other transferring QIID policyholders, with an explanation as to why the transfer is required.

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

UTMOST WORLDWIDE

UW is a life insurance company based in Guernsey. UW is made up of an Amalgamation of Generali International Ltd ("GIL") and Generali Worldwide Insurance Company Limited ("GWICL"). The Amalgamation was akin to an Insurance Business Transfer, but under Guernsey law. The Amalgamation took place on 11 December 2015.

GIL wrote unit linked savings contracts and portfolio bonds to individual expatriates globally. GWICL wrote group protection contracts and retirement and savings contracts to multinational corporations globally.

UW was acquired by UG on 28 February 2019.

UW continues to write group protection, group savings, unit linked savings and portfolio bonds, as well as top-ups on existing contracts.

The Dutch Policies are policies where:

- The policyholder (or one of, if more than one person) was a resident of the Netherlands at the time of the application; and
- The policyholder is still recorded as resident or tax resident in the Netherlands.

This definition excludes policies that were signed in the Netherlands but the policyholders are no longer resident in the Netherlands and any policyholders that now reside in the Netherlands but signed their contracts elsewhere.

UW have confirmed with their internal legal team that this is the correct interpretation of the regulatory change in Guernsey and that the approach proposed in this note does achieve the desired effect.

Under the proposed Guernsey Scheme only the Dutch polices of UW will transfer to UPE.

UTMOST PANEUROPE DAC

UPE was incorporated in October 1999 and began trading as Generali PanEurope Ltd in October 2001. UPE is authorised by the CBI to transact life assurance business in Ireland and in the European Union under the Third Life Directive.

Up until February 2018, UPE's business was made up of four business lines:

- Wealth Protection – sold mainly in Italy and continental Europe, insurance solutions that are aligned to local fiscal and regulatory laws but tailored to meet the unique and exacting requirements of ultra-high-net-worth clients. These products are distributed through UPE's pan-European network of Private Banking relationships,
- Group Risk business – sold to both domestic and multinational companies in Ireland and also to companies in continental Europe, providing employee benefits to corporate entities,
- Investment Planning – again sold mainly into continental Europe, providing individuals with flexible products for medium to long term financial planning, and
- Up until 28 February 2018, the Generali Group reinsured its Italian and German variable annuity business into UPE. On 28 February 2018, the main treaty with Generali was cancelled and on 1 March 2018 UPE transferred the liabilities under its Italian reinsurance treaty back to Generali. For practical reasons the German reinsurance treaty remains in place but on 1 March 2018 a back-to-back treaty

was put in place with Generali Personenversicherungen, effectively passing the entire risk back to the Generali group.

On 18 December 2017, Assicurazioni Generali announced that it had entered into an agreement with UG to sell its entire shareholding in the Company. The transaction through which UG purchased UPE became effective on 19 June 2018.

As mentioned above, UPE subsequently transferred in the books of UI and HLI with effect from 31 October 2019. These entities are considered below.

UTMOST IRELAND DAC

UI was incorporated as a life insurance company in 1999 and regulated in Ireland by the Central Bank of Ireland ("CBI"). UI was initially known as Norwich Union International Ltd up until 2009 when it was rebranded Aviva Life International Limited.

At the end of June 2017, UI received through a scheme of transfer a book of overseas bonds from AXA Life Europe ("ALE"). These overseas bonds were written to UK nationals residing in the UK. The incoming ALE book was open to further sales and UI continued to write new policies of this type in the UK.

At the end of December 2018, UI received a further block of overseas bonds through another scheme from Athora Ireland plc (formerly Aegon Ireland plc). These bonds were also written, mainly, to UK nationals resident in the UK.

HARCOURT LIFE IRELAND DAC

As mentioned above, HLI was made up of the combined books of HLA, UHL and ALI that were transferred into HLI.

HLI, formerly Scottish Mutual International Ltd, began trading in December 1999. It initially sold international products geared towards international corporate clients, private (high net worth) individuals and trustee clients. It subsequently expanded into the Irish domestic market with a range of term assurance, pension and savings products. Both unit linked and with profits products were offered. In 2003 SMI closed to new business both the international and domestic with profits products. In January 2004, this closure was extended across the whole book. UG acquired SMI from Phoenix Life Limited in December 2015.

UHL was incorporated in January 2011 and became authorised by the CBI to write business on October 2011. UHL commenced writing policies in August 2012, writing protection and risk business policies. In February 2015, UHL discontinued actively marketing and selling insurance policies. UG acquired UHL from American Income Life Insurance Company, part of the Torchmark Corporation group in the USA in March 2017.

ALI, formerly known as The Combined Life Assurance Company of Europe, was originally established in 1984 selling traditional non profit whole of life assurance, unit linked life and unit linked pensions business to customers in Ireland. ALI ceased writing new business in 2004 and operated as a closed book for many years. ALI was purchased by NPG Wealth Management group (Onelife Group) in September 2009. ALI subsequently in 2011 re-opened to new business selling unit linked and portfolio bonds into Sweden and Norway. In 2014, a scheme transferred a block of unit linked and portfolio bonds business from a fellow subsidiary based in Gibraltar, PEL Altraplan (Gibraltar) PCC Ltd. By the end of 2015 ALI ceased attempts to recommence writing new business. UG acquired ALI from OneLife Group in November 2016.

HLA, formerly known as the IBRC Assurance Company, commenced trading as part of the Anglo-Irish Bank Group in January 2001. HLA wrote wealth management business; a range of unit linked investment and pensions products. The products consisted mainly of personal and collective portfolio bond products. These portfolio bonds included investments in property, bond, equity and cash assets though focused extensively on the acquisition and unitisation of properties and property portfolios aimed at high net worth clients. Many of these property investments contained elements of gearing. The last significant collective fund was launched in 2007 and HLA closed to new business and put into run-off in 2011. Its business plan envisaged the orderly sale of properties and, apart from a small number of remaining properties, this process is substantially complete. UG acquired HLA in March 2015 from Anglo-Irish Bank Group.

Under the proposed Schemes the QIID business and the Dutch policies will transfer into UPE as set out above.

3. INFORMATION ON UTMOST WORLDWIDE LIMITED

HISTORY OF UW

UW is a life insurance company based in Guernsey. UW is made up of an Amalgamation of Generali International Ltd ("GIL") and Generali Worldwide Insurance Company Limited ("GWICL"). The Amalgamation was akin to an Insurance Business Transfer, but under Guernsey law. The Amalgamation took place on 11 December 2015.

GIL wrote unit linked savings contracts and portfolio bonds to individual expatriates globally. GWICL wrote group protection contracts and retirement and savings contracts to multinational corporations globally.

UW was acquired by Utmost on 28 February 2019.

UW continues to write group protection, group savings, unit linked savings and portfolio bonds, as well as top-ups on existing contracts.

UW'S PRODUCT LINES AND MATERIAL CONTRACTS

The following table shows the policy count and funds at 31.12.2021 split by product:

UW Business by product at 31.12.2021	**Policy count**	**Funds under management £m**
Vision	44,091	1,717
Focus	142	2
Legacy Unit Linked	4,337	206
Portfolio Bonds	3,798	1,349
Group Life & Disability	1,255	
Group Retirement & Savings, Momentum and individual legacy	753	506
Annuities	1,565	
Total gross of reinsurance	**55,941**	**3,780**

Table 3.1.1

The main product by policy count is Vision. These are unit linked savings policies for individuals that are mainly regular premium plans. All of the proposed transferring policies are Vision or its predecessor product Pension Plus.

In addition, UW has a closed portfolio of non-life business in run-off, comprising health insurance and a commercial non-life insurance contract. The health insurance run-off is due to complete in 2022 and is 100% reinsured to Assicurazioni Generali. The commercial non-life contract relates to employers liability and other risks, and has a fully funded aggregate of $123m, and any excess risk up to $170m is reinsured 90% under a stop loss arrangement with Assicurazioni Generali.

The majority of Group Life and Disability risk (80%) is reassured to Assicurazioni Generali.

None of the policies provide investment guarantees other than Deposit Administration fund option under the Group Retirement & Savings plans and a continuation option version for individuals known as Momentum. This fund is backed by high quality corporate bonds and the risk of failing to meet guarantees from the underlying funds is remote. This fund also provides a no-MVA on death benefit.

A small number of Vision and legacy unit linked products offer additional death benefits, but there are few of these cases still in-force, and none are part of the proposed transfer. Additionally waiver of premium rider options were offered for Vision, and one of the transferring policies has this option. None of the other savings contracts offer death or insurance benefits.

PROFILE OF TRANSFERRING INSURANCE PORTFOLIO

This section considers only the transferring policies.

At the end of 2021, UW had the following mix that potentially make up the “Dutch Policies” in-force:

Product	Count	Fund Value (£m)
Capital Choice	1	.02
FlexiSaver	1	.01
International Investment Bond	1	.05
Pension Plus	2	.17
Professional Portfolio	1	.22
Single Premium Pension Plus	1	.01
Ten Plus Plan	1	.05
Vision 2006	90	3.71
Vision 2010	136	7.15
Total	**234**	11.38

Table 3.1.2

Nearly all of the c250 policies are from the Vision product. These are unit linked savings policies for individuals that are mainly regular premium plans.

The Vision product is a unit linked whole of life product aimed at mass expatriates. This product offers guided architecture investments with a wide range of external and internal funds. On death 101% of the full investment value is payable, which comprises both the fund value (surrender value) and any remaining administration fees over the premium payment term. Whilst a small number of Vision products offered additional death benefits, there are few of these still in-force, and none are part of the proposed transfer. Additionally, Vision products offered a waiver of premium rider option, and one of the transferring policies has this option.

GOVERNANCE

All existing investment options will be available to the policyholders, which will remain under governance of the UW, including pricing and purchase/sale of units. There is already a Unit Linked Investment Committee in place that includes joint representation from UW and UPE. Based on the reinsurance arrangement to UW, UW shall elect to match reinsurance (and, in turn, policyholder liabilities) based on its existing fund range, retaining control over the funds related to the transferring policies. UPE shall not be required to hold any fund assets based on the reinsurance arrangement detailed further below, where UW shall hold relevant fund assets to match liabilities under the reinsurance arrangement.

Only unit linked (guided architecture) fund assets are relevant to the transferring policyholders as there will be no Portfolio Bond (open architecture) assets involved in the Scheme (see above under "The Dutch Policies").

ADMINISTRATION

None of the administration arrangements for the transferred policies will change as a result of the Schemes. The policies will continue to be administered by UW in Guernsey on the current administration platforms (Life400 / Eclipse). As part of a reinsurance agreement, UPE will pay a fee to UW which equates to the charges deducted from the transferring policies. UPE's liability to UW will be settled by UW retaining charges paid by the transferring policyholders without any onward payment of these charges to UPE.

The header, address and registration details for statements in respect of the transferred policies will be updated to reflect UPE, as the underwriting company. The transferred policies shall also be identified within the administration platforms (via a flag, region code or similar) to allow ease of identification for accounting purposes, in turn allowing provision of necessary data to UPE for Financial and Actuarial reporting purposes.

The services provided by UW to UPE in respect of the transferred policies shall be documented within existing intercompany outsourcing governance arrangements.

POLICYHOLDER BENEFITS AND CHARGES

None of the policyholder benefits will change as a result of the Schemes. Policy charges will continue to be set in Guernsey by the UW Head of Actuarial Function (by way of recommendation to the UPE Board via the UPE Head of Actuarial Function) and will equate to charges on equivalent non-transferring UW policies. No changes to the Policy charges are anticipated.

CAPITAL POSITION

Table 3.4.1 below sets out the capital position, under the EU Solvency Directive 2009/138/EC Standard Formula basis ("SII SF"), of UW. UW Capital Position on SII SF basis:

Solvency Position £m	UW at 31.12.2021
Own Funds	333.9
Solvency Capital	189.5
Excess	144.4
Solvency Capital Coverage	176%

Table 3.4.1

CAPITAL POLICY

UW has also adopted the same capital policies as the majority of the rest of the Utmost businesses whereby it aims to always cover at least 135% of the Solvency II capital requirements and maintain a solvency capital ratio of at least 150% immediately after the payment of any dividend.

RISK PROFILE

The Company's risk profile can be measured in terms of its SII capital requirement SCR. UW's overall SCR is equal to the sum of the Ring-Fenced Funds (i.e. the Deposit Administration funds) SCR plus the Remaining Part (i.e. everything else other than the Deposit Administration funds) SCR. The following table sets out the capital requirement as measured under the SII SF as at 31.12.2021.

Capital Requirement (SII SCR) £m	UW Standalone 31.12.2021		
	Remaining Part	Ring Fenced Fund	Company
Equity risk	96.1	0	
Property risk	0.7	0	
Interest rate risk	0	6.7	
Spread risk	14	5.3	
Currency risk	36.6	0	
Concentration risk	0	0.3	
Div within market risk	*-25.2*	*-3.5*	
Market risk	**122.2**	**8.7**	
Counterparty default risk	**5**	**0**	
Mortality risk	0.8	0	
Longevity risk	9.8	0	
Morbidity risk	0	0	
Lapse risk	61.1	0	
Expense risk	28.5	0	
Life catastrophe risk	1.9	0	
Div within life risk	*-19*	*0*	
Life underwriting risk	**83.2**	**0**	
Health SLT[1] risk	0.6	0	
Health NSLT[2] risk	0	0	
Health catastrophe risk	13.8	0	
Div within health risk	*-0.4*	*0*	
Health underwriting risk	**14.0**	**0**	
Premium and reserve risk	15.9	0	
Lapse risk	0	0	
Non-life catastrophe risk	2.6	0	
Div within non-life risk	*-1.8*	*0*	
Non-life underwriting risk	**16.8**	**0**	
Intangible risk	0	0	
BSCR[3] pre div	**241.2**	**8.7**	
Div across risks	*-66.4*	*0*	
BSCR post div	**174.7**	**8.7**	
Operational risk	9.1	0	
Deferred taxes	-3.1	0	
SCR	**180.7**	**8.7**	**189.5**

Table 3.6.1

[1] Health Similar to Life Techniques (relates to the Company's group disability business)

[2] Health Not Similar to Life Techniques (relates to the Company's group medical business)

[3] Basic Solvency Capital Requirement

The equity capital charge of £96.1m is UW's most material capital charge. The UW business is made up of mainly unit linked policies where the income to UW is represented by a mixture of fixed amount charges and charges based on a percentage of the value of the unit funds. This means that the income to UW is exposed to the movements in the value of these funds.

The currency capital charge is determined based on foreign currency exposures relative to GBP, UW's reporting currency. The following table provides a split of the result by currency and line of business.

Currency Risk £m	Net Position 31.12.2021	Shareholder	Annuity	Protection	Unit Linked	Deposit Admin	Non-Life	Total
EUR	Long	7.5	0.2	0.6	-5.3	0.1	0	3.1
USD	Long	5.3	1.2	1.2	23.2	0.1	-10.8	20.2
CHF	Long	0.7	0	0.2	0.6	0	0	1.5
JPY	Long	0.2	0	0	1.6	0	0	1.8
Other	Long	0.2	0	0	9.8	0	0	10.0
Total		13.9	1.4	2.0	29.9	0.2	-10.8	36.6

Table 3.6.2

UW's expenses are incurred mainly in Sterling and Euro, and to a lesser extent in currencies pegged to US Dollars. The most prevalent policy currency is US Dollars but with significant portions in Euro and Sterling, amongst a range of other currencies. There are material long positions in USD (and USD pegged currencies) as well as "other" currencies (representing all other foreign currencies). The majority of the currency capital charge relates to the unit linked business and represents the mismatch of future income (denominated in a wide range of global currencies, but notably US Dollars) compared to future expenses incurred.

The overall life underwriting capital charge of £83.2m is the second largest capital charge. Lapse risk is the most material risk, with mass lapse the most onerous lapse scenario, due to the potential loss in future income stream.

UW incurs operational and other expenses in administering the contracts through to claim, including the expenses incurred with third party outsourcers. The risk of expenses being higher than expected is reflected in the capital requirement.

The health underwriting capital charge relates to group protection disability business, almost entirely in respect of the health catastrophe risk which in turn is dominated by the 'accident concentration' scenario, with the charge reflecting the known concentration of insured lives.

The scope of the non-life underwriting risk module is restricted to a commercial non-life contract which is in run-off. UW has in place a stop loss treaty with Assicurazioni Generali covering aggregate losses, whilst this mitigates risk it does not significantly reduce the non-life capital charge.

4. INFORMATION ON OTHER COMPANIES INCLUDED IN THE SCHEMES

HISTORY AND BACKGROUND

UTMOST PANEUROPE DAC ("UPE")

UPE was incorporated in 1999 and commenced writing cross border life assurance contracts to pan-European jurisdictions e.g. Italy, in April 2003. In May 2006 it extended its product range to include Employee Benefits. UPE underwrote the Generali Groups VA business in Europe, reinsuring it within Generali PanEurope on behalf of the group, Assicurazioni Generali S.p.A.

Subsequently, UPE acquired both UI and HLI on 15 August 2018 and these businesses were transferred to UPE via a scheme of transfer on 31 October 2019.

UI was incorporated in 1999. Initially UI wrote business across Europe, but in 2002 the decision was made to focus on UK offshore life assurance bonds. Of the European business, only a few Italian bonds remain. The bonds are all Unit Linked life assurance bonds with a wide range of investments, including from 2003 links to Aviva Life UK's With Profits funds. In February 2010, UI closed to new business ceasing to accept new contracts but accepting single premium "top ups" on some of its products. In 2017 around 700 policies were acquired from ALE and transferred into UI. The ex-ALE products remain open to new business. The overseas bonds portfolio (OSB) UI acquired from Athora Ireland dac in 2018 comprised unit linked policies concluded in the United Kingdom but with some policies held by persons resident in the Channel Islands (Jersey and Guernsey).

HLI began trading in December 1995. It initially sold international products geared towards international corporate, private (high net worth) individuals and trustee clients. HLI subsequently expanded into the Irish domestic market with a range of term assurance, pension and savings products. Both unit linked and with profits products were offered. Over the years HLI changed ownership in various transactions before becoming part of what is now the Utmost Ireland Holdings group in December 2015. HLI closed both the international and domestic with profits products to new business in 2003. In January 2004, this closure was extended across the whole book of business. ALI, HLA and UHL were transferred into HLI by way of a Section 13 scheme at the end of March 2018:

- ALI wrote unit linked life and pensions business and non linked non profit whole of life policies in Ireland from 1984 until 2004. In 2011, under new ownership, it commenced writing new business, selling unit linked bonds in Sweden and Norway. In 2014, ALI received by way of insurance business transfer a block of bonds from PEL Altraplan (Gibraltar) PCC Ltd.

- HLA wrote wealth management business; a range of unit linked investment and pension products sold from 2001 that focused extensively on the acquisition and unitisation of properties and property portfolios. The last significant collective property fund was launched in 2007. The property funds were highly geared, amplifying the effects of the Irish property market crash. Consequently, the company was closed to new business and entered run-off from 2011.

- UHL wrote life assurance business in Ireland from 2012, primarily writing protection or risk business policies. In February 2015, UHL discontinued activities to market and sell insurance policies.

UPE is currently a subsidiary of Utmost Holdings Ireland Limited ("UHIL") and owns 100% of the share capital of QIID. UPE was acquired from Generali by UG on 19 June 2018. UPE acquired QIID as part of the business reorganisation that followed the completion of the Utmost Holdings Isle of Man Limited acquisition of Quilter

International from Quilter Plc on 30 November 2021. UPE's Solvency 2 balance sheet includes the Own Funds of QIID and an allowance for risk of 20% of these Own Funds is included in the UPE's SCR calculation.

QUILTER INTERNATIONAL IRELAND DAC ("QIID")

QIID was initially incorporated as Royal & SunAlliance EuroLife Limited on 14 July 1999 and changed to its current name in 2003 to Skandia Life Ireland Limited ("SLIL") following a change of ownership.

The principal activity of SLIL was the transaction of international life assurance business, offering unit linked life assurance products in a range of EEA and non-EEA markets. In 2011, within the EEA, the company sold business in a number of countries, predominantly Belgium, Cyprus, Spain, Sweden and the UK (all sales taking place on a cross-border basis under the "freedom to provide services" provisions of the relevant EU Directive, as implemented in Irish insurance regulation); non-EEA sales in 2011 were confined to Guernsey and Switzerland.

In 2012 a small book of business was transferred within the Old Mutual Group from OMII to SLIL. OMII had been closed to new business since 1999 (but continued to accept additional premiums on existing policies). Prior to that date it underwrote unit linked life assurance contracts in a range of EEA and non-EEA countries, with benefits linked to the performance of one or more internal linked funds operated by OMII.

The Old Mutual Group subsequently listed and rebranded its wealth management businesses, including OMIIL, as Quilter Plc in 2018. The company that had been OMIIL was then renamed as QIID on 17 February 2020. QIID is a pure unit linked business, with no material investment guarantees, consisting of two business lines:

- Portfolio bonds – These are single premium, open architecture products with a variety of charging structures, and make up the majority of the in-force book and new business written by the business. The bonds are offered on a cross-border basis in the jurisdictions listed above.
- Unit linked products - The business also has a very small book of unit linked products utilising the Company's internal fund offering. This book is entirely closed to new business and the internal fund offering continues to be rationalised as the book contracts.

QIID continues to offer unit linked products, in the form of portfolio bonds, in a range of EEA and non-EEA markets. QIID's primary markets by geographical region are UK, Sweden, Spain, Cyprus, Malta, Belgium, Luxembourg, France and the British Virgin Islands.

PRODUCTS

UPE

At the end of 2021, UPE had the following mix of policies in-force:

Book of Business	Policies in Force	Funds under Management (€m)
Wealth Protection	2,814	12,619
Investment Planning Bond	960	237
Vision	23,970	521
Employee Benefits	967	0
Non-Profit	324	0
Unit-Linked	15,181	7,115
	44,216	20,492

Table 4.2.1

Further details on UPE individual legacy products are given below:

- Wealth Protection ("UPE WP") is a unit linked, single premium, whole of life assurance savings bond marketed to ultra-high-net worth individuals across Europe, mainly resident in Italy.
- Investment Planning Bond ("UPE IPB") is a unit linked, single premium, whole of life or term assurance savings bond marketed across Europe.
- Vision is a unit linked, mainly regular premium, whole of life savings plan, marketed across Europe, but mainly to residents in Finland.
- Employee Benefits which provide life cover, income protection and critical illness benefits to employees of domestic Irish and multi-national corporations.
- Non-Profit business is comprised of a small legacy portfolio.
- Unit-Linked, a block of single premium investment products transferred as part of the scheme in 2020. It includes a component of with-profits, largely reinsured to Aviva funds.

UPE WEALTH PROTECTION

The UPE WP business has a very high average case size with a minimum premium of typically, £0.5m and minimum additional premiums of £50k. Partial withdrawals are allowed provided the fund does not fall below £250k, though UPE may apply discretion to allow smaller cases. Typically policies have no fixed term and there are surrender penalties for surrender during the first 2 years. There are no guarantees in relation to investment performance and customers can select from a range of investment strategies based on their investment needs. Policies can be written in different currencies, GBP, Euro, US dollar or Swiss franc, and policyholders are warned that their investments may be subject to currency fluctuations.

UPE WP policyholder investments are managed by one of many portfolio managers that have been pre-selected by UPE to offer investment funds to its policyholders. UPE offer policyholders the choice of a standard investment strategy or the investment strategy of one of the pre-selected portfolio managers.

UPE WP policies include a death benefit that is immaterial on most policies (referred to as the Standard Death Benefits). The death benefits range from 0.1% to 5% of fund value depending on policyholder age on policies written in Italy. The death benefit is £1000 on policies written in the UK. Overall the mortality exposure is not material for UPE.

UPE offers additional death benefit options in addition to the Standard Death Benefit. These are the Enhanced Death Benefit and the Minimum Death Benefits. The Minimum Death Benefit is expressed as a proportion of the original premium and therefore the amount of benefit depends on market performance of the underlying investments. The Enhanced Death Benefit is a fixed additional amount. Both are underwritten at inception. UPE does not have reinsurance cover for these benefits, other than typically on the historical benefits relating to periods prior to November 2021. However, at the end of Q2 2021 the total exposure to these additional benefits amounted to €1.2m over 36 lives with the maximum exposure to any one individual of just over €0.5m.

UPE WP administration charges are expressed as a percentage of the higher of the premium or the value of the policy. An early surrender charge, expressed as a percentage of the value of the fund, is deducted in the policy surrenders in the first 2 years. Some policies have a fixed administration and/or surrender charge. Portfolio fund manager charges vary according to the portfolio manager and are also deducted from the fund. Investments suffer other direct charges as well, for example trading charges and banking charges. UPE reserve the right to amend charge levels, the basis of charges or the minimum level of charges subject to having a valid reason and prior notification of affected policyholders.

Adviser charges are deducted as agreed by the policyholder and can be recurring or one-off and may be fixed amounts or expressed as a percentage of the value of the fund.

INVESTMENT PLANNING BONDS

Minimum initial investment size for UPE IPB bonds is typically €100,000 with minimum additional premiums of €5,000.

UPE IPB policies may have a fixed term or may be whole of life. On death of the life assured the value of the policy is paid with no enhancements. For term basis polices, if the life assured survives the fixed term then the fund value is paid on this maturity date. Otherwise, the fund value is either paid on death or on full surrender. Up to six lives assured may be selected and there are a range of options for when the death benefit becomes payable (e.g. single life, first life and last life). Benefits are paid to the nominated beneficiary. Beneficiaries may, by default, elect to extend any maturity date by 12 months.

UPE IPB may be written in one of four currencies: euro, Swiss franc, US Dollar or GBP. Policyholders take the currency risk. Policyholders may select an investment strategy pre-approved by UPE. UPE set up a dedicated fund and appoint a fund manager to manage the assets in accordance with the chosen investment strategy. UPE offer a range of standard investment strategies. UPE provides no guarantees in relation to fund performance.

UPE IPB includes a small death benefit of 1% of units on death, in addition to return of the funds. Policies may include up to 6 lives assured and the death benefit becomes payable on the death of the last of the remaining lives assured. These benefits are not onerous for UPE.

UPE deduct a quarterly administration charge, which is the higher of the total premium and the value of the fund. A service charge is also deducted on a quarterly basis. There are early surrender penalties, also deducted from the fund. Adviser charges may also be deducted from the fund and are taken on a quarterly basis. Adviser charges may be fixed or recurring. UPE employ its own advisers and may take a fee to cover these costs. Fund management charges depend upon the investment strategy and fund manager selected. Other charges may, for example switching charges, direct investment fees etc may be apply and affect the value of the underlying assets.

Policyholders may take a partial surrender, provided the amount taken is more than €5,000 and may have regular withdrawals. These amounts are subject to the policy value not falling below 20% of the total premiums paid. UPE has the right to terminate policies that fall below this threshold.

VISION

This is a whole of life, unit linked, regular premium savings plan written in Europe under the Vision brand (for example in Finland).

Premiums are expected to be paid for a pre-selected Premium Paying Term. Policies may become paid up and some policies include a premium holiday option. Paid up policies may continue premium payments within 12 months of the plan becoming paid up.

Plans include a loyalty bonus of 5% of regular premiums (NB not applicable to single premiums) paid in the previous period, payable on the 10th and every 5th year thereafter plan anniversary.

Plans include a Death Benefit of 101% of the unit value (including the value of initial units). Death benefits may become payable on a range of pre-selected bases, for example single life, joint life first death etc.

The product includes an Initial Period, during which premiums are applied to recover the upfront administration fees. If premiums are missed or suspended, then the Initial Period is extended until the administration fee is fully recovered. Units are purchased following the Initial Period, or during the Initial Period where single premiums are paid, or premium allocation rates exceed 100%.

Single premiums attract an establishment charge. This is deducted from the value of the units.

All plans attract an investment administration charge, which is based on the total of the regular premiums allocated to reduce the initial administration and the unit value (including the value of any initial units). The charge is deducted from the unit value.

The surrender benefit is equal to the value of the fund less recovery of remaining upfront administration charges and any other outstanding charges.

There are a range of funds for policyholders to select. Switching is allowed between funds during the term of the plan. A plan may invest in a maximum of 20 funds at any one time. Funds include a bid/offer spread of between 0% and 2%. There are annual management charges that range from 0.5% p.a. to 3% p.a. UPE publishes a list of allowable funds and may vary this list by adding or removing allowable funds from this list.

EMPLOYEE BENEFITS

UPE writes a range of insurance products to domestic Irish and multi-national corporations ("MNCs") under the Utmost PanEurope ("UEB") and Generali Employee Benefits ("GEB") brands respectively.

UPE underwrites group business of the following types:

- Life cover (including accidental death and dismemberment and dependent annuities),
- Income protection (including limited term cover options), and
- Critical Illness.

Benefits can be written on many bases, for example fixed rates of escalation and increasing with price inflation.

Scheme Underwriting is carried out by UPE's Employee Benefits' pricing team with each scheme being priced individually dependent upon the range of benefits and benefit formula selected by the client.

The GEB business is fully reinsured to Assicurazioni Generali SpA in Italy ("AG"). The UEB is reinsured to SCOR with UPE retaining a maximum of 75% of the sum assured for life cover and critical illness benefits and €100k for group income protection benefits. The arrangements with SCOR came into effect in 2018 with AG providing reinsurance of the UPE book before then. The exposure to AG and SCOR is expected to grow in the coming years as this book of business matures.

VARIABLE ANNUITIES

Until 28 February 2018, UPE provided hedging of investment related guarantees written on Italian and German Variable Annuities. The German business was and remains fully reinsured to Generali Personenversicherungen. The arrangements for the Italian business were collapsed on 28 February 2018.

Consequently, UPE retains no direct exposures to the investment risks associated with this business. Though the arrangements with Generali Personenversicherungen give rise to a risk of the failure of this counterparty.

FORMER UI PRODUCTS

Further details on the former UI individual products are given below:

- The International With Profits Bond and the with profits element of the Core funds bond is 100% reassured to Aviva Life and Pensions UK ("ALAP").
- The International With Profits Bond includes 46 bonds with €6.6m of funds under management, written in Hong Kong by Aviva Life Insurance Company Ltd ("Aviva Hong Kong") and reinsured to UPE. UPE onwards reinsures this business to ALAP in line with the approach for other International With Profits Bonds.
- The capital redemption version of the International Core Funds Bond provides a guaranteed amount at the 99th policy anniversary. The guarantee is the higher of the value of the unit funds or 101% of the original investment, reduced for any partial withdrawals. UPE have the right to cancel any policies that fall below a certain size (e.g. €1,500). Typically, these policies are purchased to provide an income of 5%pa. It's not expected that any policy will have been bought with the intention of holding that policy for 99 years, for the benefit of receiving the premium plus 1%. Furthermore, the combination of withdrawals and ongoing fund-based charges and the ability to cancel small policies, means that most if not all policies will exhaust before the 99 years have expired. Consequently, it's my view that the capital redemption guarantee does not present any additional material risks to UPE as compared with the life assurance version of the product.
- The Flexible Investment Portfolio includes some regular premium policies. Current levels of annual premium are around €0.3m.
- All the other OSB policies are single premium policies. None of the OSB policies include onerous investment guarantees. In all cases, benefits are linked to the performance of unit linked funds.

A Charge Deed is in place between ALAP and UPE such that in the event of insolvency of ALAP, with profits bond holders rank alongside other policyholders of ALAP. The main risk to UI's policyholders is that ALAP fail to meet the terms of the reinsurance. In January 2019 UI wrote to policyholders with profits investments to clarify that the guarantees on these policies are provided by ALAP rather than UI (now UPE). However, the likelihood of ALAP failing to meet its obligations under the reinsurance arrangements is remote. At the end of December 2018, the Aviva UK group reported shareholder Solvency II Own Funds of £23.6bn (a coverage of 204%).

UPE reserve the right to amend management charges on the International Core Funds Bond, Premier Portfolio Bond, Investment Bond and Portfolio Bond and With Profits Bonds to fairly and proportionately reflect increases in administration costs. Administration services incur costs that tend to rise with inflation. UPE increases its charges on some products to meet these inflationary costs. For example, UPE increases Premier Portfolio Bond administration charges in line with the Consumer Prices Index of Ireland.

The OSB products include policy charges to cover administration, fund management costs and commission costs. The charges can be amended by UPE to take account of unexpected increased costs and certain charges increase regularly with the Consumer Price Index in Ireland.

Certain policies included life cover benefits, but these are not material for the former UI business.

The overseas bonds policies are invested in a wide range of funds. These are mainly funds administered by third party asset managers, known as Open Architecture funds, or managed on a discretionary basis by specialist fund managers, known as Discretionary Asset Managers.

FORMER HLI PRODUCTS

Further details on the former HLI individual products are given below:

- The Investment Bonds are whole of life assurance products. Both unit linked and unitised with profits versions of this product were sold. Regular withdrawals are possible on some products, and there may be basic life cover options. A small portion of the remaining bonds are reinsured to PLL.

- The portfolio bond is a single investment, unit linked whole of life assurance plan which allows investment in a range of pooled investments. Top-ups are allowed as are regular withdrawals. This bond does not invest in with profits funds.
- The With Profits Bond is a single premium unit linked with profits bond. The bond can be purchased as a life assurance bond or a redemption bond. The redemption bond offers a guaranteed maturity value after 80 years. There are guaranteed values on bond anniversaries from year 8 to 15, all of which have now expired. A small portion of the remaining bonds are reinsured.
- The Selexis category includes Selexis Savings and Selexis Mortgage products. These are regular premium policies with a death benefit. The mortgage product is a whole life assurance contract which is designed to repay a mortgage at maturity (or on death). The savings version has a lower death benefit. A surrender value can be requested at any time. Policies are invested in both unit linked and with profits funds.
- The Flexible Investment Plan is a regular premium whole of life unit linked assurance plan. The policyholder may opt for additional protection benefits - including extra life assurance, critical illness and payment protection. If any of these options are exercised, they are charged for on a risk premium basis by monthly cancellation of units. There are loyalty bonuses added at specific anniversaries. The product is only invested in unit linked funds and is not reinsured.
- The inheritance plan is a single premium investment which cannot be cashed in. The payout on death is the maximum of 101% of the unit funds, the Guaranteed Minimum Amount (GMSA) and a premium underpin. Regular withdrawals are allowable. The GMSA is set with reference to the level of withdrawals chosen and the age of the policyholder at outset. The plans are invested in both With Profits and Unit Linked funds. This product is fully retained by the Company.
- The retirement plans, including the Select Retirement and Approved Retirement Plans (and a very small number of other retirement products), are pension contracts. The contract accepts regular and/or single premiums and can be a unit linked or unitised with profits policy. Benefits are linked to the value of Internal Linked Funds and/or to the Pension With Profits Funds. Under the late values version of the Select products loyalty bonuses are payable under pre-defined circumstances.
- Certain SMI policies invest in a cash reserve fund where the bid price is guaranteed not to fall, currently amounts invested in these funds is c. €20m (YE2018).
- The Guaranteed Self Assurance is a regular premium contract available for terms of between 5 and 30 years that provides life assurance and critical illness cover along with optional permanent total disability, waiver of premium, hospital cash, surgical cash and accident income benefits. It is available on a single life, joint life or dual cover basis. No benefit is payable on lapse or survival to the end of the term.
- A small number of non linked whole of life policies remain in the Little Giant Life ("LGL") product (a former ALI product). These policies have a guaranteed death benefit based on the premiums paid and the policyholder's age at commencement.
- Under the Perfect Combination Plan (Combined Life Assurance Company of Europe or "CLACE") Unitised Life product, benefits are payable on surrender or death. This product was sold in modules (base, additional protection, regular savings and investment modules).
- The Personal Portfolio Bond ("PPB"), Privileged Structure Bond ("PSB") and the Adiameris products are all unit linked whole of life bonds.
- The former HLA policies form three different types of unit linked single premium savings bonds:
    - Those invested primarily in cash, equity or managed funds that are generally either policies that were previously in property or products which have been invested in these assets over time.
    - Those invested in geared property funds. Though only a small number of property funds remain.

- Those policies where the assets were initially directed by the policyholder. There are a small number of these policies remaining. These policies hold a mix of property and other assets.

- Former UHL Term business policyholders contain options enabling policyholders to renew their policy terms at the end of the original cover term or convert to a whole life plan. Renewal and conversion options can be selected resulting in increased regular premium rates dependent on the policyholder's age at the date of renewal or conversion. Conversion options are only available up to pre-specified ages and can be taken up without any medical evidence.
- Renewal options are also available up to the age of 70 on former UHL health plans covering accidental death and dismemberment. The premium rates are annually reviewable and can be adjusted at UHL's discretion according to changes in certain rating factors.

Former HLI with profits investment guarantees, for example MVA free dates, have largely expired. The only remaining guarantees on its unitised with profits products are:

- MVA free guarantees on death.
- MVA free guarantees at maturity for the domestic pension business.
- For capital redemption business, there is a guaranteed maturity benefit of at least twice the original investment, less withdrawals, on the 80th anniversary of the commencement of these policies.

With profits products are generally "in the money" so that the current account values of the policies are higher than the guarantees.

None of the former ALl or HLA policies contain investment guarantees.

Within the policy conditions of former SMI policies, UPE reserves the right to modify policy charges in certain circumstances. This power would not be expected to be exercised save for in exceptional circumstances, such as where the financial soundness of the Company could otherwise be under threat or where there was a substantial increase in the cost base of the Company.

QIID

The table below gives a summary of the business (gross of reinsurance) for QIID as at 31/12/2021. All of the products offered by QIID are classified within the index linked and unit linked insurance line of business under Solvency II.

Product Group	Policy Count	Fund Value (€m)
European Executive Investment Bond	3425	1158.3
European Collective Investment Bond	659	236.4
European Portfolio Bond - Redemption	1004	288.4
Executive Life Portfolio	34	97.8
Swedish Executive Portfolio	258	807.1
European Portfolio Bond	657	795.8
European Wealth Bond	145	256.2
European Select Bond	71	17.3
European Portfolio Bond - Redemption	377	527.5
European Wealth Bond - Redemption	157	315.3
French Executive Portfolio	175	49.7
Executive Investment Pension	13	5.7
Swedish Corporate Pension	30	3.9
Unit-Linked	240	23.6
Old Mutual Ireland International	160	8.4
Total	**7405**	**4591.4**

Table 4.2.2

The European Executive Investment Bond (EEIB) is a single premium, unit linked, contract available on single life, joint life first death, or multiple life last death bases. The ECIB offers fully flexible investment options of external investments and is available in various European countries, in particular as a QROPS product through Maltese trustees. A number of different charging structures are available. These structures have their management, establishment and surrender charges calculated on premiums paid. On death 101% of the full surrender value of the units is payable. No additional life cover is available and no charge is made for the benefit offered.

There are several variants of this product, namely:

- The Collective Investment Bond (ECIB) is restricted to collective investment vehicles (including but not restricted to the Company's internal funds). The restricted nature of investments makes the product suitable for Belgian and UK markets. The charging structure and death benefits are the same as that in place for the EEIB.
- The Spanish Collective Investment Bond (SCIB), introduced in 2010, is a variant of the ECIB created specifically for the Spanish market as its restricted funds range is required to be compliant with Spanish regulations.
- The Executive Life Portfolio (ELP), launched in September 2015. On death, a benefit of 105% of the surrender value of the units held will be paid. All other product features are as per the EEIB.
- The Swedish Executive Portfolio (SEP), launched in February 2016, is a single premium (with the option to pay additional premiums) whole of life investment bond. The policy allows clients to access an open-architecture range of permissible assets. The product is a variant of the EEIB, amended to cater for the Swedish "Good Market Practice" requirements.

The European Portfolio Bond (EPB) is a lump sum or non-contractual regular premium unit linked whole of life portfolio bond, specifically tailored for the UK market to meet RDR requirements. It is available on a single life, or joint life last death basis. It is a collective bond (allows a wide range of funds) but with investment restrictions that meet the UK regulatory requirements. A number of charging structure options are offered for this product. On death 101% of the full surrender value of the units is payable. No additional life cover is available and no charge is made for the benefit offered.

There are several variants of this product, namely:

- The European Wealth Bond (EWB), launched in December 2015 to a limited distribution. Further distribution channels were rolled out through 2016. This is a variation on the EPB specifically tailored for the UK market. The product offers a wider potential investment universe than EPB and requires a Discretionary Asset Manager.
- The European Select Bond (ESB), launched in February 2017, is a single premium (with the option to pay additional premiums) whole of life investment bond. The policy allows clients access to the UK Wealth Select fund range offered by Quilter Investors, or a wider list of collective investments assets. The product is a version of the RDR compliant EPB, directed at the mass affluent sector of the UK market.
- The European Portfolio Bond – Redemption (E06RE), launched in 2019, is a Capital Redemption bond variant of the EPB. It is a lump sum or non-contractual regular premium unit linked capital redemption bond, specifically tailored for the UK market to meet RDR requirements with a term of 99 years. This product is a collective bond (allows a wide range of funds) but with investment restrictions that meet the UK regulatory requirements. A number of charging structure options are offered for this product.
- The European Wealth Bond – Redemption (EWBRE) was launched in 2019 and is a Capital Redemption bond variant of the existing EWB life product, designed for clients who wish to have their investments managed by a Discretionary Asset Manager. It is a lump sum or non-contractual regular premium unit linked capital redemption bond, specifically tailored for the UK market to meet RDR requirements with

a term of 99 years. This product is an open architecture bond. A number of charging structure options are offered for this product.

The French Executive Portfolio (FEP), launched in 2020, is a single premium (with the option to pay additional premiums) whole of life investment bond. The policy allows clients to access an open-architecture range of assets permissible under the French Insurance Code. On death 101% of the policy value is payable. No additional life cover is available and no charge is made for the benefit offered. It is a medium to long term investment product designed specifically for ex-pats living in France. 'Assurance Vie' product features mitigate certain French succession laws. A number of charging structure options are offered for this product.

Executive Investment Pension (EIP) is a contract type introduced in July 2005. A single premium, unit-linked, pension contract available on single life basis only. This product is only available to Swedish nationals. It offers a full personal portfolio facility, has a minimum savings term of five years and is designed to pay pension benefits in the form of a regular income facility from the selected retirement age over a minimum of five years. There is no option to surrender or transfer the product prior to expiry of the minimum five-year pension term. A number of different charging structures are available. These structures generally have their management, establishment and withdrawal charges calculated on the higher of premiums paid and the value of units.

Swedish Corporate Pension (SCP) is a contract type introduced in August 2008. A single premium, unit-linked, pension plan. This product is only available to Swedish tax residents. It offers a full personal portfolio facility, has a minimum savings term of three years and is designed to pay pension benefits in the form of a regular income facility from the selected retirement age over a minimum of five years and a maximum of twenty years. There is no option to surrender or transfer the product prior to expiry of the minimum three-year pension term. A number of different charging structures are available.

Within the category of "Unit-Linked" there are several different products, namely:

- European Capital Account is available as a single or regular premium unit-linked whole of life contract. The contract is available on single life, joint-life last death and multiple-life last death bases.
- The European Savings Account (E02) & European Pensions Account (E03) are contracts available as regular premium, unit-linked contracts, either in pension or savings form. The contracts are available on single life, joint-life first death, joint-life last death and multiple-life last death bases. Additional single premiums may be paid at any time. The benefit payable at the selected retirement date (savings), or at maturity date (pensions), is the full bid value of the units allocated. On death within the term, 101% of the bid value of the units allocated will be paid. On surrender within the term, the amount payable will be the bid value of the units allocated less a surrender penalty which depends on the policyholder's age, the level and frequency of regular contributions paid, and the term of the policy outstanding at the date of surrender. An option to make a policy paid-up is available.
- The Elite Investment Account is a unit linked savings plan. Through the Account, investments are available ranging from low-risk/low-return cash funds to medium-risk/medium-return managed funds, right up to high-risk/high-return speculative funds. Regular withdrawals may be made from the Account. On death within the term of the Account, the benefit payable will be 101% of the surrender value of the units in the Account. If the client surrenders in their Account during the first five years a surrender charge is taken off the cash-in amount.
- The Executive Savings Plan is a unit-linked regular premium savings policy. The client may take a cash lump sum at the option date or the client may defer the option date until a later date. The client may choose to take his/her benefits on an Option Date on any date before their 70th birthday, as long as the Plan lasts for a minimum of five years. On death before the option date, the benefit payable will be 101% of the surrender value of the units in the Plan. The client also has the option of taking out additional life assurance cover. The Plan is available on a joint life/last survivor basis, in which case the

benefit will be paid on the death of the second Applicant. However, if additional life assurance cover has been taken, the benefit is paid on the first death.

- The Flexible Growth Plan, also marketed as the Capital Accumulation Plan (CAP). The Flexible Growth Plan (FGP) is a unit-linked savings plan. At maturity the client may take a cash lump sum. Alternatively, the client may choose to defer their maturity until a later date. At maturity, a Loyalty Bonus equal to the total of the Plan Fees deducted during the Plan term will be paid. On death before maturity, a benefit of 101% of the bid value of the units in the Plan will be paid. The Plan is available on a joint life/last survivor basis, in which case the benefit will be paid on the death of the second Applicant.
- International Investment Account, also marketed as the Capital Exponential Account (CEA). The International Investment account (IIA) is a single premium unit linked savings plan. On death, 101% of the surrender value of units in the Account will be paid. A plan can invest in a selection of internal linked funds.
- The Premier Investment Account (PIP) is a unit-linked savings plan. On death during the term of the Plan, the benefit payable will be 101% of the surrender value of the units. The Plan is also available on a joint life basis, in which case the benefits will be paid out on the death of the last survivor. The surrender value of the Plan is the bid value of units. The plan can invest in a selection of internal linked funds.

Within the category of “Old Mutual Ireland International” there are several different products, namely:

- Alpha are single premium whole life policies linked to many of the Company's internal funds. The amount payable on death is the bid value of the units. The plan may be surrendered at any time for the bid value of the units less a penalty during the first four years. Premiums are allocated at the bid price rather than the offer price. The plan may be written on a single life basis or a joint life basis with the benefits payable on the second death of the lives assured.
- Maxima are single premium whole life policies linked to many of the Company's internal funds. If required, a guaranteed death benefit may be chosen of between 100% and 150% of the single premium investment. The amount payable on death is the greater of the guaranteed death benefit (where applicable) and the bid value of the units. The plan may be surrendered at any time for the bid value of the units less a penalty during the first five years. Monthly mortality deductions are made when the guaranteed death benefit (if chosen) exceeds the bid value of the units. The plan may be written on a single life basis or a joint life basis with the benefits payable on the second death of the lives assured.
- Prima are regular premium endowment policies linked to many of the Company's internal funds. The plan runs for five years, with an option to extend, but premiums may be payable for any number of years up to and including five. The amount payable on death is the bid value of the units. The plan acquires a surrender value after one years premiums have been paid. The surrender value is equal to the bid value of the units less a percentage. At the end of the fifth year a bonus allocation of units is made. The plan may be written on a single life basis or a joint life basis with the benefits payable on the second death of the lives assured.
- Prima Revised are regular premium endowment policies linked to many of the Company's internal funds. The premium paying term runs for up to nine years but the policy may remain in force after expiry of the term. The amount payable on death is 101% of the bid value of the units. The plan acquires a surrender value at any time. The percentage of premiums allocated to accumulation units depends on the size of the premium. The plan may be written on a single life basis or a joint life basis with the benefits payable on the second death of the lives assured.
- Omega are regular premium whole life policies with premiums payable for a limited period. If required, a guaranteed death benefit may be chosen, subject to a maximum set by the Company. The amount payable on death is the greater of the guaranteed death benefit (where applicable) and the bid value of the units. The plan may be written on a single life basis or a joint life basis with the benefits payable on either the first or the second death of the lives assured.

Integra are regular premium whole life policies with premiums payable for a limited period. If required, a guaranteed death benefit may be chosen up to a maximum set by the Company. The amount payable on death is the greater of the guaranteed death benefit (where applicable) and the bid value of the units. The plan acquires a surrender value after one year's premiums have been paid.

GOVERNANCE

UPE

The governance and oversight functions are carried out by Utmost Services Ireland Ltd ("USIL"), in the Republic of Ireland in Navan and Dublin, together with certain Pre-Approval Controlled Function ("PCF") role holders who are employed by UPE, under the direction of the UPE Board. These arrangements are unchanged by the Schemes.

The context to these arrangements is as follows. UPE has an outsourcing arrangement with USIL and all staff, with the exception of certain PCF role holders who are employees of UPE, are employees of USIL. USIL provides UPE with management and administrative services with USIL employees deployed to UPE as required. This arrangement is governed in line with UPE's Outsource Oversight Framework.

QIID

The governance and oversight functions are fully outsourced to Quilter International Business Services (QIBS) in the Isle of Man, together with certain PCF role holders who are employed by QIID, under the direction of the QIID Board. The Schemes will have no effect on the operation of the oversight and governance arrangements though overall responsibility for QIID will transfer from their current Board of Directors to UPE's Board and it is expected that certain PCF roles will be amalgamated with the current UPE role.

ADMINISTRATION

UPE

UPE administers its products utilising a number of intragroup arrangements, which leverage group expertise and capability, and external Outsourced Service Providers (OSPs).

The administration arrangements differ according to business line:

- Wealth Protection is administered by USIL in Navan on the Abacus and Eclipse Platforms,
- Investment Planning and Vision products are administered by USIL in Navan and Guernsey on the Rhymesight and Life 400 platforms, and
- Employee Benefits business is administered by USIL in Navan on a combination of systems include Sorella and Insight and a number of external OSPs are also used.
- The OSB book migrated onto UPE's own systems following the transfer of UI business and is administered by USIL on the AIA platform.
- The administration of the ex-ALE business is carried out by a combination of staff based in Dublin and under an outsourcing agreement with Utmost Administration Limited in the Isle of Man.

- The administration of the ex-Aviva business is by USIL based in Navan on the AIA platform.

- USIL provides operational services for the former HLI business, including the Internal Audit functions. Policy administration services for this business are also provided by SS&C International Management Services Ltd ("SS&C"), formerly DST, and Utmost Administration Ltd ("UAL") which are part of the wider Utmost group.

No material changes to these administration arrangements are planned as a result of the Schemes.

QIID

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

Pre-acquisition the servicing model for this book relied on QIBS and subsequent chain outsource arrangements with Quilter UK (Quilter Business Services (QBS)) for IT and Head Office functions and other third party arrangements. Some new agreements have since been put in place to reflect the change of ownership of QIID. These agreements are a transitional services agreement ("TSA") between QIBS and QBS and a new intragroup agreement between QIBS and Utmost Services Limited (USL).

The service contracts between QIID and QIBS will transfer to UPE under the Schemes.

CAPITAL POSITION

UPE

Table 4.5.1 below sets out the capital position, under the EU Solvency Directive 2009/138/EC Standard Formula basis ("SII SF"), of UPE as at 31 December 2021.

UPE Capital Position on SII SF basis is as follows:

	UPE Pre-Scheme	
(€m)	Inc IWTA	Exc IWTA
Own Funds	511.6	382.2
Solvency Capital	275.3	267.6
Excess	236.2	114.6
Coverage Ratio	186%	143%

Table 4.5.1

The figures shown are those as reported to the Central Bank of Ireland in UPE's end of 2021 regulatory submissions.

UPE - ITALIAN WITHHOLDING TAX ("IWTA")

The need to prefund policyholder related taxes in Italy creates a potential liquidity issue for UPE. Consequently, UPE's Capital Policy also considers the ratio of solvency coverage by netting off the Italian Withholding Tax Asset. The solvency coverage under this method, before and after applying the adjustments mentioned above are as follows.

In addition to the above method, UPE has adopted a further limit to its Capital Policy whereby it aims to have a liquid assets buffer ("Liquidity Buffer") of at least 10% of SCR following any dividend payments. At the end of Q3 2021 UPE had liquid assets in Shareholder Investments (which is made up predominantly of government bonds, corporate bonds and collectives) of c. €203m versus a requirement of €27m, giving an excess of liquid assets of c. €176m.

QIID

Table 4.5.2 below sets out the capital position, under the EU Solvency Directive 2009/138/EC Standard Formula basis ("SII SF"), of QIID.

QIID Capital Position on SII SF basis:

(€m)	31/12/2021
Metric	**QII Standalone**
Own Funds	73.0
Solvency Capital	38.9
Excess	34.1
Coverage Ratio	187%

Table 4.5.2

The table above shows the reported position from the Quilter Solvency 2 QRT submission to the CBI.

CAPITAL POLICY

UPE

UPE has adopted a capital policy whereby it aims to always cover at least 135% of the Solvency II capital requirements, (and 100% net of the IWTA). Furthermore, the directors adopted a policy such that any dividends paid would not result in UPE having a solvency capital ratio of less than 150% (110% net of the IWTA) immediately after the payment of that dividend.

Table 4.5.1 shows that at the end of 2021 the solvency ratio for UPE was 186%, comfortably above the capital policy ratio of 135%. This represents a margin over the 150% basis of c. €98.5m for dividends.

Table 4.5.1 also shows that at the end of 2021 the solvency ratio for UPE on its 110% Capital Policy Basis was 143%, comfortably above the minimum of 110%. This represents a margin over 110% of c. €87.9m for dividends.

At the end of 2021 the Liquidity Buffer constrained potential dividends further, providing for maximum dividends of c. €160m.

Together the above imply that currently the 110% Capital Policy basis is the biting policy for dividend payments giving maximum potential dividends of over €85m.

QIID

QIID has also adopted the same capital policies as the majority of the rest of the Utmost businesses whereby it aims to always cover at least 135% of the Solvency II capital requirements and maintain a solvency capital ratio of at least 150% immediately after the payment of any dividend.

RISK PROFILE

UPE

The following table sets out the key risks as measured under the SII SF as at the end of 2021

(€m)	31/12/2021		
	UPE Pre-Scheme		
Equity Type1	60.2		
Equity Type2	40.0		
Undiv_Total	***100.2***		
Diversification	*-6.2*		
EQ_TOTAL	**94.0**		
Interest	4.7		
Equity	94.0		
Property	0.7		
Spread	19.9		
Currency	102.1		
Undiv_Total	***221.4***		
Diversification	*-52.0*		
MARKET_TOTAL	**169.4**		
	Life	Health	
Mortality	8.1	0.0	
Longevity	1.4	0.0	
Disability	0.0	8.3	
Mass Lapse	146.3	0.0	
Expense	37.2	0.0	
Revision	0.0	0.0	
Catastrophe	5.6	8.9	
Undiv_Total	***198.5***	***17.2***	
Diversification	*-27.9*	*-3.6*	
TOTAL	**170.7**	**13.6**	
	Inc IWTA		Exc IWTA
Market	169.4		169.4
Default	40.5		22.0
Life	170.7		170.7
Heath	13.6		13.6
Non-Life	0.0		0.0
Undiv_Total	***394.1***		***375.6***
Diversification	*-105.0*		*-94.3*
BSCR_TOTAL	**289.0**		**281.3**
Operational	15.8		15.8
LACDT	-29.5		-29.5
SCR	**275.3**		**267.6**

Table 4.7.1

The UPE business is made up of mainly unit linked policies where the income to UPE is represented by a mixture of fixed amount charges and charges based on a percentage of the value of the unit funds. This means that the income to UPE is exposed to the movements in the value of these funds. Policyholder unit funds are invested in a diverse range of equity, property and bonds meaning that there is little exposure to any one investment.

However, the individual funds are in general subject to the same underlying economic factors and consequently UPE's income is exposed to market risks.

UPE's expenses are incurred mainly in Ireland and the Eurozone in Euros. Following the transfer in of business from UI and HLI, a significant proportion of UPE's business is expressed in UK pounds sterling. Unit linked policyholders may also choose currencies other than the Euro for their policies, for example US Dollars and UK Pounds Sterling. The income from these non-Euro denominated policies gives rise to currency risk.

Before allowing for diversification effects, market risk, including interest rate, equity, property, spread and currency risk, contributed €221.4m to UPE's capital requirements at the end of 2021.

A portion of UPE's own funds is derived from future profits made on policies currently in force. When policies are surrendered UPE loses this future income stream. Also, UPE suffer expenses in relation to the administration of these contracts. In the case of UPE's unit linked business, the income from policies is more than the associated administration costs. For with profits business the situation is in reverse with expenditure exceeding income. Consequently, UPE is exposed to a risk that unit linked policyholders surrender their policies ahead of expectation and conversely that with profits fund linked policies remain in-force for longer than expected. This is reflected in a contribution to capital requirements, before diversification, of €146.3m at the end of 2021 under Mass Lapse risk.

UPE incurs operational and other expenses in administering the contracts through to claim, including the expenses incurred with third party outsourcers. The risk of expenses being higher than expected is reflected in a contribution to capital requirements of €37.2m at the end of 2021 before diversification.

UPE's main counterparty risk exposures arise through the potential failure of one or more of:

- the Italian tax authorities in relation to advance payment of capital gains taxes,
- Assicurazioni Generali spa in relation to the reinsurance of the Generali employee benefits business,
- UPE's banking partners, Citi, that provide custodian arrangements for policyholder and shareholder's investments in addition to banking services, and
- payments due to International With Profits and Core Funds Bond policyholders accessing the with profits funds of ALAP through a reinsurance arrangement between UPE and ALAP.

The contribution to capital requirements for counterparty risk amounted to €40.5m at the end of 2021 when including the ITWA and €22.0m with the ITWA excluded.

The employee benefits business provides a range of protection benefits to employees. These risks are largely reinsured to Assicurazioni Generali. This gives rise to risk of counterparty default which is reflected in the contribution to capital mentioned above. However, the domestic Irish business is only partially reinsured, and this leaves a small but material residual exposure to mortality and health risks that are reflected in the above table.

In addition to the risks mentioned above there are operational risks associated with administering the business. Examples of operational risks include failure of people, systems and processes leading to expenditure in excess of amounts budgeted. The SII SF basis give an Operational risk component of €15.8m.

QIID

The following table sets out the key risks as measured under the SII SF.

(€m) Component	31/12/2021 QII QRT (Standalone)
Equity Type1	2.9
Equity Type2	2.0
Undiv_Total	***4.9***
Diversification	*-0.3*
EQ_TOTAL	**4.6**
Interest	3.0
Equity	4.6
Property	0.0
Spread	0.3
Currency	11.8
Undiv_Total	***19.7***
Diversification	*-4.5*
QII_MARKET_TOTAL	**15.3**
Mortality	0.9
Longevity	0.0
Disability	0
Mass Lapse	17.0
Expense	17.8
Revision	0.0
Catastrophe	0.1
Undiv_Total	***35.8***
Diversification	*-5.5*
QII_LIFE_TOTAL	**30.3**
Market	15.3
Default	0.7
Life	30.3
Heath	0.0
Non-Life	0.0
Undiv_Total	***46.3***
Diversification	*-8.9*
QII_BSCR_TOTAL	**37.4**
Operational	1.5
LACDT	0.0
SCR	**38.9**

Table 4.7.2

QIID's business is entirely made up of unit linked policies sold internationally with no material investment guarantees. As an Irish company QIID reports in Euros whereas the bulk of premiums are denominated in UK pounds sterling. The risk exposures relate primarily to uncertainty over future revenues and expenses, particularly relating to those around currency, expenses and mass lapses.

The capital requirement for currency risk reflects the potential loss of future revenue resulting from adverse movement in currency markets which reduce the Euro value of future revenues. For QIID, a large part of the future revenue is expected to be denominated in GBP as these revenues are linked to the currency of the premiums (although most of the expenses are incurred in UK pounds sterling due to QIID's recharge arrangements). Any depreciation of Sterling against Euro will reduce the future revenues in Euro terms. This currency risk makes up a significant proportion of the market risk capital component. Before allowing for diversification effects, currency risk contributed €11.8m to QIID's end 2021 capital requirements.

Policyholder unit funds are invested in a diverse range of equities and bonds and the individual funds are in general subject to the same underlying economic factors. This risk is reflected in the equity, interest rate and spread risks contributions to market risks which contributed a total of €19.7m towards UI’s end 2021 capital requirements before allowing for diversification effects.

QIID incurs operational and other expenses in administering the contracts through to claim, including the expenses incurred with third party outsourcers. The risk of expenses being higher than expected is reflected in a contribution to capital requirements of €17.8 m at the end of 2021 before diversification.

A portion of QIID’s own funds is derived from future profits made on policies currently in force. When policies are surrendered UPE loses this future income stream. Also, UPE suffer expenses in relation to the administration of these contracts. A significant proportion of QIID’s unit linked business is not subject to surrender penalties. Consequently, UPE is exposed to a risk that unit linked policyholders surrender their policies ahead of expectation. This is reflected in a contribution to capital requirements, before diversification, of €17m at the end of 2021 under Mass Lapse risk.

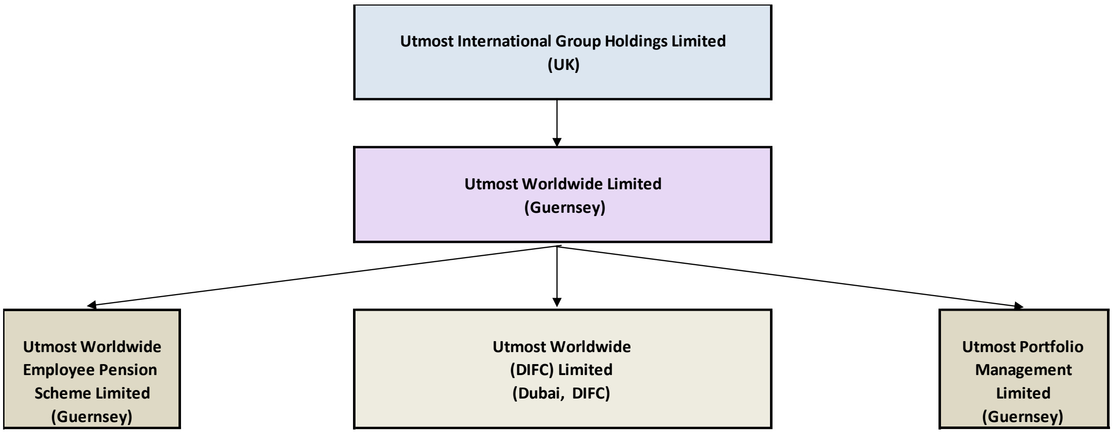
In addition to the risks mentioned above there are operational risks associated with administering the business. Examples of operational risks include failure of people, systems and processes leading to expenditure in excess of amounts budgeted. The SII SF basis give an operational risk component of €1.5m.

5. PROPOSED TRANSFER

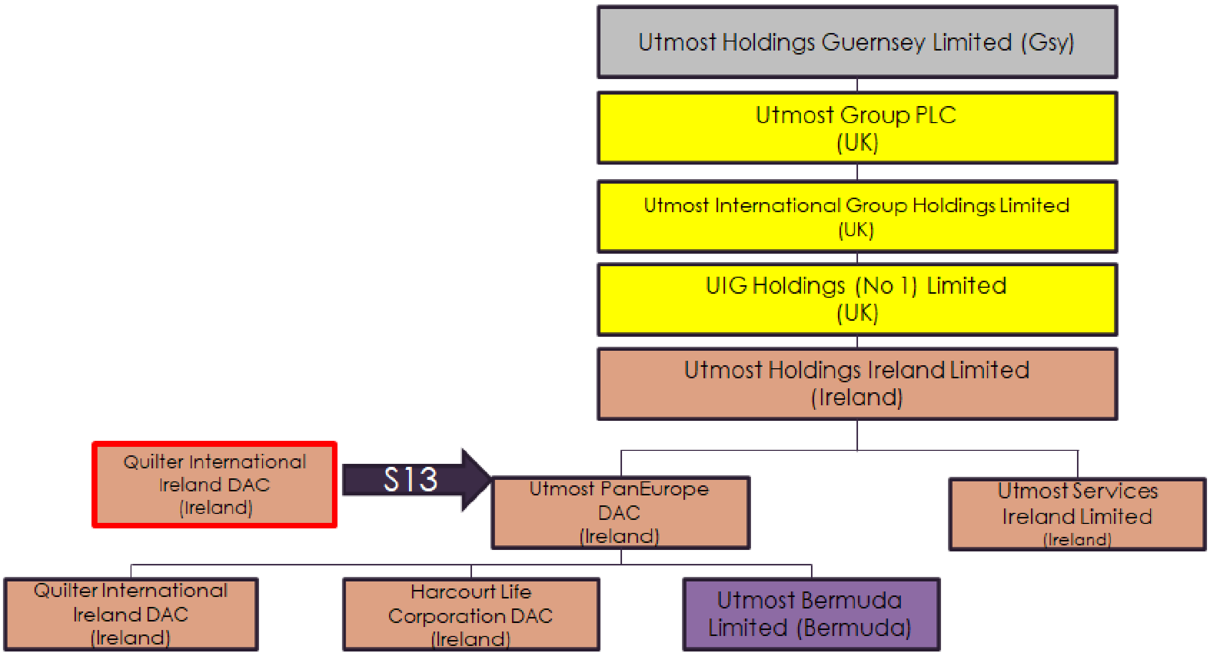
Subject to the approval of the Royal Court it is proposed that the Guernsey Primary Scheme will take effect at 23:59 on 30 September 2022. It is further proposed that the Irish Scheme and the parallel Scheme in Guernsey take effect at 23:59 on 30 September 2022.

POLICY TRANSFER

UW is a direct subsidiary of Utmost International Group Holdings Limited as shown below.



The pre-transfer structure of the Irish business under UG (and its parent companies) is shown below:



The proposal is to transfer all of the policies of QIID (a subsidiary of UPE), and the UW Dutch policies, to UPE. The Irish Scheme provides that:

- The transferring UW and QIID policies will transfer to UPE and the liabilities in respect of these policies will become liabilities of UPE,

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

There are a small number of QIID policies where the policyholder is resident in Guernsey. Further the transferring UW policies were written and are regulated in Guernsey. An analysis of the requirements in these states has concluded that separate Schemes, substantively based on the Irish Scheme, approved by:

- the Royal Court of Guernsey (the "Guernsey Court") in respect of the parallel Irish Parallel Scheme involving QIID as transferor, and
- the Royal Court of Guernsey (the "Guernsey Court") in respect of the Guernsey Primary Scheme involving UW as transferor,

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

In respect of UW, immediately following the Schemes it is intended that UPE will reinsure the entirety of the transferred policies back to UW in order to retain the status quo position for both entities. UPE are expected to retain a small annual fee for administering this reinsurance arrangement.

POLICYHOLDER PROTECTION

It is intended that arrangements for policyholder protection will be in place between UPE and UW that provide protection that is broadly equivalent to those currently in place. This will be achieved via the reinsurance agreement.

COSTS OF THE SCHEMES

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

SERVICING ARRANGEMENTS

UW's transferring policies will continue to be administered by the same staff using the same systems as before the Schemes. There will be no changes to the standard of service provided as a result of the Schemes.

PRIOR SCHEMES

There are no prior Insurance Business Transfer Schemes affecting the rights and obligations of the transferring UW policies that need to be taken into consideration when assessing the proposed Schemes.

REINSURANCE TREATIES

There are no UW reinsurance treaties related to the transferring UW policies.

There are a small number of reinsurance arrangements related to the transferring QIID policies and these will be transferred by the Irish Schemes.

TAXATION

The Schemes will not alter policies and will not result in the cancellation or the issue of new policies to policyholders. As such there is no tax impact on policyholders as a result of the Schemes. The tax authorities in Ireland, Guernsey and the UK will be notified of the intention to carry out the proposed transfer under the Schemes.

LEGAL

Legislation requires that the policyholders of UW and QIID are notified of the Schemes. This means that all policyholders whether transferring (QIID and a small number of UW policies) or non-transferring (UPE policyholders and nearly all of UW policyholders) must be directly notified of the Schemes. However, the relevant legislation provides the court with the discretion to direct that only transferring policyholders be directly notified of the Schemes.

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

POLICYHOLDER COMMUNICATION

The communication plan, subject to relevant court approvals, is to issue a letter to all policyholders of QIID and the transferring policyholders in UW notifying them of the proposed schemes. The letter will outline details of the proposed scheme and information on how to access full details of the policyholder circular, which will be made available on dedicated websites relating to the transfer. At the request of a transferring policyholder, a hard copy of the policyholder circular will be provided. It is further proposed that subject to relevant court approvals the policyholder circular will also be made available on request to UPE policyholders. The policyholder circular will include a summary of the Independent Actuary's report.

Relevant documents related to the proposed scheme will be made available at the offices of UPE, QIID, UW, Matheson Dublin office and Carey Olsen Guernsey offices. Notices will also be published in various publications.

UPE will seek a dispensation from the Irish High Court of the requirement under s13(3)(b) of the Assurance Companies Act 1909 to transmit the policyholder circular to the non-transferring policyholders ie the current policyholders of UPE and the remaining policyholders in UW. Identical dispensations will be sought from the Guernsey Financial Services Commission in respect of the Guernsey Primary and Parallel Schemes. In my opinion the impact of the proposed Schemes on existing UPE policyholders is not material. I note that existing UPE policyholders will have access to the relevant documents as mentioned above. For these reasons, I support the proposals not to send a direct mailing to existing UPE policyholders.

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

6. IMPACT OF THE PROPOSED TRANSFER ON POLICYHOLDERS OF UPE

POLICYHOLDER BENEFIT SECURITY

The following table shows the solvency cover of UW pre-Schemes compared with the solvency cover of UPE post Schemes. The figures assume that:

- the Schemes had taken effect at the end of 2021,
- the expense assumptions included within the 2021 year-end financial reports continue to apply,

UW and UPE use broadly the same methodology to determine their capital requirements.

Solvency Position £m	UW at 31.12.2021	UPE Post-Scheme
Own Funds	333.9	422.5
Solvency Capital	189.5	246.9
Excess	144.4	175.6
Solvency Capital Coverage	176%	171%

Table 6.1.1

The table shows that the solvency coverage ratio enjoyed by UW policyholders is comparable before and after the Schemes, moving from 176% to 171% in the newly combined UPE. The resulting coverage ratio remaining significantly above UW's minimum Capital Policy amount of 135% and above the 150% level above which further dividends may be paid.

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

RISK PROFILE

The table below shows the risk profile of UW pre-Schemes against the risk profile of UPE post-Schemes. In this presentation we have removed the effect of including QIID as investments in subsidiaries on UPE's balance sheet. This permits a more appropriate comparison of the insurance related risks that UPE faces pre and post Schemes.

Capital Requirement (SII SCR) £m	UW Standalone 31.12.2021			UPE Post-Scheme
	Remaining Part	Ring Fenced Fund	Company	
Equity risk	96.1	0	0	70.4
Property risk	0.7	0	0	0.6
Interest rate risk	0	6.7	0	6.5
Spread risk	14	5.3	0	17.0
Currency risk	36.6	0	0	98.7
Concentration risk	0	0.3	0	0
Div within market risk	*-25.2*	*-3.5*	*0*	*-46.4*
Market risk	**122.2**	**8.7**	**0**	**146.9**
Counterparty default risk	**5**	**0**	**0**	**34.6**
Mortality risk	0.8	0	0	7.6
Longevity risk	9.8	0	0	1.2
Morbidity risk	0	0	0	0.0
Lapse risk	61.1	0	0	136.3
Expense risk	28.5	0	0	46.9
Life catastrophe risk	1.9	0	0	4.7
Div within life risk	*-19*	*0*	*0*	*-29.4*
Life underwriting risk	**83.2**	**0**	**0**	**167.3**
Health SLT[1] risk	0.6	0	0	7.0
Health NSLT[2] risk	0	0	0	
Health catastrophe risk	13.8	0	0	7.5
Div within health risk	*-0.4*	*0*	*0*	*-3.0*
Health underwriting risk	**14**	**0**	**0**	**11.4**
Premium and reserve risk	15.9	0	0	0
Lapse risk	0	0	0	0
Non-life catastrophe risk	2.6	0	0	0
Div within non-life risk	*-1.8*	*0*	*0*	0
Non-life underwriting risk	**16.8**	**0**	**0**	0
Intangible risk	0	0	0	0
BSCR[3] pre div	**241.2**	**8.7**	**0**	**360.2**
Div across risks	*-66.4*	*0*	*0*	-94.5
BSCR post div	**174.7**	**8.7**	**0**	**265.7**
Operational risk	9.1	0	0	14.6
Deferred taxes	-3.1	0	0	-33.4
SCR	**180.7**	**8.7**	**189.5**	**246.9**

Table 6.2.1

The above table shows that broadly UPE has a similar mix of risks post-Schemes as UW pre-Schemes. The newly combined UPE business has proportionately more currency, mass-lapse and expense risk and proportionately less equity and interest rate risk than UW pre-Schemes. The reason for these differences are as follows:

- UPE reports in Euro whilst UW reports in Sterling. UPE's cashflows are less diversified across different currencies than UW and therefore the combined UPE entity has proportionately higher currency risk.

- UPE is more exposed to mass-lapse risk than UW predominantly driven by the Wealth Protection business. This is single premium unit linked product, written to high-net-worth clients. Expected income reduces on a mass lapse event driving up capital requirements.

- UPE is more exposed to expense risk, but as a proportion of life risks the component of expense risk is similar at c. 25%.

- UPE does not write non-life business so this risk charge is nil for UPE.

- UPE has higher default counterparty risk charge, partially driven from the exposure to Italian Government and partially to reinsurance treaties held on the Group Life and Disability.

The above analysis is based on the EU Standard Formula which is calibrated to a specific level of risk. More extreme events may occur, and it is therefore important to consider whether the Schemes expose transferring policyholders of UW to additional extreme risks and whether these are acceptable risks to take. The HoAF report for UPE highlights the following extreme risk. UPE has a significant exposure to the Italian tax authorities through the requirements in Italy to pre-fund capital gains tax chargeable to policyholders on policies written in Italy. At the end of 2021 the exposure to the Italian authorities was c. €129m.

However, the UPE HoAF report gives me comfort that this risk is an acceptable risk to take on the following basis. Were the Italian tax authorities to default then UPE could continue to deduct the capital gains tax from policyholders as they emerge, reducing the deficit owed by the Italian authorities. At the end of 2021 the amount of unrealised capital gains tax amounted to over €400 m, covering the entirety of any potential loss. On the other hand, a reduction in fund values would reduce the unrealised capital gains tax to below the amount owed to UPE by the Italian tax authorities. However, it would take a significant and sustained fall in fund values, combined with the complete failure of the Italian authorities to provide any value for the pre-funded tax payments to reduce the post-Schemes solvency coverage ratio to below UI's Capital Policy level of 135%.

Overall, UPE post-Schemes has a broadly similar diversified portfolio of risks than UW pre-Schemes and is therefore the exposure to extreme adverse impacts from individual risks us not materially different.

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

PROJECTED SOLVENCY COVERAGE

The following table shows the evolution of solvency coverage ratios, under Solvency 2, for UW pre-Scheme vs UPE post-Schemes. Note that:

- The following table is based on forecasts made by both UPE and UW for the internal business planning purposes:
  - The projections commence from end June 2021 financial position with adjustments to equate to the actual end 2021 results,
  - The UPE projections assume that the Scheme took effect in end of June 2021, and
  - Adjustments are made to UPE to allow for revised expense and new business forecasts since the mid-2021 business planning exercise.
- The table assumes that post-Scheme dividends are paid to UHIL totaling €50m p.a., and
- The post-Scheme UPE figures make allowance for planned reductions from 2023 in servicing costs expenses through the MSA with USIL.

		Adjusted FORECAST				
(£m)	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
UW Pre-Scheme						
Own Fund	333.9	293.4	275.8	258.0	239.4	219.6
SCR	189.5	170.9	154.7	143.3	133.7	123.8
Excess	144.4	122.5	121.1	114.7	105.7	95.8
Coverage Ratio	176%	172%	178%	180%	179%	177%
Excess over 150%	26%	22%	28%	30%	29%	27%
Assumed Dividend Included		52.0	32.0	32.0	32.0	32.0
Maximum Dividend (to 150%)	49.7	89.1	75.7	75.1	70.9	65.8
UPE Post-Scheme						
Own Fund	422.5	425.9	456.8	472.6	490.2	511.7
SCR	246.9	264.8	280.9	296.8	312.0	332.3
Excess	175.6	161.1	176.0	175.8	178.3	179.4
Coverage Ratio	171%	161%	163%	159%	157%	154%
Excess over 150%	21%	11%	13%	9%	7%	4%
Assumed Dividend Included		42.1	42.1	42.1	42.1	42.1
Maximum Additional Dividend (to 150%)	52.2	28.8	35.5	27.4	22.3	13.3
Own Fund (exc IWTA)	313.7	323.9	360.0	369.6	397.6	433.1
SCR (exc IWTA)	240.5	258.9	275.4	291.1	306.9	328.2
Excess	73.3	65.0	84.6	78.5	90.6	105.0
Coverage Ratio	130%	125%	131%	127%	130%	132%
Excess over 110%	20%	15%	21%	17%	20%	22%
Assumed Dividend Included						
Maximum Additional Dividend (to 110%)	49.2	39.1	57.0	49.4	59.9	72.2

*Table 6.3.1 *Note that the end 2021 position shown is the actual end 2021 position. This differs from the amounts forecast from mid-2021 financial position because of market movements and a small number of assumption changes. However, these differences do not invalidate the analysis and conclusions set out below.*

The UW financials are not materially affected by the transfer due to the small number of affected policies.

The pre-Scheme forecast for UW is a stable solvency coverage ratio.

The post-Scheme solvency coverage shows a slight decrease over time.

However, the post-Scheme projections show that UPE's projected solvency coverage ratios are comfortably above UW's minimum capital policy amount of 135% and further that by the end of the forecast, having allowed for €250m of dividend payments under the plan, there are still a further €16.2m of dividend payable while remaining above the minimum capital policy after dividends ratio of 150%.

It is also worth noting that the solvency coverage ratio, after removing the Italian Tax Asset, improves with time. This is because the Italian business is forecast to run down over time compared with overall growth in UPE.

POLICYHOLDERS' REASONABLE EXPECTATIONS

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

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

The Schemes will have no impact on claims management and current levels of engagement of service to policyholders.

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

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

CONCLUSIONS

Having considered the impact of the proposed Schemes on existing UW policyholders it is my opinion that:

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

Francis Kehoe, FIA

Head of Actuarial Function,

Utmost Worldwide Ltd

APPENDIX 1 – RELIANCES AND LIMITATIONS

RELIANCES:

The conclusions in this report rely upon:

- Information provided to me by Sarah Johnston, Head of Actuarial Function for Utmost PanEurope dac and Tom Morfett, Head of Actuarial Function for Quilter International Ireland dac.

- Estimates of the financial impact on UPE and QIID of the transfer of the QIID business provided by Wraxall Capital Solutions ltd, an actuarial consulting firm with extensive experience of supporting business transfers, engaged by UPE to support this work.

- Actual BEL, Risk Margin and Solvency 2 risk profiles of the transferee UPE business at end 2021 provided by UPE.

- Estimates of the Solvency 2 risk profile of the UPE transferee business on a post transfer basis provided by Wraxall Capital Solutions ltd.

- Internal assessments of UPE's financial position and risk profile for the purposes of UPE's Own Risk and Solvency Assessment under Solvency 2.

- That the Scheme documents and Policyholder communication proposals are substantially in the form provided to the CBI on 6 May 2022.

- The reports of the Heads of Actuarial Function of UPE and QIID, as of 6 May 2022.

- All factual statements made orally in private meetings by the UPE and QIID Heads of Actuarial Function.

LIMITATIONS:

The sole purpose of this report is to assist the Independent Actuary, Mr Fergal O'Shea, actuarial partner at Willis Towers Watson, to form his opinion of the effects of the Schemes on the various groups of affected policyholders. This report should not be used or relied upon for any other purpose.

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

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