

MAS NOTICE 124 DISCLOSURES

UTMOST INTERNATIONAL ISLE OF MAN
LIMITED SINGAPORE BRANCH

For the financial year ending 31 December 2023.

A WEALTH *of* DIFFERENCE

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WEALTH SOLUTIONS

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1. INTRODUCTION

The Monetary Authority of Singapore (MAS) requires certain disclosures to be made which enable market participants to assess information on a business's risk profile, performance and capital and risk management procedures. This document is designed to provide these disclosures and applies to Utmost International Isle of Man Limited Singapore Branch.

The information in this disclosure relates to the year ending 31 December 2023.

1.1 Corporate structure

Utmost International Isle of Man Limited is the Isle of Man based arm of Utmost International, providing innovative, market-leading medium and long-term investment products tailored for local markets.

Utmost International Isle of Man Limited Singapore Branch is a branch of Utmost International Isle of Man Limited, and is authorised by the Monetary Authority of Singapore to conduct life assurance business in Singapore.

Utmost International Isle of Man Limited (the Company) has a long heritage in the Isle of Man, and has built an enviable reputation for technical excellence, both locally and internationally. It is one of the largest employers in the Isle of Man and is a major force in the international market place.

Utmost International Isle of Man Limited Singapore Branch (the Branch) was granted a life insurance licence in Singapore in June 2008.

The Branch provides its products primarily through Financial Advisory firms and does not provide products directly to the policyholder.

1.2 Description of key products

The Branch offers a range of single premium, whole of life, investment linked life insurance products, which include a variety of charging structures that can be chosen by the customer at outset.

1.3 Objective and strategies

Utmost Group provides insurance and savings solutions which assist our clients in securing their financial futures. Our mission is to build a brighter future for our clients by preserving their wealth.

Our Group was founded on the belief that all stakeholders are better served as part of an active and growing franchise. The provision of good customer outcomes remains front and centre of our strategy.

Utmost Group operates in attractive markets in the UK and within the international insurance industry. The Group has a significant opportunity to continue its growth through new business and further acquisitions.

2. CORPORATE GOVERNANCE

The Branch is an extension of the operations of Utmost International Isle of Man Limited, and all risk management objectives and policies for managing risks are set by the Company. Accordingly, the Board of Directors of the Company (the Board) has overall responsibility for the establishment and oversight of the Branch's risk management framework, and this is aligned with the framework adopted by the Company. Management of the Branch are responsible for the execution of the risk management policies.

2.1 Group Decision Making Framework

The Utmost Group Corporate Governance Manual sets out the high-level governance arrangements including delegations of authority, policy, and decision-making arrangements within the Group. The Utmost Group Limited (UGL) Board is responsible for promoting the long-term success of the Utmost Group, in particular, for setting the Group's strategic aims, monitoring management's performance against those strategic aims, setting the Group's risk appetite, ensuring the Group is adequately resourced and ensuring that effective controls are in place. The UGL Board also sets the values and supports the culture of the Group.

The governance model is designed to promote transparency, accountability, and consistency through the clear identification of roles, the separation of business management and governance and control structures, and by tracking performance against accountabilities. Oversight of the business is provided through the three lines of defence model:

2.1.1 The First Line of Defence

The operational structures (risk owners) are the First Line of Defence. The risk owners are ultimately responsible for risks concerning their area and to define and update the actions needed to make their risk management processes effective and efficient. They control the activity of the risk takers, who deal directly with the market and the internal and external parties and who define activities and programs from which risks may arise. The risk management initiatives defined by the risk owners address the way risk takers undertake risks. In addition, there are a number of support units (e.g. Actuarial) and oversight committees (risk observers) responsible for constantly monitoring specific risk categories, in order to measure and analyse them and to identify risk mitigation actions to the risk owners;

2.1.2 The Second Line of Defence

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

2.1.3 The Third Line of Defence

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

It should be noted that External Audit is also classified as the Third Line of Defence.

3. ENTERPRISE RISK FRAMEWORK

The Branch has adopted the Company's Enterprise Risk Management Policy as set by Group. The purpose of the policy is to establish the key principles and minimum requirements for establishing an effective risk management system, to identify, measure, monitor, manage and report, on a continuous basis the risks, at an individual and aggregated level, to which the Group could be exposed.

The risk appetite framework encompasses elements that consider the Group's capacity for risk in the context of pursuing its strategic objectives and managing its regulatory Solvency Capital Requirements ("SCR") and sets its risk appetite accordingly. The Group Risk Appetite Statement provides the boundaries and principles for how it expects the operating business entities to manage risk. It is cascaded to the operating business entities through the Group's Enterprise Risk Management Framework.

4. ASSET LIABILITY MANAGEMENT

4.1 Assets

The branches assets are valued at market value.

4.2 Liabilities

The Branch calculates the value of policy liabilities on an individual policy basis.

The policy liabilities consist of two components:

4.2.1 The unit reserve

The unit reserve is equal to the number of units allocated to the policy, multiplied by the appropriate unit price at the valuation date. At the valuation date, a deduction is made from the value of the unit reserve to reflect the value of charges that have been incurred but not yet deducted from the value of the policy.

4.2.2 The non-unit reserve

In the event that expected future policy level non-unit expenses exceed future policy level non-unit income in any year, a reserve is held to cover this excess. The amount held for this reserve at the valuation date allows for interest that is expected to be earned on the amount up until the date the payment is expected to be made.

The Branch does not invest Branch assets in equity or property, or related collective investments, except where the exposure arises due to mismatches between unitised fund assets and liabilities. These mismatches are permitted, subject to maximum limits, to avoid excessive dealing costs. These exposures are not material.

BALANCE SHEET		
SGD MILLIONS	2023	2022
Assets		
Equity securities	2862.1	2189.7
Debt securities	8.4	8.1
Land and buildings	0.0	0.0
Loans	8.3	7.0
Cash and deposits	182.7	186.9
Other invested assets	0.0	0.0
Fixed assets	0.0	0.0
Other assets	47.7	42.1
Total Assets	3,109.1	2,433.8
Liabilities		
Policy liabilities	2,995.5	2,329.1
Other liabilities	-23.3	-28.5
Total Liabilities	2,972.2	2,300.6
Surplus	136.9	133.1

4.3 Assumptions

The projections to calculate the non-unit reserve are carried out at an individual premium level and then aggregated to policy level making allowance for the actual commissions payable and the fee income from the specific charging structure selected. Additionally, a number of assumptions are required.

4.3.1 Mortality

An assumption is made about the expected mortality of policyholders. This assumption is based on reinsurer's rates or industry experience as appropriate.

4.3.2 Lapse rates

An assumption is made about the proportion of policies that will lapse in each policy year. This assumption is based on recent global experience within the Company.

In addition, an assumption is set for the expected rate of future partial withdrawals.

4.3.3 Expenses

An assumption is made about the level of annual per policy and percentage of fund expenses. This is set based on recent experience.

In addition, an assumption is made about the level of future inflation impacting these expenses. This assumption is set with reference to UK zero coupon inflation swap rates.

4.3.4 Investment returns (unit growth rate)

An assumption is made about the expected future growth rate of unit prices. This assumption is set in relation to United Kingdom swap rates.

4.3.5 Risk-free discount rate

An assumption is made about the discount rate to apply to future non-unit cash flows in order to calculate the non-unit policy liability. These rates are set with reference to the currency of the policy and market yield on the corresponding government bonds.

4.3.6 Allowance for prudence

Certain assumptions used to calculate the policy level liabilities include an allowance for prudence which partially mitigates against the risk that future experience may be worse than expected.

The key assumptions that include this allowance for prudence are:

- Mortality
- Expenses and expense inflation
- Lapse rates and partial withdrawal rates

5. RISK EXPOSURES

Utmost International regularly assesses its risk exposures.

Most of the material risk exposures that are relevant to the Branch are exposures within the Company. In addition, some operational risks are specific to the Branch.

The main risks inherent to the operations of the Branch and the Company are included below:

5.1 Market Risk

Market risk is defined as the risk that a change in the value of or income from any asset is not matched by an equal change in the value of the related liability. Market risk arises from fluctuations in equity prices, property prices, interest rates and foreign exchange rates, where assets and liabilities are not precisely matched.

Utmost Group has established an Investment and Market Risk policy which sets out the market risk management governance framework, permitted and prohibited market risk exposures, maximum limits on market risk exposures, management information and stress testing requirements.

5.1.1 Equity and property price risk

In accordance with the Investment and Market Risk policy, the Branch does not invest Branch assets in equity or property, or related collective investments, except where the exposure arises due to mismatches between unitised fund assets and liabilities. These mismatches are permitted, subject to maximum limits, to avoid excessive dealing costs, and are not material.

A change in the value of equities and property would affect the value of investments in associated unit linked funds, resulting in a change in the value of fund-based revenues received by the Branch.

5.1.2 Interest Rate Risk

Interest rate risk arises primarily from investment in fixed-income securities, which are exposed to fluctuations in interest rates.

A rise in interest rates would also cause an immediate fall in the value of investments in fixed-income securities within unit-linked funds, resulting in a short-term fall in fund-based revenues.

5.1.3 Foreign Currency Risk

Foreign currency risk arises where a liability in one currency is not exactly matched by an asset in the same currency. It is the policy of the Branch to minimise the exposure to material foreign currency risks.

Policy charges are defined in Great British Pounds (GBP) and are converted to the local currency at the prevailing rate. As the charges are defined in the same currency as the majority of wider company expenses the currency risk to the Branch is reduced.

All policyholder requested foreign currency exchange transactions are matched.

5.1.4 Credit Risk

Credit risk is the risk that a company is exposed to a loss if another party fails to meet its financial obligations to that company, including failing to meet them in a timely manner.

Utmost Group maintains a Credit and Liquidity Risk policy which sets out restrictions on the permitted financial transactions with counterparties to control and monitor the level of credit risk to which the company is exposed.

Credit risk is controlled by:

- Setting minimum credit rating requirements for counterparties.
- Setting limits for individual counterparties and counterparties concentrations.
- Reviewing limits annually and monitoring exposures regularly; and
- Counterparty due diligence and ongoing monitoring.

Legal contracts are maintained where the Branch or Company enters into credit transactions with a counterparty.

The credit risk exposures of the Branch and the Company are monitored regularly to ensure that counterparties remain creditworthy and to ensure that concentrations of exposure are kept within accepted limits.

The Branch has no significant concentrations of credit risk exposure.

5.1.5 Liquidity Risk

Liquidity risk is the risk that the Branch will encounter difficulties in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Branch monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Branch's operations and to mitigate the effects of fluctuations in cash flows.

5.1.6 Insurance Risk

Insurance risk arises through exposure to unfavourable claims experience on life assurance, critical illness and other protection business and exposure to unfavourable operating experience in respect of factors such as persistency levels and management expenses.

Utmost Group maintains an Insurance Risk policy which sets out the practices which are used to manage insurance risk, management information and stress testing requirements.

The insurance risk profile and experience are closely monitored to ensure that the exposure remains within accepted limits.

5.1.7 Mortality Risk

Mortality risk is the risk that death claims are higher than expected within the company's pricing assumptions. Possible causes are unexpected epidemics of new diseases and widespread changes in lifestyle such as eating, smoking and exercise habits. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that increase longevity.

The Company manages mortality risks through its Insurance Policy and external reinsurance arrangements where its policy is to retain certain types of insurance risks

within specified maximum single event loss limits. Exposures above accepted limits are transferred to reinsurance counterparties.

5.1.8 Persistency Risk

Persistency risk is the risk that a policyholder surrenders, transfers or ceases premium payments for their contracts with the company in a volume that has not been expected within the pricing assumptions thereby leading to a reduction in financial profit.

Most contracts can be surrendered before maturity for a cash surrender value. For insurance business, the surrender value is never more than the current reported value of the contract liability.

Persistency statistics are monitored monthly. Actions may be undertaken as a result of higher than expected lapse rates and significant emerging trends. A detailed persistency analysis at a product level is carried out on an annual basis.

5.1.9 Expense Risk

Expense risk is the risk that actual expenses exceed expense levels assumed in product pricing. Expense levels are monitored monthly against budgets and forecasts.

5.1.10 Operational Risk

The Group defines operational risk as the risk of adverse business outcomes resulting from inadequate or failed internal processes, personnel, and systems, or from external events (other than financial or business environment risks).

Operational risk includes all risks resulting from operational activities, excluding risks already described above and excluding strategic risks and risks resulting from being part of a wider group of companies.

Operational risk includes the effects of failure of the administration processes, underwriting process, IT maintenance and development processes, investment processes (including settlements with fund managers, fund pricing and matching & dealing), product development and management processes, legal risks (e.g., inadequate legal contracts with third parties), risks relating to the relationship with third party suppliers and the consequences of financial crime and business interruption events.

In accordance with the Group's policies, the Company's management has primary

responsibility for the identification, management and monitoring of risks, and escalation and reporting on issues to executive management and group management.

The Company's executive management has responsibility for implementing the Group's risk management methodologies and framework and the development and implementation of action plans to manage risk levels within acceptable tolerances and resolve issues.

5.1.11 Group Risk

Group risk refers to the risk that the Branch is negatively impacted by events taking place or decisions made elsewhere in the corporate group, for example: due to reputational damage by association; group failure leading to disruption to services supplied by the Group; or decisions made by the Group adversely impacting the Company or Branch.

The Branch is exposed to Group risk due to being part of a group of companies.

The mandatory adoption throughout the Group of its risk management policies and processes seeks to minimise the level of group risk.

5.2 Risk and Capital Management

5.2.1 Risk Management

Utmost International regularly assesses its risk exposures.

Market and insurance risks are assessed through stress tests applied to business plan financial projections by varying assumptions about future experience.

Operational risks are assessed using scenario-based risk assessments, constructed using expert judgment and supplemented by review of the risk control processes in place; internal and external event data; key risk indicators; and internal and external audit opinions.

Credit risks are assessed by determining the financial exposure to material counterparties and the likelihood of default.

Realised risk events are recorded and escalated in line with internal guidelines to ensure management have timely and accurate information about the risk profile of the Company. The Branch has implemented and benefits from the risk management framework and systems adopted by the Company.

5.2.2 Capital Management

Utmost International and the Branch adhere to the Group's Capital Management policy which sets out the key considerations and restrictions with regard to the amount of capital that is retained by the Company.

In addition, the Branch is registered with the Monetary Authority of Singapore and is subject to the local regulatory requirement to calculate the Fund Solvency Requirement (FSR) and Capital Adequacy Requirement (CAR), which sets out the minimum level of capital that the Branch must hold in addition to reserves held to cover policyholder obligations.

As stipulated in the Insurance (Valuation and Capital)(Amendment) Regulations 2018 and MAS Notice 133, in accordance with the Insurance Act and under the RBC2 regulatory framework, the Capital Adequacy requirement shall at all times be such that the Financial Resources of the insurer are not less than the higher of:

- The aggregate of the total risk requirement of all insurance funds (except for an insurance fund in respect of offshore policies) established and maintained by the insurer under the Insurance Act; or
- A minimum amount of SGD 5 million.

The branch defines capital as regulatory capital. Regulatory capital is the minimum amount of assets that must be held to meet statutory solvency requirements. The Branch monitors its capital position to ensure that the statutory solvency requirements are met at all times.

The financial instruments held within the Branch to cover the capital requirements are mainly cash and government bonds. These instruments have limited sensitivity to market variables and thereby stabilise the solvency position. Financial Resource adjustments arising from asset concentrations are monitored closely.

The Branch complied with all capital requirements during the financial year ended 31 December 2023.

The Capital Adequacy Ratio of 660% and Financial Resources of SGD 117.7m as at 31 December 2023 were higher than the above minimum requirements.

The Total Risk Requirement ("TRR") for the Branch is set out as follows:

RISK REQUIREMENT			
SGD MILLIONS	31-DEC-21	31-DEC-22	31-DEC-23
Mortality risk	0.1	0.1	0.0
Expense risk	2.1	1.7	0.4
Lapse risk	1.9	1.6	0.2
Catastrophe risk	0.0	0.0	0.0
C1 risks diversification benefit	(0.6)	(0.5)	(0.1)
Provision made for any adverse deviation (PAD)	(2.1)	(1.7)	(0.4)
Total C1 requirement	1.4	1.2	0.1
Equity investment risk	14.1	11.1	15.4
Interest rate mismatch risk	0.4	0.8	0.6
Credit spread risk	0.0	0.0	0.0
Property investment risk	0.0	0.0	0.0
Foreign currency mismatch risk	3.5	2.7	3.3
Counterparty default risk	0.1	0.1	0.1
C2 risks diversification benefit	(3.1)	(2.8)	(3.1)
Miscellaneous risk requirement	0.0	0.0	0.0
Total C2 requirements	15.0	11.9	16.2
Diversification benefit between C1 and C2	(1.4)	(1.1)	(0.1)
Operational risk requirement	1.5	1.2	1.6
Total risk requirements (TRR)	16.5	13.1	17.8

6. FINANCIAL INSTRUMENTS AND INVESTMENTS

Subject to eligibility, policyholders are able to invest in a wide range of approved assets within the products offered by the Branch, including:

- Offshore or mutual funds agreed by the Company,
- Stocks and shares or fixed interest securities quoted on recognised stock exchanges,
- Bonds and multi-currency deposits,
- Alternative investments - for example hedge funds, structured notes, and exchange traded funds.

Financial instruments and investments are managed by relevant third parties who have overall responsibility for setting the investment mandate and objectives.

Branch assets held to cover the non-unit liabilities and capital requirements are held as cash and bank deposits and are managed in line with the Group's market risk and credit risk policies, which set maximum market and counterparty exposures for the investment of these assets.

The majority of investment revenue received by the Branch over the year is attributable to policyholder investments and is reflected in the change in value of these investments accordingly. The investment return on assets held by the Branch is linked to the rate of return achieved on cash deposits.

7. FINANCIAL PERFORMANCE

7.1 Financial Information

Financial information on the Branch will be made available on the Monetary Authority of Singapore website:

www.mas.gov.sg/Statistics/Insurance-Statistics/Insurance-Company>Returns

7.2 Claims Development

Regular experience monitoring and assumption reviews take place as part of the financial reporting process, based on the experience of the Branch and Company. The results of this experience are built into the pricing of future products.

7.3 Pricing Adequacy

The Group maintains a product approval policy which sets out the requirements that new product developments should comply with, including the requirement to regularly monitor actual profitability of new products to ensure they meet the minimum standards.

In addition, the ongoing profitability of new business is regularly monitored and reported to the relevant committees, with appropriate action being taken as necessary.

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Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

Utmost Wealth Solutions is the registered business name of Utmost International Isle of Man Limited Singapore Branch.

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Registered in Singapore Number T08FC7158E. Authorised by the Monetary Authority of Singapore to conduct life assurance business in Singapore.

Member of the Life Insurance Association of Singapore. Member of the Singapore Finance Dispute Resolution Scheme.

Utmost International Isle of Man Limited is registered in the Isle of Man under number 024916C. Registered Office: King Edward Bay House, King Edward Road, Onchan, Isle of Man, IM99 1NU, British Isles. Licensed by the Isle of Man Financial Services Authority.

Utmost Wealth Solutions is registered in the Isle of Man as a business name of Utmost International Isle of Man Limited.

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