Utmost Holdings Isle of Man Limited Solvency and Financial Condition Report Year-End 2023

Month: April 2024
Author: Utmost Holdings Isle of Man Limited
Owner: Board of Directors

Contents

Introduction

The harmonised European Union ("EU") wide regulatory regime for Insurance Companies, known as Solvency II, came into force with effect from 1 January 2016. The regime requires reporting and public disclosure arrangements to be put in place by insurers. The objective of the Solvency and Financial Condition Report ("SFCR") is to increase transparency in the insurance market by requiring insurance and reinsurance undertakings to disclose publicly, on at least an annual basis, a report on their solvency and financial condition.

Although it is not a regulatory requirement in the Isle of Man, Utmost Holdings Isle of Man Limited ('UHIOML' or 'the Company') and its subsidiaries (together, 'the Group') has decided to produce this report to be consistent with other parts of the Utmost International Group ("UIG"). References are therefore made throughout the quantitative sections to "Solvency II," as it is this basis, as opposed to the Isle of Man's own Risk-based Solvency Regime, which has been applied in producing this report, unless otherwise stated. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

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

UHIOML is incorporated in the Isle of Man. We list the entities held by UHIOML below, along with any permissions held by each of them.

UHIOML-owned relevant entity name	Acronym	Purpose	Permissions held
Utmost International Isle of Man Limited	UIIOM	Writing long-term assurance business	Isle of Man – Authorised by the Financial Services Authority as a long-term life assurer. Hong Kong – Authorised by the Insurance Authority as a branch of UIIOM. Singapore – Authorised by the Monetary Authority of Singapore as a branch of UIIOM.
Utmost Limited	UL	Former life assurance provider	Isle of Man – Authorised by the Financial Services Authority as a long-term life assurer
Utmost International Trustee Solutions Limited	UITSL	Management and administration services	Isle of Man – Authorised by the Financial Services Authority for Trust Services
Utmost Trustee Solutions Limited	UTSL	Management and administration services	Isle of Man – Authorised by the Financial Services Authority for Trust Services
Utmost Administration Limited	UAL	Administration services	Isle of Man – Authorised by the Financial Services Authority as an Insurance Manager

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

Summary
BUSINESS AND PERFORMANCE

The principal activity of UHIOML is the writing of long-term assurance business classified as both investment and insurance contracts. The business holds c. £30bn of assets under administration.

The Company generated a profit after tax for the 2023 financial year of £22.5m. This compares to a loss after tax of £13.4m in 2022.

SYSTEM OF GOVERNANCE

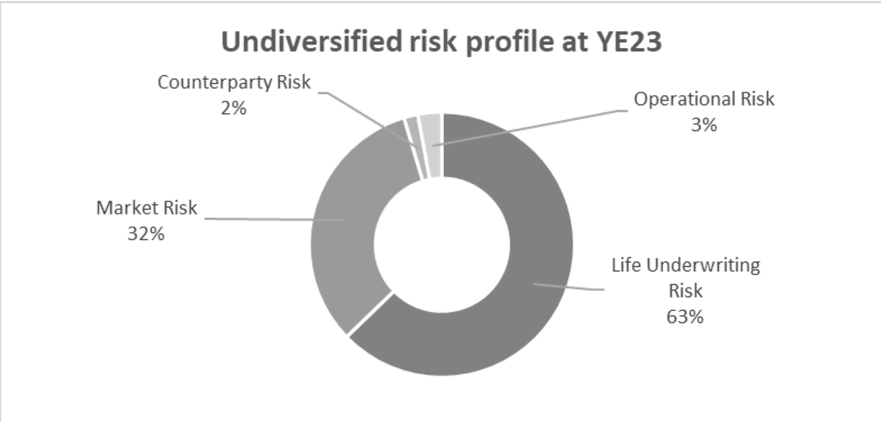
UHIOML's Board exercises oversight through a number of governance and management committees and through the process of review and challenge of items tabled for its consideration and decision throughout the year.

RISK PROFILE

UHIOML actively identifies, measures, manages, monitors and reports on its enterprise-wide risks, and uses the Standard Formula for calculating its Solvency Capital Requirement (calculated below as the Solvency II Standard Formula). In addition, emerging risks and other topical risk categories are actively monitored by UHIOML's management and GRC Function. The classes of risk to which the Company is exposed have not changed significantly over the year.

The Company sets its capital risk appetite and limits in the context of its Solvency Capital Requirement ("SCR") and the solvency coverage ratio, calculated *in this document* on a Solvency II basis. The Company separately reports its SCR under the local insurance and valuation regulations prescribed by the Isle of Man Financial Services Authority (IOM FSA), which largely mirrors that of Solvency II. The SCR and solvency coverage ratio are used to assess the significance of risks and to determine appropriate strategies for their management.

The chart below shows the composition of the Company's undiversified SCR as at 31 December 2023:



Market Risks

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

The key market risks UHIOML are exposed to are:

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

Counterparty Risks

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

The Company's key default risks include:

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

Life Underwriting Risk

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

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

Operational Risk

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

Liquidity Risk

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

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

VALUATION FOR SOLVENCY PURPOSES

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

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

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

Solvency II Assets, Liabilities and Technical Provisions

	31 December 2023 £'000	31 December 2022 £'000
Total Assets	30,102,280	29,283,996
Total Liabilities	29,065,088	28,348,963
Net Technical Provisions	28,691,110	27,899,812

The assets, liabilities and technical provisions increased during 2023. The key reason for the increase was market growth. Further information on the assets and liabilities, including the differences between the Solvency II value and the Statutory Accounts value, is provided in Sections D1 and D3.

CAPITAL MANAGEMENT

The Solvency Capital Requirement is calculated in this document according to the Solvency II Standard Formula methodology, corresponding to a Value-at-Risk of basic own funds of the Company subject to a confidence level of 99.5% over a one-year period.

At year-end 2023 the solvency coverage ratio for UHIOML, using the Solvency II Standard Formula methodology, was 211%. On an Isle of Man solvency regulation basis, and applying specifically to UIIOM, the solvency coverage ratio was 185%.

UHIOML's Own Funds are all classified as Tier 1. The table below outlines the Own Funds that are eligible to meet the SCR and Minimum Capital Requirement ("MCR"). Please note specifically that the MCR in this document is calculated in line with the presentation within Utmost Group plc's Quantitative Reporting Templates, which in this case is as set out in Isle of Man solvency regulations.

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

Solvency Capital Requirement and Minimum Capital Requirement

	31 December 2023 £'000	31 December 2022 £'000
Solvency Capital Requirement	491,827	510,723
Minimum Capital Requirement	186,068	192,102
Eligible Own Funds for SCR	1,037,191	935,033
Solvency Coverage Ratio	211%	183%
Eligible Own Funds for MCR	1,036,197	935,033
Minimum Solvency Coverage Ratio	557%	487%

Further details on the capital position are outlined in Section E.

A. Business and Performance

A.1. BUSINESS

Legal Entity Name:
Utmost Holdings Isle of Man Limited

Registered Office:
King Edward Bay House, King Edward Bay Road, Onchan, Isle of Man, IM99 1NU

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

UHIOML and UIIOM Board of Directors as at 31 December 2023:

Name	Position	Nationality	Date Appointed
Paul Quirk (Chairman)	Independent Non-Executive	British	UHIOML April 2022 UIIOM March 2016 (Chairman March 2023)
Angus Alexander	Independent Non-Executive	British	UHIOML April 2022 UIIOM March 2016
Andrew Lodge	Independent Non-Executive	British	June 2022
Ian Maidens	Non-Executive	British	UHIOML April 2016 UIIOM November 2021
Paul Thompson	Non-Executive	British	UHIOML April 2016 UIIOM November 2021
Michael Foy	Executive, Chief Executive Officer	British	UHIOML April 2016 UIIOM November 2021
Joly Hemuss	Executive, Chief Financial Officer	British	UHIOML April 2022 UIIOM April 2014

UTSL Board of Directors as at 31 December 2023:

Name	Position	Nationality	Date Appointed
Angus Alexander	Independent Non-Executive	British	April 2022
Andrew Lodge	Independent Non-Executive	British	June 2022
Paul Quirk	Independent Non-Executive	British	April 2022
Gary Lowcock	Executive	British	October 2023
Michael Foy	Executive, Chief Executive Officer	British	February 2008
Joly Hemuss	Executive, Chief Financial Officer	British	April 2022

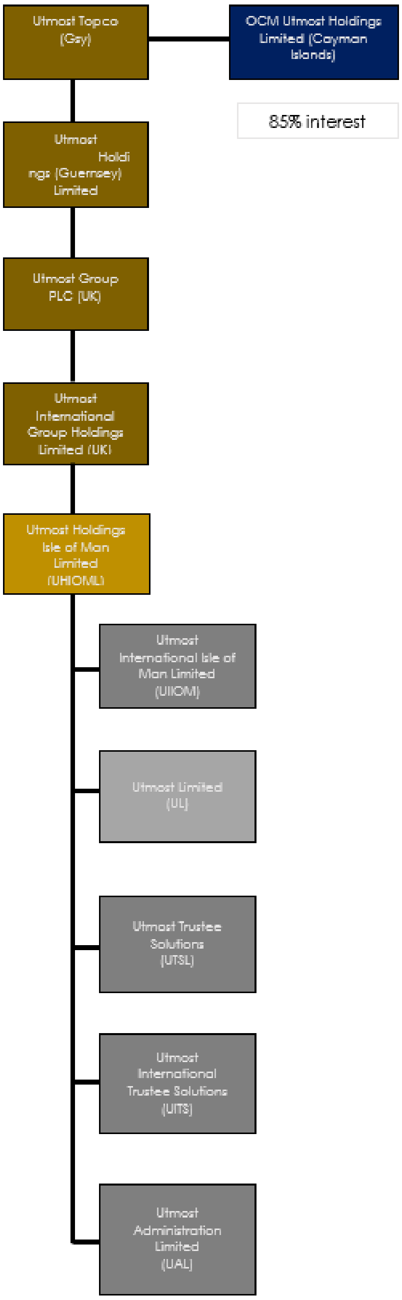
UITS Board of Directors as at 31 December 2023:

Name	Position	Nationality	Date Appointed
Angus Alexander	Independent Non-Executive	British	April 2022
Andrew Lodge	Independent Non-Executive	British	June 2022
Paul Quirk	Independent Non-Executive	British	April 2022
Gary Lowcock	Executive	British	October 2023
Michael Foy	Executive, Chief Executive Officer	British	November 2021
Joly Hemuss	Executive, Chief Financial Officer	British	April 2014

UAL Board of Directors as at 31 December 2023:

Name	Position	Nationality	Date Appointed
Angus Alexander	Independent Non-Executive	British	April 2022
Andrew Lodge	Independent Non-Executive	British	June 2022
Paul Quirk	Independent Non-Executive	British	April 2022
Michael Foy	Executive, Chief Executive Officer	British	February 2008
Joly Hemuss	Executive, Chief Financial Officer	British	April 2022

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



Utmost International Isle of Man Limited ("UIIOM") is incorporated in the Isle of Man and is authorised by the Isle of Man Financial Services Authority to conduct long-term insurance business.

Utmost Trustee Solutions Limited ("UTSL") and Utmost International Trustee Solutions Limited ("UITS") are both regulated by the Isle of Man Financial Services Authority as licensed trust service providers under the Financial Services Act 2008.

Utmost Administration Limited ("UAL") is regulated by the Isle of Man Financial Services Authority as an Insurance Manager under the Insurance Act 2008.

Utmost Limited ("UL") is incorporated in the Isle of Man and is authorised by the Isle of Man Financial Services Authority to conduct insurance business. UL's book was transferred to UIIOM in November 2022 and UL is in the process of being deauthorised, following which it will be liquidated.

A.2. UNDERWRITING PERFORMANCE

Gross Written Premiums

	31 December 2023 £'000	31 December 2022 £'000
Gross Written Premiums	1,375,330	1,708,401

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

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

A.3. INVESTMENT PERFORMANCE

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

The investments linked to insurance policies are selected by policyholders, or their appointed advisors or, where applicable, by asset managers selected by the policyholders and appointed for the purpose by UIIOM. The value of assets under management is affected by new business, asset and currency performance, fee deductions and policies maturing or surrendering each year.

Policyholder Investments	31 December 23 £'000	31 December 22 £'000
Financial assets at fair value to cover liabilities under insurance contract	205,527	202,892
Financial assets at fair value to cover linked liabilities	27,937,722	26,927,899
Policyholder loans	150,853	165,168
Cash balances and cash equivalents	1,401,258	1,582,312
Total	**29,695,360**	**28,878,271**
Breakdown of Investments		
Ordinary Shares and Funds	13,678,301	12,966,817
Discretionary managed portfolios	13,616,503	12,918,994
Modified coinsurance account	235,207	365,990
Deposits	328,623	294,696
Other Investments	79,087	381,402
Total Investments	**27,937,721**	**26,927,899**

Total policyholder investments increased from 2022 to 2023 primarily due to financial market performance, partially offset by policyholder withdrawals.

Company Financial Investments

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

Company Financial Investments	31 December 23 £'000	31 December 22 £'000
Financial Assets		
Investment Funds	13,854	12,228
Deposits	372	32,110
Cash balances and cash equivalents	291,837	273,327
Total Financial Assets	**306,063**	**317,665**
Long term loan	20,617	20,850
Total Company Financial Investments	**326,680**	**338,515**

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

Investment performance

Investment performance on Policyholder and Company Financial Investments	31 December 23 £'000	31 December 22 £'000
Interest income	31,593	9,540
Dividend income	186,832	228,302
(Loss)/Gains on investments	1,759,699	(3,091,680)
Total Investment Performance	**1,978,124**	**(2,853,838)**

A.4. PERFORMANCE OF OTHER ACTIVITIES

Expenses

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

Dividends

During 2023 UHIOML paid dividends of £102,000k to its immediate parent Utmost Group Plc (2022: £80,000k).

Leasing Arrangements

During the 2022 financial year, the Group had several leases in place to rent office space. These were held by Utmost International Isle of Man Limited, Utmost Services Limited and AAM Advisory PTE. All such leases are accounted for in accordance with IFRS 16, whereby the Companies recognise a right-of-use asset and a corresponding lease liability.

Following the end of the 2022 financial year, on 31 January 2023, Utmost International Isle of Man Limited, indirectly purchased the freehold title in King Edward Bay House, the office building that it leases, through the acquisition of its landlord, Douglas Bay Property Limited. The result of this is that the Group will not recognise the lease in its consolidated accounts after that date, however Utmost International Isle of Man Limited will continue to account for the lease in its company accounts.

A.5. ANY OTHER INFORMATION

No other information noted.

B. System of Governance

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

The System of Governance set out below provides a clear organisational structure allowing for appropriate allocation and segregation of responsibilities and effective systems for ensuring the transmission of information throughout UHIOML and the wider Utmost Group plc group of companies.

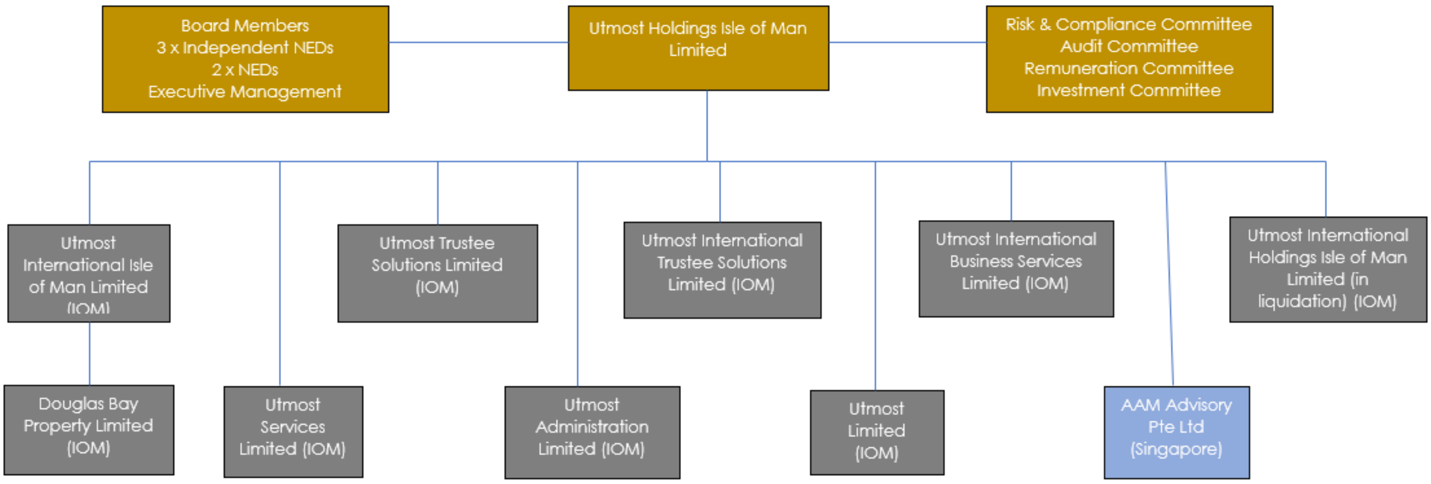
B.1.1. INFORMATION ON GENERAL GOVERNANCE

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

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

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

Governance Structure



The regulated boards of UIIOM and UL consist of three Independent Non-Executive Directors, two Non-Executive Directors and two Executive Directors, with membership reviewed every three years. The regulated boards of UAL, UTSL, and UITS consist of three Independent Non-Executive Directors and two Executive Directors, with membership reviewed every three years.

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

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

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

The SORMs identify those matters which the boards require to be brought before them for decision in all instances.

UHIOML Board Committees:

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

Reporting to the UHIOML Board and its sub-Committees is an Executive Committee, which benefits from targeted advice, information and recommendations from the following sub-committees:

- Advisor Monitoring Forum
- Customer Outcome Forum
- Business Outcomes Forum
- Investment Forum
- Product Lifestyle Management Committee
- Executive Risk and Compliance Committee
- Trust Forum

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

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

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

Risk-taking activities in UHIOM are governed by the three lines of defence model, which is widely used within the financial services industry. This model separates ownership and management of risk from oversight and independent assurance as follows:

1. **Own and manage the risks.** The first line of defence is operational management who perform day-to-day operational activities and self-assessment of their risks and controls,

2. **Oversee and provide specialist support.** The second line of defence are primarily the Risk and Compliance functions, who monitor compliance with the risk management framework and perform independent oversight of operational management and risk-taking activities, and

3. **Independent process assurance.** The Third line of defence, provided by Group Internal Audit, is the independent review and challenge to the level of assurance provided by operational management and the control functions (1st and 2nd line).

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

UHIOML's Governance Risk and Compliance Function supports the UHIOML Board and Executive Committee in the definition of its risk management strategy and the development of tools for risk identification, measurement, management, monitoring, and reporting.

B.1.3. MATERIAL CHANGES TO THE SYSTEM OF GOVERNANCE

There have been no material changes to UHIOML's system of governance in the period.

B.1.4. REMUNERATION POLICY

UHIOML's Remuneration Policy establishes the principles for ensuring that the overall reward philosophy and remuneration governance framework across the Group:

- Complies with applicable legislation and regulation and follows best practice in the area in terms of having a robust governance structure for goal setting and performance management;
- Promotes sound and effective risk management that does not encourage risk-taking that exceeds the risk appetite of UHIOML;
- Ensures that the aggregate potential value of remuneration awards do not threaten the business' ability to maintain an adequate capital base;
- Sets out controls and procedures that will ensure appropriateness of the policy into the future;
- Ensures that remuneration for Material Risk Takers (MRTs) are appropriate, encourage exceptional performance and, in a fair and responsible manner, reward them for their individual contributions to the medium and longer-term success of Utmost Group;
- Assists UHIOML to attract, motivate and maintain employees with relevant skills to help achieve the business' objectives; and
- Promotes consistency of approach and transparency across Utmost Group plc.

B.1.5. MATERIAL TRANSACTIONS DURING THE REPORTING PERIOD

No material transactions occurred during the reporting period.

B.2. FIT AND PROPER REQUIREMENTS

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

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

As part of the IOM FSA Fitness and Propriety Guidance several roles within the Isle of Man regulated entities[1] under UHIOML have been identified where the company is required to complete an assessment. The types of roles have been categorised as ones requiring regulatory approval before an appointment can be made, and others where notification to the IOM FSA is only required. For both categories UHIOML must assess if the individual is 'Fit and Proper.'

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

The relevant roles within the Isle of Man regulated entities[1] under UHIOML that the IOM FSA consider they need to approve before an appointment can be made are:

Code	Role
R4A	Executive Director
R44B	Non-independent non-executive director
R4C	Independent non-executive director
R8	Chief Executive Officer or Managing Director
R10	Key Person
R11	Appointed Actuary
R12	Principal Control Officer
R13	Head of Compliance
R14	Head of Internal Audit
R15	MLRO
R19	Financial Controller

Isle of Man Regulated Entities under UHIOML are Utmost International Isle of Man Limited (UIIOM), Utmost Limited (UL), Utmost Administration Limited (UAL), Utmost International Trustee Solutions Limited (UITSL) and Utmost Trustee Solutions Limited (UTSL)

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

Code	Role
R9	Company Secretary
R16	DMLRO
R17A	Person responsible for the submission of Regulatory Returns to the Authority
R17B	Person responsible for the submission of AML/CFT data through STRIX to the Authority
R18	Senior Manager with Significant Influence
R20	Head of Operations

Human Resources with advice from the Governance Risk and Compliance function, ensure that assessments manage the ongoing maintenance of employee roles through their time with the Company.

B.2.3. RISK MANAGEMENT SYSTEM

UHIOML's ERM framework is a set of strategies, guidelines, processes and procedures aimed at identifying, assessing, managing, monitoring and reporting risks to which the Group and Operating businesses are exposed on a continuous basis. Subsidiary Boards have the authority to establish local risk management frameworks to manage risks to within the agreed risk appetite and to ensure compliance with local laws and regulations.

To this end, the management of the organisation at all levels is required to be risk aware and understand that Risk Management is part of all employees' responsibilities in delivering the business objectives in an efficient and effective manner in line with an agreed and established risk appetite and enterprise vision and values.

Risk Strategy

The risk strategy at UHIOML provides an overarching view of how risk management is incorporated across all levels of the business, from decision-making to strategy implementation. It assists the Group to achieve its strategic objectives by supporting the operating businesses with improved client and shareholder outcomes.

This is achieved through the identification and management of an acceptable level of risk ("risk appetite") and by ensuring that UHIOML is appropriately rewarded for the risks it takes. To ensure that all risks are managed effectively, UHIOML is committed to:

- Embedding a risk aware culture.
- Maintaining a strong system of internal controls.
- Enhancing and protecting client and shareholder value by continuous and proactive risk management.
- Maintaining an efficient capital structure, and
- Ensuring that risk management is embedded into day-to-day management and decision-making processes.

Risk Management Function

A Risk Management Function is a legal requirement for Insurance Companies authorised in the Isle of Man, and there are distinct Risk Management obligations which apply to Isle of Man Trust Companies. UHIOML's Risk Management Function delivers these services through:

- Oversight and advice on 1st line Risk Event and Incident capture, escalation and reporting.
- Provision oversight and challenge the business to ensure risk is being managed within the stated appetite.
- Checking if our Enterprise-wide Risk Management (ERM) framework is operating effectively by carrying out appropriate monitoring practices and risk assurance activity.
- Ensure the regulated entities and Board requirements are met in respect of standards set out in Group and local policies

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

Policy Framework

Policies are a critical component of UHIOML's System of Governance ("SoG") and act as the basis of the implementation of the Utmost Group's strategic and business objectives and compliance with applicable regulations and legislation. It is recognised that Group policies need to set out the key principles for managing risks and compliance with legislation and regulation from a group perspective. However, they also need to accommodate mechanisms that will enable UHIOML to comply with local Business risk appetite and any additional local regulatory requirements.

- **Policy:** document setting out written statements specifying the high-level requirements and / or principles by which the Group conducts its business in the area covered by the Policy. Compliance with requirements is mandatory unless a waiver or dispensation is approved through the agreed process (see 3.2).

- **Standard:** supporting document providing additional clarification upon the requirements of a Policy and elaboration upon how requirements should be achieved. Standards may support a single Policy or multiple Policies. Not every Policy will or must have a supporting Standard.
- **Procedure:** granular or step by step guidance explaining how activities and processes operate. Procedure documents will be suitable for the individual or teams involved in operating the process.
- **Framework:** a broad overview, outline or skeleton which supports a particular approach and acts a means to see how various items relate to one another. A framework can reference a mix of policies, standards and procedures.

Risk Culture

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

- The Senior Management team, supported by the Risk Management Function, meet regularly to review risk management issues and to integrate risk management thinking into the decision-making process. Furthermore, material risk incidents and the results of risk assessments are reviewed, resulting in the required corrective actions being identified.
- The Chief Risk Officer is a member of the senior management team, their role integrates risk management thinking into the decision-making process.
- The strategic planning process must remain consistent with the Own Risk and Solvency Assessment ("ORSA") to include a risk based forward-looking view in the development of the strategic plan.
- The Risk Management Function is involved in the material initiatives which may impact on the risk profile of the Group.

B.2.4. INTERNAL MODEL FRAMEWORK: GOVERNANCE, DATA AND VALIDATION

This section is not applicable to UHIOML. The local regulator has encouraged insurers to use the Standard Formula as set out in the Insurance Long Term Business Valuation and Solvency Regulations 2018. The Company therefore tests the appropriateness of the Standard Formula through the ORSA process.

B.2.5. ORSA PROCESS

UHIOML's ORSA is a key process for providing the Board and other key stakeholders with a comprehensive understanding of its risk profile and expected capital needs over its business planning period. The analysis, findings and recommendations from UHIOML's ORSA are a key part of the Board's strategic decision-making process as are the way in which these decisions are implemented by relevant members of the senior management team.

UHIOML's strategic objectives, business plan and target risk profile are key inputs into the scope and focus of the ORSA. The ORSA includes an annual cycle of stress and scenario testing. This is designed to provide insight into the sensitivity of the business plan to key assumptions and allow analysis of the plan under potential adverse scenarios together with the management actions available to UHIOML to achieve its strategic objectives. UHIOML, together with senior management play a significant and ongoing role in determining the set of scenarios which will be included in its ORSA, the assumptions for each of these scenarios and the criteria against which the results will be assessed.

An Utmost Group-wide ORSA Policy requires that UHIOML's ORSA:

- Provides key stakeholders with a comprehensive understanding of its risk profile, its capital needs and the link between risk and capital;
- Is forward-looking and provide insight into both the current and expected future risk profile and capital

position of UHIOML;

- Allows identification, assessment, monitoring and management of all material risks, in order to ensure there is sufficient capital resources to meet the solvency requirements across the business planning cycle;
- Is used as a key decision-making tool;
- Is designed to be specific to UHIOML and the specific environment in which it operates;
- Is embedded as an ongoing process which comprises regular analysis, reporting, discussion and management action; and
- Informs and respond to the way UHIOML is run on a continuous basis.

B.2.6. RISK EMBEDDING IN CAPITAL MANAGEMENT PROCESS

UHIOML's capital management framework includes hard and soft quantitative values that align with its stated risk appetite which itself limits the probability of breaching the applicable regulatory capital requirements. The framework describes the processes and governance arrangements for managing capital in the Company, including establishing triggers and thresholds for ongoing monitoring of the capital position.

Capital Management Planning in UHIOML is embedded as part of the overall strategic and annual business planning process, with the resulting Capital Management Plan approved by the UHIOML Board.

UHIOML management monitor its SCR coverage ratio against risk appetite and report to the relevant Group and entity-level committees and Boards on at least a quarterly basis. In the event that it breaches agreed hard and soft limits, an escalation process is in place.

B.3. INTERNAL CONTROL SYSTEM

The UHIOML Board is responsible for maintaining an effective system of internal control and for ensuring that controls are aligned to risk exposures. The Board also provides reasonable assurances regarding the achievement of the following objectives:

- Effective and efficient operations;
- Integrity of financial reporting;
- Compliance with laws, regulations and internal policies; and
- Effective risk management within approved risk appetite limits.

The Company's principles of internal control include establishing:

- Clearly defined corporate governance structures and delegated authorities.
- Clear lines of responsibility – each operating business and function has clearly defined lines of responsibility.
- Financial reporting control procedures and systems.
- The internal control system of each business and function including policies, control procedures and systems which are regularly reviewed.
- Reliable information and communication at all levels of the organisation.
- Control functions to oversee and monitor the system of internal control; and
- Risk management frameworks – the risks to which UHIOML is exposed are identified and appropriately managed.

UHIOML promotes the importance of appropriate internal controls via an Utmost Group-wide Internal Control Policy which:

- Ensures that all personnel are aware of their role in the system of internal control.
- Ensures a consistent implementation of the system of internal control across the Group, including UHIOML.
- Establishes monitoring and reporting mechanisms for decision making processes; and
- Establishes processes for employees to raise concerns ("Whistleblowing").

The implementation and maintenance of the system of internal control in UHIOML is the responsibility of its executive directors and senior management, with ultimate responsibility resting with the UHIOML Board.

B.3.1. CONTROL FUNCTIONS

Actuarial Function

UHIOML has a well-established Actuarial function that is led by a Head of Actuarial who is approved by relevant local regulators. The Actuarial function is staffed and resourced by suitably skilled and experienced actuarial professionals. The authorities and responsibilities of UHIOML's Head of Actuarial Function (as set out in both the Solvency II Directive and comparable legislation on the Isle of Man), are detailed below.

The UHIOML Actuarial Function has the responsibility to:

- Coordinate the calculation of its technical provisions;
- Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of UHIOML's technical provisions;
- Assess the sufficiency and quality of the data used in the calculation of technical provisions;
- Compare best estimates against experience;
- Inform the BoD of the reliability and adequacy of the calculation of technical provisions;
- Oversee the calculation of technical provisions in the cases where there are insufficient data or appropriate quality to apply a reliable actuarial method;
- Express an opinion on the overall underwriting policy of UHIOML;
- Express an opinion on the adequacy of UHIOML's reinsurance arrangements; and
- Contribute to the effective implementation of the risk management system within the Company.

Compliance Function

UHIOML operates within a financial services regulatory regime in the Isle of Man and a number of other relevant jurisdictions. The regulators define the standards required within the Company via their rules and guidance, which cover key areas around customer protection and sustainability – with expectations that these principles are embedded in the culture of the business, driven from the top of the organisation and managed via robust governance frameworks.

All employees are required to have an awareness of the requirements with regards to their role to ensure the Group meets the standards required in both letter and spirit, with some Controlled Function holders having specific accountabilities and obligations to the local regulators.

Good compliance standards and risk management helps the Company build trust with customers and other stakeholders, and promotes a culture where positive individual behaviours ensure the customer is at the heart of the systems and controls which enable good customer outcomes and the identification/mitigation of poor practice.

The role of UHIOML's Compliance team is to ensure that the operating entities of the Isle of Man Group of companies meets the regulatory requirements in the jurisdictions in which it does business. This is overseen at Utmost Group plc level by the Group Head of Risk and Compliance who reports to the Group CFO and the Chairman of the ARCC.

Risk Management Function

A Risk Management Function is a legal requirement for Insurance Companies authorised in the Isle of Man, and there are distinct Risk Management obligations which apply to Isle of Man Trust Companies. UHIOML's Risk Management Function delivers these services through:

- Oversight and advice on Risk Event and Incident capture, escalation and reporting.
- Provision oversight and challenge the business to ensure risk is being managed within UHIOML's stated appetite.
- Checking if the Company's Enterprise-wide Risk Management (ERM) framework is operating effectively by carrying out appropriate monitoring practices and risk assurance activity.
- Ensure the regulated entities and Board requirements are met in respect of standards set out in Group and local policies

B.3.2. INTERNAL AUDIT FUNCTION

Internal Audit is an integral part of the Company's system of internal control and provides independent and objective assurance over the design and effectiveness of the controls in place to manage the key risks impacting UHIOML.

The Internal Audit function is independent of UHIOML's operational management and is not involved directly in revenue generation or in the management and financial performance of any business line. Internal Auditors have neither direct responsibility for, nor authority over, any of the activities reviewed, nor do their review and their appraisal relieve other persons in the Company of responsibilities assigned to them. Internal Auditors are not responsible for developing, revising or installing systems, policies or procedures, or for appraising an individual's performance in relation to the operations that are being audited.

The Head of Internal Audit for UHIOML reports to its Audit Committee, while having a dotted reporting line, for administrative purposes, to the CEO. The Internal Audit function is responsible for regularly assessing the adequacy of the system of internal control of the Company, and reporting its findings to the UHIOML board (via the Audit Committee).

Internal Audit activity is carried out based on the framework of risk-based annual audit plans that are prepared and submitted for review and approval by the UHIOML Audit Committee. Upon approval, the Head of Internal Audit distributes the plan to senior management and executes the plan during the audit plan period. At the Head of Internal Audit's discretion or at the request of an AC or member of senior management, other unannounced audits may be completed.

The Internal Audit charter defines the framework for the activities of the wider Utmost Group's Internal Audit function and is approved by the UHIOML Board (via its Audit Committee), reported on quarterly.

The Internal Audit reporting structure and the charter allow UHIOML's Internal Audit function to be independent of the functions audited and provides it with full, free and unrestricted access to all operations, records, property and personnel. It provides the authority to allocate resources, set frequencies, select subjects, determine scope of work and apply the techniques required to accomplish audit objectives.

During their audit planning process, the Internal Audit team review the entire risk universe and identify the highest risk items that need to be covered by risk-based audits. They also identify processes which, although not necessarily constituting significant risks, still need to be reviewed on a cyclical basis to ensure that the audit process achieves sufficient breadth of coverage. Throughout the audits themselves, the Internal Audit team identifies potential key risks and examines how effectively they are mitigated through assessing the design and operational effectiveness of key internal controls, information systems, governance, risk management and financial reporting. Where appropriate, the Internal Audit function institutes a program of testing.

B.4. OUTSOURCING

Outsourcing of specific business activities can be used to reduce or controls costs, to free internal resources and capital and to utilise skills, expertise and resources not otherwise available in the Group. Outsourcing such activities may expose the Company to additional risks which need to be identified and managed appropriately.

UHIOML has established an Outsourcing Management Policy which requires that a considered approach be taken to outsourcing, designed to ensure that no outsourcing arrangement will be entered into if it would entail unacceptable risk. While an outsourced activity will be performed by an Outsourced Service Provider ("OSP"), the Company recognises that it remains fully responsible for discharging all its obligations when outsourcing any activity or function. UHIOML must have controls in place to ensure the service provided is adequately performed. The Company does not permit the outsourcing of a critical or important operational function or activity in such a way as to lead to any of the following:

- Materially impairing the quality of the Group system of governance;
- Unduly increasing the level of operational risk;
- Impairing the ability of regulators to monitor compliance with regulatory obligations; and
- Undermining continuous and satisfactory service to customers and other stakeholders.

The Board and senior management of UHIOML retains the necessary expertise to manage outsourcing risks and provide oversight of any critical and important outsourcing arrangements. UIIOM does not have any material direct third-party outsourcing arrangements. All insurance management services are provided by Utmost Administration Limited ("UAL") who in-turn relies on the services of USL; an internal service provider, for the provision of staff, services, and systems for its business activities, in addition to other Utmost Group Companies. There are relevant formal service agreements in place to manage these arrangements.

USL through its relationship with Utmost International Business Services Limited ("UIBS") had a critical outsource of transitional services with Quilter Business Services Limited, namely the provision of IT infrastructure and support until November 2023 at which point these services were brought inhouse. USL has two main critical outsource providers the first of which is Tata Consultancy Services which provides an administrative platform for an UIIOM Portfolio bond book, through both its UK and India operation. The second is HCL Technologies which provides IT support services to the UIIOM Unit linked administration system through its business embedded staff and its UK and India operations. All remaining outsource providers for UIIOM are not classed as critical to providing the ongoing service.

USL's outsourcing and procurement teams are responsible for conducting due diligence and risk assessment in relation to potential OSPs and arranging for their onboarding. It is responsible for the ongoing oversight and monitoring of all OSPs, both critical and non-critical.

B.5. ANY OTHER INFORMATION

B.5.1. ASSESSMENT OF THE ADEQUACY OF THE SYSTEM OF GOVERNANCE TO THE NATURE, SCALE AND COMPLEXITY OF THE RISKS INHERENT IN THE BUSINESS

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

B.5.2. OTHER MATERIAL INFORMATION REGARDING THE SYSTEM OF GOVERNANCE

No other information on the Group's system of governance is considered material to require disclosure in this section.

C. Risk Profile

The breakdown of UHIOML's Solvency Capital Requirement is as follows:

	31 December 2023 £'000	31 December 2022 £'000
Life underwriting risk	383,358	404,871
Market risk	199,242	197,793
Counterparty risk	10,460	10,260
Operational risk	17,742	17,417
Diversification	(118,975)	(119,619)
Adjustment for the loss-absorbing capacity of deferred taxes	-	-
Solvency Capital Requirement	**491,827**	**510,723**

C.1. UNDERWRITING RISK

Life and health underwriting risks, relate to the risk of unfavourable underwriting and expense experience relative to assumptions and expectations resulting in reduced profitability for UHIOML. As the onlylife insurance company held by UHIOML, UIIOM are at risk from the uncertainty in the assumptions used in the calculation of their liabilities. Assumptions are necessary for expectations of future claims (life or health claims), lapse rates and expenses among other items.

C.1.1. RISK EXPOSURE AND ASSESSMENT

The key underwriting risks to which UHIOML are exposed include:

- **Mortality risk** – defined as change in the value of liabilities resulting from changes in the mortality rates, where an increase in mortality rates leads to an increase in the value of insurance liabilities. Mortality risk also includes the Mortality Catastrophe risk, defined as a change in the value of insurance liabilities resulting from extreme or irregular events.
- **Longevity risk** – defined as the risk that people live longer than expected leading to an increase in the value of insurance liabilities.
- **Lapse risk** – defined as the change in liabilities due to changes in the expected exit rates. Exits can happen from either a partial or full surrender of a policy. This also includes a catastrophic event with a mass lapse resulting.
- **Expense risk** – defined as the change in the value of liabilities resulting from changes in the expenses incurred in servicing the contracts.

The SCR for underwriting/insurance risks is calculated using the Standard Formula approach, whereby the impact on UHIOML's Own Funds of a 99.5th percentile one-year level change in the risk variable(s) corresponding to each underwriting risk carried out using the Solvency II Standard Formula calibration.

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

C.1.2. RISK MANAGEMENT AND MITIGATION

Underwriting/insurance risks are closely monitored to ensure the UHIOML Board's stated Risk Appetite is not breached. Mortality and longevity risk are not significant and are monitored through feedback mechanism from the actuarial experience investigations.

C.1.3. RISK SENSITIVITY FOR UNDERWRITING RISKS

UHIOML carries out stress and scenario testing as part of the ORSA process which includes stress testing for the material underwriting risks. The results of this analysis showed that the most material impact on the SCR coverage was from the mass lapse scenario, in the instance of which UHIOML has agreed management actions to follow.

C.2. MARKET RISK

C.2.1. RISK EXPOSURE AND ASSESSMENT

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

The key Market Risks that UHIOML is exposed to include:

- **Equity risk:** mainly a reduction in ad valorem fees earned on equity-based components of future profits recognised in the Technical Provisions.
- **Currency risk:** where the movement in exchange rates can result in gains and losses arising from net changes in currency mismatched asset and liability positions.
- **Spread Risk:** defined as the risk that arises from changes in or volatility of credit spreads over the risk-free interest rate term structure. This risk may be specific to the standing of an obligor or guarantor or may be systemic. The spread risk module is calibrated to also include an element for default on credit exposures.
- **Interest rate risk:** where movements in interest rates directly impact the present value of future asset and liability cash flows.
- **Market risk concentration risk:** additional risk arising from aggregated exposures to entities under the common control of a single name entity.

Equity and currency risk represent the most material components of UHIOML's SCR at a sub-module level.

C.2.2. RISK MANAGEMENT AND MITIGATION

The Company has an Investment and Market Risk Policy which also dictates where shareholder investments should be invested. The Company does not invest directly into equities. Monitoring of market risk is performed monthly as part of risk reporting. Actual monthly movements are compared to the risk appetite limits and appropriately reported to the Company's Executive Committee and the UHIOML Board.

C.2.3. RISK SENSITIVITY FOR MARKET RISKS

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

Solvency Ratio Sensitivity	YE23			
	Eligible Own Funds	Solvency Capital Requirement	Solvency Ratio	Change in percentage points
Base Position	**1,037**	**492**	**211%**	
Equity Value -40%	930	419	222%	11%
Risk Free Rate -100 bps	1,030	502	205%	-6%
Risk Free Rate +100 bps	1,018	470	217%	6%
Expenses +10%	986	485	204%	-7%
Lapse up +50%	876	401	219%	8%
GBP +20%	973	457	213%	2%

C.3. CREDIT RISK

C.3.1. RISK EXPOSURE AND ASSESSMENT

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

C.3.2. RISK MANAGEMENT AND MITIGATION

Reinsurance is used by UHIOML to mitigate mortality and morbidity risk. Only mortality risk is generated from new business and arises from the small amount of high-death benefit business generally used for inheritance tax planning. Reinsurance is written on a risk premium basis with a set retention level per policy.

As reinsurance is written on a risk premium basis with premiums payable as they fall due, there is no material credit risk, unless a significant claim falls due (there is also a risk of having to re-tender at higher premiums in the event a reinsurer fails or withdraws future cover).

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

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

C.3.3. RISK SENSITIVITY FOR CREDIT RISKS

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

C.4. OPERATIONAL RISK

C.4.1. RISK EXPOSURE AND ASSESSMENT

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

UHIOML adopts the following operational risk classification categories:

- **Business and systems disruption** – defined as the losses arising from disruption of business or system failures.
- **Execution, Delivery and Process Management** – defined as the losses from failed transaction processing or process management, from relations with trade counterparties and vendors.
- **Financial Crime** – including:
  - Internal fraud – defined as the losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or Company policy, excluding diversity/discrimination events, which involves at least one internal party;
  - External fraud – defined as the losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party;
  - Money Laundering – risk of the Company being used to facilitate Money Laundering or Terrorist Financing, leading to reputational and/or regulatory scrutiny;
- **Clients, Products and Business Practices** – defined as the losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product.
- **Employment Practices and Workplace Safety** – defined as the losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events.
- **Damage to Physical Assets** – defined as the losses arising from loss or damage to physical assets from natural disaster or other events.
- **Governance** – defined as the losses arising from the risk that the Company's, conventions, policies and processes and mechanisms by which decisions about business strategy and risks are taken and implemented are not adequate or effective.

UHIOML's framework for Operational Risk Management includes a risk incident reporting and loss data collection process, risk assessment and scenario analysis.

The risk incident reporting and loss data collection process involves the collection of losses incurred because of the occurrence of operational risk events and provides a retrospective view of the historical losses incurred due to operational risk events

UHIOML's Risk and Control Self-Assessment process details the control design and effectiveness attributed to the operational risks to which it is exposed. The Annual Operational Risk Scenario exercise supplements this by providing a targeted, forward-looking qualitative and quantitative evaluation of the plausible but extreme operational risks faced by UHIOML.

C.4.2. RISK MANAGEMENT AND MITIGATION

The table below sets out the specific risk management and risk mitigation approaches UHIOML uses in respect of its operational risk exposures.

INDIVIDUAL CONTROLS	Individual controls applied to specific operational activities.
CONTROL PROCESSES	Operational controls in place to manage operational risks.
CONTROL POLICIES	Record of the objectives, processes, responsibilities, and reporting procedures in respect of the Company's operational controls.
MANAGEMENT AND MONITORING	Review of operational risk reporting and management information, including regular senior management and Board level review of the risk measures in place
COMPLIANCE MONITORING	Risk and compliance reviews of operational processes.
ROOT CAUSE ANALYSIS	UHIOML investigates business incidents and any complaints that have been upheld, to ensure the root causes have been identified and mitigating actions are implemented.
ASSURANCE	Reviews of operational areas by Internal Audit.
ECONOMIC CAPITAL	Economic capital held on the UHIOML's regulatory balance sheet in respect of its overall exposure to operational risk derived using the Solvency II Standard Formula approach.

C.5. LIQUIDITY RISK

C.5.1. RISK EXPOSURE AND ASSESSMENT

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

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

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

C.5.2. RISK MANAGEMENT AND MITIGATION

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

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

C.6. OTHER RISKS

C.6.1. QUALITATIVE RISKS

To complement the quantitative risk management in respect of its Solvency Capital Requirement and respective risk appetite and tolerance, UHIOML's Risk Management Function provides regular reporting to Senior Management on enterprise-wide risks for which regulatory capital is not directly required. This will normally include additional detailed reporting on:

- Financial Crime matters
- Regulatory change environment
- Legal matters
- FATCA/ CRS Reporting
- Qualitative Risk Profile ("Top Risks") and their management

C.6.2. EMERGING RISK

In addition to 6.1, UHIOML's Risk Management Function provides regular reporting to Senior Management on Emerging and 'Watchlist' Risks, factoring both into its ORSA Processes.

Emerging risks are matters currently being tracked by the Risk Management Function but are not considered proximal enough to warrant inclusion in the Qualitative Risk Profile, while 'Watchlist' risks are those under review by second line but are not currently considered to be material enough for inclusion in the Qualitative Risk Profile.

C.7. DIVERSIFICATION

The diversification benefit within UHIOML's SCR calculation is determined based on relative sizes of the risks and the correlation assumptions between them. The Standard Formula prescribes the correlation factors within the risk module and between the risk modules

D. Valuation for Solvency Purposes

D.1. ASSETS

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

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

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

Solvency II Assets Valuation

	31 December 2023 £'000	31 December 2022 £'000
Solvency II Valuation	30,102,280	29,283,996
Statutory Accounts Valuation	30,611,362	29,902,369
Difference	**(509,082)**	**(618,373)**

Valuation of Assets

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

Valuation of Assets 31 December 2023	Solvency II £'000	Statutory Accounts £'000	Difference £'000
Acquired value of in-force business	0	478,081	(478,081)
Other intangible assets	0	213	(213)
Deferred origination costs	0	29,438	(29,438)
Plant, property and equipment	17,966	17,999	(33)
Financial assets at fair value held to cover linked liabilities	29,338,980	29,338,980	0
Reinsurer's share of insurance contract liabilities	205,177	205,527	(350)
Policyholder loans	150,853	150,853	0
Investments (other than assets held for unit-Linked funds)	286,391	13,854	272,537
Long term loan	20,644	20,617	27
Debtors and receivables	63,300	63,591	(291)
Deposits (other than deposits held for unit-linked funds)	1,322	372	950
Cash and Cash Equivalents	17,647	291,837	(274,190)
Total Assets	**30,102,280**	**30,611,362**	**(509,082)**

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

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

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

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

Acquired value of in-force business
The Acquired Value In Force ("AVIF") is the initial measurement of the value of the in-force policies acquired by the company upon completion of purchase. Key assumptions include future lapse, renewal, and expense assumptions. The AVIF is amortised in line with the projected run-off of UHIOML's best estimate liabilities. The AVIF is reviewed for impairments at each reporting date by reference to the value of future profits in accordance with Solvency II principles. Intangible assets are valued at zero under Solvency II, which resulted in an asset decrease of £478,081k.

Other intangible assets
Other intangible assets are recognised under IFRS but is disallowed for asset valuation purposes. As a result, the Other intangible assets under Solvency II decreased by £213k to zero.

Deferred origination costs (DOC)
Commission costs incurred in the acquisition of new business are deferred as a DOC asset. This asset is amortised against future revenue margins on the related policies. The DOC asset is reviewed for recoverability at the end of each accounting period against future revenue margins expected to arise from the related policies. They are the part of acquisition costs allocated to future reporting periods. DOC is recognised under IFRS but is disallowed for asset valuation purposes. As a result, the DOC asset for Solvency II decreased by £29,438k to zero.

Plant, property, and equipment
This amount represents the Plant, property, and equipment within UHIOML, there is no valuation difference under Solvency II and the statutory financial statements. Under IFRS, AAM and the Trust Companies are fully consolidated as subsidiaries however for Solvency II purposes they are treated as participating interests rather than the underlying assets and liabilities being consolidated on a line-by-line basis. Therefore, PPE is decreased by £33k.

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

Reinsurer's share of insurance contract liabilities
This amount represents the reinsurers' share of technical reserves. The reinsurer's share of insurance contract liabilities for Solvency II is £205,177k.

Policyholder loans
This amount represents the policyholder loans, there is no valuation difference under Solvency II and the statutory financial statements.

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

Other receivables
Receivables represent amounts owing to the Company. Receivables are held at initial book value in the Company's financial statements and are recoverable within one year. Finance reinsurance is recognised under IFRS but is disallowed for Solvency II asset valuation purposes. As a result, the other receivables for Solvency II are decreased by £291k. Under IFRS, AAM and the Trust Companies are fully consolidated as subsidiaries however for Solvency II

purposes they are treated as participating interests rather than the underlying assets and liabilities being consolidated on a line-by-line basis.

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

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

Fair Value Hierarchy

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

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

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

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

Guidance on Fair Value Measurement Approach

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

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

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

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

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

Valuation Techniques

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

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

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

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

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

D.2. TECHNICAL PROVISIONS

The Technical Provisions as at 31 December 2023 have been assessed adopting the methodology and techniques which are compliant with the Solvency II framework (which is the "applicable solvency regulation" below unless specified otherwise) and are proportionate to the nature, scale and complexity of the business in question.

Technical Provisions results as at 31 December 2023 are set out in the table below. No transitional adjustments have been deducted from the Technical Provisions.

Main Technical Provisions Results

Entity	31-Dec-23 £'000	31-Dec-22 £'000
Best Estimate of Liabilities	28,815,715	27,857,168
Risk Margin	80,573	244,741
Gross Technical Provisions	**28,896,288**	**28,101,910**
Reinsurers' Share of Insurance Contract Liabilities	205,177	202,098
Net Technical Provisions	**28,691,110**	**27,899,812**

The increase in the technical provisions from 31 December 2022 to 31 December 2023 is mainly driven by:

- Positive market performance decreasing the unit-linked liabilities.
- Some offset from the reduced risk margin following PRA's change in calculation methodology at year end.

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

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

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

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

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

Best Estimate of Liabilities (BEL)

The BEL is defined as the probability-weighted average of future cash-flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant risk-free interest rate term structure.
The method used to derive the BEL is the direct approach, which specifically refers to a valuation method based on projecting and discounting on a market consistent basis all expected future cash flows to policyholders in the certainty equivalent scenario. Therefore, the cash flow projection used in this context considers all potential cash in-and-out flows required to settle the insurance obligations over their lifetime, within the appropriate contract boundaries.

The projected future cash flows typically include:

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

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

Reinsurers' Share of Insurance Contract Liabilities

The best estimate of the reinsurers' share of the insurance contract liability for UHIOML is set equal to the best estimate liability determined by the Company and confirmed by the reinsurer for the reinsured insurance policies.

Risk Margin

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

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

Description of the Level of Uncertainty of Technical Provisions Valuation

The key sources of uncertainty for the Company are expenses and policyholder behaviour assumptions such as surrenders.

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

The Company does not apply a volatility adjustment.

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

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

D.3. OTHER LIABILITIES

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

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

Valuation of Liabilities

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

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

Solvency II Liabilities Valuation

	31 December 2023 £'000	31 December 2022 £'000
Solvency II Valuation	29,065,088	28,348,963
Statutory Accounts Valuation	29,895,318	29,110,832
Difference	**(830.230)**	**(761,869)**

Value of Liabilities

Values of Liabilities 31 December 2023	Solvency II Value	Statutory Accounts Value	Difference
	£'000	£'000	£'000
Technical Liabilities – Life (Inc. Index Linked and Unit Linked)	26,953,508	27,761,767	(808,259)
Liabilities under insurance contracts	1,942,780	1,942,780	0
Deferred front-end fees	0	22,638	(22,638)
Other payables	158,166	158,636	(470)
Provisions	4,610	5,140	(530)
Deferred Tax Liabilities	6,024	4,357	1,667
Total Liabilities	**29,065,088**	**29,895,318**	**(830,230)**

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

Technical Liabilities

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

Under Solvency II, Technical Provisions comprise the Best Estimate Liabilities (BEL) and risk margin. The BEL recognises the cash flow required to meet policyholder liabilities, while the risk margin represents a prudent margin for unavoidable uncertainty.

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

Deferred front-end fees
Deferred front-end fees of £22,638k relates to the unit linked business deferred income liability recognised under IFRS but disallowed under Solvency II.

Other payables
Other liabilities represent amounts owing by the Group, including outstanding claims. Claims are settled once all due diligence is received from the customer. The policyholder is regularly contacted on outstanding requirement to ensure prompt settlement. Death claims follow the normal probate process and are settled accordingly.

Other trading balances are settled in the normal course of business and usually settled within one month. Under IFRS, AAM and the Trust Companies are fully consolidated as subsidiaries however under applicable solvency regulation they are treated as participating interests rather than the underlying assets and liabilities being consolidated on a line-by-line basis. Therefore, other payables have decreased by £470k.

Provisions
Provisions are recognised when the Company has an obligation, legal or constructive, as a result of a past event, and it is probable that the Company will be required to settle that obligation. Under IFRS, AAM and the Trust Companies are fully consolidated as subsidiaries however under applicable solvency regulation they are treated as participating interests rather than the underlying assets and liabilities being consolidated on a line-by-line basis. Therefore, provisions have decreased by £530k.

Deferred Tax Liability

In general, on the Solvency II balance sheet, deferred tax assets and liabilities arise because there are differences between the value ascribed to an asset or a liability for tax purposes, and its value in accordance with the principles underlying that regulation.

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

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

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

Fair Value Measurement Approach

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

D.4. ALTERNATIVE METHODS FOR VALUATION

The Company does not use any alternative methods for valuation.

D.5. ANY OTHER INFORMATION

No other information noted.

E. Capital Management

E.1. OWN FUNDS

UHIOML's own funds comprise the sum of Basic Own Funds and ancillary own funds, as defined in applicable solvency regulation.

E.1.1. CAPITAL MANAGEMENT POLICIES

The following capital policy has been applied to UHIOML:

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

This is underpinned by the following framework:

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

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

Basic Own Funds

According to applicable solvency regulation Basic Own Funds is defined as the sum of the excess of assets over liabilities (reduced by the number of own shares held by the insurance or reinsurance undertaking) and subordinated liabilities.

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

Basic own fund items shall be classified into three tiers, depending on the extent to which they possess specific characteristics.

Basic own funds include ordinary share capital and a reconciliation reserve. The entities have Tier 1 capital only.

Basic Own Funds

	Total	Tier 1 Unrestricted	Tier 1 Restricted	Tier 2	Tier 3
	£'000	£'000	£'000	£'000	£'000
Total eligible Own Funds to meet the SCR at 31 Dec 2023	1,037,191	1,037,191	0	0	0
Total eligible Own Funds to meet the SCR at 31 Dec 2022	935,033	935,033	0	0	0

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

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

- The shares are issued directly by the undertaking with the prior approval of its shareholders or, where permitted under national law, it is administrative, supervisory or management body.
- UIIOM has issued 8,600,000 ordinary shares issued at par of £1 each.

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

Tier 2 Basic Own Funds
This does not apply to the Company.

Tier 3 Basic Own Funds
This does not apply to the Company.

Reconciliation between Equity in the Financial Statements and Basic Own Funds

The Company has Basic Own Funds of £1,037,191k at 31 December 2023, while the IFRS equity per the financial statements is £716,044k. The table below reconciles the movement from IFRS equity to basic own funds.

Reconciliation to IFRS Equity

Reconciliation of IFRS Equity to Basic Own Funds	31 Dec 2023 £'000
IFRS Equity	716,044
Removal of Goodwill	(478,081)
Elimination for Deferred Acquisition Costs, Deferred Income Liability, and Intangible Assets	(7,013)
Valuation of Technical Provisions	808,259
Deferred Taxes	(1,667)
Other	(351)
Basic Own Funds	**1,037,191**

Deduction from Own Funds

The Company does not have any deduction from own funds.

Ancillary Own Funds

The Company does not have any ancillary own funds.

E.1.2. ELIGIBLE OWN FUNDS

Own Funds Assets

	Total £'000	Tier 1 Unrestricted £'000	Tier 1 Restricted £'000	Tier 2 £'000	Tier 3 £'000
Total Eligible Own Funds to Meet the SCR at 31 Dec 2023	1,037,191	1,037,191	0	0	0
Total Eligible Own Funds to Meet the SCR at 31 Dec 2022	935,033	935,033	0	0	0
Total Eligible Own Funds to Meet the MCR at 31 Dec 2023	1,036,197	1,036,197	0	0	0
Total Eligible Own Funds to Meet the MCR at 31 Dec 2022	935,033	935,033	0	0	0

The Company maintains an efficient capital structure to meet its regulatory requirements. Specifically, UIIOM is required to hold sufficient capital to cover 150% of the SCR on an Isle of Man basis. The solvency coverage ratio on an Isle of Man basis for UIIOM at 2023 Year End is 185%.

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

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

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

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

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

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1. SCR AND ISLE OF MAN MCR VALUES

The SCR at year-end 2023 was £491,827k, as calculated on a Solvency II basis. The MCR at year-end 2023 was £186,068k which is on an Isle of Man basis, and is the reported MCR on a Group basis within the Quantitative Reporting Templates in Section F below. The calculation of the Isle of Man MCR shown below follows the 2021 Insurance and Valuations Regulations of the Isle of Man.

The primary reason for changes in capital requirements from 2022 to 2023 is due to the unwind of the SCR and changes to the mix of policyholder assets.

SCR and Isle of Man MCR Values

	31 December 2023 £'000	31 December 2022 £'000
Solvency Capital Requirement	491,827	510,723
Minimum Capital Requirement	186,068	192,102
Eligible Own Funds for SCR	1,037,191	935,033
Solvency Coverage Ratio	211%	183%
Eligible Own Funds for MCR	1,036,197	935,033
Minimum Solvency Coverage Ratio	557%	487%

E.2.2. SCR BREAKDOWN

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

SCR Breakdown

	31 December 2023 £'000	31 December 2022 £'000
Life underwriting risk	383,358	404,871
Market risk	199,242	197,793
Counterparty risk	10,460	10,260
Operational risk	17,442	17,417
Diversification	(118,975)	(119,619)
Adjustment for the loss-absorbing capacity of deferred taxes	-	-
Solvency Capital Requirement	**491,827**	**510,723**

Further information on the consolidated SCR is included in S.25.01.21 in Section F.

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

This section is not applicable.

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

This section is not applicable.

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

The entities have complied with the MCR and the SCR at all times.

E.6. ANY OTHER INFORMATION

No additional information required.

F. Quantitative Reporting Templates

F.1.S.02.01.02 BALANCE SHEET

		Solvency II Value
Assets		**C0010**
Goodwill	**R0010**	
Deferred acquisition costs	**R0020**	
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant and equipment held for own use	**R0060**	17,965,748
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	287,712,728
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	994,206
Equities	**R0100**	35,284
Equities - listed	**R0110**	35,284
Equities - unlisted	**R0120**	
Bonds	**R0130**	381,679
Government Bonds	**R0140**	
Corporate Bonds	**R0150**	381,130
Structured notes	**R0160**	549
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	284,979,402
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	21,322,157
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	29,338,979,844
Loans and mortgages	**R0230**	171,497,462
Loans on policies	**R0240**	50,853,175
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	20,644,287
Reinsurance recoverable from:	**R0270**	5,177,397
Non-life and health similar to non-life	**R0280**	
Non-life excluding health	**R0290**	
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	205,177,397
Deposits to cedants	**R0350**	
Insurance and intermediaries' receivables	**R0360**	5,606,694
Reinsurance receivables	**R0370**	5,724,917
Receivables (trade, not insurance)	**R0380**	21,968,272
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	17,646,536
Any other assets, not elsewhere shown	**R0420**	
Total Assets	**R0500**	30,102,279,599

Liabilities		
Technical provisions – non-life	**R0510**	
Technical provisions – non-life (excluding health)	**R0520**	
Technical provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	
Risk margin	**R0550**	
Technical provisions - health (similar to non-life)	**R0560**	
Technical provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	
Risk margin	**R0590**	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	144,760,294
Technical provisions - health (similar to life)	**R0610**	
Technical provisions calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	144,760,294
Technical provisions calculated as a whole	**R0660**	149,665,927
Best Estimate	**R0670**	(4,905,633)
Risk margin	**R0680**	
Technical provisions – index-linked and unit-linked	**R0690**	28,751,527,584
Technical provisions calculated as a whole	**R0700**	29,576,669,736
Best Estimate	**R0710**	(905,715,419)
Risk margin	**R0720**	80,573,268
Other technical provisions	**R0730**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	4,610,121
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	6,024,389
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Debts owed to credit institutions resident domestically	**R0801**	
Debts owed to credit institutions resident in the euro area other than domestic	**R0802**	
Debts owed to credit institutions resident in rest of the world	**R0803**	
Financial liabilities other than debts owed to credit institutions	**R0810**	1,394,780
Debts owed to non-credit institutions	**ER0811**	
Debts owed to non-credit institutions resident domestically	**ER0812**	
Debts owed to non-credit institutions resident in the euro area other than domestic	**ER0813**	
Debts owed to non-credit institutions resident in rest of the world	**ER0814**	
Other financial liabilities (debt securities issued)	**ER0815**	
Insurance and intermediaries' payables	**R0820**	133,810,434
Reinsurance payables	**R0830**	297,206
Payables (trade, not insurance)	**R0840**	22,663,439

		Solvency II Value
Subordinated liabilities	**R0850**	
Subordinated liabilities not in Basic Own Funds	**R0860**	
Subordinated liabilities in Basic Own Funds	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	
Total liabilities	**R0900**	29,065,088,245
Excess of assets over liabilities	**R1000**	1,037,191,354

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

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	**R1410**		0	1,375,330,248						1,375,330,248
Reinsurers' share	**R1420**		0	1,359,053						1,359,053
Net	**R1500**		0	1,373,971,196						1,373,971,196
Premiums earned										
Gross	**R1510**		0	1,375,330,248						1,375,330,248
Reinsurers' share	**R1520**		0	1,359,053						1,359,053
Net	**R1600**		0	1,373,971,196						1,373,971,196
Claims incurred										
Gross	**R1610**		10,241,293	2,231,319,786						2,241,561,080
Reinsurers' share	**R1620**		10,241,293	57,653						10,298,946
Net	**R1700**		0	2,231,262,133						2,231,262,133

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health Insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
Changes in other technical provisions										
Gross	**R1710**		(2,661,400)	880,193,025						882,854,425
Reinsurers' share	**R1720**		(2,661,400)	(219)						(2,661,619)
Net	**R1800**		0	880,192,806						880,192,806
Expenses incurred	**R1900**			192,813,841						192,813,841
Administrative expenses										
Gross	**R1910**			42,579,680						42,579,680
Reinsurers' share	**R1920**									
Net	**R2000**			42,579,680						42,579,680
Investment management expenses										
Gross	**R2010**			77,861,162						77,861,162
Reinsurers' share	**R2020**			0						0
Net	**R2100**			77,861,162						77,861,162
Claims management expenses										
Gross	**R2110**									

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
Reinsurers' share	**R2120**									
Net	**R2200**									
Acquisition expenses										
Gross	**R2210**			24,363,248						24,363,248
Reinsurers' share	**R2220**			0						0
Net	**R2300**			24,363,248						24,363,248
Overhead expenses										
Gross	**R2310**			48,009,751						48,009,751
Reinsurers' share	**R2320**			0						0
Net	**R2400**			48,009,751						48,009,751
Other expenses	**R2500**									
Total expenses	**R2600**									192,813,841
Total amount of surrenders	**R2700**			2,195,792,954						2,195,792,954

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

		Home country	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)		Total for top 5 countries and home country (by amount of gross premiums written)
			IM	IT	SG	PT	GG		
		C0220	C0230	C0240	C0250	C0260	C0270		C0280
Premiums written									
Gross	**R1410**		907,588,055	58,368,434	409,373,759				1,375,330,248
Reinsurers' share	**R1420**		1,121,563	46,278	191,212				1,359,053
Net	**R1500**		906,466,492	58,322,157	409,182,547				1,373,971,196
Premiums earned									
Gross	**R1510**		907,588,055	58,368,434	409,378,759				1,375,330,248
Reinsurers' share	**R1520**		1,121,563	46,278	191,212				1,359,053
Net	**R1600**		906,466,492	58,322,157	409,182,547				1,373,971,196
Claims incurred									
Gross	**R1610**		2,006,505,304	122,002,290	113,053,449				2,241,561,080
Reinsurers' share	**R1620**		10,298,946	0	0				10,298,946
Net	**R1700**		1,996,206,394	122,002,290	113,053,449				2,231,262,133
Changes in other technical provisions									
Gross	**R1710**		1,216,699,938	35,573,134	(369,418,646)				882,854,425
Reinsurers' share	**R1720**		(2,661,619)	0	0				2,661,619
Net	**R1800**		1,214,038,319		(369,418,646)				880,192,806
Expenses incurred	**R1900**		167,326,917	14,069,332	11,417,593				192,813,841
Other expenses	**R2500**								
Total expenses	**R2600**								

F.4.S.23.01.01 OWN FUNDS

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	614,580,002	614,580,002			
Share premium account related to ordinary share capital	**R0030**					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**					
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**					
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	422,611,352	422,611,352			
Subordinated liabilities	**R0140**					
An amount equal to the value of net deferred tax assets	**R0160**					
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Deductions						
Deductions for participations in financial and credit institutions	**R0230**	994,206	994,206			
Total basic own funds after deductions	**R0290**	1,036,197,149	1,036,197,149			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions, or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**					
Unpaid and uncalled preference shares callable on demand	**R0320**					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					
Supplementary members call under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**					
Other ancillary own funds	**R0390**					
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	1,037,191,354	1,037,191,354			

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Total available own funds to meet the MCR	**R0510**	1,036,197,149	1,036,197,149			
Total eligible own funds to meet the SCR	**R0540**	1,037,191,354	1,037,191,354			
Total eligible own funds to meet the MCR	**R0550**	1,036,197,149	1,036,197,149			
SCR	**R0580**	491,826,799				
MCR	**R0600**	186,067,868				
Ratio of Eligible own funds to SCR	**R0620**	210.68%				
Ratio of Eligible own funds to MCR	**R0640**	556.89%				
Reconciliation reserve						
		C0060				
Reconciliation reserve		C0060				
Excess of assets over liabilities	**R0700**	91,037,191,354				
Own shares (held directly and indirectly)	**R0710**					
Foreseeable dividends, distributions, and charges	**R0720**					
Other basic own fund items	**R0730**	614,580,002				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	**R0740**					
Reconciliation reserve	**R0760**	22,611,352				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	3,983,510				
Expected profits included in future premiums (EPIFP) - Non-life business	**R0780**					
Total Expected profits included in future premiums (EPIFP)	**R0790**	3,983,510				

F.5.S.25.01.21 SOLVENCY CAPITAL REQUIREMENT – STANDARD FORMULA

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	**C0040**	**C0050**
Market risk	**R0010**	199,242,067	199,242,067	
Counterparty default risk	**R0020**	10,459,887	10,459,887	
Life underwriting risk	**R0030**	383,357,777	383,357,777	
Health underwriting risk	**R0040**			
Non-life underwriting risk	**R0050**			
Diversification	**R0060**	(115,558,466)	(115,558,466)	
Intangible asset risk	**R0070**			
Basic Solvency Capital Requirement	**R0100**	477,501,265	477,501,265	
Calculation of Solvency Capital Requirement				
		Value		
		C0100		
Adjustment due to RFF/MAP nSCR aggregation	**R0120**			
Operational risk	**R0130**	17,741,776		
Loss-absorbing capacity of technical provisions	**R0140**			
Loss-absorbing capacity of deferred taxes	**R0150**	(3,416,241)		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**			
Solvency Capital Requirement excluding capital add-on	**R0200**	491,826,799		
Capital add-on already set	**R0210**			
Solvency capital requirement	**R0220**	491,826,799		
Other information on SCR				

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
Capital requirement for duration-based equity risk sub-module	**R0400**			
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	491,826,799		
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**			
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	**R0430**			
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**			
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation (*)	**R0450**	1 – Full recalculation	1. - Full recalculation 2. - Simplification at risk sub-module level 3. - Simplification at risk module level 4. - No adjustment	
Net future discretionary benefits	**R0460**			
Minimum consolidated group solvency capital requirement	**R0470**	186,067,868		