Utmost Life and Pensions Limited

SOLVENCY

AND

FINANCIAL CONDITION REPORT

2020

Registered in England No: 10559664

Walton Street, Aylesbury,

Buckinghamshire, HP21 7QW

www.utmost.co.uk

SOLVENCY AND FINANCIAL CONDITION REPORT 2020

Contents

SOLVENCY AND FINANCIAL CONDITION REPORT 2020

EXECUTIVE SUMMARY

INTRODUCTION

This report is the Solvency and Financial Condition Report ("SFCR") of Utmost Life and Pensions Limited ("the Company" or "ULP") for the reporting period ended 31 December 2020 ("the Report"). The Report has been prepared in accordance with the Solvency II Regulations governing insurance group reporting and guidance from the European Insurance and Occupational Pensions Authority ("EIOPA") and the Prudential Regulatory Authority ("PRA").

The Company is part of the Utmost Group, a specialist life insurance group founded in 2013, with the aim of acquiring and managing life insurance business across the United Kingdom ("UK") and Europe with c£37bn assets under administration and more than 510,000 customers. The Company is a wholly-owned subsidiary of Utmost Life and Pension Holdings Limited ("Utmost Holdings"), whose other subsidiaries include Utmost Life and Pensions Services Limited ("Utmost Services"). Utmost Services employs all staff for the Utmost Holdings group of companies. The Utmost Group, completed a reorganisation during 2020, to bring together its UK and international businesses under one UK holding company, Utmost Group Limited ("UGL")

The principal activity of the Company is the provision of life and pensions policies by pursuing its strategy of acquiring and consolidating life insurance businesses in the UK to deliver a safe home for its customers through our strong capital position and efficient operational management. The Company was formed on 12 January 2017 and acquired the business of Reliance Mutual Insurance Society on 1 April 2018. On 1 January 2020, the Company acquired the majority of the business of Equitable Life Assurance Society ("Equitable Life") through a Part VII Transfer sanctioned by the High Court. On this date, Equitable Life became a subsidiary of the Company. At the point of acquisition, Equitable Life had circa. 300,000 customers and £6.4bn of assets.

The Company has no external new business, and the only new business written in 2020 were annuities, sold to existing customers on the vesting of their pension savings contracts (including contracts with Guaranteed Annuity Options ("GAOs") and the new Flexible Drawdown product). The vast majority of business has been written in the UK.

The SFCR provides details of the Company business and its performance, systems of governance, risk profile, valuation for solvency purposes and capital management for the financial year ended 31 December 2020.

BUSINESS AND PERFORMANCE

Delivering the strategy

The Company's vision is to become a successful medium-sized UK life and pension consolidator, and its mission statement is that we do our utmost to help our customers achieve future peace of mind through our trusted sector expertise, secure financial foundations and customer focus.

In conjunction with the Utmost Group, the Company will continue to look for further acquisitions. We believe that there are opportunities as Life and Pensions companies in the UK consider their future operating models, and we have the ability to provide a variety of solutions to meet these needs. The Company continues to actively evaluate further acquisition opportunities.

2020 was a year of change for The Company. The Company completed the acquisition of Equitable Life on 1 January 2020, and the main focus of the year has been the integration of that new business into ULP's operating model. The integration was successfully managed against a background of significant uncertainty driven by the COVID-19 pandemic and the requirement to adapt our working practices. As a result of the integration, ULP has significantly reduced its cost base run rate by 37% with a similar reduction in staff during the year resulting in a much more efficient operating model going forward.

The Equitable Life transaction was the culmination of significant work during 2019, with customers of Equitable Life voting in favour of both a Scheme of Arrangement to uplift with-profits policy values, remove investment guarantees and convert with-profits policies to unit-linked policies, and a Scheme of Transfer to ULP. The deal construct helped maximise the capital distribution to customers, providing uplifts in excess of 75% compared to the existing 35% uplift that was being offered on with-profits business with guarantees. Approval to both schemes was received from the UK High Court in December 2019.

In preparation for the acquisition, Equitable Life undertook a Scheme of Arrangement in accordance with Part 26 of the Companies Act 2006 ("the Scheme"), which also became effective on 1 January 2020, immediately ahead of the Part VII transfer. As a result of the Scheme, eligible with-profits policies were converted to unit-linked policies with no investment guarantees.

In line with our objective of developing products and services to provide better client outcomes, ULP launched a new unit-linked fund range for its existing policyholders and transferring Equitable Life policyholders with its strategic partner, JP Morgan Asset Management (JPMAM). In addition, in preparation for the transfer, an Age Related Strategy was put in place for those policyholders who did not make an investment choice.

For customers in the Age Related Strategy, their monies were initially invested in a Secure Cash Fund for the first six months of 2020 and then transferred into Unit-Linked Managed Funds managed by JPMAM through the second half of 2020 in weekly tranches with the choice of which Managed Fund determined by their age. ULP guaranteed that the price of the Secure Cash Fund would not drop below the initial price set on 1 January 2020. As a result of the Age Related Strategy, a significant number of customers that transferred from Equitable Life were protected from market falls in the second quarter of 2020 caused by the uncertainty relating to the COVID-19 pandemic. The funds were then migrated into Unit-Linked Funds during a period of market recovery in the six months from July 2020 onwards.

The completion of this complex transaction cements UGL and ULP's positions as established buyers of long term insurance businesses in the UK insurance market.

Business performance

Throughout 2020 we have maintained a strong solvency position. We began the year with an estimated solvency coverage ratio of 180% (incorporating the acquisition of Equitable Life), and ended it with a solvency coverage ratio of 176%, having also paid a dividend of £40m to Utmost Group.

The outbreak of COVID-19 had a significant impact in the UK in 2020, including on market volatility. Since the announcement of the first national lockdown in March 2020, we have sought to ensure the safety of our staff and have operated throughout 2020 in line with Government guidance. We have made our offices "Covid-Secure" and ensured that we have the ability to continue the majority of our operations with staff working from home. We have also implemented a virtual contact centre to allow our customers to remain in telephone contact with us.

In regards to the market volatility caused by COVID-19 it is important to note that as a closed book life company consolidator, we are not reliant on new business for generating the majority of our earnings. Most of our business is unit-linked, and we are not significantly exposed to volatility within the investment markets apart from through Annual Management Charges. We do have exposure to a small number of products with guarantees and have sought to manage these risks through reassurance agreements or the close matching of assets to minimise the impact on our solvency. Therefore, we have continued to operate with a strong Balance Sheet throughout 2020 and with a Solvency Ratio comfortably well above required capital levels. We remain in a strong and resilient position and able to meet our capital requirements and ready for the next acquisition.

Fund Accounting and Custodian

During 2020, the Company ran a tender process to rationalise the two existing providers of fund accounting and custody services following the acquisition of Equitable Life. HSBC were chosen as the provider across the combined organisation and a project was initiated to deliver the transition. The project completed successfully in late November 2020.

Product development and marketing

In March 2020, the Company launched a Flexible Drawdown proposition available to existing customers. New business written in 2020 included the new Flexible Drawdown product and annuities sold to existing customers on the vesting of their pension savings contracts (including contracts with guaranteed annuity options). We continue to consider ways to enhance the product offering for our existing customers.

Investment Management

In January 2020, all assets previously managed by the Equitable Life's main Investment manager were transferred to ULP's strategic investment manager partners – JPMAM for Unit-Linked and Goldman Sachs Asset Management (GSAM) for Non-Linked Assets. In addition, the existing Equitable Life Unit-Linked funds will be transferred to JPMAM in 2022.

During Quarter 4 2020 Utmost Portfolio Management Limited, a fellow subsidiary of UGL, was appointed as investment manager to manage the shareholder assets of the Company. This arrangement went live in January 2021.

Retention

Although the underlying guarantees on Equitable Life policies were exchanged for uplifted fund values as a result of the Scheme of Arrangement, we are pleased to report that we have retained the vast majority of Equitable Life individual customers with the lapse rate similar to our long term assumptions. We have seen that trend continue into 2021. As expected, we have seen a number of Group Schemes seek to consolidate their pension provision by moving their AVCs away from ULP in 2020. Overall, ULP continues to maintain a high customer retention rate, helped by the launch of Flexible Drawdown.

Statutory Profit and loss

The Profit and Loss for the year reflects an improvement from a post-tax profit of £6.0m in 2019 to £33.9m in 2020. The key drivers of this net change of £27.9m were as follows:

- Change in Expense Assumptions as a result of the successful integration;
- Run off of the in-force book, releasing reserves; and
- Increase in Unit Linked book of business post acquisition driving an overall increase in Annual Management Charges.

The directors paid two interim dividends, totalling £40m, during the financial year to Utmost Holdings.

Customers

In line with our mission statement, customer interests are at the forefront of the Company's business model.

The Company's strategy, to consolidate existing books of business, results in servicing long-standing customers. We do this by focusing on meeting their needs, delivering on the commitments made to them, backed up by sound financial management and capital security.

A key objective for the Company is to achieve great customer outcomes and capital strength, which provides security of customer benefits.

We consistently monitor asset performance, including that of the unit-linked funds, particularly in relation to the Multi-Asset funds operated by JPMAM, where the majority of the unit-linked business will be invested going forwards.

One of our areas of focus for 2021 is the completion of a project to develop further online capability for customers, which will allow customers to perform a range of currently telephone- or paper-based activities online via our website, allowing greater flexibility for the customer.

SYSTEMS OF GOVERNANCE

The Board meets a minimum of four times a year. The Board's role is to:

- Have collective responsibility for the long-term sustainable success of the business;
- Provide entrepreneurial leadership for the overall running of the business;
- Ensure that the company complies with all rules, regulations, laws, codes of practice, guidelines, principles and generally accepted standards of performance and probity;
- Ensure that the assets of the company are safeguarded;
- Discuss all relevant issues, constructively challenge the views of management, make timely and informed decisions, exercise adequate control over and monitoring of the affairs of the company;
- Establish the company's purpose, strategy and values, and satisfy itself that these and its culture are aligned.
- Maintain a high standard of corporate governance proportionate to the size of the company; and
- Delegate the effective day-to-day management of the company to executive management.

The Board has authority to delegate certain responsibilities to Board sub-committees and executives and senior managers within the Company. However, the Board always remains accountable and cannot delegate this ultimate accountability.

The Company's Systems of Governance is set out in section B this report.

RISK PROFILE

The Company utilises a 'three lines of defence' model for the management of its risks. This model is operated through the Board, its Committees, and management committees within the Company.

The Company operates within a dynamic business environment, which is continually influenced by the external environment, including economic, political and industrial, competitive, demographic, health/lifestyle, legal and regulatory factors. By operating within this environment, the Company is exposed to risks. Part of the Company's success is dependent on managing these risks appropriately.

The Company's Enterprise Risk Management Framework ("ERM") provides the framework for the management of these risks, and supports attainment of the Company's strategic objectives. The ERM is designed to support the identification of all material risks, including medium- and long-term risks. The ERM Framework further sets out the Company's overall strategy towards and appetite for risk, the risk governance and management processes, and the Company's approach to risk classification, monitoring and analysis.

As part of ERM Framework mechanisms, risks are quantified and are subject to stress test and scenarios analysis. Non-quantifiable risks are fully covered within the framework and are monitored and managed through the Company's risk reporting and risk governance structures.

The four principal risks to the business are detailed in the table below.

Underwriting risk	Primarily in the form of longevity, expense and persistency risks and the take-up of guaranteed options.
Market risk	Primarily in the form of currency, interest rate, equity and the financial risks from climate change.
Credit risk	Primarily from spread risk on corporate bonds and counterparty default risk on risk mitigating contracts e.g. reinsurance
Operational risk	The Company has identified 11 operational risk categories: business operations; Financial/Actuarial; Legal/ Regulatory; Outsourcing/Investment; Governance; People; IT; Cyber Security; Financial Crime; and External.

As a closed book consolidator, managing expenses is critical to the success of ULP due to fixed expenses becoming a larger proportion of total expenses as policies run-off. The business model relies on ULP continuing to obtain and efficiently integrate a steady stream of acquisitions. In the absence of future acquisitions, there is a risk that diseconomies of scale will require additional cost savings to be made, which may result in a subsequent challenge to retain top talent. A key part of the ongoing strategy will be to find further opportunities to improve the Company's efficiency and reduce costs in an appropriate and controlled manner.

The Company's risk profile is set out in section C of this report.

VALUATION FOR SOLVENCY PURPOSES & CAPITAL MANAGEMENT

Capital position

The Company maintained capital sufficient to meet the SCR throughout the period. As at 31 December 2020, the Company had a Solvency Coverage Ratio of 176%; being the value of its eligible Own funds as a percentage of the SCR of £174m, (see section D).

Matching Adjustment

The Company has two Matching Adjustment ("MA") portfolios that back some of the annuity business and Funeral Plan policies. The MA enables the Company to benefit from a higher discount rate that reduces the value of the liabilities. The Company Solvency Coverage Ratio is 176%, which includes the benefit of the MA. Without the MA, the Solvency Coverage Ratio would be 132%.

Transitional Measures

The Company does not apply the transitional risk-free interest rate term structure. The Company applied a Transitional Measure on the Technical Provisions ("TMTP"), which increased Own Funds by £31.2m in 2019. On 1 January 2020, post the acquisition of Equitable Life, the benefit of the TMTP was set to nil, where nil is the maximum. The Company Solvency Coverage Ratio on 31 December 2020 was 176% (31 December 2019, without TMTP of 409%).

The following table sets out the capital requirements over the reporting period allowing for the eligibility restrictions.

SII Pillar 1 Solvency (£ millions)	2020	2019	Change
Own Funds	306.3	302.7	3.6
Restriction to Own Funds	-	(51.3)	51.3
Eligible Own Funds	**306.3**	**251.4**	**54.9**
SCR	173.9	53.8	120.1
Excess Available Capital	132.4	197.6	(65.2)
Solvency Ratio	**176%**	**467%**	**(291%)**
MCR	53.9	20.4	33.5
Unused Future Discretionary Benefits (“FDB”)/Restricted	49.9	36.9	13.0

The following table details the restrictions on the Own Funds:

Own Funds (£m)	2020	2019
With-Profits Surplus	-	17.8
Matching adjustment portfolio Own Funds in excess of SCR	-	0.4
Tier 2 capital restriction	-	33.1
Eligibility restriction	-	51.3

The Company’s WPSFs (WPSF1, 2, 4, and 6) and MA portfolios (NPF1 MA and NPF2 MA) are all treated as ring-fenced for Pillar 1 valuation purposes. This means that Own Funds are restricted by the amount of any surplus assets in excess of the notional SCR that exists within each of these RFFs. Due to changes in the treatment of FDBs in the Company’s with-profits funds, the PRA calculation of Surplus Funds for 2020 results in a value of zero. At 31 December 2020, the MA portfolios had nil surplus assets in excess of SCR.

At 31 December 2019, the subordinate loan value exceeded the eligible Tier 2 limit for the coverage of the SCR and MCR under the Solvency II rules. The eligible amount was therefore restricted by c£33m. These restrictions were removed upon repayment of the loan capital to the ULP’s parent company in November 2020.

Description of Own Funds

The Company’s Own Funds are allocated to tiers, as set out in the Solvency II regulations.

Own Funds (£m)	Tier	31 December 2020	31 December 2019
Paid in ordinary share capital	1	100.0	142.6
Surplus funds	1	0.8	18.4
Reconciliation reserve	1	205.6	63.5
Tier 2 capital	2	-	60.0
Total Available Own Funds		**306.3**	**284.5**
SCR Eligibility restrictions on Tier 2 capital		-	(33.1)
Eligible Own Funds to meet the SCR		**306.3**	**251.4**
Additional MCR Eligibility restrictions on Tier II capital		**-**	**(22.8)**
Eligible Own Funds to meet the MCR		**306.3**	**228.5**

The Company’s valuation for solvency purposes and capital management are set out in sections D and E of this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors' Statement

Approval by the Board of Directors of the Solvency and Financial Condition Report for the period ending 31 December 2020

We certify that:

1. The Solvency and Financial Condition Report (SFCR) has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations; and
2. We are satisfied that:
    a. Throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable; and
    b. It is reasonable to believe that, at the date of the publication of the SFCR, the Company has continued so to comply, and will continue so to comply in future.

On behalf of the Board of Utmost Life and Pensions Limited

By order of the Board

Stephen Shone
Chief Executive Officer
8 April 2021

AUDITORS' REPORT AND OPINION

Report of the external independent auditors to the Directors of Utmost Life and Pensions Limited ('the Company')

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2020:

- The 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2020, ('**the Narrative Disclosures subject to audit**'); and

- Company templates S.02.01.02, S.12.01.02, S.22.01.21, S.23.01.01, S.25.01.21 and S.28.01.01 ('**the Templates subject to audit**').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**relevant elements of the Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the **Other Information** which comprises:

- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;

- Company templates S.05.01.02;

- Information calculated in accordance with the previous regime used in the calculation of the transitional measure on technical provisions, and as a consequence all information relating to the transitional measure on technical provisions as set out in the Appendix to this report;

- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement**').

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2020 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as supplemented by supervisory approvals.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtained the Directors' going concern assessment and challenged the rationale for downside scenarios adopted and material assumptions made using our knowledge of the Company's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Considered management's assessment of the Solvency Capital Requirement coverage and liquidity position in forward-looking scenarios;
- Assessed the impact of severe, but plausible, downside scenarios;
- Assessed the liquidity of the Company, including the Company's ability to pay policyholder obligations, suppliers and creditors as amounts fall due;
- Assessed the ability of the Company to comply with debt covenants; and
- Inquired and understood the actions taken by management to mitigate the impacts of COVID-19.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from the date on which the Solvency and Financial Condition Report is authorised for issue.

In auditing the Solvency and Financial Condition Report, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations, which have been supplemented by the approvals made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based, as detailed below:

- Approval to use the matching adjustment in the calculation of the technical provisions; and
- Approval to use the transitional measure on technical provisions.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

The Directors have elected to comply with the External Audit Part of the PRA Rulebook for Solvency II firms as if it applied to the Company, notwithstanding that the Company is a small firm for external audit purposes (as defined in the PRA Rulebook).

Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the relevant elements of the Solvency and Financial Condition Report is prepared, in all material respects, in accordance with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, the PRA Rulebook applicable to Solvency II firms, the Solvency II regulations, and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the Solvency and Financial Condition Report. We also considered those laws and regulations that have a direct impact on the Solvency and Financial Condition Report such as Companies Act 2006, the PRA Rulebook applicable to Solvency II firms and the Solvency II regulations. We evaluated management's incentives and opportunities for fraudulent manipulation of the Solvency and Financial Condition Report (including the risk of override of controls), and determined that the principal risks were related to inappropriate adjustments to derive the Solvency II Balance Sheet, such as increasing the value of Own Funds of the Company, management bias in estimates and judgmental areas of the Solvency II Balance Sheet and Solvency Capital Requirement such as the Solvency II valuation of Life Technical Provisions and the Solvency II valuation of Investments under an Alternative Valuation Model ('AVM'). Audit procedures performed included:

- Discussions with management and Internal Audit, including consideration of any known or suspected instances of non-compliance with laws and regulation and fraud.
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Audit Committee, Risk and Compliance Committee and Investment Committee;

- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to insurance liabilities and balances arising from the Part VII transaction;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Reviewing the Company's register of litigation and claims, Internal Audit reports, and Compliance reports in so far as they related to non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Solvency and Financial Condition Report. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for the Board of Directors of the Company in accordance with our letter of engagement dated 29 October 2020 and External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook as if it applied to the Company, and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose or to any other party save where expressly agreed by our prior consent in writing.

Report on Other Matters

The Directors have requested that we consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements as if the Company was subject to the External Audit Part of the PRA Rulebook for Solvency II firms. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants

7 More London Riverside

London

SE1 2RT

8 April 2021

Appendix – relevant elements of the Solvency and Financial Condition Report that are not subject to audit

The relevant elements of the Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.12.01.02
    - Rows R0110 to R0130 – Amount of transitional measure on technical provisions

- The following elements of template S.22.01.21
    - Column C0030 – Impact of transitional on technical provisions

- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

SOLVENCY AND FINANCIAL CONDITION REPORT 2020

A. BUSINESS AND PERFORMANCE

A.1 Business

The Company is part of the Utmost Group, a specialist life insurance group founded in 2013, with the aim of acquiring and managing life insurance business across the UK and Europe with c£37bn in assets under administration and more than 510,000 customers. The Company is a wholly-owned subsidiary of Utmost Life and Pension Holdings Limited ("ULPH"), whose other subsidiaries include Utmost Life and Pensions Services Limited ("ULPS"). Utmost Services employs all staff for the Utmost Holdings group of companies.

The principal activity of the Company is the provision of life and pensions policies by pursuing its strategy of acquiring and consolidating businesses in the UK to deliver a safe home for its customers through our strong capital position and efficient operational management. The Company was formed on 12 January 2017 and acquired the business of Reliance Mutual Insurance Society on 1 April 2018 and Equitable Life Assurance Society on 1 January 2020 (refer to section A1.5.1). The ultimate parent company that is registered in the UK is Utmost Group Limited. The ultimate parent undertaking of the Company is OCM LCCG Holdings Limited: a company incorporated in the Cayman Islands.

A.1.1 Legal form

The Company is a limited liability company incorporated in January 2017 and domiciled in England and Wales (Registration No.10559664), and its registered office address is Walton Street, Aylesbury, Buckinghamshire, HP21 7QW. The Company is regulated by both the Financial Conduct Authority ("FCA") and PRA, and authorised by the PRA.

A.1.2 Supervisory authorities and external Auditors

Supervisory Authority	External Auditors
Prudential Regulation Authority Bank of England 20 Moorgate London EC2R 8AH	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
Financial Conduct Authority 12 Endeavour Square London E20 1JN	

A.1.3 Group structure

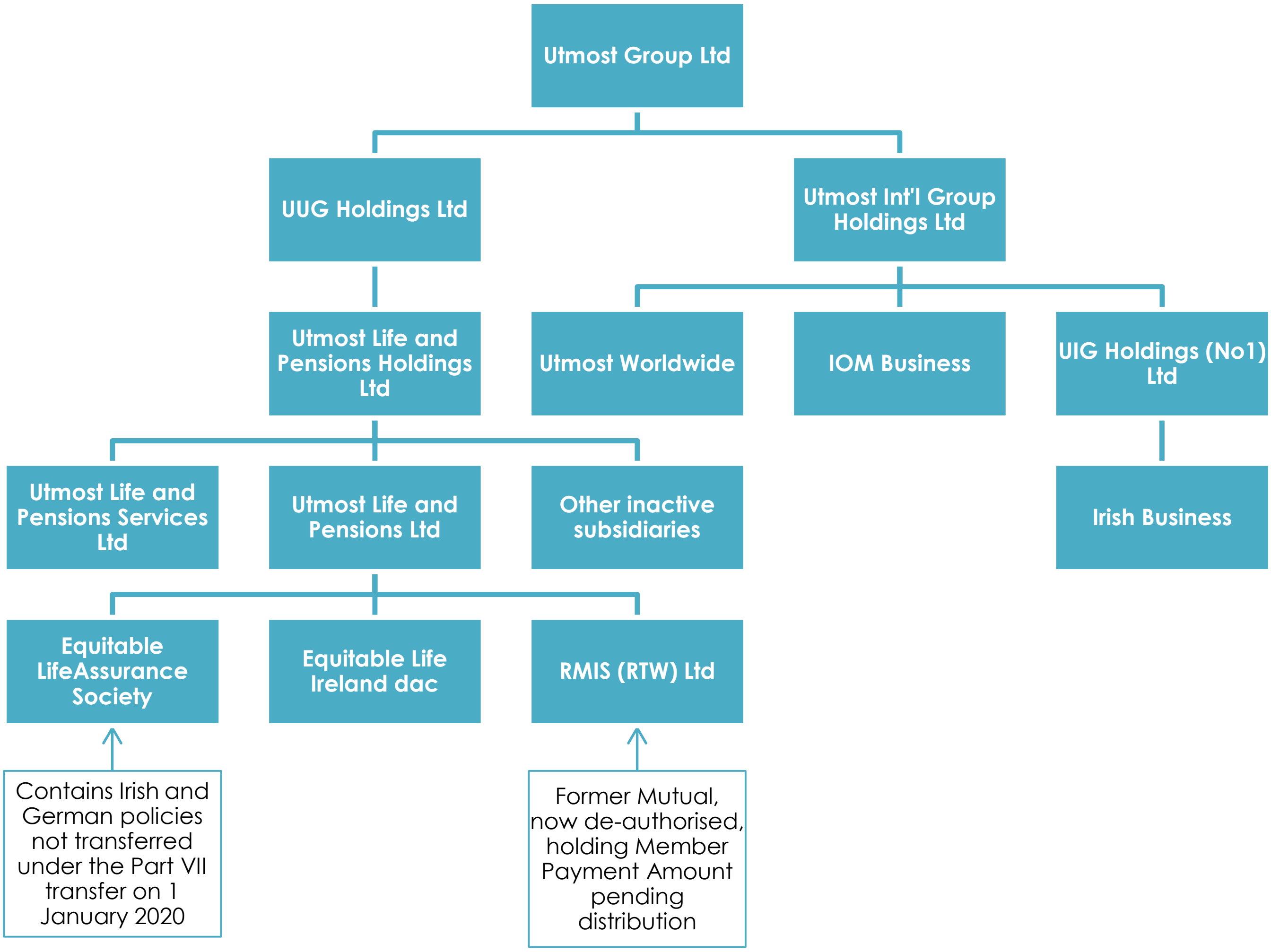
ULP, formed in 2017, is part of the Utmost Group, a specialist life insurance group founded in 2013, with circa. £37 billion assets under administration and more than 510,000 customers. The Company is a wholly owned subsidiary of ULPH, whose other subsidiaries include ULPS. ULPS employs all staff for the ULPH group of companies. All our business and corporate teams operate from Aylesbury.

On 5 October 2020, the Utmost Group announced a reorganisation, where its two businesses, Utmost International and ULP, were brought together under a single UK holding company, Utmost Group Limited (UGL), effective 1 October 2020. UGL is a UK registered company subject to group regulation by the PRA.

As a result, a number of changes were made to the capital position of the Company during Quarter Four 2020. The existing internal £60m Tier 2 loan was repaid to the parent company in November 2020, following the injection of £60m Tier 1 Ordinary Share Capital from the Company's parent company, ULPH.

Subsequently, a capital reduction was initiated so that a balance of £102.6m of Ordinary Share Capital was transferred to Distributable Reserves to leave Ordinary Share Capital of £100m made up of 100 million £1 ordinary shares. The capital reduction was effective as of 23 December 2020, once processed by Companies House. Approval for the capital reduction was sought and obtained from the PRA.

The structure sets out the principal companies with a material relationship with the Company. The Company is the parent of RMIS (RTW) Limited, formerly Reliance Mutual Insurance Society Limited, which, following the transfer of business to the Company on 1 April 2018, does not actively trade. Equitable Life Ireland dac is in the process of being liquidated.



A.1.4 Lines of business

The vast majority of the Company's in-force business has been written in the UK.

The Company is sub-divided into a number of distinct sub-funds, which are: the Non-Profit Fund ("NPF"), which includes shareholder funds and the unit-linked business; and four separate With-Profits Sub-Funds ("WPSFs") (WPSF1, 2, 4 and 6), primarily with-profits business. The NPF contains two MA portfolios of assets used to back immediate annuities and funeral plans.

The Company has no external new business, and the only new business written is annuities sold to existing policyholders on the vesting of their pension savings contracts (including contracts with GAOs) or policyholders opting for the Company's new Flexible Drawdown Product.

The following table summarises the Company's material lines of business as at 31 December 2020.

Line of Business	Contract Type	Product(s)	% of Technical Provisions
Unit-Linked and Index-Linked Insurance	Unit-Linked	Life and Pensions Savings	81%
Other Life Insurance	Non-Linked	Annuities	11%
Other Life Insurance	Non-Linked	Deferred Annuities	3%
Other Life Insurance	Non-Linked	Funeral Plan	1%
Other Life Insurance	Non-Linked	Term and Endowment Assurances	1%
Insurance with profit participation	Conventional With-Profits	Endowment Assurances, Annuities and other	3%

The Company also has small amounts of in-force unitised with-profits business, unit-linked annuities and health insurance business.

A.1.5 Significant events

A.1.5.1 Acquisition of Equitable Life Assurance Society

On 1 January 2020, we acquired the vast majority of the business of Equitable Life through a Part VII Transfer sanctioned by the High Court. In addition, Equitable Life became a subsidiary of the Company and all their employees were transferred to Utmost Life and Pensions Services Limited (ULPS), under Transfer of Undertakings (Protection of Employment) Regulations (TUPE). At the point of acquisition, Equitable Life had circa. 300,000 customers and £6.4bn of assets.

Approximately 3,000 unit-linked and with-profits customers in Ireland and Germany, with £79.1m of assets, and policies sold under Irish or German law, were retained in Equitable Life. On 1 January 2020, as a result in a change to the Articles of Equitable Life, the Company became its sole member.

In preparation for the acquisition, Equitable Life undertook a Scheme of Arrangement in accordance with Part 26 of the Companies Act 2006 ("the Scheme"), which also became effective on 1 January 2020, immediately ahead of the Part VII transfer. As a result of the Scheme, eligible with-profits policies were converted to unit-linked policies with no investment guarantees.

In line with our objective of developing products and services to provide better client outcomes, ULP launched a new unit-linked fund range for its existing policyholders and transferring Equitable Life policyholders with its strategic partner, JP Morgan Asset Management (JPMAM). In addition, in preparation for the transfer, an Age Related Strategy was developed for those policyholders who did not make an investment choice.

For customers in the Age Related Strategy, their monies were initially invested in a Secure Cash Fund for the first six months of 2020 and then transferred into Unit-Linked Managed Funds managed by JPMAM through the second half of 2020 in weekly tranches with the choice of which Managed Fund determined by their age. ULP guaranteed that the price of the Secure Cash Fund would not drop below the initial price set on 1 January 2020. As a result of the Age Related Strategy, a significant number of customers that transferred from Equitable Life were protected from market falls in the second quarter of 2020 caused by the uncertainty relating to the COVID-19 pandemic. The funds were then migrated into Unit-Linked Funds during a period of market recovery in the six months from July 2020 onwards.

All customers are now benefitting from enhanced security as a result of ULP's strong capital position and efficient operational management.

As part of the conditions of the Part VII Transfer, Utmost injected additional capital to ensure it had own funds at least equal to 150% of SCR. In addition, as mentioned above, ULP undertook a number of integration activities in the year, and these were successfully concluded despite the COVID-19 pandemic. These activities included the migration of all operational work and relevant IT infrastructure from the Utmost office in Tunbridge Wells to the ex-Equitable office in Aylesbury. The Tunbridge Wells office was closed in Quarter Two 2020, and Aylesbury became the registered office of the Company in June 2020.

Listed below are other notable examples of the Integration activity completed in the year:

A.1.5.2 Fund Accounting, Pricing and Custody

During 2020, we ran a tender process to rationalise the two existing providers of fund accounting and custody services following the acquisition of Equitable Life. HSBC were chosen as the provider across the combined organisation and a project was initiated to deliver the transition. The project completed successfully in late November 2020.

A.1.5.3 Product development and marketing

In March 2020, the Company launched a Flexible Drawdown proposition available to existing customers. New business written in 2020 included the new Flexible Drawdown product and annuities sold to existing customers on the vesting of their pension savings contracts (including contracts with guaranteed annuity options). We continue to consider ways to enhance the product offering for our existing customers.

A.1.5.4 Investment Management

In January 2020, all assets previously managed by the Equitable Life's main Investment manager were transferred to ULP's strategic investment manager partners – JPMAM for Unit-Linked and Goldman Sachs Asset Management (GSAM) for Non-Linked Assets. In addition, the existing Equitable Life Unit-Linked funds will be transferred to JPMAM in 2022.

During Quarter Four 2020, Utmost Portfolio Management Limited, a fellow subsidiary of UGL, was appointed as investment manager to manage the shareholder assets of the Company. This arrangement went live in January 2021.

A.1.5.5 Retention

Although the underlying guarantees on Equitable Life policies were exchanged for uplifted fund values as a result of the Scheme of Arrangement, we are pleased to report that we have retained the vast majority of Equitable Life individual customers with the lapse rate similar to our long term assumptions. We have seen that trend continue into 2021. As expected, we have seen a number of Group Schemes seek to consolidate their pension provision by moving their AVCs away from ULP in 2020. Overall, ULP continues to maintain a high customer retention rate, helped by the launch of Flexible Drawdown.

A.1.6 Business and Performance

The Company prepares its Annual Report and Financial Statements on a UK Generally Accepted Accounting Principles ("GAAP") statutory basis in accordance with FRS 102 and FRS 103. These were approved by the Board on 31 March 2021 but, for the purposes of this document, financial performance is presented on a Solvency II basis; the changes for which are detailed and explained within this report.

The two most significant differences between the Solvency II reporting and UK GAAP statutory basis are as follows :

- Actuarial liabilities are calculated on a best estimate basis for Solvency II and a prudent basis for UK GAAP; and
- Intangible assets including goodwill and the present value of acquired in-force business have no value for Solvency II reporting.

The Company's Solvency Coverage Ratio at 31 December 2020 was 176%, which was above of the Board's stated risk appetite of 135%. The table below analyses solvency coverage of the Company and the NPF.

SII Pillar 1 Solvency (£ millions)	NPF	Company	Company
	2020	2020	2019
Own Funds (Unrestricted)	306.3	306.3	302.7
Restriction on Own Funds	-	-	(51.3)
Own Funds	**306.3**	**306.3**	**251.4**
SCR (after loss absorbency)	172.8	173.9	53.8
Sub-fund capital support	1.1	-	-
Excess Available Capital (after capital support)	132.4	132.4	197.6
Solvency Coverage Ratio	**-**	**176%**	**467%**
Minimum Capital Requirement ("MCR")	-	53.9	20.4
Unused Future Discretionary Benefits ("FDBs")	-	49.9	36.9

Although the regulations allocate amounts in respect of operational risk to the with-profits sub-funds, in practice the cost of operational risk events is expected to fall to the Non-Profit Fund. The sub-fund capital support in respect of operational risk was £1.1m at 31 December 2020.

For the with-profits sub funds, the present value of FDBs in excess of that needed to offset the Basic Solvency Capital Rate ("BSCR") for these funds is termed 'Unused Future Discretionary Benefits'.

A.2 Underwriting Performance

Due to the nature of the Company's unit-linked, annuities and with-profits business, an analysis of underwriting performance does not provide meaningful information without netting off the investment performance and, for this reason, it is not the way in which the Company manages the business. Financial performance focuses on the movement in the Company's economic value and solvency ratio.

The Company wrote £31.2m (2019: £7.4m)of new business in respect of annuities sold to existing policyholders on the vesting of their pension savings contracts, including contracts with GAOs and the new Flexible Drawdown Product. The Company has no other new business.

A.3 Investment Performance

Investment return comprises investment income, including realised investment gains and losses and movements in unrealised gains and losses on investments designated as fair value through profit or loss, net of investment expenses and charges.

Interest income is recognised as it accrues, taking into account the effective yield on investments.

Dividends are included as investment income on the date when the right to receive has been established.

Unrealised gains and losses on investments represent the difference between the valuation at the date of the Statement of financial position and their purchase price or, if they have been previously valued, their valuation at the date of the last Statement of financial position. The movement in unrealised gains and losses recognised in the year also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period. Upon disposal or impairment, accumulated unrealised gains and losses are transferred from other comprehensive income to the income statement as realised gains or losses.

The Company's asset portfolio is invested to generate competitive investment returns whilst remaining within the Company's appetite for market and credit risk.

An analysis of the net investment return by asset class is presented in the table below.

Year End 2020:

	Debt Securities	Equity securities	Other Financial Investments	Total
	£m	£m	£m	£m
Dividends	-	0.8	37.7	38.5
Interest	28.6	-	-	28.6
Gain on investment in subsidiary	-	-	0.7	0.7
Net realised gains/(losses)	1.7	0.1	(120.0)	(118.2)
Net unrealised gains	48.2	0.6	276.4	325.2
	78.5	1.5	194.8	274.8

Year End 2019:

	Debt Securities	Equity securities	Other Financial Investments	Total
	£m	£m	£m	£m
Dividends	-	-	12.8	12.8
Interest	29.1	-	-	29.1
Net realised (losses) / gains	(0.7)	-	46.4	45.7
Net unrealised gains	45.9	(0.1)	27.8	73.6
	74.3	(0.1)	87.0	161.2

The realised gains and unrealised losses are in respect of the portfolio of corporate and government bonds and OEIC investments. At 31 December 2020, the Company had no material securitised investments.

A.4 Performance of Other Activities

There is no performance of other activities not already covered elsewhere in this report.

A.5 Any Other Information

There are external factors which impact the key risks of the Company.

A.5.1 Brexit

From 31 December 2020, the Brexit transition period ended and EU law no longer applies in the UK. The Company and its subsidiary, Equitable Life, like many financial services businesses, has had to make some changes to adjust to the new regulatory requirements. The Company has contacted all relevant policyholders where required. Although Brexit is not expected to have a significant impact on the Company's operational activity, the uncertainty of ongoing discussion between the UK and EU regarding financial services, leads to a lack of clarity on how the EU and UK will interact, and the impact on financial services. It also could lead to volatility in financial markets, which can increase certain risks.

The Company has in place controls to minimise the impact of any volatility. The Company is also considering the longer term impact of Brexit on its subsidiary, Equitable Life, which may require further review in 2021. The Company believes that it has adequate mitigating controls and procedures in place to address these risk areas.

A.5.2 COVID-19 Pandemic

Looking back at 2020, the most significant risk that the Company faced was the Covid-19 pandemic. This brought with it challenges due to financial market volatility, impacts on customers and operational impacts of administering business. Our Business Continuity procedures have, and continue, to help to ensure that our people and technical resources can work remotely, in order to minimise the impact on operational activity and ensure that we are able to provide essential services to our customers. This includes working with our outsourcers to ensure continuity of service. We continue to be focused on the health and well-being of our customers and staff, following all Public Health advice measures.

The Company continues to monitor the market movements and their impact on the Company. A key factor that will affect future equity performance will be the effectiveness of the global recovery to the Covid-19 pandemic. With the recent development of vaccines to prevent COVID-19, the path that the pandemic will take is expected to be better than what has been seen over most of 2020. However, the long term impacts on financial markets and companies are expected to remain for some time. We will continue to monitor the impacts as the COVID-19 pandemic develops.

As a result of the Part VII transfer from Equitable Life, the Company has a reassurance agreement with a large UK regulated insurance counterparty and this is the Company's largest exposure to downgrades. The COVID-19 outbreak has not caused any interruption to the operation of this reinsurance and we continue to monitor the financial strength of all our reinsurers. The Company entered 2021 with a strong Balance Sheet and with a Solvency II coverage ratio in excess of 176% as outlined above. As at the date of approving the SFCR, the Solvency II Coverage Ratio remains above the required capital levels and we remain in a strong and resilient position and able to meet our capital requirements.

A.5.3 Property Funds

In March 2020 our two unit-linked Utmost Property Funds suspended trading. This was as a result of Aberdeen Standard Investors (ASI) and Schroders suspending the underlying Property funds in line with the rest of the Property Fund market. Market volatility caused by the COVID-19 pandemic had made it impossible for the investment managers to provide a fair valuation of property assets. The funds were subsequently re-opened in October 2020 (Schroders) and November 2020 (ASI), and trading in our Property funds has re-commenced. The Property Funds are a small percentage of our Unit Linked Funds and the suspensions did not have a significant impact on the Company or customers.

A.5.4 Corporation tax rate

UK GAAP accounts

On 3 March 2021 the UK Government announced that Finance Bill 2021 will increase UK corporation tax from its current rate of 19% to 25% with effect from April 2023. The legislation implementing the latter change had not been substantially enacted at the balance sheet date of 31 December 2020 and, accordingly, no account of the proposed rate increase was made in calculating the Company's tax charge. However, if the rate increase had been enacted prior to the balance sheet of 31 December 2020, then it would have had the effect of increasing the Company's closing deferred tax liability by £12,000.

Solvency II

Similarly, for the purposes of the Solvency II valuation, no account of the proposed rate increase was made in calculating the Company's provision for deferred tax. If the rate increase had been enacted prior to the balance sheet of 31 December 2020, then it would have had the effect of increasing the Company's closing deferred tax liability by £6,668,000, leading to a corresponding reduction in Own Funds. However through increasing loss-absorbing capacity for deferred tax the rate increase would also have led to a corresponding reduction in the Company's Solvency Capital Requirement, ensuring that there would have been no overall impact on the level of Excess Available Capital.

B. SYSTEM OF GOVERNANCE

B.1 General Information

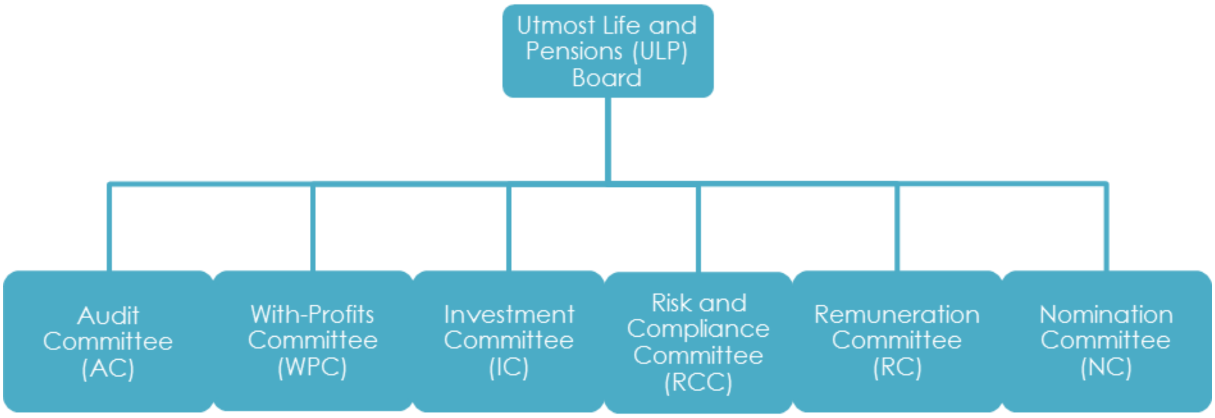
The Board meets a minimum of four times a year. Other meetings are convened as required. The minimum quorum necessary for meetings is two members for the ULP Board. The Board comprises the Chair (an Independent Non-Executive member), four other Independent Non-Executive members, two Group Non-Executive Directors and two Executive Directors.

The Board's role is to:

- Have collective responsibility for the long-term sustainable success of the business;
- Provide entrepreneurial leadership for the overall running of the business;
- Ensure that the company complies with all rules, regulations, laws, codes of practice, guidelines, principles and generally accepted standards of performance and probity;
- Ensure that the assets of the company are safeguarded;
- Discuss all relevant issues, constructively challenge the views of management, make timely and informed decisions, exercise adequate control over and monitoring of the affairs of the company;
- Establish the company's purpose, strategy and values, and satisfy itself that these and its culture are aligned.
- Maintain a high standard of corporate governance proportionate to the size of the company; and
- Delegate the effective day-to-day management of the company to executive management.

The Board has authority to delegate certain responsibilities to Board sub-committees and executives and senior managers within the Company. However, the Board always remains accountable and cannot delegate this ultimate accountability.

The structure of the delegated responsibilities to all Board sub-committees is shown below.



Audit Committee

The Audit Committee is a sub-committee of the Company's Board and has been delegated responsibility for monitoring the integrity of the Company's Financial Statements and the adequacy and effectiveness of internal controls and the risk management system. This includes responsibility for the review of disclosures to the supervisory authority, including the SFCR, in addition to its UK GAAP statutory financial reporting and accounts disclosures.

The Members of the Committee are appointed by the Board following consultation with the Committee Chairman. The Committee is composed of at least three members at all times, all of whom must be non-executive Directors. At least one member of the Committee must have competence in accounting and/or auditing, and the remaining members should have, at a minimum, experience of dealing with financial and accounting matters.

The Committee Chairman shall be appointed by the Board, and shall be an Independent non-executive Director. In the absence of the Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chairman of each meeting shall be an independent non-executive Director.

The Company's Chief Executive, the Chief Financial Officer and the Chief Actuary shall be invited to attend meetings of the Committee. In addition to appointed members, the Chairman may invite other persons to attend all or part of any meeting.

Furthermore, Internal and External Audit shall have direct access to the Committee as appropriate.

The Committee shall meet at least four times a year, normally quarterly, and at such other times as the Chairman considers necessary or appropriate. In addition, ad hoc meetings shall be held whenever it is necessary to discuss any significant or critical aspects concerning the Company's financial control affairs and/or related matters.

Risk and Compliance Committee

The Risk and Compliance Committee is a sub-committee of the Company's Board and has been delegated responsibility for assisting the Board in its oversight of the risk management and compliance culture and ensuring compliance of the undertaking with all legal and administrative requirements. It also has delegated authority for:

- Overseeing the regulatory capital position;
- Advising the Board on the Company's risk appetite and risk, control and compliance exposure;
- Setting and monitoring the Company's risk management and compliance policies; and
- Ensuring the effectiveness of its Own Risk Solvency Assessment ("ORSA").

The Committee also aligns with the Remuneration Committee to embed a risk-based company-wide Remuneration Policy for the Company.

The members of the Committee shall be appointed by the Board following consultation with the Committee Chairwoman. The Committee will be composed of at least three members at all times.

The Committee Chairwoman shall be appointed by the Board, and shall be an independent non-executive Director. In the absence of the Chairwoman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chairwoman of each meeting shall be an independent non-executive Director.

The Company's Chief Executive, the Chief Risk Officer, the Chief Financial Officer and the Chief Actuary shall be invited to attend meetings of the Committee. In addition to appointed members, the Chairwoman may invite other persons to attend all or part of any meeting.

Furthermore, the Chief Risk Officer shall have direct access to the Committee as appropriate.

The Committee shall meet at least four times a year, normally quarterly and at such other times as the Chairwoman considers necessary or appropriate. In addition, ad hoc meetings shall be held whenever it is necessary to discuss any significant or critical aspects concerning the Company's risk and compliance affairs and/or related matters.

With-Profits Committee

The With-Profits Committee is a sub-committee of the Company's Board and has delegated responsibility to act in an advisory capacity to inform decision making by the Board in relation to the management of the Company's With-Profits Sub-Funds ("WPSFs"), including the way in which each of the WPSFs is managed by the Company, including adherence to the Principles and Practices of Financial Management ("PPFM") and the future distribution of surplus in the WPSFs paying close regard to policyholders' reasonable expectations and in keeping with Treating Customers Fairly principles.

The Committee considers relevant matters affecting policyholders generally and matters which affect sub-groups of policyholders rather than individual cases.

The Committee Chairman and other members of the Committee are appointed by the Board in consultation with the Chairman. The majority of the members of the Committee are independent of the Company and its group of companies.

The With-Profits Committee will consist of no more than six (6) members, and the Chair of the Committee and the majority of members shall not be directors of Utmost Life and Pensions. At least one member of the With-Profits Committee has recent and relevant financial experience and, preferably, holds a professional qualification from the professional actuarial body.

The Chairman of the Board is not a member of the With-Profits Committee.

Only members of the With-Profits Committee have the right to attend With-Profits Committee meetings. However, other Directors and other individuals (including representatives of external advisers) may be invited to attend all or part of any meeting as and when appropriate in the opinion of the With-Profits Committee's Chairman or the majority of its members.

The Committee meets at least four times a year at appropriate intervals in the financial reporting and with profits cycle, and otherwise as required.

Investment Committee

The Investment Committee is a sub-committee of Company's Board and has been delegated responsibility for recommending the overall strategic investment policy for the Board's consideration, and oversight and control of the Company's investment activities.

The Investment Committee shall seek to ensure that investment activities carried out are consistent with the Investment Policy as adopted by the Board, and Investment Guidelines issued pursuant to seeking the achievement of the objectives of the Investment Policy as issued from time to time. It exercises control over the execution of the Board's strategic decisions and the sound and efficient management of investment-related matters.

The members of the Committee shall be appointed by the Board following consultation with the Committee Chairman. The Committee will be composed of at least three members at all times.

The Chairman shall be appointed by the Board, but shall be an independent non-executive Director. In the absence of the Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chairman of each meeting shall be an independent non-executive Director.

The Company's Chief Executive, the Chief Financial Officer, the Chief Actuary, the With-Profits Actuary, the Chief Risk Officer and the Investment Oversight Manager shall be invited to attend meetings of the Committee. In addition to appointed members, the Chairman may invite other persons to attend all or part of any meeting.

Furthermore, the Chief Financial Officer, the Chief Risk Officer and the Investment Oversight Manager shall have direct access to the Committee as appropriate.

The Committee shall meet at least quarterly and at such other times as the Chairman considers necessary or appropriate. In addition, ad hoc meetings shall be held whenever it is necessary to discuss any significant or critical aspects concerning the Company's investment affairs and/or related matters.

Remuneration Committee

The Remuneration Committee is a sub-committee of the Company's Board and has been delegated responsibility for overseeing the Remuneration Policy, particularly for all executive Directors and the Company Chairman. The Board itself should determine the remuneration of the non-executive Directors within the limits set in the Board's Terms of Reference and those matters reserved for group company Boards.

No Director shall be involved in any decisions as to their own remuneration.

The members of the Committee shall be appointed by the Board following consultation with the Committee Chairman. The Committee will be composed of at least three members at all times. The Committee must be composed only of non-executive Directors.

The Chairman shall be appointed by the Board, but shall be an independent non-executive Director. In the absence of the Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chairman of each meeting shall be an independent non-executive Director. The Chairman of the Board shall not be Chairman of the Committee.

In addition to appointed members, the Chairman may invite other persons to attend all or part of any meeting.

The membership and chairmanship of the Committee will be reviewed each year by the Board in consultation with the Chairman to ensure that an appropriate balance is maintained between experience and independence. Changes as required will be recommended to the Board thereafter. The appointment of members to the Committee shall be for a period of up to three years, extendable up to two further periods of three years.

The Committee shall meet at least half-yearly and at such other times as the Chairman considers necessary or appropriate. In addition, ad hoc meetings shall be held whenever it is necessary to discuss any significant or critical aspects concerning the Company's remuneration affairs and/or related matters.

Nominations Committee

The Nominations Committee is a sub-committee of the Company's Board and has been delegated responsibility for ensuring that the Board has a formal, rigorous and transparent procedure in place to manage the appointment of new Directors to the Board, and to ensure that the Board and its Committees have the appropriate balance of skills, experience, independence and knowledge to enable them to discharge their respective duties and responsibilities effectively, including succession planning.

The members of the Committee shall be appointed by the Board following consultation with the Committee Chairman. The Committee will be composed of at least three members at all times.

Only members of the Committee have the right to attend Committee meetings. However, other individuals, such as the head of HR and external advisers, may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

The Board has appointed the Committee Chairman, who is the Chairman of the Board. The Chairman of the Board shall not chair the Committee when it is dealing with the matter of succession to the chairmanship and the Chairman will appoint a deputy for this purpose.

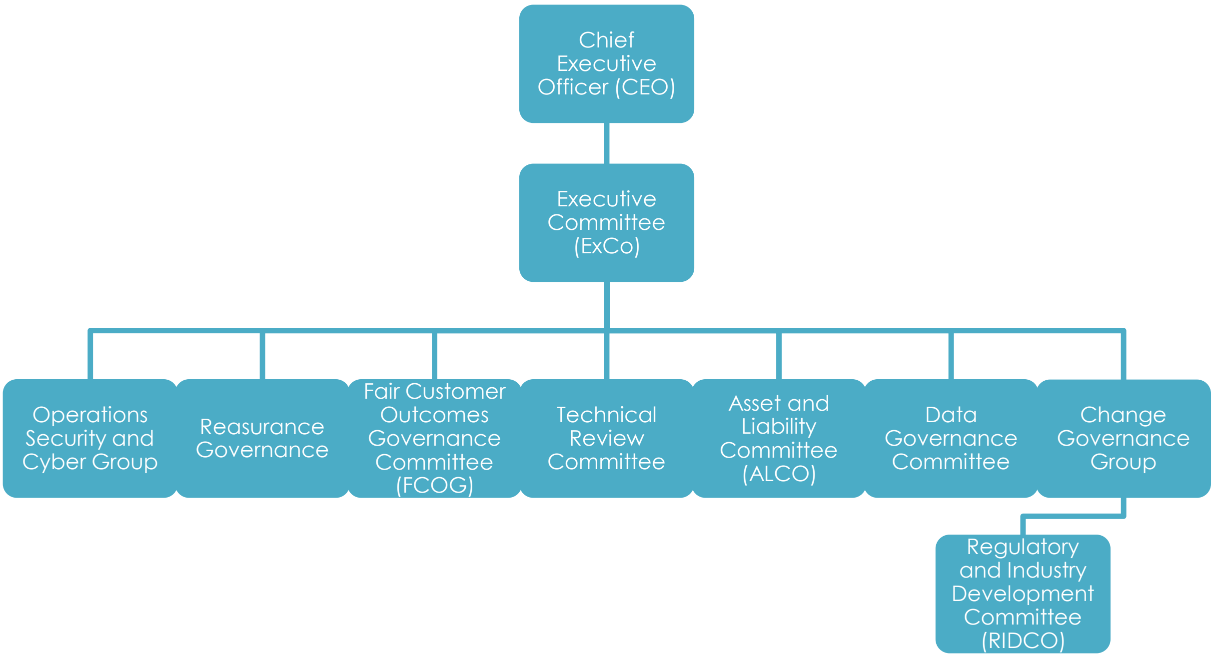
The membership and chairmanship of the Committee will be reviewed each year by the Board in consultation with the Chairman to ensure that an appropriate balance is maintained between experience and independence. Changes as required will be recommended to the Board thereafter. The appointment of members to the Committee shall be for a period of up to three years, extendable up to two further periods of three years.

The Committee shall meet at least twice a year, and at such other times as the Chairman considers necessary or appropriate.

Executive Sub-Committees

In addition to the above Board committees, a range of Executive sub-committees are in place to support the Chief Executive Officer in his decision making. These committees have no delegated authority (with the exception of the Asset and Liability Committee ("ALCO"), as outlined below) but make recommendations to the Chief Executive Officer.

During the reporting period, the executive committees that were in place are shown below.



Executive Committee

The Executive Committee ("ExCo") assists the Chief Executive Officer in managing the business, executing the business plan, monitoring deliverables and managing the associated risk. This includes liaising with the other executive sub-committees and responding to their recommendations.

Over the reporting period, the committee comprised: the Chief Executive Officer; the Chief Financial Officer; the Chief Risk Officer; the Chief Actuary; the Customer Services Director; the IT and Change Director; and the Company Secretary. The Company Secretary acted as secretary to the Committee. The following senior management positions also support ExCo where relevant: the Commercial Director, the HR Director and the With-Profits Actuary. The Committee aims to meet weekly, and a minimum of three members of the Committee are required to attend in order for business to be conducted.

Asset and Liability Committee

The Asset and Liability Committee ("ALCO") supports the Chief Financial Officer in the ongoing management of investments, including agreeing criteria for fund investment and monitoring performance. It executes investment strategy as defined by the Board and the Investment Committee. It also oversees all related cash flow requirements.

It makes recommendations to the With-Profits Committee, the Investment Committee, the Executive Committee and the Risk and Compliance Committee about investment management strategy, cost, performance, unit pricing and asset allocation decisions to ensure that the interests of all policyholders have been appropriately considered and represented, and considers the impacts on the risk profile and appetite of the Company.

The committee comprises the: Chief Financial Officer as Chair; Chief Actuary; Chief Risk Officer; Head of Investments; Financial Controller & Head of Unit Linked; ALM Actuary; and With Profits Actuary. The committee meets at least monthly and more frequently as needed.

Fair Customer Outcomes Governance Committee

The Fair Customer Outcomes Governance Committee ("FCOGC") reports to the ExCo and its role is to govern delivery of fair customer outcomes in line with the business strategy and regulatory expectations for Utmost Life and Pensions and its life insurance subsidiaries. The aim is to achieve fair outcomes for all policyholders, having regard to their characteristics and needs.

FCOGC comprises: the Chief Actuary as Chair; Chief Finance Officer; With-Profits Actuary; and Customer Services Director. The Chief Executive Officer, Compliance Manager, Unit Pricing Specialist, Customer Services Manager and Chief Risk Officer act as advisors to the committee.

The committee meets at least four times a year and more frequently as required.

Data Governance Committee

This committee is responsible for data policy, strategy, procedures, governance artefacts and other data inventories as part of the data governance process. The committee covers all data related to legal and regulatory requirements, including Solvency II and General Data Protection Regulation ("GDPR"), and exists to assist the Head of Operations in carrying out his responsibility to operate the Data Governance Framework, which in turn exists to ensure that the Company's legal and regulatory responsibilities for data are met.

The committee is comprised of: the Information Security Officer as Chair; Chief Actuary; Chief Risk Officer, Company Secretary (Co Sec); IT Architect, Chief Financial Officer; IT & Change Director; Compliance Manager; Data Quality Manager; and data owners (as required).

The committee meets at least four times a year.

Operations Security and Cyber Group

This group exists to: ensure that IT security and cyber risk actions are occurring to schedule; assess changing security needs; and to ensure that adequate business continuity management capability exists and is tested successfully in accordance with the agreed test plan, to minimise disruption and losses (including fines and sanctions) arising from incidents.

Reassurance Governance Group

This committee is to be chaired by the Chief Actuary and exists to review the management of the reassured book in accordance with the requirements of the Reassurance Agreements.

Technical Review Committee

This committee exists to debate, challenge, approve and, where necessary make recommendations to ExCo and Audit Committee on key model calculation methodologies, technical assumptions and limitations for finance and actuarial models. This committee is chaired by the Chief Actuary.

Change Governance Group

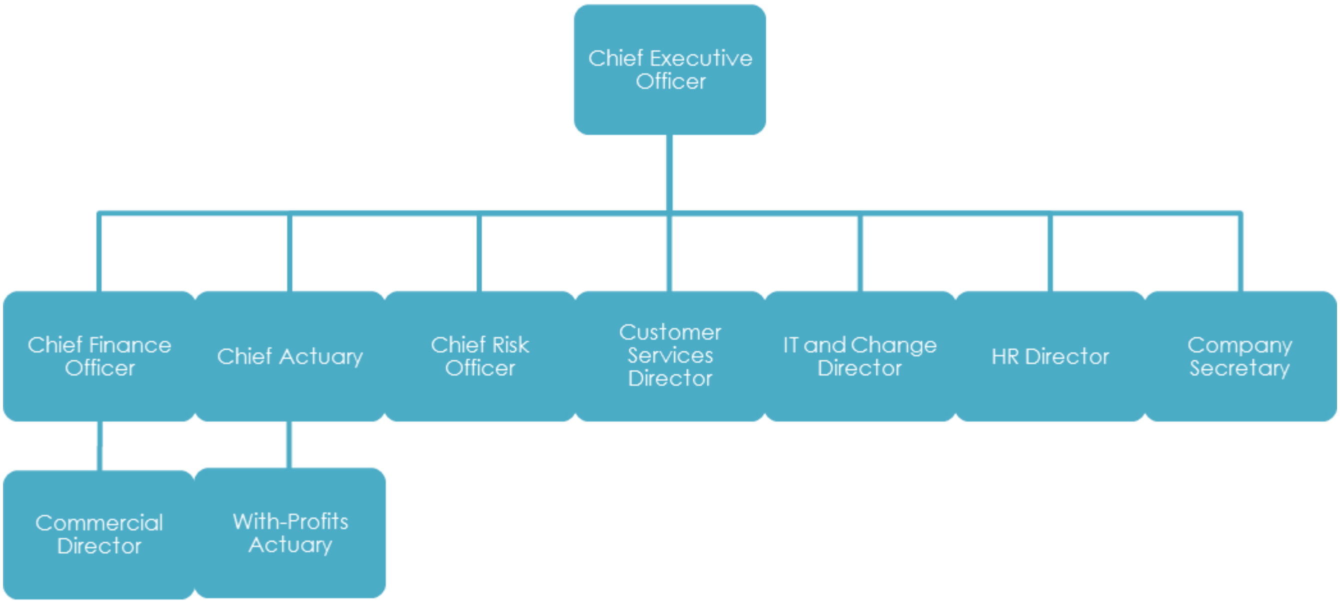
The Change Governance Group ("CGG") is chaired by the Chief Financial Officer and is a cross function, cross department meeting with representatives from areas impacted or participating in integration and business-as-usual projects. The main objectives are to: provide guidance that fit with business strategic objectives; prioritise and schedule change initiatives in conjunction with project sponsors; and have overall responsibility for the delivery and direction of projects.

Regulatory and Industry Development Committee

The Regulatory and Industry Development Committee ("RIDCo") is an important element of the Company's systems and controls, and is responsible for ensuring that regulatory or industry-wide changes relevant to the Company are identified in order to enable the business to respond appropriately. It reports into the CGG with any change programmes as a result of regulatory or industry developments. Moving forwards, RIDCo will be reporting directly to ExCo.

Individual Responsibilities

The structure of the delegated responsibilities to individuals over the reporting period is given below.



Executive responsibilities are delegated to the Chief Executive Officer, with ultimate responsibility either retained or delegated to senior management and possibly further cascaded to individuals.

Senior managers have the authority to delegate their responsibilities to fit and proper staff, the approval and assessment of whom is defined in the Fit and Proper Policy.

Integration of all governance and Key Functions

The Company's Management Responsibilities Map covers all these functions, with named individuals with the regulatory Senior Managers and Certification Regime ("SM&CR") functions as part of their responsibilities.

Risk management is the responsibility of all functional managers, with the Risk function providing oversight and reporting to the Risk and Compliance Committee. The Chief Risk Officer is a member of the ExCo, and reviews the Company's risks with the senior team at least monthly, and at every Board meeting.

The Risk Management Policy sets out in detail the key accountabilities of the Risk Function. These accountabilities include: identifying and securing the necessary capabilities and capacity to execute the Risk Management Policy; and maintaining a clear interpretation of the Three Lines of Defence model that senior management operate within.

The Compliance function performs its role in a similar way, with the Compliance Manager reporting to the Chief Risk Officer. The Compliance Policy sets out in detail how the Company ensures that the persons performing the Compliance Function have the required competencies. The implementation of the Compliance Function is considered in further detail in Section B5 and B6 respectively.

The Chief Actuary is a member of the ExCo, and has a direct reporting line to the Audit Committee and the main Board.

The Internal Audit Function Actuarial Function are considered in further detail in Section B6 and B7 respectively.

Remuneration Policy and practices

Remuneration of the Company's Directors and employees is overseen by the Remuneration Committee, as outlined above. The Committee aims to ensure that the Company's various remuneration structures encourage and support alignment between business decisions, individual behaviour, business performance and the Company's values, risk appetite and Capital Management Strategy ("CMS").

The remuneration of the Chairman, the Chief Executive, executive Directors and senior managers is set by the Remuneration Committee in accordance with the Company's Remuneration Policy. The primary objective of the Remuneration Policy for such individuals is to ensure that each executive Director/senior manager is provided with appropriate incentives to encourage exceptional performance and are rewarded for their individual contributions to the long-term success of the Company.

For all employees, remuneration will consist of a fixed and variable component. The variable component will be based on a combination of individual and overall business or business unit performance. The policy will support an appropriate balance between these components to avoid employees being overly dependent on the variable components and to allow ULP to operate in a flexible manner. This may include adjusting the variable component based on an assessment of current and future risks and the cost of capital for ULP, with the possibility of paying no variable component. The variable component for the Executive and Senior Management Team is also subject to claw back for 3 years.

The Remuneration Committee takes care to ensure that any such bonus payments are appropriate and that the objectives upon which performance-related payments are assessed are closely aligned to the interests of the Company's customers and take into account the Company's current strategic position.

All new permanent employees are eligible to join the Legal and General Group Personal Pension Plan. In certain cases, an Executive Director or Senior Manager may be offered an allowance, as a percentage of base salary, in lieu of participation in the pension scheme and other benefits.

The principles underpinning the remuneration of the Company's executive Directors/senior managers are as follows:

- Remuneration in general should reflect individual performance and support the delivery of benefits and services to the Company and all its stakeholders;
- Remuneration should enable the Company to attract, retain and motivate executive Directors of the quality required to run the Company effectively; and
- Reviews of base salary will give due regard to information disclosed by comparable companies to bear a reasonable relationship to the scale of the role as well as to other factors. A performance-related incentive scheme is in place for executive Directors and senior managers
- Remuneration for those within designated Senior Manager Functions ("SMF") or within Control Function (Risk, Compliance, Internal Audit and Actuarial) must reflect that a core requirement of these roles is to ensure controls are in place and operating effectively, and this takes precedence over the financial performance of the business area they provide oversight for.

Fixed remuneration - The fixed remuneration of Executive Directors is determined by the Committee, taking into account the responsibilities and experience of the individual and the size and complexity of their role.

Annual Performance-Based Incentives - Executive Directors and Senior Managers are able to participate in the discretionary annual performance bonus scheme. The scheme is operated by the Committee in a manner which promotes sound risk management (aligned with ULP's stated risk appetite) and does not encourage excessive risk taking.

Long-term incentive plan ("LTIP") - The Committee believes that there should be a strong link between the personal interests of the CEO and those of shareholders. The LTIP provides this link, contributes to effective risk management, and provides the opportunity for longer-term motivation and retention. The LTIP has the potential to reward the CEO for his/her contribution to the increase in value of the business over an extended period and focus on sustainable growth. The Committee will set appropriate performance conditions for any LTIP grant made and these will be agreed in writing with the CEO. LTIP payments are not made to any other Executive Directors, Senior Managers or other employees.

B.2 Fit and Proper Requirements

The Company has a Fit and Proper Policy in place that sets out the way in which the Company complies with the PRA's and the FCA's Fit and Proper requirements, with particular emphasis on the SM&CR.

As a result, the Company will ensure that its Senior Management Function ("'SMF") Holders, Notified Non-Executive Directors ("NNEDs"), Key Function ("KF") Holders), and Certification Function ("CF") Holders:

- Are, and remain, competent, fit and proper to discharge their responsibilities;
- Are aware of their obligations under the Regulators' relevant conduct rules and standards; and
- Are aware of the expectation to avoid, to the extent possible, activities that could create conflicts of interest or the appearance of conflicts of interest (via the Company's Conflicts of Interest Policy).

In addition, the Company will ensure that all of its SMF Holders are aware of their obligations under the Duty of Responsibility and has established, and maintains, appropriate mechanisms and systems to manage these arrangements.

The Company must ensure that all prospective SMF Holders are fit and proper to undertake the responsibilities being allocated to them. Whilst not expected individually, the Board must collectively possess appropriate qualifications, experience and knowledge about:

- Insurance and financial markets, including the wider business, economic and market environment in which the Company operates and an awareness of the level of knowledge and needs of its policyholders;

- The business strategy and business model, in detail;
- The Systems of Governance within the business, including the awareness and understanding of the risks the Company is facing and its capability of managing them; together with an ability to assess the effectiveness of the Company's arrangements to deliver effective governance, oversight and controls within the business and, if necessary, to oversee changes in these areas;
- Financial and actuarial analysis in order to interpret the Company's financial and actuarial information, identify key issues, put in place appropriate controls and take necessary measures based on this information; and
- The regulatory framework and requirements, including the capacity to adapt to changes to the regulatory framework, without delay.

Such assessment will be made at the most senior level, when considering the appointment of a director, to ensure that appropriate diversity is evident. This will take place prior to the due diligence process and prior to the submission of the application form for regulatory approval for a prospective SMF Holder or notification form for an NNED.

The Company maintains a central register of SMF Holders, KFHs and CF Holders in its Management Responsibilities Map. This records the names and positions of those SMF Holders who run the Company as and when appointed.

The map also contains a record of the allocation of prescribed responsibilities and key additional allocated SMF Holder responsibilities. This information is also set out in the SMF Holders' Statements of Responsibilities. The map is reviewed quarterly.

Once the Company has decided at the most senior level that it wishes to appoint an SMF Holder, the HR department will carry out the necessary due diligence checks in respect of the individual to be appointed. It will seek to establish information relating to any criminal, disciplinary, enforcement or administrative offences currently being tried or having been tried in the past relating to both the financial services industry and outside of the industry.

Whilst having previous infringements may not necessarily result in the person being assessed as not fit for the role being considered, HR will ensure that there is a judgement based on the widest information available concerning such offences. HR will co-ordinate the documentation of the assessments of competence, fitness and propriety before an application is submitted for approval to the regulatory authorities.

All regulatory applications will be submitted to the Regulators for approval by the Compliance team, once the due diligence process has been completed and wishes to proceed with the appointment of the candidate as an SMF Holder.

For employed staff, the Company has in place a performance management process to manage performance and to ensure continued suitability for each role. In addition an annual assessment of fitness and propriety is undertaken for all Senior Management Function Holders, Notified Non-Executive Directors, Key Function Holders, and Certification Function ("CF") Holders. An annual evaluation of the effectiveness of Board is also undertaken.

B.3 Risk Management System

The Risk Management function is principally responsible for the ongoing implementation of the Company's RMF: the framework in place to identify and effectively manage the risks of the Company and support the achievement of the Company's corporate objectives.

The following table describes the elements of the Company's RMF.

RMF Overview	
Area	**Description**
Risk Universe	Identification of all the risks that could affect the Company.
Risk Strategy	Articulates the Company's approach to the taking on and management of risk.
Risk Appetite Statement	The Company's view on the level and type of risk that it is willing to take on in the pursuit of achieving its strategic objective and business plan.
Risk Governance	The method used for directing and controlling the management of risk.
Risk Policies	The Company maintains a policy for each risk class in its risk universe. Each policy documents the Company's approach to the management of the individual risk class.
Risk Culture	Determines the values, knowledge, understanding and behaviour with regard to risk.
Risk Management Process	Identifies and articulates the key elements of the Risk Management Process. These key elements are described in the table below.
Risk Management Information	Underpins the Board/senior management's: (i) understanding of the Company; and (ii) decision-making capabilities.
Stress Testing Framework	Provides insight into how the Company may be affected by alternative and typically adverse conditions.
Capital Management	Articulates the Company's approach to the management of capital and the responsibilities of the Capital Management function.

The following table summarises the processes used to identify, measure, monitor, manage and report the risks of the Company.

Process	Description
Risk Identification	Key elements of the process include: control risk self-assessment, Risk Management function analysis, senior management analysis, ExCo review, Risk and Compliance Committee review, and ORSA analysis.
Risk Measurement	Section C provides details of the risk measures for each material/relevant risk class identified by the Company.
Risk Monitoring	Senior management and Board level review of the risk measures articulated for each risk class.
Risk Management	The management and mitigation techniques used for each risk class are articulated.
Risk Reporting	Regular review by senior management and the Board of the Company's risk reporting, which includes: risk profile, ORSA reporting, risk reports, Key Risk Indicators ("KRIs") and loss data.

Risk management is the responsibility of all functional managers, with the Risk function providing oversight and reporting to the Risk and Compliance Committee. The Chief Risk Officer is a member of ExCo, and reviews the Company's risks with the senior team at least monthly, and at every main Board meeting. The Risk and Compliance Committee provides oversight of the Company's risk management.

The Company operates the 'three lines of defence' model for risk management and oversight:

- Line 1 has responsibility for the management of risk across the organisation and comprises executive committees, management and staff;
- Line 2 is responsible for the provision of oversight to ensure that the first line is managing risk within the Board-approved risk appetite and in line with the RMF; this line consists of the Risk function and the Risk and Compliance Committee; and
- Line 3 is responsible for providing independent assurance on the effectiveness of internal controls and risk management processes across the first and second line, and is performed by the Internal Auditors reporting to the Audit Committee.

Consideration of the Company's risk appetite statement is a key component of the Company's decision-making process. Material decisions made by the Company are fully considered, documented and evidenced in terms of alignment with the Company's risk appetite. The Company's risk appetite statement articulates the process to be followed if any prospective actions or decisions have the potential to lead to non-alignment with the Company's risk appetite.

B.3.1 Own Risk and Solvency Assessment

The Company's Own Risk and Solvency Assessment ("ORSA") report is the primary means by which the Board and other key stakeholders are provided with a comprehensive understanding of the Company's risk profile and expected capital needs over its business planning period. The analysis, findings and recommendations (i.e. the output) from the ORSA report are therefore a key part of the Board's strategic decision-making process and the way in which these decisions are implemented by senior management.

Equally, the Company's current strategic objectives, business plan and target risk profile are also key inputs into the scope and focus of the ORSA. The Company's Board, together with senior management, play a significant and ongoing role in determining the set of scenarios which will be included in the ORSA, the assumptions for each of these scenarios, and the criteria against which the results will be assessed.

The following table sets out the main components of the Company's ORSA process.

ORSA Process		
Work Stream	**Activity**	**Description**
Design	Process & Document Design	Review of existing ORSA process and documentation to ensure the ORSA remains fit for purpose and compliant with current guidelines.
Reporting & Documentation	Regular ORSA Update	A regular update on the risk appetites, risk profile of the Company, and an update on any investigations or actions.
	ORSA Policy	Update of the existing ORSA policy to ensure it reflects the purpose, scope, process and aims of the Company's ORSA.
	Annual ORSA Report	A full reforecast of the solvency position and risk profile of the Company, under base and alternative scenario conditions, including an assessment of the risks faced in implementing the strategy and business plan under a variety of scenarios.
	Submission	Submission of the completed ORSA Report to the Prudential Regulatory Authority (PRA)
Standard Formula Testing	Standard Formula	Analysis of the standard formula SCR relative to the Company's current and emerging risk profile, to ensure it remains appropriate.

ORSA Process		
Work Stream	**Activity**	**Description**
	Appropriateness Exercise	
Scenario Development	Scenario Design & Definition	Development of the alternative scenarios which will be assessed within the Company's ORSA framework.
Model Development & Inputs	ORSA Basis	Basis setting exercise to define the parameters and assumptions to use in the ORSA balance sheet projections.
	ORSA Model Development	Further development of the existing ORSA projection models.
	ORSA Data	Exercise to gather, check and validate the data feeding into the Company's ORSA process.
Projections	ORSA Projection Runs	Projection of the Company's balance sheet and risk profile under base and alternative scenarios, before and after management actions.
	ORSA Control & Validation	Control and validation process applied to the ORSA projection runs to ensure they are free from error.
Use	Strategy & Business Plan	Insight from the ORSA informs the Company's strategic direction and business planning.
	Risk Appetite & Limits Review	ORSA forecasts used to assess the Company's alignment with risk appetite and the individual risk limits. The ORSA is also used to review the appropriateness of the current limits.
	Investigation	ORSA analysis used to identify areas for further investigation, typically carried out by either the risk or actuarial functions.
	Decision Making	The ORSA is a key management tool in the decision-making processes of the Company.

All components of the ORSA undergo an initial review by either the Chief Actuary, the Chief Risk Officer, Head of Financial Risk and the Head of Capital and ALM. Depending on the component concerned, the scope of this initial review ensures that the structure, style and content will be understood and correctly interpreted by the Board, the Risk and Compliance Committee, senior management and any other users (for example, department heads and the Regulators).

The output undergoes a thorough review process, which affords the Company's Board, committee members, and senior management the opportunity to interrogate, challenge and feedback on the various inputs into and outputs from the ORSA analysis before sign-off.

The ORSA is carried out annually, and is updated during the year in the event of any material change to the Company's risk profile. The Chief Risk Officer has overall responsibility for the ORSA process and the ORSA report. The Actuarial function carries out the calculations.

B.4 Internal Control System

The Company maintains an Internal Control Framework to ensure that internal control practices are established, implemented and maintained in line with the objectives, strategy, risk appetite and long-term interests of the Company as a whole. The framework describes the controls and procedures in place to ensure:

- The effectiveness and efficiency of operations;
- Compliance with applicable regulations; and
- Availability and reliability of financial and non-financial information.

The framework applies to all activities and processes undertaken by the Company to ensure that it operates an effective internal control system, and sits within the internal controls framework which collates the sub-policies and processes to which this framework applies.

The Company's Board is ultimately responsible for ensuring that there is an effective internal control framework, and for establishing a culture within the Company that emphasises and demonstrates to all levels of personnel the importance of internal controls. Management is responsible for the implementation of the relevant rules and guidance. All employees need to understand their role in the internal control framework and be fully engaged in the process.

The framework forms a part of the Company's System of Governance. It is owned by the CRO and approved by the Board. Individual policies within the framework are subject to their own governance requirements, as specified in the individual policies.

The framework is reviewed on an annual basis by the ExCo, or more frequently where necessary, to ensure that it remains up to date and relevant to the processes which it is intended to control. Strategy, organisational structure and risk profile changes may trigger ad hoc reviews of this policy.

The purpose of internal control is to support the Company in the achievement of its objectives. The Company has identified four key components of the internal control framework, as follows:

- Corporate Governance;
- Risk Management;
- Compliance; and
- Information and Communication.

Each of the internal control components is described in more detail in the Internal Controls Policy.

The Company operates the 'three lines of defence' model for oversight:

- Line 1 has the responsibility for the management of controls across the organisation and comprises executive committees, management and staff;
- Line 2 is responsible for the provision of oversight to ensure that the first line is managing controls within the internal control system and associated policies. This is performed by the Risk function, Compliance the Risk and Compliance Committee;

Line 3 is responsible for providing independent assurance on the effectiveness of internal controls across the first and second lines. This is performed by Internal Audit, reporting to the Audit Committee.

In order to articulate how the Company remains compliant it has identified four key elements of how the Compliance Function, as articulated by the Solvency II Directive, operates within the Company.

The following table confirms the four key elements of compliance, the key responsibility of each element and the role responsible for each element.

Element	Key Responsibility	Role responsible
Conduct Compliance (referred to as the 'conduct Compliance Function' throughout this policy)	Ensuring the Company's compliance with its conduct responsibilities	Chief Risk Officer
Legal Compliance	Ensuring the Company's compliance with its legal responsibilities	Company Secretary
Financial Reporting Compliance	Ensuring the Company complies with its financial reporting responsibilities	Chief Financial Officer
Pillar 1 Technical Standards Compliance	Ensuring the Company's compliance with the regulatory requirements for the calculation of technical provisions and capital requirements	Chief Actuary

As can be seen from the table above, the responsibilities of the Compliance Function as defined by the Solvency II Directive, are split across different roles. In particular, the activities of the Compliance Function within the Company are focused on conduct compliance. Other responsibilities for Compliance are split across the Company Secretary, the Chief Financial Officer and the Chief Actuary.

For the avoidance of doubt, managing conduct risk where conduct risk relates to the risk of unfair outcomes to the end consumer is part of the Enterprise Risk Management Framework and will be documented in the Conduct Risk Policy.

Although the Company has identified four separate elements of compliance there will be areas of compliance that fall within more than one element. For example ensuring compliance with money laundering requirements may fall within conduct compliance and legal compliance. In addition responsibilities within each element may be held by more than one function of ULP.

The Company has an independent conduct Compliance Function appropriate to the nature, scale and complexity of its business. The conduct Compliance Function is staffed by an appropriate number of competent staff who are sufficiently independent to perform their duties objectively.

In order to remain independent the Company will, as far as possible:

- Ensure that the relevant people involved in the conduct Compliance Function are not involved in the performance of the services or activities they monitor.
- Ensure that the method of determining the remuneration of the relevant persons involved in the compliance function does not compromise their objectivity and is not likely to do so. This is described in more detail within the Remuneration Policy.
- Ensure that the conduct Compliance Function has unrestricted access to the firm's relevant records.

The CRO reports to the Chief Executive Officer. However, to ensure independence and manage any potential conflicts of interest, the CRO has direct access to the ULP Board via the Chair of the RCC.

B.5 Internal Audit Function

The Company's Internal Audit function provides assurance over the operation of governance, risk management and the system of internal control.

Internal Audit is an independent, effective and objective function established by the Board to examine and evaluate the adequacy, functioning, effectiveness and efficiency of the internal control system and all other elements of the System of Governance, with a view to improving the efficacy and efficiency of the internal control system, of the Company and of the governance processes. This is set out in the Internal Audit Policy and Charter and the Audit Committee's Terms of Reference.

Internal Audit supports the Board in identifying the strategies and guidelines on internal control and risk management, ensuring that they are appropriate and valid over time, and provides the Board with analysis, appraisals, recommendations and information concerning the activities reviewed. It also carries out assurance and advisory activities for the benefit of the Board, ExCo and other departments.

Internal Audit's authority is enshrined in its Charter, which is reviewed and approved annually by the Audit Committee and the Board. As a result, Internal Audit has full, free, unrestricted and timely access to any and all the organisation's records, physical properties, and personnel pertinent to carry out any engagement, with strict accountability for confidentiality and safeguarding records and information.

Internal Audit governs via the Company's Internal Audit methodology. This methodology is aligned with the Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of auditing and for evaluating the effectiveness of the audit activity's performance.

Given the delicate and important nature of the assurance role carried out within the business, all Internal Audit staff must have specific fit and proper requirements, as requested by the Company's Fit and Proper Policy.

Internal Audit remains free from interference by any element in the Company, including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of a necessary independent and objective mental attitude. On an annual basis, the Head of Internal Audit will confirm his/her independence and that of Internal Audit to the Audit Committee. Independence and objectivity from the activities that Internal Audit reviews is achieved by ensuring that:

- There is a direct reporting line from Internal Audit to the Audit Committee;
- All Internal Audit activities are free from influence from anyone in the Company, including matters of audit selection, scope, procedures, frequency, timing or report content;
- Members of the Internal Audit function are able to meet with the Audit Committee in private session if required;
- Internal Audit has the resources and necessary skills required to deliver the Audit plan, both in general audit and technical areas, and support facilities;
- Internal Audit has the authority to audit all parts of the Company; and
- Internal Audit has full and complete access to all information, records, facilities and personnel relevant to the performance of an audit.

The Internal Audit Function spans across all of the Utmost group entities. There is a Group Head of IA and local Heads of IA. To prevent potential conflicts of interest from arising, the Group Head of the Internal Audit Function shall allocate tasks and set goals within the function in promoting rotation of duties and responsibilities within the team.

On an annual basis, the Head of Internal Audit presents a proposed 12-month plan to the Audit Committee requesting approval. This plan is developed based on an audit universe using a risk-based methodology, taking into account all past audit activities, the complete System of Governance output, the expected developments of activities and innovations and including input from ExCo and the Board.

The Head of Internal Audit reviews the plan on an ongoing basis and adjusts it in response to changes in the Company's business, risks, operations, programs, systems, controls and findings.

This review is informal and any change to the plan is first approved by the Chair of the Audit Committee. Following the conclusion of each Internal Audit engagement, a written audit report is prepared and issued to the auditee and the auditee's hierarchy. The Head of Internal Audit, on a quarterly basis, provides the Audit Committee with a report on activities, status of open and overdue audit issues, any significant issues and audit reports issued during the period. However, in the event of any particularly serious situation, such as the emergence of a conflict of interest, the Head of Internal Audit will immediately inform the Audit Committee and the Board.

B.6 Actuarial Function

The Actuarial function consists of employees of the Company supplemented by external consultants to provide additional resource when needed. The Chief Actuary has overall responsibility for the output from the Actuarial function. The Chief Actuary is a Fellow of the Institute and Faculty of Actuaries and holds a Chief Actuary (Life) Practising Certificate. He is also the approved person for the senior managers function Chief Actuary. The current responsibilities of the Actuarial function are detailed in the following table.

Balance Sheet Valuation	Carry out annual and quarterly valuations of the Company's assets and other liabilities, Technical Provisions, and capital requirements consistent with Solvency II.
Balance Sheet Forecasting	Carry out a forecast of the Company's projected solvency position over its business planning period under central best estimate and alternative scenario assumptions for consideration within the ORSA framework.
Transitional Measures	Calculate the Company's Transitional Measure on Technical Provisions ("TMTPs"') and monitor the metrics against the triggers for recalculation.
Matching Adjustment	Recalculate the MA and monitor the Company's compliance with the rules required to continue to use the MA.
Solvency Monitoring	Estimate the Solvency II balance sheet on a monthly basis to monitor the Company's solvency position.
Data Quality	Assess the sufficiency and quality of the data used in the calculation of the Company's technical provisions.
Experience Analysis	Analyse the Company's recent historic demographic experience (for example, mortality and persistency) to inform assumption setting.
Assumption Setting	Recommend the demographic, expense and economic assumptions to be used in the Company's balance sheet valuation and forecasting based on internal experience analysis and reference to relevant external market or industry variables.
Model Development	Maintain and develop the model required to value the Company's policyholder liabilities under central best estimate assumptions and the Solvency II Standard Formula stress tests.
Bonus Setting	Recommend the regular and terminal bonuses to be paid to the Company's with-profits policyholders.
Run-Off Planning	Prepare the recommended run-off plans for the Company's with-profits funds including, for each fund, a description of the governance of the fund, details of how the Company intends to manage the risk profile and funding position, and a projection of the fund's expected financial position.
Reinsurance and Underwriting	Provide an opinion to the Board on the adequacy of the Company's reinsurance arrangements and underwriting policy.

A more detailed description of the tasks of the Actuarial Function, as defined by Solvency II regulation, and how they are fulfilled by the Company is provided in the Actuarial Function Policy.

B.7 Outsourcing

Outsourcing and Contracts Policy

The Company's Outsourcing and Contracts Policy applies to both existing and proposed outsourcing arrangements, as well as to contracts with third-party suppliers, which are not considered outsourcing by the Company.

The key elements of the policy cover requirements for:

- Decision making;
- Negotiation;
- Outsourcing procedures;
- Re-evaluation;
- Contractual arrangements;

- Transition planning;
- Supplier management and monitoring (see below); and
- Policy breaches.

Supplier management and monitoring

With regard to ongoing management and monitoring of outsourced functions or activities, the following is required:

- The Company must retain the necessary expertise to supervise the supplied functions effectively and to manage the associated risks;
- The owner of each arrangement must retain responsibility for the activity and must ensure that any ongoing risks are properly managed;
- A proportionate supplier management and oversight regime must be defined at the outset;
- The business owner must ensure that the supplier management and oversight regime operates effectively and that any appropriate remedial action is taken;
- The effectiveness of the service or activity provided by the supplier must be reviewed at least annually by the sponsor or business owner. This should include an assessment of the requirement for an appropriate level of fresh due diligence and a review of the suitability of the existing contractual arrangements;
- The decision to continue with the arrangement must be reviewed at least triennially;
- The measures of performance of the supplier should be both qualitative and quantitative; and
- The approved control regime, service reports, meeting minutes and other items relating to the monitoring and execution of each contract must be retained by the authoriser of each arrangement.

Key outsourced functions

During 2019, one new outsourcing activity was agreed by the Company. In preparation for the acquisition of Equitable Life, the Board approved a new agreement with Atos Consulting to provide outsourced IT services in regards for the combined organisation going forward through a migration in 2020. Similarly, the Internal Audit outsourcing service provider, Deloitte LLP. resigned during the third quarter of 2019 and was replaced by an in-house specialist team on 1 January 2020.

During 2020, there were changes to the outsourcing service providers; namely:

- The Company ran a tender process to rationalise the two existing providers of fund accounting and custody services following the acquisition of Equitable Life. HSBC were chosen as the provider across the combined organisation and a project was initiated to deliver the transition. The project completed successfully in late November 2020.

- In January 2020, all assets previously managed by the Equitable Life's main Investment manager were transferred to ULP's strategic investment manager partners – JPMAM for Unit-Linked and Goldman Sachs Asset Management (GSAM) for Non-Linked Assets. In addition, the existing Equitable Life Unit-Linked investments currently invested with Equitable Life's unit linked asset manager will be transferred to JPMAM in 2022.

- During Quarter 4 2020 Utmost Portfolio Management Limited, a fellow subsidiary of UGL, was appointed as investment manager to manage the shareholder assets of the Company. This arrangement went live in January 2021.

The Company's outsourcing of critical or important operational activities is in relation to investment management and IT services, both of which are discussed above. All of the outsourced functions are within the jurisdiction of the UK.

Assessment of Governance

Key elements of the Company's System of Governance including the risk management system (including ORSA), the Internal Control System, the Internal Audit function are all subject to ongoing oversight and review by senior management and the Board to ensure that they remain effective and fit for purpose. As at 31 December 2020, the Board was of the view that the System of Governance is at an appropriate level and was in line with requirements. The Board delegate's authority to the Chief Executive to facilitate the day-to-day management of the Company, subject to the limits and terms set out in a delegated authority schedule. The Board may still determine any matter it wishes within its constitutional and statutory powers.

B.8 Any Other Information

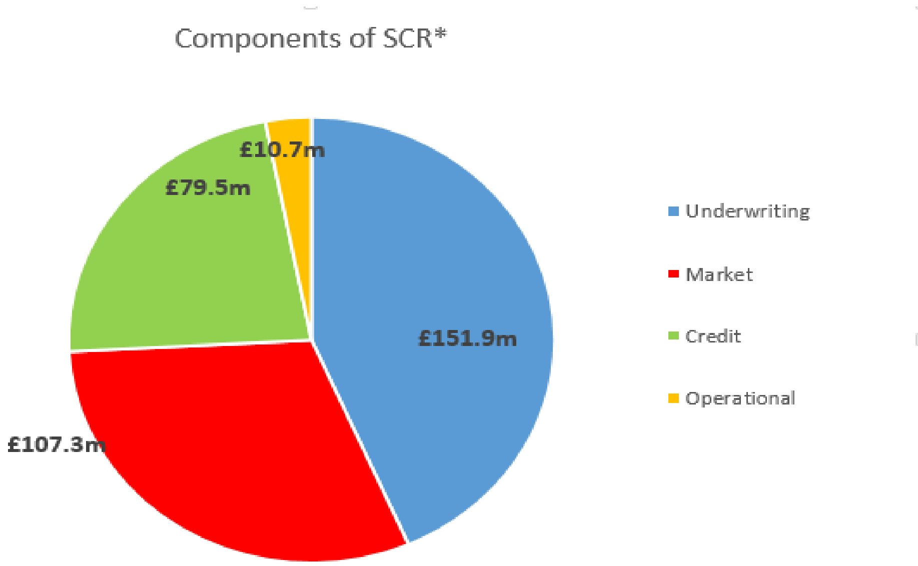
COVID-19

There has not been a material impact on the Systems of Governance due to COVID-19. The Risk Management System continues to operate as detailed above and will take account of the risks posed by COVID-19, including any changes to controls.

C. RISK PROFILE

The Company manages risk and risk exposures through a well-defined RMF, as detailed in Section B.

The chart below shows the component risks which make up the Company's pre-diversified SCR.



Underwriting risk is the largest capital item on the current book. The primary source of the current risk exposure relates to unit-linked business. The Company collects Annual Management Charges (AMCs) as a percentage of unit linked funds. There is the risk that early terminations reduce income from AMCs. Underwriting risk also includes the Company's exposure to longevity risks in the annuity portfolio and expense risk.

The second largest capital item is Market risk. The unit linked funds typically have high equity exposures, making the AMCs dependent on equity markets. This is the primary equity exposure. Similarly, Unit linked policyholders can choose to invest in overseas funds. The values and hence AMCs on these funds are exposed to currency risk.

Credit risk is the next largest arising from corporate bonds within the unit-linked funds making the AMCs dependent on spread movements. There is also exposure is to credit risk, due to the large portfolio of corporate bonds which match fixed/guaranteed liabilities, primarily annuities. The largest exposure to counterparty default risk is to a non-collateralised reinsurance treaty with Scottish Widows (ultimate parent Lloyds Banking Group).

In addition, the Company maintains registers of qualitative business risks. Descriptions of the categories of risks to which the Company is exposed are detailed below, together with the measurement, management and mitigation followed.

C.1 Underwriting Risk

C.1.1 Risk exposures

The table below provides a description of the Company's material underwriting risk exposures as determined by the Company's Risk Management function.

Risk Category	Risk Sub-Category	Description
Persistency	Baseline Persistency Risk	The risk that the Company's best estimate assumptions for the long-term level of lapse, surrender and paid-up rates are different to actual experience.
	Mass Lapse Risk	The risk of an immediate withdrawal of a significant proportion of the Company's in-force business.
	Baseline GAO Take-Up Risk	The risk that the Company's best estimate assumptions for the level of GAO take-up are too low relative to actual experience.
Expense	Expense Inflation Risk	The risk that the Company's best estimate assumptions for the future rate of expense inflation are too low relative to actual experience.
	Project Cost Risk	The risk of higher than expected costs associated with the development and delivery of the Company's projects.
	Claims Management Expense Risk	The risk of higher than expected expenses relating to servicing claims on the Company's in-force book.
	Maintenance Expense Risk	The risk of higher than expected expenses related to the maintenance of the in-force book, which includes general business overheads but excludes project costs.
Longevity	Baseline Longevity Risk	The risk that the Company's best estimate assumptions for the level of base mortality are too high relative to actual experience.
	Longevity Improvements Risk	The risk that the Company's best estimate assumptions for future mortality improvements are too low relative to actual experience.

The Company's most material underwriting risk exposure in terms of risk capital during the reporting period was persistency risk. The company is primarily a unit-linked book of business and there is the risk that early terminations reduce annual management charges. This makes mass lapse the most onerous test.

The second largest Underwriting risk is Expense risk (which arises because the majority of the Company's operational activity is carried out in house). The Company is exposed to the risk that expenses are higher than allowed for in the best estimate assumptions.

The next largest is Longevity risk (which arises primarily on the Company's significant in-force book of in-payment annuities). The Company has in place a longevity swap for the annuitant liability in the NPF to manage its risk exposure.

C.1.2 Risk measures

The table below sets out the main tools used by the Company to measure its underwriting risks.

Measurement Tool	Measure
Stress Testing	Impact on the Company'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).
Reverse Stress Testing	Severity of risk event/deterioration in experience in respect of a particular underwriting risk exposure that would be required to breach the Company's point(s) of non-viability or other limits.
Scenario Testing	Potential effect on the Company's solvency position and risk profile of alternative scenarios involving short- or long-term changes to one or more of the Company's underwriting risk variables.
Sensitivity Testing	Impact on the Company's solvency position of changes in the risk variable(s) corresponding to each underwriting risk.
Experience Analysis	Comparison of recent demographic and expense experience with historic internal experience, wider industry experience, and current best estimate assumptions.
Experience Monitoring	Quarterly/monthly review of recent experience.
Budget Analysis	Comparison of recent experience with budgeted or forecast amounts.

Not all of the above risk measures are used to measure all of the Company's different underwriting risk exposures.

C.1.3 Risk concentrations

The Company does not currently carry out any formal investigation into or analysis of concentrations of underwriting risk, on the basis that these are not considered to be material.

In particular, the Company does not believe that the current in-force book contains any material concentrations of policyholders by location, health, lifestyle or socio-economic group. To the extent that the current in-force book is sufficiently large and well diversified, it should be protected by short-term variations in experience.

C.1.4 Risk management and mitigation

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

Risk Mitigation	Description
Risk Appetite	Statements covering the Company's approach towards underwriting risk.
Economic Capital	Economic Capital held on the Company's regulatory balance sheet in respect of each of its material underwriting risk exposures (derived using the Solvency II Standard Formula approach).
Reinsurance	Full or partial transfer of underwriting risk to reinsurance counterparties, including the use of longevity-swap arrangements on the Company's in-payment annuities.
Assumption Setting	Annual assumption-setting exercise to ensure that the assumptions used to determine the Company's Technical Provisions appropriately reflect the current best estimate of future underwriting experience.
Claims Underwriting	Underwriting to determine the initial or ongoing validity of claims relating to exclusion clauses, non-disclosure, fraud, etc.
Budget Reforecasting	Regular updates to the Company's business plan and expense budget to ensure that forecasts continue to reflect expected experience.
Cost Control	Cost control activity to ensure that expenditure remains within plan.
Risk Monitoring	Regular senior management and Board level review of the risk measures discussed in section C.1.2.
Business Retention	The Company has put in place activities to enable it to manage persistency risk including a business retention strategy. This includes the Utmost Drawdown plan which was launched in March 2020. The availability of that product has enabled those policyholders wishing to access their tax free cash and/or drawdown to now do so with ULP without transferring to another company.

Not all of the above risk management and mitigation approaches are used in respect of all of the Company's different underwriting risk exposures.

The Company does not anticipate making any material changes to its current approach to managing and mitigating its underwriting risk exposures. In particular, it currently has no plans to either introduce any new or stop using any existing risk mitigation practices.

C.2 Market Risk

C.2.1 Risk exposures

The table below provides a description of the Company's material market risk exposures as determined by the Company's Risk Management function.

Risk Category	Risk Description
Equity Prices	Risk of adverse changes (i.e. falls) in the level of equity prices, which reduces the value of the Company assets or increases the value of its liabilities.
Currency Movements	Risk of loss or of adverse change in the Company's financial situation (for example, decreasing the value of the Company's assets or increasing the value of its liabilities) resulting, directly or indirectly, from fluctuations in the level and in the volatility of foreign exchange rates.
Interest Rates	Risk of unexpected changes in the level and/or shape of the term structure of UK risk-free interest rates which adversely affects the value of the Company's assets, liabilities, capital requirements and/or cash flows.

Risk Category	Risk Description
Gilt – Swap Spread	Risk that the spreads between gilt rates and swap rates (based on the EIOPA curve) widens, increasing the level of volatility on the Company's balance sheet. Risk of inconsistent movements in UK gilt yields and swap rates (based on the EIOPA curve), leading to inconsistent movements in the value of the Company's assets and Technical Provisions.

The largest Market risk exposure is Equity risk. The Company collects Annual Management Charges ("AMCs") as a percentage of unit-linked funds. The unit-linked funds typically have high equity exposures, making the AMCs dependent on equity markets. This will be the primary equity exposure. Unit linked policyholders can choose to invest in overseas funds. The values and hence AMCs on these funds are also exposed to currency risk.

Despite having a relatively low level of capital impact under the Solvency II Standard Formula stress tests, interest rate risk is one of the Company's most material market related risk (excluding spread widening and concentration risks [see section C.3.1 below]). The Company's assets and Best Estimate Liabilities ("BELs") are well matched, which means that that movements in interest rates have a similar impact on the assets and liabilities and so the net impact on the balance sheet is small. However, the presence of the Risk Margin within the Technical Provisions introduces significant balance sheet sensitivity to changes in interest rates. In addition, movements in interest rates, by increasing or decreasing the value of assets and liabilities, will increase or decrease the size of the balance sheet. This will have a secondary impact on other SCR capital requirements by applying the SCR stresses to a larger or smaller balance sheet.

C.2.2 Risk measures

The table below sets out the main tools used by the Company to measure market risk.

Measurement Tool	Measure
Stress Testing	Impact on the Company's Own Funds of a 99.5th percentile one-year level change in the risk variable(s) corresponding to each market risk (carried out using the Solvency II Standard Formula calibration).
Reverse Stress Testing	Severity of risk event/deterioration in experience in respect of a particular market risk exposure that would be required to breach the Company's point(s) of non-viability or other limits.
Scenario Testing	Potential effect on the Company's solvency position and risk profile of alternative scenarios involving short- or long-term changes to one or more of the Company's market risk variables.
Sensitivity Testing	Impact on the Company's solvency position of small changes in the risk variable(s) corresponding to each market risk.
Portfolio Reporting	Measures and metrics contained within the Company's asset and investment reports which cover its asset portfolios, asset and liability management ("ALM"), and hedging activity.
Market Monitoring	Market performance and risk variables, such as interest rates, equity indices, spreads and volatility indices.

Not all of the above risk measures are used to measure all of the Company's different market risk exposures.

C.2.3 Risk concentrations

The Company's market and credit-related risk concentrations are covered in section C.3.3 below.

C.2.4 Risk management and mitigation

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

Risk Mitigation	Description
Risk Appetite	Statements covering the Company's approach towards market risk.
Economic Capital	Economic Capital held on the Company's regulatory balance sheet in respect of each of its material market risk exposures (derived using the Solvency II Standard Formula approach).
Asset Liability Management	The Company actively pursues an asset liability matching strategy. In particular, within the NPF, the Company operates two MA portfolios which have strict matching requirements.
Investment Guidelines – Limit Structures	The Investment Guidelines for each of the Company's investment portfolio set out limit structures for the assets permitted within each portfolio. Market risk is an important factor in the choice of available assets.
Capital Management of WPSFs	The Company aims to have the WPSFs standing alone and meeting their own capital requirements (excluding operational risk). As a result, the market risk exposure of the WPSFs is controlled to facilitate this.
Risk Monitoring	Regular senior management and Board level review of the risk measures discussed in section C.2.2.

C.2.5 Risk management and mitigation

Not all of the above risk management and mitigation approaches are used in respect of all of the Company's different market risk exposures.

The Company does not anticipate making any material changes to its current approach to managing and mitigating its market risk exposures. In particular, it currently has no plans to either introduce any new, or stop using any existing, risk mitigation practices.

C.3 Credit Risk

C.3.1 Risk exposures

The table below provides a description of the Company's material credit risk exposures as determined by the Company's Risk Management function.

Risk Category	Risk Description
Credit Spreads	Risk that the value of future cash flows is exposed to fluctuations in spreads on corporate bonds, resulting in changes in the value of corporate bond holdings.
Counterparty Default (Fixed-interest and other money market instruments, cash deposits)	Risk of default on interest or capital repayments on corporate debt and other bond instruments, and cash deposits.
Counterparty Downgrade	Risk of negative impacts on the Company's solvency position as a result of asset downgrades. Increased exposure to credit spread widening and counterparty default if any downgrade reflects a genuine increase in the riskiness of the counterparty.

Risk Category	Risk Description
Concentration (Fixed-interest and other money market instruments, cash deposits)	Additional risk to the Company stemming either from lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issuers.
Derivative Counterparty Default	Risk that derivative counterparties default on contracts that are 'in-the-money' causing financial loss to the Company.
Reinsurance Counterparty Default	Risk that one (or more) of the Company's reinsurance counterparties is unable to meet its financial obligations to the Company.

Consistent with the above presentation of the Company's credit risk profile, it should be noted that spread risk, which is assessed within the market risk module of the Standard Formula SCR, is considered by the Company to belong to the credit risk class.

Similarly, concentration risk, which is also assessed within the market risk module of the Standard Formula SCR, primarily relates to the risk of concentrated counterparty exposures on the Company's bond holdings and cash deposits. Concentration risk is therefore also considered by the Company to belong to the credit risk class.

Assessed in terms of undiversified risk capital, spread risk is the most material credit risk to which the Company is currently exposed. Spread risks primarily arise due to: the significant holdings of corporate bonds which are used to back the Company's large block of in-payment annuities; and via corporate bond holdings in the unit-linked funds which make the value of AMCs dependent on spread movements.

The Company's balance sheet would also be significantly affected if one or more of its material counterparty exposures were to default. The largest exposure to counterparty default risk is to a non-collateralised reinsurance treaty with Scottish Widows (ultimate parent Lloyds Banking Group).

The assets bearing credit risk are summarised below, together with an analysis by credit rating.

Non-linked assets subject to credit risk (£m)	2020	2019
Sovereign debt	510.3	457.7
AAA	1.0	-
AA	77.5	83.0
A	677.6	251.5
BBB	203.0	217.3
BB and below or not rated	8.3	17.1
Total assets bearing credit risk	**1,477.7**	**1,026.6**

Non-linked assets subject to credit risk (£m)	2020	2019
Derivative financial instruments	21.9	17.1
Debt securities	1,067.3	991.1
Loans and receivables	1.5	0.7
Assets arising from reinsurance contracts held	387.0	17.4
Deposits with credit institutions	-	0.3
Total assets bearing credit risk	**1,477.7**	**1,026.6**

Reinsurance has been included with those non-linked assets with a credit rating of AA, A or not rated.

C.3.2 Risk measures

The table below sets out the main tools used by the Company to measure credit risks.

Measurement Tool	Measure
Stress Testing	Impact on the Company's Own Funds of a 99.5th percentile one-year level change in the risk variable(s) corresponding to each credit risk (carried out using the Solvency II Standard Formula calibration).
Reverse Stress Testing	Severity of risk event/deterioration in experience in respect of a particular credit risk exposure that would be required to breach the Company's point(s) of non-viability or other limits.
Scenario Testing	Potential effect on the Company's solvency position and risk profile of alternative scenarios involving short- or long- term changes to one or more of the Company's credit risk variables, for example, credit spreads and defaults.
Sensitivity Testing	Impact on the Company's solvency position of small changes in the risk variable(s) corresponding to each credit risk.
Portfolio Reporting	Measures/metrics contained within the Company's asset and investment reports which cover exposure limits, credit rating information, downgrades, counterparty exposure and other information relevant to credit risk.
Market Monitoring	Credit risk variables including corporate bond spread indices split out by duration and credit rating.

Not all of the above risk measures are used to measure all of the Company's different credit risk exposures.

C.3.3 Risk concentrations

Financial instruments

The Company has substantial holdings in UK government issued assets (i.e. gilts) and in a single short-term money market instrument. However, the former it considers to be risk free and the latter is well-diversified at an underlying level. As such, the Company does not consider that either of these exposures poses a material concentration of risk. The Company's direct investment holdings and bank deposits are well diversified.

The top five counterparty exposures by value across its non-linked investments as at 31 December 2020 were, by issuer, as follows: French Republic (£30.9m); HSBC (£24.9m); GlaxoSmithKline (£21.8m); Wells Fargo (£17.8m); Barclays (£14.2m).

Each of these top holdings individually contributes less than 5% to total non-linked investments and, whilst the complete default of any one would have a significant impact on the Company's Own Funds, the issuers are sufficiently highly rated that the Company does not consider the holdings to be above an acceptable level.

Reinsurance counterparties

The table below shows the 'net exposure' (i.e. the value of reinsurance assets and liabilities) in respect of the Company's most material reinsurance arrangements as at 31 December 2020, under both base and longevity stress scenarios.

Reinsurer	Net exposure 2020 (£m)	
	Base	Longevity Stress (20% stress on mortality rates)
Scottish Widows	350.9	389.8
TRZ	(1.1)	9.1
RGA Global	(49.9)	(34.3)
London Life	(1.4)	1.2
Swiss Re	4.4	4.4
Pacific Life	2.9	2.9
Hanover Re	4.9	5.4

Reinsurance Counterparties

The largest counterparty exposure is to a non-collateralised reinsurance treaty with Scottish Widows (ultimate parent Lloyds banking Group) with a value of c£351m at 31 December 2020.

The Company is exploring options that are available to reduce the concentration of risk with this counterparty. Potential options include:

- recapturing the business under the treaty
- Look to amend the treaty such that the Company has a fixed charge over the assets

Any changes where the risk is borne by the Company, would lead to an increase in capital requirements.

The Company does not consider the level of exposure to any of the other particular reinsurer to be excessive or to represent a concentration of risk. The negative RGA Global reinsurance value arises because the cost of the reinsurance arrangement exceeds the benefit it provides. The recent slow-down in the rate of longevity improvement has reduced the expected income from the reinsurer ('the floating leg') but the payments made to the reinsurer ('the fixed leg') have not changed because these were fixed when the expected cost of future payments was higher.

C.3.4 Risk management and mitigation

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

Risk Mitigation	Description
Risk Appetite	Statements covering the Company's approach towards credit risk.
Economic Capital	Economic Capital held on the Company's regulatory balance sheet in respect of each of its material credit risk exposures (derived using the Solvency II Standard Formula approach).
Investment Guidelines: Limit Structures	The Investment Guidelines for each of the Company's investment portfolios include credit-related exposure limits which constrain the assets permitted within each portfolio.
Asset Optimisation	Optimisation of assets within specific portfolios, including the sale of assets which result in a disproportionate or unwanted level of exposure to credit spread risk or concentration risk relative to the objectives of those portfolios.
Matching Adjustment	Adherence to the requirements necessary to maintain approval to use the MA, which includes close Asset Liability Management.
Collateral Arrangements	See below for the reporting period.
Risk Monitoring	Regular senior management and Board level review of the risk measures discussed in section C.3.2.

Not all of the above risk management and mitigation approaches are used in respect of all of the Company's different credit risk exposures. The Company does not anticipate making any material changes to its current approach to managing and mitigating its credit risk exposures. In particular, it currently has no plans to either introduce any new or stop using any existing risk mitigation practices for the business in force during the reporting period.

C.4 Liquidity Risk

C.4.1 Risk exposure

Liquidity risk is not one of the Company's primary risk exposures on the basis that:

- The Company's in-payment annuities, which form the bulk of the non-linked contracts in force, may not be surrendered or transferred at the policyholder's option.
- There are other policies which do include the right to surrender or transfer the policy on demand, with the surrender or transfer value calculation method being determined by the policy conditions.

However, the majority of such contracts are unit-linked, where:

- The liabilities are matched by assets held in internal linked funds; and
- All linked assets are readily marketable, except for direct properties held in the property funds, where the Company has the right to defer payment of surrender or transfer values by up to six months.

C.4.2 Risk measures

In order to monitor and measure its exposure to liquidity risk, the Company measures the level of investment in cash and gilt holdings with reference to a defined liquidity buffer. The investment management reports from the Company's investment managers also include metrics that allow the Company to monitor adherence to the liquidity-related limits within each portfolio's investment guidelines.

C.4.3 Risk management and mitigation

The Company has an active liquidity risk management process. The table below sets out the specific risk management and risk mitigation approaches the Company uses in respect of its exposure to liquidity risk.

Risk Mitigation	Description
Risk Appetite	Statements covering the Company's approach towards liquidity risk.
Close Asset Liability Matching	The Company has a process in place to ensure that its asset holdings are appropriate to the nature, term, currency and liquidity of its liabilities.
Investment Guidelines: Limit Structures	The Investment Guidelines for each portfolio set out limit structures for the assets permitted within the portfolio. Liquidity risk is an important factor in the choice of available assets.
NPF (Non-MA) Cash Buffer	The NPF/Shareholder fund is required to hold in excess of £10m in cash/money market funds at all times.

The Company does not anticipate making any material changes to its current approach to managing and mitigating its liquidity risk. In particular, it currently has no plans to either introduce any new or stop using any existing risk mitigation practices.

C.4.4 Expected Profit in Future Premiums

The Company calculates Expected Profit in Future Premiums ("EPIFPs") in accordance with the requirements of Article 260 of the Solvency II Delegated Acts. The regulation stipulates that the EPIFP shall be set equal to the difference between:

1. BEL calculated in accordance with Solvency II requirements; and
2. BEL calculated under the assumption that future premiums are not received for any reason other than the insured event having occurred (i.e. all policies are effectively treated as paid up at the valuation date).

EPIFP is calculated separately for different Homogenous Risk Groups ("HRGs"), provided that grouped contracts are also homogenous in relation to EPIFP. Within the same HRG, profit-making policies are used to offset loss-making policies.

As at 31 December 2020, the value of the Company's total EPIFP was £3.0m; the vast majority of which was from unit-linked business.

C.5 Operational Risk

C.5.1 Risk exposures

The Company has identified 11 operational risk categories, as follows: business operations; financial/actuarial; legal/regulatory; outsourcing; investment; governance; people; IT; cyber security; financial crime; and external. All operational risks identified by the Company are allocated to one of these categories.

All material operational risk exposures are recorded in the Company's functional risk registers and are allocated a first line risk owner.

C.5.2 Risk measures

The Company monitors and assesses operational risk using the tools in the following table.

Measurement Tool	Measure
Risk and Control Self-Assessment Process	Operational risk exposures are identified and assessed as part of a periodical cycle in place within the Company. This includes: a description of risks, the causes and consequences; a gross risk assessment of impact and likelihood; a list of 'prevention and detection' controls; and a 'net' assessment taking into consideration the effectiveness of the controls in place.
Key Risk Indicators	The Company uses a wide range of KRIs to measure operational performance and areas of operational risk, which include service levels, business/IT incidents, financial crime, third-party performance and staff/resourcing.
Loss Data	The Company collects and reports loss information and data around operational risk events that have crystallised or nearly crystallised (so-called 'near misses').
Scenario Testing	Potential effect on the Company's solvency position and risk profile of alternative scenarios involving operational risk events or deteriorations in operational performance/controls.

C.5.3 Risk concentration

Given the wide scope of operational risk, any concentration of operational risk is monitored and managed as per sections C.5.2 and C.5.4.

C.5.4 Risk management and mitigation

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

Risk Mitigation	Description
Risk Appetite	Statements covering the Company's approach towards operational risk.
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 discussed in section C.4.2.
Compliance Monitoring	Compliance reviews of operational processes.
Root Cause Analysis	The Company investigates business incidents and upheld complaints, to ensure that the root causes have been identified and that mitigating actions are implemented.
Assurance	Reviews of operational areas by Internal Audit.
Economic Capital	Economic Capital held on the Company's regulatory balance sheet in respect of the Company's overall exposure to operational risk (derived using the Solvency II Standard Formula approach).

Not all of the above risk management and mitigation approaches are used across all of the Company's individual operational risk exposures.

The Company does not anticipate making any material changes to its current approach to managing and mitigating its operational risk exposures.

C.6 Stress and Scenario Testing Results

Stress testing

The Company stress tests its solvency balance sheet to calculate the SCR; ensuring that it has sufficient capital to withstand an extreme 1 in 200 year event measured over a 1 year time horizon. Stress testing is performed to establish the sensitivity of the Company's solvency to individual extreme events and quantifies each risk exposure in terms of capital impact, where capital impact is defined as the change in the value of the Company's asset holdings less the change in the value of its best estimate liabilities.

As described earlier, the largest risks that the Company is exposed to are lapse, equity, expense, spread, longevity and counterparty. The 1 in 200 year event assumptions and percentage change in Own Funds is set out in the following table. No allowance has been made for the impact on the SCR or Solvency Coverage Ratio. The latter is considered for a range of key sensitivities in the section below.

Risk	Calibration	% change in own funds
Lapse	The more onerous of: i) a permanent 50% increase in lapse rates, ii) a permanent 50% decrease in lapse rates; and iii) a mass lapse of 40%.	(25.5%)
Equity	Instantaneous decrease in equity prices of 39% for Type 1 equities and 49% for Type 2 equities. These stresses are increased or decreased by up to 10% by the addition of a symmetric adjustment. This is based on the difference between the EIOPA equity index at the valuation date and its average value over the preceding 3 years.	(24.8%)
Spread	An instantaneous relative decrease in the value of each bond varying between 0% and -70% (by credit quality and duration.	(19.1%)
Expense	Instantaneous permanent: i) increase of 10% to future expenses: and ii) increase of 1% point to the expense inflation rate.	(12.4%)
Longevity	Instantaneous permanent decrease of 20% in mortality rates	(9.5%)
Counterparty Default	The Counterparty default risk for reinsured business, bank deposits and other debtors is calculated using methodology specified by EIOPA.	(5.5%)

Sensitivity Testing

The Company also tests the sensitivity of the Company's solvency to adverse experience.

The following table summarises the results of the Company's sensitivity testing in respect of its material quantifiable risks. This testing was carried out as part of the Company's 2020 ORSA analysis. The results include the change in Own Funds and the change in the Company's SCR under each sensitivity, and are shown in respect of the forecast balance sheet as at 31 December 2020.

Information on the underlying assumptions, including how management actions are taken into account is included in Section D.2.6.

Risk Class	Risk	Calibration	% Change in Own Funds	% Change in SCR	Change in Solvency Coverage
Life Underwriting	Surrender/Lapse*	Instantaneous and permanent 50% increase in non-contractual surrender/lapse rates	(1.2%)	(9.0%)	15.2%
Market	Interest rate (Down)	25 basis points ("bps") downward parallel shift to risk-free yield curve.	(1.6%)	4.9%	(11.0%)
	Inflation Up	100 bps increase in inflation	(5.1%)	1.2%	(11.1%)
	Equity	Instantaneous 40% decrease in equity prices.	(18.0%)	(18.9%)	2.0%

* In contrast to the equivalent standard formula 1-in-200 stress:

- The sensitivity does not include the impact on BEL of changes in policyholder behaviour relating to retirement rates or option take up rates;
- Changes in surrender/lapse rates are not selective. Under Solvency II, changes in rates are applied only where the exercise of the option would result in an increase of technical provisions without the risk margin.

The above results show that the Company's Solvency Coverage Ratio is relatively insensitive to changes in non-contractual lapses, inflation, interest rates and a decrease in equities.

Surrender/Lapse up 50%

The increased surrender/lapse rate is assumed to be recognised from 31 December 2020 in the BEL calculation. Under this sensitivity, there is a reduction in future AMC income and policy volumes which is offset by a decrease in the RM, leading to a decrease in Own Funds of £3m overall. There is also a £14m reduction in SCR. The solvency ratio therefore increases by 15%.

Interest Rates down 25bp

The ALM strategy is to purchase assets to match the BEL so that interest rate changes affect both by broadly the same amount. The Risk Margin and SCR increase when interest rates reduce and, within the ORSA projection, these are not assumed to be matched. The unmatched Risk Margin changes are the main driver of the change in own funds.

Inflation up 1%

The Company is exposed to inflation risk on expenses and on the matching portfolios where there is a mismatch between assets and liabilities. The main impact is to increase BEL by £31m at 31 December 2020. There are also increases to Risk Margin by £2m and SCR by £2m which are expected to unwind over time. Assets increase by £19m.

Equities Down 40%

In this scenario, there is a drop in equities of 40% at 31 December 2020.The main impact of this for the Company is to reduce unit values which reduces future AMCs, thereby increasing BEL and reducing own funds. There is an SCR offset because there is less left to lose having incurred an equity shock which leads to an increase in the projected solvency ratio at the end of 2020.

C.7 Any Other Material Information

C.7.1 COVID-19

The outbreak of COVID-19 has the potential to impact the risks that the Company faces, although, as detailed below, it is expected that all the risks will continue to be managed and mitigated using the methods already used by the Company and as described above.

Underwriting Risk

The Company has limited direct exposure to an increase in mortality rates as a result of COVID-19. The Company's exposure to mortality risk is limited due to the low exposure to term assurance business and the use of reinsurance. Overall, an increase in mortality would not adversely affect the solvency or liquidity positions of the Company.

Market Risk

The volatility in the external environment due to COVID-19 does have an impact on the Company's solvency due to changes in interest rates and equity markets and as described above. The fall in the value of equity markets will reduce the value of annual management charges and falls in interest rates increase the risk margin.

The outbreak of COVID-19 had a significant impact in the UK in 2020, including on market volatility. In regards to the market volatility caused by COVID-19 it is important to note that as a closed book life company consolidator, we are not reliant on new business for generating the majority of our earnings. Most of our business is unit-linked, and we are not significantly exposed to volatility within the investment markets. We do have exposure to a small number of products with guarantees and have sought to manage these risks through reassurance agreements or close matching of assets to minimise the impact on our solvency. Therefore, we have continued to operate with a strong Balance Sheet throughout 2020 and with a Solvency Coverage Ratio comfortably well above required capital levels. We remain in a strong and resilient position and able to meet our capital requirements.

These changes are monitored regularly.

Credit Risk

As a result of the Part VII transfer from Equitable Life, the Company has a reassurance agreement with Lloyds Banking Group and this is the Company's largest exposure to downgrades. The COVID-19 outbreak has not caused any interruption to the operation of this reinsurance and the Company continues to monitor the financial strength of all its reinsurers. The Company continues to monitor all credit risk exposures.

The exposure to non-government bonds will increase in 2021 as c£180m as shareholder assets held in gilts at 31 December 2020 were transferred to Utmost Portfolio Management Limited (UPML) in January 2021 with a mandate to invest in corporate bonds as well as government bonds. The portfolio's credit risk will be managed and mitigated using the methods already used by the Company and as described above.

Operational Risk

Since the announcement of the first national lockdown in March 2020, we have sought to ensure the safety of our staff and have operated throughout 2020 in line with Government guidance. We have made our offices "Covid-Secure" and ensured that we have the ability to continue the majority of our operations with staff working from home. We have also implemented a virtual contact centre to allow our customers to remain in telephone contact with us.

This brings with it changes to the operational risks that the Company faces, however, these are managed through the Company's current processes.

Liquidity Risk

There has not been a material change to the liquidity risk that the Company faces due to COVID-19. However, this will be monitored in line with the approaches used by the Company to manage and mitigate liquidity risk and as described above.

C.7.2 Prudent Person Principle: investments

The Board and Investment Committee have delegated authority for investment decision making and management to external investment managers. Each investment manager operates subject to:

- Constraints set out in contractual Investment Management Agreements, which were developed with reference to the requirements of the Prudent Person Principle; and
- The oversight of the Company's ALCO.

The Company has a number of documents, for example, guidelines, policies, agreements and reports, which collectively support and reinforce compliance with the EIOPA guidelines in respect of the Prudent Person Principle. The key documents include:

- Investment Policy and Strategy;
- Investment Management Agreements with external investment managers;
- Asset Liability Matching reporting;
- MA portfolio documentation;
- Conflicts of Interest Policy; and
- Portfolio reporting produced for ALCO and the Board based upon information from the Company's external investment managers, fund administrators and external data providers.

The performance of and risk associated with Company's investments are subject to regular reporting to ALCO, the Risk and Compliance Committee, the Investment Committee and compliance/investment oversight reviews.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 Assets Valuation Basis, Methods and Main Assumptions

The table below summarises, for each material asset class, the values according to Solvency II and on an UK GAAP basis as at 31 December 2020.

£ million Assets	Statutory Reporting	Elimination of Intangible assets & group transactions	Reallocation Of Assets	Reversal of UK GAAP Technical provisions	Solvency II Technical Provisions	Solvency II
Goodwill	(109.0)	109.0				-
Intangible assets	129.7	(129.7)				-
Deferred tax assets	0.4					0.4
Property, plant and equipment held for own use	0	3.8				3.8
Investments (other than assets held for index-linked and unit-linked contracts)	1,215.9	0.2	10.9			1,227.0
Equities	4.5					4.5
Bonds	1,067.3		10.9			1,078.2
Collective investment undertakings	113.6					113.6
Derivatives	21.9					21.9
Property (other than for own use)	3.4					3.4
Holdings in related undertakings	5.2	0.2				5.4
Deposits other than cash equivalents	-					-
Assets held for index-linked and unit-linked contracts	5,463.8	(12.2)				5,451.6
Loans and mortgages	1.5					1.5
Insurance and intermediaries receivable	0.6					0.6
Reinsurance recoverable	387.1			(387.1)	310.6	310.6
Reinsurance receivables	1.7					1.7
Receivables (trade, not insurance)	31.0		(10.9)			20.1
Cash	91.9					91.9
Total Assets	**7,214.6**	**(28.9)**	**-**	**(387.1)**	**310.6**	**7,109.2**

There are no differences between the bases, methods and main assumptions used in the valuation for Solvency purposes and those used for valuation in the Financial Statements of the Company except for:

- Goodwill and Intangibles – generally valued at Nil (refer to section D1.4), and

- Reinsurance recoveries - which are treated as an asset (refer to section D1.7).

Asset values in the Solvency II Balance Sheet are shown including accrued interest thereon, in accordance with EIOPA guidelines, whereas In the Financial Statements, the accrued interest is shown separately. This is a difference in presentation and not a valuation difference. There have been no changes to the recognition and valuation bases used, or to estimations, during the reporting period.

D.1.1 Investments, including held for unit-linked contracts

The Company's investments comprise equities, government bonds, corporate bonds, collective investment undertakings, derivatives, deposits other than cash equivalents, holdings in related undertakings, investments held for unit-linked contracts and property (not for own use).

Investments are measured at fair value for UK GAAP purposes. Assets have been valued according to the requirements of the Solvency II Directive and related guidance. The basis of the Solvency II valuation principle is the amount for which they could be exchanged in an active market between knowledgeable, willing parties in an arm's length transaction.

The majority of the Company's assets are measured at fair value based on quoted market information or observable active market data. Where quoted market information or observable market data is not available, an alternative valuation method is used (refer to section D4).

Alternative methods for valuation include the use of estimates and assumptions that are not market observable. Where estimates and assumptions are used by the Company in valuing its assets, they are based on a combination of expert judgement and independent, third-party evidence. These valuation methods are used to value the below equities and derivatives:

Equities

Equities include one equity holding of £4.5m (2019: £4.4m) and unit-linked assets of £0.8m (2019: £1.2m.

The equity asset (£4.5m) represents a holding in an investment company which holds a portfolio of onshore UK wind farms and wind finance companies. The fair value for this unlisted private equity investment is based on the net asset value statements provided by the fund administrator. The investment company values the wind farms at fair value, using discounted cash flow valuation techniques, and the investment in finance entities at fair value, based on the fair value of loan notes and a share of net current assets.

The significant unobservable inputs into the fair value model for the wind farms include the discount rate, energy yield, power price and inflation rate. The below analysis is provided in order to illustrate the sensitivity of the fair value of investments to the energy yield, while all other variables remain constant.

Significant unobservable input	Range	Average	Change in input	Change in fair value of investment	ULP share	% change in fair value
Energy yield	20.71%-35.98%	30.85%	P50 +10%	£6.9m	£0.5m	11.5%
			P50 – 10%	(£7.1m)	£0.5m	(11.6%)

The above sensitivity information is based on the latest available information from the investment company.

Derivatives

Derivatives (swaptions) totalling £21.9m (2019: £17.2) are held on the Company's Balance Sheet to back its GAO liabilities. The swaptions are Over the Counter ("OTC") instruments, for which the fair value is provided to the Company by the counterparty. Although valued using established and accepted valuation methodologies, OTC derivatives are not quoted in an active market and an element of valuation uncertainty may exist in arriving at a fair value.

Property (not for own use) is revalued to fair value under UK GAAP, and a reversible impairment is recognised if specific conditions are met. Property held for own use is stated at its revalued amount of £3.4m (2019: £3.6m). The fair value is reliably measured and provided by an external professional valuation in accordance with market practice and the guidelines of the Royal Institute of Chartered Surveyors.

D.1.2 Credit ratings

Credit ratings are used for the calculation of the MA and in the relevant modules of the Standard Formula SCR calculations

For these purposes, credit ratings are obtained from External Credit Assessment Institutions ("ECAIs" or 'rating agency') nominated by the Company. Once a rating agency has been nominated, ratings provided by that agency are used consistently by the Company across calculations. If more than one rating is available from the nominated rating agencies, the Company uses the second-best rating.

The Company's current nominated rating agencies are Standard & Poor's, Moody's, and Fitch. The use of three rating agencies provides good coverage of the Company's corporate bond portfolio and limits the number of unrated bonds. The agency AM Best (which focuses on the insurance industry) is also considered for reinsurance counterparties only.

Any internally rated bonds are assessed by the Board in relation to the appropriateness of the ratings assigned to the bonds, and used in the calculation of the MA only. Any internally rated bonds are treated as unrated in the Standard Formula spread risk modules.

D.1.3 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits with banks aggregating £91.9m (2019: £61.7m), where they have maturity dates of three months or less from date of acquisition.

D.1.4 Intangible assets

Intangible assets recognised in accordance with UK GAAP include Present Value of Acquired In-force Business (PVIF) and Negative Goodwill.

For Solvency II purposes, intangibles are restated at their fair value. The fair value of intangible assets is required to be based on a valuation methodology using market observable inputs. If market observable inputs for an intangible asset are not available, it has a £nil value under Solvency II. The Company's negative goodwill is valued at £nil in accordance with the Solvency II valuation methodology described above, as no market observable inputs are available.

PVIF is also set to £nil in the Solvency II balance sheet and instead the associated cash flows are included in the measurement of Solvency II technical provisions.

During the year, Present Value of Acquired In-force Business (PVIF) and Negative Goodwill was recognised on the acquisition of Equitable Life Assurance Society on 1 January 2020.

The Directors have assessed the useful life of the PVIF and useful economic value of the Negative Goodwill arising on this acquisition as 15 years, based on the period over which the value of the underlying business acquired is expected to exceed the value of the acquired identifiable net assets. The remaining amortisation period at 31 December 2020 is 14 years.

The PVIF and negative goodwill balances existing at the beginning of the year relate to the acquisition of RMIS in 2018, when the useful life at acquisition was 15 years. The remaining amortisation period is 12.25 years at 31 December 2020 for these balances.

Under Solvency II, only intangible assets related to the business in force, that are separable and for which there is evidence of transactions for the same or similar assets, indicating that they are saleable in the market place, are recognised. As a result of Solvency II principles, goodwill and other intangible assets recognised under UK GAAP have no value in the Solvency II consolidated balance sheet.

Intangible assets comprising AVIF policies and negative goodwill, both arising from the transfer of acquired business from RMIS and Equitable Life, are fair valued at £20.7m (2019: £23.1m) for UK GAAP purposes and nil under Solvency II.

D.1.5 Property held for own use

Property, plant and equipment held for own use included lease assets. Under UK GAAP, these leases are not recognised on the Balance Sheet. Under Solvency II, property, plant and equipment held for own use is recognised at fair value, which is deemed to be equal to the related lease liability as a proxy for fair value.

D.1.6 Prepayments and accrued income

On a UK GAAP basis, accrued income aggregating £10.9m (2019:£13.1m) is disclosed under 'Prepayments and accrued income'. Under Solvency II, accrued income is required to be included under the relevant investments category and has been reclassified under government bonds and corporate bonds.

D.1.7 Reinsurance recoverable and receivables

Reinsurance recoverable related to insurance Technical Provisions are calculated in accordance with Solvency II valuation principles. The amounts recoverable from reinsurers is based on gross provision, having due regard to collectability. As at 31 December 2020, the value of the Company's reinsurance recoverable based upon UK GAAP was a net receivable of £346.6m, disclosed as an asset of £387.1m and liability of £40.5m in accordance with UK GAAP.

The resulting reinsurance cash flows are adjusted to allow for the risk of a reinsurer default. Standard & Poor's and AM Best are the current nominated rating agencies for this purpose.

Consistent with Solvency II requirements, the Company treats the value of these reinsurance arrangements as an asset, where the valuation is based on the projected liabilities associated with the reinsurance on a gross of reinsurance basis. On a Solvency II valuation basis there was a net asset value of £310.6m (2019: net liability £34.5m), which has been reported in the table shown in section D.1 as an asset (2019: negative asset) to be consistent with the Solvency II reporting within Quantitative Reporting Template ("QRT") S.02.01.02. This comprises a liability of £52.4m (2019: £46.3m) representing the net position of the longevity swaps (see section D.1.8) and a recoverable amount of £363.0m (2019: £11.8m) in respect of Assurance products.

D.1.8 Longevity swaps

The Company holds a number of longevity swaps for its annuity portfolios, where the payments to the reinsurance counterparties are made on the basis agreed at the outset of the reinsurance treaty. In return, payments based on the actual experience of the corresponding annuity portfolios are made by the reinsurers to the Company over the remaining lifetime of the annuities.

The value of these longevity swaps is calculated as the difference between the present value of the variable annuity payments received from the reinsurer and the present value of the fixed annuity payments (agreed at the treaty outset) made to the reinsurer, where discounting is at the basic risk-free interest rate term structure.

Allowance for reinsurer default is made to the cash flows using Solvency II probability of default for corporate bonds, with an allowance for recovery given default, as prescribed by EIOPA.

D.1.9 Receivables (trade, not insurance)

Cost is used as an approximation of fair value for current cash settled receivables and payables, having due regard to collectability. The amount of £21.0m (2019: £8.7m) on the UK GAAP basis comprises largely cash collateral received under derivative arrangements from counterparty of £11.3m (2019: £7.8m).

D.1.10 Loans on policies

Loans are held at amortised cost under UK GAAP. Amortised cost is used as an approximation of fair value for loans on policies for both UK GAAP and Solvency II, having due regard to collectability. Loans on policies had an aggregate value of £1.5m (2019: £1m).

D.1.11 Deferred taxation

Differences arise between Statutory Reporting and Solvency II deferred tax balances due to differences in underlying valuation principles for assets and liabilities. However, recognition and valuation principles of deferred taxes under both UK GAAP and Solvency II frameworks are similar.

Deferred tax assets and liabilities emerge from temporary differences with tax values of assets and liabilities, and, when applicable, from tax losses carry forwards.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available to offset the temporary differences, taking into account the existence of tax groups and any legal or regulatory requirements on the limits (in terms of amounts or timing) related to the carry forward of unused tax losses or the carry forward of unused tax credits.

Projections made for future taxable profits are broadly consistent with assumptions used for other projected cash flows. The recoverability of deferred tax assets recognised in previous periods is reassessed at each closing period.

The deferred tax assets and liabilities are netted off if the counterparty is the same tax authority and there is an ability to settle net.

D.1.12 Insurance and intermediary receivables

As at 31 December 2020, insurance receivables for premiums and recovery of pension relief at source were valued at £0.6m (2019: £0.2m) for UK GAAP and Solvency II purposes.

D.2 Technical Provisions

Liabilities	Solvency II	Statutory Reporting
Technical Provisions – life (excluding index-linked and unit-linked)	**(1,275.0)**	**(1,344.6)**
Technical Provisions – health (similar to life)	**-**	-
Technical Provisions calculated as a whole	-	-
Best Estimate	-	-
Technical Provisions – life (excluding health and index-linked and unit-linked)	**(1,275.0)**	**(1,344.6)**
Best Estimate	(1,213.3)	-
Risk Margin	(61.7)	-
Technical Provisions – index-linked and unit-linked	**(5,415.7)**	**(5,453.7)**
Technical Provisions calculated as a whole	(5,415.7)	-
Best Estimate	(0)	-
Other Technical Provisions – Reinsurance	-	(40.5)
Provisions other than Technical Provisions	(4.6)	(4.6)
Pension benefit obligations	(2.3)	(2.3)
Deposits from reinsurers	(5.5)	(5.5)
Deferred tax liabilities	(24.6)	(3.6)
Insurance and intermediaries payables	(38.2)	(38.2)
Reinsurance payables	(0.5)	(0.5)
Payables (trade, not insurance)	(36.5)	(45.8)
Any other liabilities, not elsewhere shown	-	(64.8)
Total liabilities	**(6,802.9)**	**(7,004.0)**
Excess of assets over liabilities	306.3	210.6

D.2.1 Material lines of business

Under Solvency II, Technical Provisions are split amongst Life With-Profits Participation, Linked Life and Other Life Insurance.

Technical Provisions are measured using a twofold ‘building block’ approach:

- BEL; and
- Risk Margin for non-hedgeable risks, which is added to the BEL. The valuation of Technical Provisions requires in-depth analysis of the underlying obligations, collection of qualitative and quantitative information, projection tools and models, and expert judgement in a number of areas.

The table below shows the segmentation of the Utmost business into lines of business for Solvency II purposes.

Category	Description
Life With-Profits Participation	All products falling within this category are within one of the WPSFs. Some business within the WPSFs falls within the Other Life Insurance category.
Linked Life	This includes unit-linked business, but excludes index-linked annuities and index-linked funeral plan business, which increase in line with inflation indices.
Other Life Insurance	This includes all other business, including annuities and funeral plan business.

The table below sets out the Technical Provisions as at 31 December 2020 for each of the Company's sub-funds. Currently the Transitional Measure on Technical Provisions ("TMTP") are set to zero, where zero is the maximum.

Technical Provisions (£m)			
Sub-Fund	**BEL**	**Risk Margin**	**Technical Provision**
Non-Profit Fund	6,374.6	65.9	6,440.5
WPSF1	29.8	0.1	29.9
WPSF2	12.5	0.0	12.5
WPSF4	103.1	0.2	103.3
WPSF6	104.0	0.4	104.4
Company	**6,624.1**	**66.6**	**6,690.7**

A summary by line of business is provided below.

Technical Provisions £m			
Sub-Fund	**BEL**	**Risk Margin**	**Technical Provisions**
Life With-Profits Participation	249.4	0.8	250.2
Linked Life	5,410.8	4.9	5,415.7
Other Life Insurance	963.9	60.9	1,024.8
Total Company	**6,624.1**	**66.6**	**6,690.7**

Other Life Insurance includes NPF policies in both non-profit and WPSFs.

The Risk Margin is calculated at a sub-fund level.

Comparison with Financial Statements

The bases, methods and assumptions used for the Solvency II regulatory valuation of the Company's Technical Provisions uses BEL with a Risk Margin, whereas valuation for financial reporting under UK GAAP uses a more prudent basis. Other sources of differences between the two bases include differences due to an allowance for contract boundaries within the calculation of the BEL and elimination of negative non-unit reserves on a UK GAAP basis.

Whilst there is prudence throughout the UK GAAP statutory basis, explicit margins of prudence exist, as follows:

- An explicit prudence margin of 20% on non-investment related expenses.

- Assurance and annuities in payment assumptions have a margin of 10% with this increasing to 20% where there are limitations on the data. There is further prudence in the long-term improvement rates for annuities in-payment (0.25% p.a. increase in the rate of improvement);
- No reduction is made for persistency; and
- The assumption for the take-up of GAOs contains additional prudence in that the take-up rate increases linearly to 95% over 20 years.

D.2.2 Valuation methodology

Under Solvency II, the investment contract benefits and insurance contract liabilities required by UK GAAP are replaced by an assessment of the Technical Provisions, comprising BEL and the Risk Margin. The table below shows a comparison between the two reporting metrics. The Solvency II values are after allowance for TMTPs which are not subject to audit.

	Technical Provision Differences				
£ millions	Statutory Accounts FRS102	Reallocation	Recognition of Discretionary Elements	Accounting Policy Differences	Solvency II Value
Unit-linked Technical Provisions					
-BEL	5,453.7	(43.7)		0.8	5,410.8
Risk Margin				4.9	4.9
Life and Health Technical Provisions					
-BEL	1,344.5	43.7	79.2	(254.1)	1,213.3
Risk Margin				61.7	61.7
Gross Technical Provisions	**6,798.2**	**-**	**79.2**	**(186.7)**	**6,690.7**
Reinsurance					
-BEL	(346.6)			36.0	(310.6)
Net Technical Provisions	**6,451.6**	**-**	**79.2**	**(150.7)**	**6,380.1**

The reallocation column shows differences in the categorisation of liabilities between the UK GAAP statutory accounts and Solvency II. The values shown are based on the basis used for the UK GAAP statutory accounts. The accounting policy differences reflect the differences between the two bases due to moving to the Solvency II basis and methodology. The reassessment of participations shows the allowance for future discretionary benefits allowed for within the calculation of the BEL.

Level of uncertainty in the technical provisions

The projection of the monthly cash flows used in the assessment of the Technical Provisions and Risk Margin requires management to make assumptions about future demographic and economic experience. The assumptions are based on historical experience, expected future experience, and various other factors that are believed to be reasonable under the circumstances. The assumptions are reviewed on a regular basis. Uncertainty arises from actual future experience being different from that assumed.

For the Company, the key areas of uncertainty relate to the items listed below.

- Life underwriting risk, which includes mortality experience, longevity experience, and policyholder behaviour in respect of exercising guarantees and options;

- Market conditions, including change in credit spreads, long-term interest rates and equities; and
- Future expenses incurred in servicing insurance obligations, including administrative, investment and claims management expenses plus provision for related overheads.

Provision for future expenses: assumptions

The expenses contain a degree of uncertainty in relation to the future development of the business. The assumptions used to determine the Solvency II Technical Provisions and SCR have been set based upon the business plan for Utmost without taking into account any cost benefits that might arise from future acquisitions. In doing so, the Board has set the expense assumptions taking into consideration the impact on expenses of adopting alternative scenarios and strategies (including managing the diseconomies that arise as the business runs off).

Best estimate liabilities

The BEL correspond to the probability-weighted average of future cash flows, including policyholders' benefit payments, expenses, taxes, premiums related to existing insurance and reinsurance contracts, taking into account the time value of money (i.e. by discounting these future cash flows to present value). The calculation of the BEL is based upon up-to-date reliable information and realistic assumptions. The cash flow projection model used in the calculation includes all the cash in- and out-flows required to settle the insurance and reinsurance obligations over their lifetime. The BEL is recognised on a gross of reinsurance basis, without deduction of amounts recoverable from reinsurance contracts

Section D.2.6 shows the material assumptions used to calculate the BEL for the Company as at 31 December 2020. In particular, it covers the assumptions used for interest rates, inflation, mortality, expenses and option take-up rates.

The model discounts these monthly cash flows using the Solvency II basic risk-free term structure of interest rates applying at the valuation date, prescribed by EIOPA, to calculate the BEL. For the MA portfolios (described in section D.2.3), the corresponding MA is added to the basic risk-free curve at all durations. The same model is used to project the reinsurance premiums and claim cash flows, which are then discounted in the same way to determine the value of the reinsurance asset.

Expenses

Expenses include administrative, investment management, claims management and acquisition expenses which relate to recognised insurance and reinsurance obligations. The assumptions underlying expense projections are consistent with the Company strategy, taking into account future new business and any change in expenses as decided by management. The cash flow projection model allocates the total annual (business-as-usual) budgeted expenses across the policies to which they relate. Investment management charges are based on the level of assets backing Technical Provisions, and unit costs are based on the business-as-usual budget (net of charges received from the with-profits sub-funds) and the number of policies in force at the valuation date.

In setting the expense assumptions, the Company has used its view on the expected future costs. The sensitivity of the Company to changes in expenses can be seen in the unaudited section C.6.

Future discretionary benefits (FDBs)

In line with Solvency II requirements, the BEL for the Company's with-profits business contains an allowance for FDBs: the payment of bonuses that are expected to be declared in the future. FDBs consists of future reversionary bonuses, terminal bonuses and other non-guaranteed bonuses.

A prospective BRV approach is used for all with-profits sub-funds. An iterative surplus minimisation process is initially carried out, which searches for a terminal bonus rate that, when applied, results in a BRV that matches the (net of current liabilities) asset value for each fund (subject to a tolerance). For these funds, the FDB is calculated to be the value of the assets less the value of the guaranteed liabilities.

Manual reserves

The Company determines the value of certain liabilities (referred to as 'manual reserves') outside of its policy level cash flow projection model. The cash flows determined in respect of each manual reserve are imported into the model so that they can be included in the final BEL calculation as appropriate.

Allowance for deferred tax asset

The approach is a simplification of the underlying tax calculation because the amount is immaterial and assumes that full tax relief is available on all future expenses.

Risk Margin

The Risk Margin is defined as the cost of non-hedgeable risk, i.e. a margin in addition to the expected present value of liability cash flows required to manage the business on an ongoing basis. It is deemed to be the present value of the cost of future economic capital requirements for non-hedgeable risks. A best estimate assumption is defined as one where there is the same probability that the actual experience develops more or less favourably than the assumption. It is neither a prudent nor an optimistic assumption. It is set at a level that is neither deliberately overstated nor deliberately understated. Due to the inherent uncertainties, if two assumptions are equally reasonable the more prudent one is retained.

In line with Solvency II requirements, the Company calculates the Risk Margin by determining the expected cost of providing capital to cover the non-hedgeable part of its SCR over the remaining lifetime of the in-force business.

The Company assumes that all market risks are hedgeable and therefore excludes them from the SCR used in the Risk Margin calculation. Underwriting, operational and counterparty default risks are considered non-hedgeable.

The Solvency II requirements define a hierarchy of simplifications which may be used to determine the Risk Margin that remove the need to perform a full projection of the SCR (excluding hedgeable market risk) at each future time period.

Rather than performing a full projection of the SCR at each future time period, the Company uses a simplified approach to determine the Risk Margin for all risks apart from longevity. Under the simplified methodology, each component of the Basic Solvency Capital Rate ("BSCR") (excluding market risk) is projected by assuming that the initial value runs off in line with an appropriate component of the BEL. For the longevity risk sub-module, instead of using a component of the BEL to estimate future risk capital, a full projection of the longevity risk capital is carried out.

This approach is consistent with Method 1 of the Hierarchy of Simplifications outlined in the Solvency II Guidelines.

To arrive at the Risk Margin, the projected non-hedgeable SCRs at each future time-step are multiplied by a 6% cost of capital rate and discounted using the Solvency II basic risk-free term structure of interest rates

Consistent with Solvency II rules, the Company's Risk Margin is calculated without taking credit for the effects of the MAs in NPF1 and NPF2.

D.2.3 Matching Adjustment

The following table summarises the Company's two MA portfolios as at 31 December 2020.

MA Portfolio Liabilities at 31 December 2020 (£mi)			
Contract Type	Contracts	BEL (with MA)	BEL (no MA)
Annuities (NPF MA1)	26,286	476.4	513.2
Funeral Plan (NPF MA2)	13,239	68.7	70.4
Total	**39,525**	**545.0**	**583.7**

In each of the two MA portfolios, the liabilities and the assets held to match those liabilities satisfy the specific requirements that must be met in order to apply the MA.

For each MA portfolio, the corresponding MA is added to the basic risk-free term structure of interest rates at all durations. The adjusted interest rate curve is then used to discount the BEL cash flows projected to emerge in that portfolio.

No allowance for the MA is made in the calculation of the Risk Margin in respect of the MA portfolios, and the MA is not applied when discounting the reinsurance cash flows associated with this business.

The table below sets out the MA used in the 31 December 2020 valuation in respect of each of the two MA portfolios.

Matching Adjustment Rates			
Component	Description	NPF MA1	NPF MA2
Rate 1	Single annual discount rate that equates the discounted value of the expected liability cash flows to the market value of the assets held to match those cash flows.	1.56%	0.58%
Rate 2	Single annual discount rate that equates the discounted value of the expected liability cash flows to the BEL calculated using the basic risk-free interest rate term structure with no adjustments.	0.35%	0.38%
Fundamental Spread	A component of credit spreads that reflects the cost of downgrades and a long-term average spread underpin. It varies by: currency, asset class, credit rating and duration	0.43%	0.00%
Matching Adjustment		**0.78%**	**0.20%**

The following table summarises the assets held in the two NPF MA1 and NPF MA2 portfolios as at 31 December 2020.

Assets in the MA portfolios (£m)		
Asset Type	Value at 31 December 2020 (£m)	
	NPF MA1	NPF MA2
Corporate bonds	433.1	3.6
Government bonds	110.3	67.0
Cash, Deposits and Other	27.6	4.7
Total	**570.9**	**75.3**

The table below shows the impact on the Company's Solvency II Pillar 1 balance sheet as at 31 December 2020 of zeroing the MA.

Balance Sheet Component	Value at 31 December 2020 (£m)		
	with MA	without MA	Impact of MA
Assets	6,997.0	6,997.0	-
Technical Provisions	(6,690.7)	(6,729.3)	(38.6)
Own Funds	**306.3**	**267.7**	**38.6**
Restricted (With-Profits) Own Funds	-	-	-
Tier 2 Restriction	-	-	-
Eligible Own Funds	306.3	267.7	38.6
Solvency Capital Requirement	173.9	203.4	(29.5)
Solvency Ratio	**176%**	**132%**	**45%**
Minimum Capital Requirement	53.9	54.7	0.8

The benefit of the MA is largely due to the Company's significant exposure to annuities in payment. The combined value of the BEL in the two MA portfolios is £545m. Due to the long-term nature of these liabilities, an uplift in the discount rate has a material impact on the BEL, reducing them by £38m.

D.2.4 Volatility Adjustment

As at 31 December 2020, the Company did not make use of the Volatility Adjustment for the purpose of determining its Technical Provisions.

D.2.5 Transitional measures (Unaudited)

Transitional risk-free interest rate term: structure

As at 31 December 2020, the Company did not apply the transitional risk-free interest rate term structure in the discounting of best estimate cash flows when calculating its Technical Provisions.

TMTPs (also referred to as the Transitional Deduction ["TD"])

The Transitional Measure on Technical Provisions ("TMTP") are currently set to zero, and zero is the maximum.

D.2.6 Valuation Basis

Details of assumptions which are significant for the Company for Solvency II reporting are provided below.

Interest Rate Term Structure

The Company uses the unadjusted EIOPA term structure for the UK for all lines of business. For business which is in its Matching Adjustment MA portfolios, the EIOPA curve is uplifted by the appropriate MA rate, as shown in section D.2.3. The MA portfolio are:

- The non-profit annuities in-payment in Non-Profit Fund 1 ("MA1"); and
- The funeral plan business in Non-Profit Fund 2 ("MA2").

Inflation

Inflation is a significant assumption for the Company because it impacts the value of the projected expenses as well as benefits which are linked to inflation, including inflation-linked annuities in-payment and funeral plans. The inflation assumptions used by the Company at year end 2020 were based on the Bank of England inflation curve. Appropriate allowance is also made to reflect the difference between earnings and price inflation (a margin of 0.5%).

Mortality - Assurances

For contracts where differential rates were offered to smokers and non-smokers, the appropriate versions of the standard tables have been used.

Different percentages of standard tables, ELT16 and AC00 ranging from 50% to 130% (50% to 130% at year end 2017) are used depending upon the risk group.

Industrial Branch conventional non-profit contracts are adjusted to allow for 'gone-aways'. These arise where the policyholder is no longer aware of the policy's existence (and may have already died) and where it is not practical to trace the policyholder (or next-of-kin). All Industrial Branch conventional contracts where the policyholder is aged over 100 are excluded. Reduction factors are applied to the remaining non-profit contracts.

Mortality - Annuities

All mortality tables use the gender-specific PCA00 tables for males and females.

Different percentages of standard tables, PCA00 ranging from 80% to 180% (90% to 180% at year-end 2017), are used depending upon the risk group.

The Company has adopted the CMI 2018 mortality improvement factors published by the Institute of Actuaries in 2019 for the valuation of annuity liabilities at year end 2020.

Expenses

The table below shows the unit cost assumptions. The expenses for WPSF1, WPSF2, WPSF4 and WPSF6 are governed by the Scheme of Arrangement, as described in the Company's PPFM. These unit costs are weighted depending on individual products, based on the amount of resources required to administer the particular products.

Unit Cost Assumptions (£m)	2020
Renewal Expenses: Premium Paying	55.25
Renewal Expenses: Paid Up	46.96
Claim Expenses	-

Options and Guarantees

In NPF and WPSF6 there are a number of unit-linked and with-profits pension contracts, respectively, where the unit fund may be converted to an annuity on guaranteed terms. The Company uses policyholder fund value dependent take-up rates, which vary between 25% and 60% (year end 2019: 25% and 60%).

Lapse Assumptions

The Company's lapse assumptions are set using historic experience, with the lapse rates rounded to the nearest 0.5%. The rates vary by product, ranging from 0% to 7.5% (year end 2019: 0% to 7.5%).

Management Actions

The Solvency II regulations permit the Company to take account of Management Actions, when assessing the impact of financial risks to which the Company is exposed. These management actions must be realistic, agreed by the Board, consistent with the Company's strategy, and the Company must be able to implement them when triggered.

The table below sets out the management actions included in Technical Provisions and/or SCR.

Management action	Description	Fund(s) impacted	Trigger for consideration of action	Where allowed for
Reduce with-profits policyholder Bonuses	A reduction in the future with-profits terminal and reversionary bonuses.	WPSFs	As set out in PPFM	SCR calculation of WPSF's
Reduce future Company contribution to Defined Contribution staff pension scheme	The Company could reduce its contributions into the staff pension scheme to the minimum statutory requirement.	NPF	Increase in per policy expenses	Expense SCR. Impact assumed to be unchanged in sensitivity testing in Section C6.
Reinsurance can be replaced in event of reinsurer default	Reinsurance could be replaced on current terms in the event of a reinsurer default.	All	Reinsurance failure	Counterparty Default Risk SCR
Reduce fixed expenses and become variable from 2030	A short term diseconomies of scale reserve is appropriate due to our acquisition strategy.	NPF	Time based trigger	BEL and SCR
Matching Adjustment rebalancing	In the event of a liability shock the asset portfolio could be rebalanced to maintain matching adjustment qualifying status.	NPF	A movement in assets or BEL that would result in breach of MA tests	BEL and SCR Sensitivity testing in Section C6 assumes that the MA remains eligible post-stress
New internally vesting annuity business	New internally written annuity business could cease to be written if terms were not able to be profitable and fair.	NPF	Forecast profitability of annuities falls below zero	BEL and SCR No allowance for new business in Pillar I processes. ORSA projections allow for best estimate of new business levels.
UK-Style German with profit business daily Bonus changes	The UK-Style German WP business - every day asset shares are adjusted in line with value of underlying assets.	ELAS - WPSF	Daily – Movement in underlying assets	BEL and SCR

D.3 Other Liabilities

The following section references the 'current liabilities, other than Technical Provisions' table in section D.2.

D.3.1 Insurance and intermediaries payables

This balance of £38.2m (2019: £9.0m) comprises claims outstanding relating to insurance and participating investment contracts. Death claims, maturities, annuity payments due and surrenders are recognised when due or at the earlier of the date when paid or when policy ceases to be included in the Technical Provisions (including for linked contracts).

The Company makes a provision for outstanding claims based on a realistic assessment of the likelihood of payment, which varies in line with the age of the debt and the Company's ability to make contact with the policyholder.

D.3.2 Payables (trade, not insurance) and other liabilities

These payables of £45.8m (2019: £14.4m) comprise amounts which fall due within 12 months from the balance sheet date and are considered to be held at fair value. These payables are due to employees, suppliers, public entities and reinsurers, including £11.3m (2019: £7.8m) liability for collateral creditor held under derivative arrangements with a counterparty.

D.3.3 Deposits from reinsurers

These comprise the liability to Hannover Re of £5.5m (2019: £5.8m) under the deposit back arrangement and is valued in accordance with the agreement on a payable basis and considered as a fair approximation of the fair value under Solvency II. The Company holds an equivalent amount of assets as collateral received, which are included under Government Bonds, Corporate Bonds and Cash.

D.3.4 Pension Scheme benefit obligations

As part of the transfer of business from RMIS on 1 April 2018, the Company entered into a Flexible Apportionment Arrangement, whereby it was admitted as the principal employer to the defined benefit pension scheme ("the Scheme") and all RMIS Scheme liabilities were apportioned to the Company.

The Scheme has been closed to future accrual since June 2010.

The value of the Defined Benefit ("DB") pension scheme is recognised on the liability side of the Solvency II balance sheet and is calculated as the difference between:

- the market value of assets backing the liabilities of the DB pension liabilities; and the DB pension liabilities calculated under the International Accounting Standard 19 ("IAS 19"), including International Financial Reporting Interpretations Committee 14 ("IFRIC 14").

The valuation allows for the full cost of pensions equalisations (being the financial impact on the Reliance Pension Scheme of benefits being provided on and from 17 May 1990 with the same normal retirement age of 60 for male and female members and on and from 30 March 1995 with the same normal retirement age of 65 for male and female members). The asset valuation is carried out by Schroder's and the value of the DB pension liabilities is calculated by Willis Tower Watson, an employee benefits consultancy.

As at 31 December 2020, the DB pension scheme was in deficit valued at £2.3m (2019: £3.3m), applicable for both UK GAAP and Solvency II purposes, as follows:

Pension Scheme assets	£38m
Pension Scheme liabilities	(£40.3m)
Deficit	(£2.3m)

D.3.5 Accruals and deferred Income

Amounts of £1.6m (2019: £1.7m) relate to pensions mis-selling accrual reflected in both UK GAAP and Solvency II.

D.3.6 Reinsurance payables

As at 31 December 2020, the value of the Company's reinsurance payables was £0.5m (2019: £0.6m), for both UK GAAP and Solvency II reporting.

D.3.7 Provisions other than Technical Provisions

Provisions other than technical provisions are £4.6m (2019:£1.7m) for both UK GAAP and Solvency II reporting. A deferred tax liability, with a balance at 31 December 2020 of £3.6m (2019: £1.7m) has been disclosed separately.

D.3.8 Deferred taxation Liability

Differences arise between UK GAAP and Solvency II deferred tax balances due to differences in underlying valuation principles for assets and liabilities. However, recognition and valuation principles of deferred taxes under both UK GAAP and Solvency II frameworks are similar.

Deferred tax assets and liabilities emerge from temporary differences with tax values of assets and liabilities, and, when applicable, from tax losses carry forwards.

The deferred tax liability is calculated by reference to temporary difference between the values ascribed to assets and liabilities for UK GAAP and the value ascribed to those assets and liabilities under Solvency II. The deferred tax liabilities under Solvency II include additional liabilities recognised in respect of positive valuation differences between the Solvency II balance sheet and the UK GAAP statutory accounts.

Projections made for future taxable profits are broadly consistent with assumptions used for other projected cash flows. The recoverability of deferred tax assets recognised in previous periods is reassessed at each closing period.

The deferred tax assets and liabilities are netted off if the counterparty is the same tax authority and there is an ability to settle net.

D.3.9 Valuation and Recognition of liabilities

The Company has no material liabilities arising as a result of leasing arrangements.

There are also no significant uncertainties regarding the timing or amounts of other liabilities.

There have been no changes made to the recognition and valuations bases, or estimates used, of other liabilities during the reporting period.

There are no differences between the bases, methods and main assumptions used in the valuation for solvency purposes and those used for valuation in the Financial Statements. Aside from assumptions used for valuation models, as noted above, there are no significant assumptions or uncertainties regarding the valuation of assets.

D.4 Alternative Methods for Valuation

D.4.1 Participation in related undertakings

ULP acquired the business of ELAS on 1 January 2020. The majority of the business of ELAS transferred to ULP under Part VII of the Financial Services and Markets Act 2000 ("FSMA"). A small amount of Euro denominated Irish and German business remains in ELAS, which has become a wholly owned subsidiary of ULP from 1 January 2020. The ELAS subsidiary is treated as a strategic participation, as it aligns to the ULPH Group's strategic objectives.

D.4.2 Loans on policies

Loans on policies are valued for UK GAAP at amortised cost of £1.5m (2019: £0.1m), and this is not considered to be materially different to their fair value for Solvency II purposes.

D.4.3 Equities

Equities include one equity holding of £4.5m (2019: £4.4m) which represents a holding in an investment company which holds a portfolio of onshore UK wind farms and wind finance companies. The fair value for this unlisted private equity investment is based on the net asset value statements provided by the fund administrator. The investment company values the wind farms at fair value, using discounted cash flow valuation techniques, and the investment in finance entities at fair value, based on the fair value of loan notes and a share of net current assets.

D.4.4 Derivatives

Derivatives (swaptions) totalling £21.9m (2019: £17.2m) are held on the Company's Balance Sheet to back its GAO liabilities. The swaptions are Over the Counter ("OTC") instruments, for which the fair value is provided to the Company by the counterparty. Although valued using established and accepted valuation methodologies, OTC derivatives are not quoted in an active market and an element of valuation uncertainty may exist in arriving at a fair value.

D.5 Any Other Information

The COVID-19 outbreak has resulted in market volatility but has not had a material impact on the Company's liabilities. The Company remains well above its Solvency II Capital Coverage Targets.

E. CAPITAL MANAGEMENT

E.1 Own Funds

Capital is determined and monitored for the Company on the regulatory basis, as stipulated in the PRA Rulebook. This primarily focused upon the Total Available Own Funds ("TAOF") and the SCR of the Company. The SCR was determined on a monthly basis and impact of market volatility monitored daily, ensuring that adequate capital requirements are met. The Company's capital position was formally reviewed and approved on a quarterly basis by delegated authority from the Board to the management. The TAOF for year end 31 December 2020 were £306.3m. The Company had an SCR of £173.9m at year end 2020, with a Solvency Coverage Ratio of 176%.

The Total Available Own Funds for year end 31 December 2019 were £284.5m. The Company had an SCR of £53.8m at year end 2019, with a Solvency Coverage Ratio of 467%, which reflects the injection of capital received in December 2019 ahead of the Equitable Life transfer. Following the acquisition of Equitable Life, the SCR requirements of the Company increased from £53.8m to £171.4m. The TAOF increased from £251.4m to £309.2m, resulting in an estimated Solvency Coverage Ratio of 180%, as at 1 January 2020 for the combined business.

The Capital Management Framework and risk appetite set out the Company's approach for managing Own Funds. The Company aims to maintain an appropriate buffer of capital resources over the regulatory capital requirements. The Company projects over the five-year business planning period. Solvency and liquidity levels are monitored on a regular basis, and are used to inform the dividend capacity and the ability to service the subordinate debt. There have been no material changes over the reporting period to the management of Own Funds.

The Company is required to hold capital at a level of financial resources that do not fall below a minimum as determined in accordance with the PRA Regulations and EU Directives for insurance and other PRA-regulated business. For the purposes of determining its regulatory capital, the Company uses the Solvency II Standard Formula without adjustment. The appropriateness of the Standard Formula approach has been reviewed by management and the Actuarial function and approved by the Board. The capital of the Company comprises ordinary shares and retained earnings.

On 5 October 2020, the Utmost Group announced a reorganisation, where its two businesses, Utmost International and ULP, were brought together under a single UK holding company, Utmost Group Limited (UGL), effective 1 October 2020. UGL is a UK registered company subject to group regulation by the PRA.

As a result, a number of changes were made to the capital position of the Company during Quarter Four 2020. The existing internal £60m Tier 2 loan was repaid to the parent company in November 2020, following the injection of £60m Tier 1 Ordinary Share Capital from the Company's parent company, ULPH.

Subsequently, a capital reduction was initiated so that a balance of £102.6m of Ordinary Share Capital was transferred to Distributable Reserves to leave Ordinary Share Capital of £100m made up of 100 million £1 ordinary shares. The capital reduction was effective as of 23 December 2020, once processed by Companies House. Approval for the capital reduction was sought and obtained from the PRA.

E.1.1 Description of Own Funds

The Company's Own Funds are allocated to tiers, as set out in the Solvency II regulations.

Own Funds (£m)	Tier	31 December 2020	31 December 2019
Paid in ordinary share capital	1	100.0	142.6
Surplus funds	1	0.8	18.4
Reconciliation reserve	1	205.3	63.5
Tier 2 capital	2	-	60.0
Total Available Own Funds		**306.3**	**284.5**
SCR Eligibility restrictions on Tier 2 capital		-	(33.1)
Eligible Own Funds to meet the SCR		**306.3**	**251.4**
Additional MCR Eligibility restrictions on Tier II capital		**-**	**(22.8)**
Eligible Own Funds to meet the MCR		**306.3**	**228.5**

The change in surplus funds and reconciliation reserves is set out in more detail in sections E.1.3 and E.1.4.

Ordinary share capital

The Company's issued and fully paid ordinary share capital is treated as Tier 1 unrestricted Own Funds.

Surplus Funds

The PRA has set out a mandatory calculation of Surplus Funds for UK Solvency II firms to ensure consistency across the industry[1]. For these funds, Surplus Funds should be calculated as the difference between the assets in a with-profits fund (except those meeting liabilities in respect of non-profit insurance) and the value of with-profit liabilities (including the value of any other liabilities properly attributable to that with-profits fund).

With-profits Surplus Funds satisfy the characteristics of Tier 1 because they will only be distributed to policyholders in the future if it is appropriate to do so and are loss-absorbent because future distributions can be reduced if the amount of accumulated profits reduces due to future losses.

The PRA has specified that the default basis for the calculation of the value of with-profit liabilities (for the purposes of Surplus Funds) is a retrospective (i.e. asset share) approach. However, where a retrospective approach is impracticable or would not lead to a fair value of the liabilities, a prospective approach can be used.

Due to the treatment of FDB in the Company's with-profits funds, the PRA calculation of Surplus Funds targets a value of zero.

Subordinate liabilities

On 16 December 2019, the Company drew down a new £60m term loan facility and repaid the £35m loan from its parent undertaking, Utmost Holdings. The loan, which was due to mature on 16 December

[1] https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2015/ss1315

2030, qualified as Tier 2 capital under Solvency II. Interest was paid at the rate of 7% pa and was payable biannually.

As outlined above, on 5 October 2020, the Utmost Group announced a reorganisation, where its two businesses, Utmost International and ULP, were brought together under UGL, effective 1 October 2020. As a result, a number of changes were made to the capital position of the Company during Quarter Four 2020. The existing internal £60m Tier 2 loan was repaid to the parent company in November 2020, following the injection of £60m Tier 1 Ordinary Share Capital from the Company's parent company, ULPH.

Subsequently, a capital reduction was initiated so that a balance of £102.6m of Ordinary Share Capital was transferred to Distributable Reserves to leave Ordinary Share Capital of £100m made up of 100 million £1 ordinary shares. The capital reduction was effective as of 23 December 2020, once processed by Companies House.

E.1.2 Reconciliation reserve

The reconciliation reserve is a balancing item which ensures that the total Own Funds equal the excess of assets which are available to absorb unexpected losses over liabilities. This reserve is used to reflect the restrictions on the availability of Own Funds from ring-fencing (see below). It also includes any 'foreseeable' distributions or charges that would reduce the value of the Own Funds available to absorb losses.

Eligibility restrictions of Own Funds

The following table details the restrictions on the Own Funds.

Own Funds (£m)	31 December 2020	31 December 2019
With-Profits Surplus	-	17.8
Matching adjustment portfolio Own Funds in excess of SCR	-	0.4
Tier II capital restriction	-	33.1
Eligibility restriction	-	51.3

The Company's WPSFs (WPSF1, 2, 4, and 6) and MA portfolios (NPF1 MA and NPF2 MA) are all treated as ring-fenced for Pillar 1 valuation purposes. This means that Own Funds are restricted by the amount of any surplus assets in excess of the notional SCR that exists within each of these RRFs.

The value of eligibility restrictions at 31 December 2020 was nil. Further details on the components of the capital requirements and potential volatility can be found in section E.2 and in respect of asset liability matching in C2.2.

E.1.3 Reconciliation between UK GAAP equity and Solvency II Own Funds

The differences between the Company's UK GAAP and Solvency II valuations are quantified and explained within section D. The following tables summarise those movements and determine the difference in the Company's UK GAAP equity and Solvency II Own Funds and the sources of those differences.

SII Pillar 1 Solvency (£ millions)	2020	2019	Change
UK GAAP Equity	211	157	54
Own Funds (Unrestricted)	306	303	3

SII Pillar 1 Solvency (£ millions)	UK GAAP Statutory	Solvency II	Change
Valuation of Assets	7,215	7,109	106
Valuation of Technical Provisions	(6,839)	(6,691)	(148)
Subordinated Loan	-		-
Funds for future appropriations	(65)	-	(65)
Valuation of other liabilities	(100)	(112)	12
Total Own Funds (unrestricted)	211	306	(95)
Fund Restriction		-	-
Loan Restriction		-	-
Own Funds	211	306	(95)

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 SCR calculation and results

The Company uses the Standard Formula approach to calculate its SCR. The appropriateness of the Standard Formula approach with respect to the Company's risk profile has been reviewed by the Risk Management and Actuarial functions and approved by the Board.

The SCR amount for the Company at 31 December 2020 has been calculated to be £173.9m.

SCR as at 31 December 2020 – (£m)		
SCR Module	**31/12/2020**	**31/12/2019**
Life Underwriting	124.4	39.6
Market	139.7	68.8
Counterparty Default	16.9	3.7
Base SCR: Diversification	(60.2)	(23.4)
Base SCR	**220.8**	**88.7**
Operational	10.7	5.2
Loss Absorbency Adjustment	(57.6)	(40.1)
Total SCR	**173.9**	**53.8**

The breakdown of figures by risk module in table E.2.1 are not expected to tie up to QRT S.25.01.21. This is because QRT S.25.01.21 follows simplification method 2 which allows capital charges to be summed across all RFFs and the remaining part at module level. Therefore the values in the S.25.01.21 only reflect risk diversification at risk module level, but not the diversification effects at lower levels.

The loss-absorbing capacity of Technical Provisions of £57.6m (as shown in S.25.01) arises from the Company's WPSFs, and reflects the ability of the Company to apply management actions in these sub-funds under stress conditions. It also reflects the Company's loss absorbing capacity of deferred tax liability.

E.2.2 Simplifications used in the calculation of the SCR

For the lapse risk sub-module, the Company applies the Standard Formula stresses to persistency rates, paid-up rates and take-up rates on GAOs. The most onerous stress (out of the permanent increase and decrease to rates, and a mass lapse) is assessed at a product code level rather than at an individual policy level for non-linked business. The Company does not consider that this simplification results in a material misstatement of the lapse risk capital.

To calculate counterparty default risk capital, the Company uses a simplification to determine the risk-mitigating effect of reinsurance, whereby the effect of removing reinsurance contracts at treaty level is considered rather than counterparty. The resulting risk mitigation effect is spread across the reinsurance counterparties in line with the base value of the reinsurance asset. The Company does not consider that this simplification will have a material impact on the level of counterparty default risk capital held.

The Company does not use Company-specific parameters, pursuant to Article 104(7) of Directive 2009/138/EC.

E.2.3 MCR calculation and results

The Company's MCR is calculated in line with the linear formula set out in the Solvency II Regulations.

The MCR amount for the Company as at 31 December 2020 has been calculated to be £53.9m. The table below sets out the components of the MCR. The amounts include reinsurance recoverable and liabilities.

Component	Value (£m)	
	31 December 2019	31 December 2020
Technical Provision (Life, 1)	160.7	163.0
Technical Provision (Life, 2)	65.9	78.9
Technical Provision (Life, 3)	636.3	5,404.5
Technical Provision (Life, 4)	632.2	667.1
Capital at Risk	**110.3**	**240.3**
SCR	53.8	173.9
MCR	20.3	53.9

E.3 Use of the Duration-based Equity Sub-module in the Calculation of the Solvency Capital Requirement

The Company did not make use of the duration-based equity sub-module in the calculation of the SCR.

E.4 Differences between the Standard Formula and any Internal Model used

An internal model is not used by the Company.

E.5 Non-compliance with the Minimum Capital Requirement and Non-compliance with the Solvency Capital Requirement

The SCR and the MCR were complied with at all times during the reporting period. There is no expectation of any future non-compliance by the Company.

E.6 Any Other Information

The Company continues to monitor the market movements relating to COVID-19 and their impact on the Company. A key factor that will affect future equity performance will be the effectiveness of the global recovery to the COVID-19 pandemic. With the recent development of vaccines to prevent COVID-19, the path that the pandemic will take is expected to be better than what has been seen over most of 2020. However, the long term impacts on financial markets and companies are expected to remain for some time. We will continue to monitor the impacts as the COVID-19 pandemic develops.

The Company entered 2021 with a strong Balance Sheet and with a Solvency II coverage ratio in excess of 176% as outlined in E.1 and continues to do so in 2021.

Appendix A: Quantitative Reporting Templates

The following pages contain QRTs for the Company.

All figures are presented in thousands of pounds with the exception of ratios that are in decimal. Please note that totals may differ from the component parts due to rounding. All items disclosed are consistent with the information provided privately to the Regulators.

The following QRTs are provided:

- S.02.01.02: Balance sheet information.
- S.05.01.02: Information on premiums, claims and expenses.
- S.23.01.01: Information on Own Funds.
- S.25.01.21: Information on the SCR, calculated using the Standard Formula.
- S.28.01.01: Specifying information on the MCR for insurance.
- S.12.01.02: Information on the Technical Provisions relating to life insurance and health insurance.
- S.22.01.21: Information on the impact of long-term guarantees and transitional measure

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	436
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	3,749
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	1,227,045
R0080	*Property (other than for own use)*	3,450
R0090	*Holdings in related undertakings, including participations*	5,399
R0100	*Equities*	4,487
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	4,487
R0130	*Bonds*	1,078,184
R0140	*Government Bonds*	515,799
R0150	*Corporate Bonds*	562,386
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	113,572
R0190	*Derivatives*	21,951
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	5,451,635
R0230	Loans and mortgages	1,429
R0240	*Loans on policies*	622
R0250	*Loans and mortgages to individuals*	157
R0260	*Other loans and mortgages*	650
R0270	Reinsurance recoverables from:	310,584
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	304,312
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	304,312
R0340	*Life index-linked and unit-linked*	6,272
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	572
R0370	Reinsurance receivables	1,743
R0380	Receivables (trade, not insurance)	20,009
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	91,982
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	7,109,184

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	0
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	0
R0550	*Risk margin*	0
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	1,274,984
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	1,274,984
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	1,213,303
R0680	*Risk margin*	61,681
R0690	Technical provisions - index-linked and unit-linked	5,415,713
R0700	*TP calculated as a whole*	5,448,757
R0710	*Best Estimate*	-37,974
R0720	*Risk margin*	4,931
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	4,574
R0760	Pension benefit obligations	2,295
R0770	Deposits from reinsurers	5,452
R0780	Deferred tax liabilities	24,616
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	38,213
R0830	Reinsurance payables	519
R0840	Payables (trade, not insurance)	36,497
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	6,802,864
R1000	**Excess of assets over liabilities**	306,320

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross		1,570	37,214	8,909				177	47,870
R1420	Reinsurers' share		1,305	1,035	19,967				0	22,307
R1500	Net		265	36,179	-11,058				177	25,563
	Premiums earned									
R1510	Gross		1,570	37,214	8,909				177	47,870
R1520	Reinsurers' share		1,305	1,035	19,967				0	22,307
R1600	Net		265	36,179	-11,058				177	25,563
	Claims incurred									
R1610	Gross		19,285	1,149,693	61,833				200	1,231,010
R1620	Reinsurers' share		757	1,551	34,055				0	36,363
R1700	Net		18,528	1,148,141	27,778				200	1,194,647
	Changes in other technical provisions									
R1710	Gross		0	0	0				0	0
R1720	Reinsurers' share		0	0	0				0	0
R1800	Net		0	0	0				0	0
R1900	**Expenses incurred**		1,239	16,874	4,503				0	22,616
R2500	**Other expenses**									1,585
R2600	**Total expenses**									24,201

S.12.01.02
Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**	0	5,448,757			0				0	5,448,757						
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	0	6,383			0				0	6,383						
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**	235,279		27	-38,001		768,782	208,656		586	1,175,329						
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-6,576		0	-111		149,727	161,162		0	304,201						
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	241,856		27	-37,889		619,055	47,494		586	871,128						
R0100	**Risk margin**	748	4,931			60,896				37	66,612						
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole	0	0			0				0	0						
R0120	Best estimate	0		0	0		0	0		0	0						
R0130	Risk margin	0	0			0				0	0						
R0200	**Technical provisions - total**	236,027	5,415,713			1,038,334				623	6,690,697						

S.22.01.21

Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
R0010	**Technical provisions**	6,690,697	0	0	0	38,641
R0020	**Basic own funds**	306,320	0	0	0	-38,641
R0050	**Eligible own funds to meet Solvency Capital Requirement**	306,320	0	0	0	-38,641
R0090	**Solvency Capital Requirement**	173,880	0	0	0	29,958
R0100	**Eligible own funds to meet Minimum Capital Requirement**	306,320	0	0	0	-38,641
R0110	**Minimum Capital Requirement**	53,938	0	0	0	811

S.23.01.01
Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	100,000	100,000		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	760	760			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	205,560	205,560			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**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**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	306,320	306,320	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			0	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	0
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R0390	Other ancillary own funds	0			0	0
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	306,320	306,320	0	0	0
R0510	Total available own funds to meet the MCR	306,320	306,320	0	0	
R0540	Total eligible own funds to meet the SCR	306,320	306,320	0	0	0
R0550	Total eligible own funds to meet the MCR	306,320	306,320	0	0	

R0580	**SCR**	173,880
R0600	**MCR**	53,938
R0620	**Ratio of Eligible own funds to SCR**	176.17%
R0640	**Ratio of Eligible own funds to MCR**	567.91%

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	306,320
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	0
R0730	Other basic own fund items	100,760
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	205,560

	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	3,040
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	0
R0790	**Total Expected profits included in future premiums (EPIFP)**	3,040

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	143,498		
R0020	Counterparty default risk	17,341		
R0030	Life underwriting risk	127,786		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-67,849		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	220,777		

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	10,693
R0140	Loss-absorbing capacity of technical provisions	-29,238
R0150	Loss-absorbing capacity of deferred taxes	-28,352
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	173,880
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	173,880
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	126,960
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	1,122
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	45,797
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	No

	Calculation of loss absorbing capacity of deferred taxes	**LAC DT**
		C0130
R0640	LAC DT	-28,352
R0650	LAC DT justified by reversion of deferred tax liabilities	-21,115
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	-7,237
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	-38,424

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
R0010	MCR_{NL} Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		
R0030	Income protection insurance and proportional reinsurance		
R0040	Workers' compensation insurance and proportional reinsurance		
R0050	Motor vehicle liability insurance and proportional reinsurance		
R0060	Other motor insurance and proportional reinsurance		
R0070	Marine, aviation and transport insurance and proportional reinsurance		
R0080	Fire and other damage to property insurance and proportional reinsurance		
R0090	General liability insurance and proportional reinsurance		
R0100	Credit and suretyship insurance and proportional reinsurance		
R0110	Legal expenses insurance and proportional reinsurance		
R0120	Assistance and proportional reinsurance		
R0130	Miscellaneous financial loss insurance and proportional reinsurance		
R0140	Non-proportional health reinsurance		
R0150	Non-proportional casualty reinsurance		
R0160	Non-proportional marine, aviation and transport reinsurance		
R0170	Non-proportional property reinsurance		

Linear formula component for life insurance and reinsurance obligations

		C0040
R0200	MCR_L Result	53,938

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	162,978	
R0220	Obligations with profit participation - future discretionary benefits	78,878	
R0230	Index-linked and unit-linked insurance obligations	5,404,511	
R0240	Other life (re)insurance and health (re)insurance obligations	667,135	
R0250	Total capital at risk for all life (re)insurance obligations		240,316

Overall MCR calculation

		C0070
R0300	Linear MCR	53,938
R0310	SCR	173,880
R0320	MCR cap	78,246
R0330	MCR floor	43,470
R0340	Combined MCR	53,938
R0350	Absolute floor of the MCR	3,338
R0400	**Minimum Capital Requirement**	53,938

GLOSSARY OF TERMS

AFR	Available Financial Resources
ALCo	Asset and Liability Committee
ALM	Asset and Liability Management
AMC	Annual Management Charge
AVIF	Acquired Value In-Force
BEL	Best Estimate Liability
bps	basis points
BRV	Bonus Reserve Value
BSCR	Basic Solvency Capital Rate
CF	Certification Function
CMS	Capital Management Strategy
DB	Defined Benefit
ECAI	External Credit Assessment Institution
EIOPA	European Insurance and Occupational Pensions Authority
EOF	Eligible Own Funds
EPIFP	Expected Profit in Future Premium
EU	European Union
ExCo	Executive Committee
FCA	Financial Conduct Authority
FCOGC	Fair Customer Outcomes Governance Committee
FDB	Future Discretionary Benefits
FRS	Financial Reporting Standard under UK GAAP
FVPC	Fair Value Pricing Committee
GAAP	Generally Accepted Accounting Principles
GAO	Guaranteed Annuity Option
GDPR	General Data Protection Regulation
HRG	Homogeneous Risk Group
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
KF	Key Function
KFP	Key Function Person
KRI	Key Risk Indicator
MA	Matching Adjustment
MCR	Minimum Capital Requirement
NNED	Notified Non-Executive Director
NPF	Non-Profit Fund
ORSA	Own Risk and Solvency Assessment
OTC	Over the Counter

PPFM	Principles and Practices of Financial Management
PRA	Prudential Regulation Authority
QRT	Quantitative Reporting Template
RFF	Ring Fenced Fund
RIDCo	Regulatory and Industry Development Committee
RMF	Risk Management Framework
RMIS	RMIS (RTW) Limited – formerly Reliance Mutual Life Insurance Society Limited
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SM&CR	Senior Managers and Certification Regime
SMC	Senior Management Committee
SMF	Senior Management Function
TMTP	Transitional Measure on Technical Provisions
TP	Technical Provisions
Utmost Life and Pensions	Utmost Life and Pensions Limited("the Company")
Utmost Holdings	Utmost Life and Pensions Holdings Limited
Utmost Services	Utmost Life and Pensions Services Limited
WPSF1	With Profits Sub-Fund 1
WPSF2	With Profits Sub-Fund 2
WPSF4	With Profits Sub-Fund 4
WPSF6	With Profits Sub-Fund 6