Utmost Life and Pensions Limited

SOLVENCY

AND

FINANCIAL CONDITION REPORT

2022

Registered in England No: 10559664

Walton Street, Aylesbury,

Buckinghamshire, HP21 7QW

www.utmost.co.uk

SOLVENCY AND FINANCIAL CONDITION REPORT 2022

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SOLVENCY AND FINANCIAL CONDITION REPORT 2022

EXECUTIVE SUMMARY

INTRODUCTION

This report is the Solvency and Financial Condition Report ("SFCR") of Utmost Life and Pensions ("ULP", "the Company") for the reporting period ended 31 December 2022 ("the Report"). The Report has been prepared in accordance with the Solvency II Regulations governing insurance group reporting and guidance from the Prudential Regulatory Authority ("PRA").

The SFCR provides details of the Company business and its performance, systems of governance, risk profile, and valuation for solvency purposes and capital management for the financial year ended 31 December 2022.

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.

The Company has no external new business, and the only new business written in 2022 were annuities, sold to existing customers on the vesting of their pension savings contracts (including contracts with Guaranteed Annuity Options ("GAOs") and the Flexible Drawdown product. The vast majority of business has been written in the UK.

The Company is part of the Utmost Group Plc ("UGP"), whose aim is to secure its clients' financial futures through the delivery of insurance and savings solutions, which result in greater prosperity for current and future generations.

BUSINESS AND PERFORMANCE

Key highlights

Key highlights for 2022 include the following:

- Launching MyUtmost, an online service, initially for ULPs former Equitable Life customers. More details of MyUtmost are included below.
- Launching our Pensions Consolidation proposition to existing customers, initially to former Equitable Life customers.
- Further developing our Sustainability Strategy including revising our Responsible Investments Policy to exclude companies that invest in thermal coal from our shareholder portfolio. Further details are below. This is in addition to our existing commitments to halve the carbon emissions across our shareholder investments by 2030 and to be net zero across our shareholder investments by 2050.
- Maintaining a strong solvency position throughout 2022, beginning the year with a solvency coverage ratio of 184%, and ending it with a solvency coverage ratio of 227%, having also paid dividends of £70m to Utmost Group.

We remain in a strong and resilient position, able to meet our capital requirements and ready for future opportunities to grow in line with our strategy.

Business performance

Throughout 2022, we have actively executed our strategy, primarily through a combination of continuing to develop our customer proposition and experience, as well as delivering a more efficient operational model.

Developing MyUtmost

MyUtmost, our online portal for former Equitable Life customers, successfully launched at the beginning of October. It enables customers to perform a wide variety of tasks, including:

- Viewing policy values and policy details;
- Sending and receiving secure messages;
- Viewing annual statements and other documents;
- Reviewing investment details and switching between investment funds;
- Updating personal details.

Since launch, we have seen a promising level of customers registering to use the service and further customers signing up on a daily basis, with 20% of eligible customers registering by the end of Feb 2023.

The service allows customers to be able to self-serve at a time that suits them, reducing turnaround times compared to sending in requests by post and email. The service has been particularly popular with our customers that live overseas. Many of these customers can experience difficulties corresponding in paper, and MyUtmost can give them a much improved and more secure customer experience.

MyUtmost also provides ongoing efficiencies for our customer services teams through various elements of straight-through processing. One of the key areas is our fund switch functionality, enabling customers to switch their unit-linked funds without charge. We believe it is appropriate for customers to review their investments and this is also aligned with FCA ambitions. We have seen an uptick in the number of switches since launch, proving that this new channel of communication has helped in this area.

We have another opportunity to promote MyUtmost in our annual statements and we are confident we will see many more customers joining up to enjoy the benefits of this service.

During 2023, we plan to look at further enhancements to the portal and will also begin the journey to standardise processes for former Reliance customers that will pave the way for widening MyUtmost to these customers at a future point.

The successful rollout of MyUtmost is also consistent with our Sustainability Strategy, helping to reduce the usage of paper and the carbon footprint of sending out customer information by post.

Pensions Consolidation

Enabling consolidation of other pension pots into their existing policies provides former Equitable customers with an alternative option to assist with their retirement planning, helping to deliver on one of our core strategic objectives of retaining customers and supporting their needs, now and in the future.

Many customers seek to consolidate their pension pots at some point in their life, whether it be to simplify their administration, bring money together before they start to take benefits, or to reduce complexity when leaving their pensions to beneficiaries.

For those customers wanting to take advantage of an Utmost Drawdown policy, this option allows them to consolidate pensions beforehand. Pension consolidation also benefits ULP, helping to retain customers as well as bringing in new money.

It is early days to understand the likely demand for this option but, since launching this option in October, we have seen a steady stream of interest from existing customers.

Investment Performance

In 2022, global equity and bond markets have been volatile, with bond markets and equities in certain markets negatively impacted. For instance, in 2022 the UK government bond market reduced in value by 23.8% (measured by the FTSE Gilts index), sterling corporate bonds reduced in value by 17.7% (measured by the Markit IBoxx index) and US equities reduced in value by 8.3% in GBP terms (measured by the S&P 500) over the year. By contrast, the FTSE All Share (measuring UK equity performance) was flat at 0.3% return.

Market volatility was triggered by a variety of factors. As economies started to open up following the Covid pandemic, this created increased demand for energy, together with continued supply chain problems. This was then exacerbated by the Russia/Ukraine conflict, which in turn further increased energy prices due to the reliance on Russia for energy supplies across many countries. Further, increased energy prices have then been a factor in increasing inflation across many countries and Central Banks have taken action to increase Interest rates across the world, contributing to a risk of a global recession.

The majority of our Unit Linked Funds are managed by JP Morgan Asset Management ("JPMAM") within their Multi-Asset Funds. As at December 2022 the JPMAM Multi-Asset funds have seen negative returns but have performed at or better than the bespoke benchmarks set for the funds over 6 months, 1 year and 2 years. Over 2 years 95% of the JPMAM funds are achieving or above benchmark.

The majority of former Equitable Life customers continue to be invested in our Age Related Strategy. For customers in the Age Related Strategy, their monies were initially invested in Secure Cash for the first six months of 2020 and transferred into the JPMAM Multi-Asset Funds through the second half of 2020, with the relevant fund determined by their age.

For customers invested in the Multi-Asset Moderate Fund (where a large proportion of our customers are invested) from July 2020 to February 2023 (the latest available information) the overall growth in this fund was 11.9%. The majority of former Reliance customers who have a Unit Linked policy are also in the Multi-Asset Moderate Fund and so have also benefitted from this performance, despite the market volatility in 2022.

A large proportion of our customers are also invested in the Multi-Asset Cautious Fund. As a fund majority invested in Government and Corporate Bonds (with a UK bias) returns have been negative as stated above. This has been offset partly by the equity performance (which also has a UK bias). Overall, the fund has returned -3.4% from July 2020 to February 2023 (the latest available information). It also performed in line with benchmark over 2022. We believe the outlook for bond returns to be improving going forwards.

Former Equitable Life policies who already had an existing Unit Linked policy at the time of the transfer to ULP are invested in a fund range provided by Abrdn (formerly known as Aberdeen Standard Investments). The Heritage ELAS Managed Fund has been somewhat sheltered from the large negative swings in 2022 due to having a higher UK Equity exposure. The UK stock market (measured by the FTSE100 Index) outperformed its peers in 2022 due to its large exposure to commodity producers and defensive consumer staples. 92% of Abrdn funds have been above their bespoke benchmark over the last 2 years. Overall, the Abrdn Managed Fund has returned 17.8% from July 2020 to February 2023 (the latest available information).

The non-linked portfolios of ULP (with an average credit rating of A+) are managed by our strategic partner, Goldman Sachs Asset Management (GSAM). These portfolios are long term investments on a buy and hold strategy with a high level of matching cashflows. GSAM continued to work with ULP to provide suitable assets to match against our Non Linked liabilities.

Utmost Portfolio Management Limited, a fellow subsidiary of UGP, was appointed as investment manager to manage the shareholder assets of the Company in 2020. This arrangement has proved effective in providing performance above benchmark of 1.8% throughout 2022 with a range of shorter dated fixed interest securities and cash. In 2022, there was an unrealised loss of £4.1m in the shareholder portfolio.

Systems Development

In addition to the launch of MyUtmost, we have continued to make improvements to our systems in 2022, in conjunction with our strategic IT partner, Atos. This includes the implementation of the Microsoft Teams Collaboration Tool, upgrade to Windows, further upgrades to underlying databases and the introduction of a new Service Desk with resource dedicated to supporting ULP.

We have also developed a "Hybrid Mail" solution, which maintains our delivery timescales with our customers, whilst providing a more efficient operating model and improved operational resilience.

Product development and marketing

In March 2020, the Company launched a Flexible Drawdown proposition available to former Equitable Life customers. We enhanced this proposition in 2021 to widen our offering to former Reliance customers. New business written in 2022 included the Flexible Drawdown product and annuities sold to existing customers on the vesting of their pension savings contracts (including contracts with guaranteed annuity options).

Sustainability Strategy

ULP is committed to making a positive difference. Our responsibility to our customers combines with a sense of responsibility in all our corporate actions to the environment, to our people and to the wider society in which we operate in order to maximise the positive impacts we can create. As well as being an overall positive for society, this also makes business sense in keeping with our long-term vision. This is brought together in our Sustainability Strategy.

Our Sustainability Strategy is defined along four pillars, which are underpinned by policies and targets, recognising that sustainable business encompasses a range of topics. These four pillars are:

Customer Outcomes
Responsible Investments
Environmental Impact
Community Engagement

More information on this topic is provided within section A.1.5.3 and the ULP Annual Report and Accounts.

Statutory Profit and loss

The Profit and Loss for the year reflects a reduction from a post-tax profit of £58.1m in 2021 to £48.1m in 2022. The key drivers of this net change of £10m were as follows:

- Impact of market volatility reducing the annual management charges on the Unit Linked book of business, partly offset by:-
- Change in Mortality/Longevity Assumptions, releasing reserves;
- Change in Persistency Assumptions, releasing reserves;
- Run off of the in-force book, releasing reserves;
- Movement in assets matching guarantees which are matched to liabilities on a Solvency II basis, resulting in a UK GAAP profit due to the different movement in assets versus liabilities

The Directors paid two dividends, totalling £70m, during the financial year to UGP (£55m: 2021).

Capital position

The Company maintained capital sufficient to meet its Solvency Capital Requirement ("SCR") throughout the period. The total available financial resources for the year end 31 December 2022 were £260.0m (2021: £290.7m). The Company had a SCR of £114.5m at year end 2022 (2021: £157.6m), with an unaudited Solvency Coverage Ratio of 227% (2021: 184%). (See section D and E).

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 227%, which includes the benefit of the MA. Without the MA, the Solvency Coverage Ratio would be 192%.

Transitional Measures

The Company does not apply the transitional risk-free interest rate term structure.

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

SII Pillar 1 Solvency (£m)	31-Dec-22	31-Dec-21
Own Funds (unrestricted)	264.7	302.9
Restriction on Own Funds	(4.7)	(12.2)
Own Funds	**260.0**	290.7
Solvency Capital Requirements	114.5	157.6
Sub-fund capital support	0.0	0.0
Excess Available Capital (after capital support)	**145.5**	133.1
Solvency Capital Ratio	**227%**	**184%**
Minimum Capital Requirement ("MCR")	40.8	51.5
Unused Future Discretionary Benefits ("FDBs")	44.8	49.1

Customers

In line with our mission statement, customer interests, from both existing and acquired businesses, are at the forefront of our business model. Our strategy, to consolidate existing books of business, results in servicing long-standing customers. We provide a safe home for customers and policies, due to our strong capital position and efficient operational management. A key objective for us is to achieve good customer outcomes.

Risk and governance framework

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.

Market risk	Primarily in the form of equity and currency risks.
Underwriting risk	Primarily in the form of expense, longevity, and persistency risks and the take-up of guaranteed options.
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 seven operational risk categories: :- Internal Fraud, External Fraud, Employment Practices, Damage to Physical Assets, Business disruption and system failures, Client/ Products/ Business practices and Execution/ Delivery/ Process management

The Company's System of Governance and risk profile are set out in sections B and C of this report.

<u>COVID-19</u>

We have continued to minimise any operational impacts of COVID 19 throughout 2022 it has largely been a return to Business As Usual. We have followed all Public Health advice measures to ensure the health and well-being of staff.

<u>Russia/Ukraine Conflict</u>

The onset of the Russia/Ukraine conflict, in February 2022, added volatility to the global economy which was still recovering from the after effects of the COVID-19 outbreak. This conflict, and any other geopolitical risks which evolve over the coming months, continues to have significant impacts on the global economy, particularly through the impact of higher energy prices and disruption to supply chains.

Given our exposure to equity markets for our future income, any fall in the value of equity markets will reduce the value of AMCs. We will continue to monitor the impacts of the conflict and any other geopolitical risks to ensure we remain resilient. We continue to have no exposure to Russia and Ukraine within the JPMAM Emerging Markets Fund, which is a sub-fund of the Multi-Asset Funds.

<u>Bank Liquidity</u>

Over the past few weeks, there has been evidence of volatility in investment markets following the collapse of specialist US bank, Silicon Valley Bank and the announcement of the acquisition of Credit Suisse by UBS. ULP has no direct exposure to Silicon Valley Bank and a very small direct exposure to Credit Suisse. We will continue to work with our Investment Managers on managing and monitoring the risks within our assets.

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 2022

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

S. Shone

Stephen Shone
Chief Executive Officer
5 April 2023

SOLVENCY AND FINANCIAL CONDITION REPORT 2022

A. BUSINESS AND PERFORMANCE

A.1 Business

The Company is part of the Utmost Group Plc, 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.£57bn in assets under administration and 530,000 customers.

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 the vast majority of the business of the Equitable Life Assurance Society on 1 January 2020. The ultimate parent company that is registered in the UK is Utmost Group Plc ("UGP"). The ultimate parent undertaking of the Company is OCM Utmost 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, Bucks, HP21 7QW. The Company is authorised by the Prudential Regulation Authority ("PRA"), and regulated by both the Financial Conduct Authority ("FCA") and PRA.

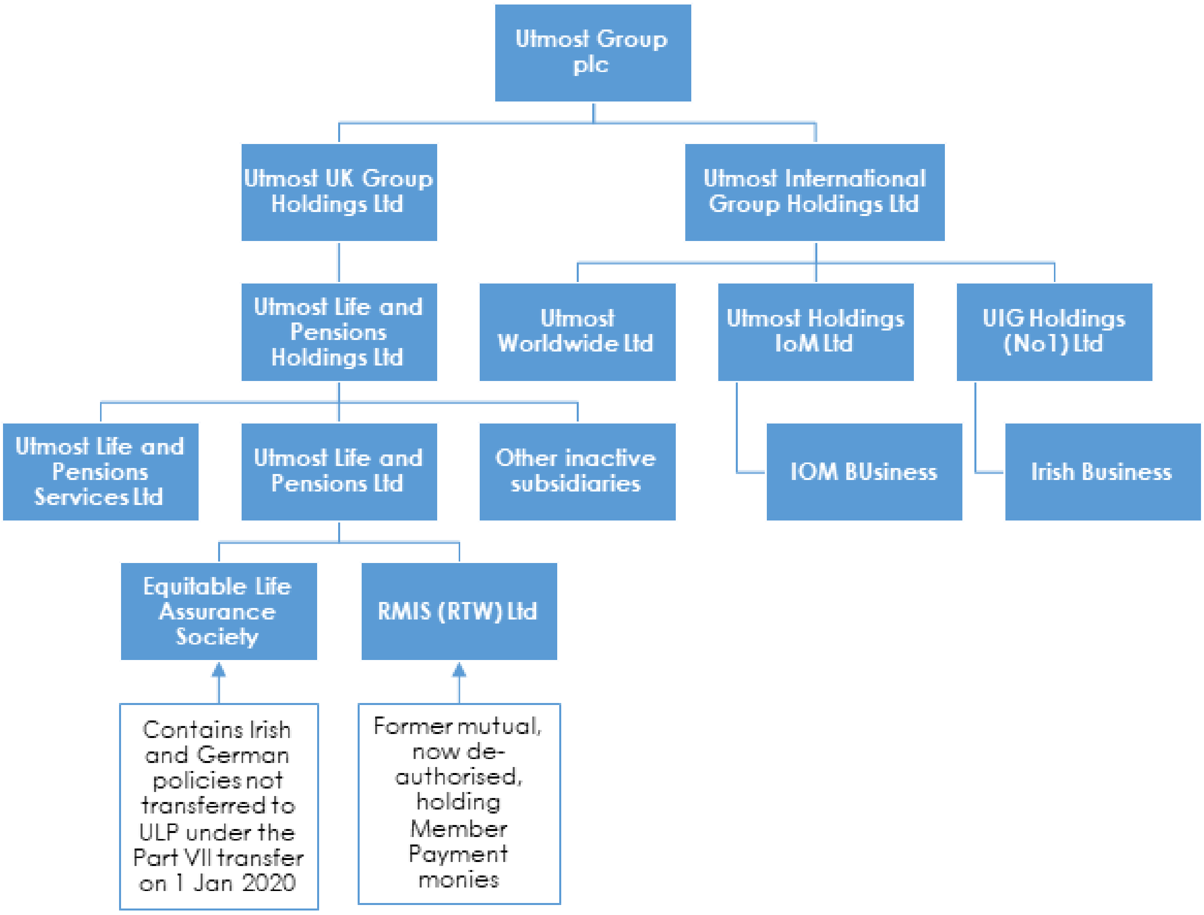
A.1.2 Supervisory authorities and external Auditors

Supervisory Authority	External Auditors of the Annual Report and Accounts
Prudential Regulation Authority Bank of England 20 Moorgate London EC2R 6DA	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
Financial Conduct Authority 12 Endeavour Square London E20 1JN	

A.1.3 Group structure

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"). ULPS employs all staff for the ULPH group of companies. All our business and corporate teams operate from Aylesbury.

The structure sets out the principal companies with a material relationship with the Company. The Company is the parent of Equitable Life Assurance Society ("ELAS"), which retained residual Irish and German business following the transfer in January 2020, and remains an authorised insurer in its own right. The Company also wholly owns 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.



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 ("the WPSFs") – WPSF1, 2, 4 and 6 – which are primarily with-profits business. The NPF contains two Matching Adjustment 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 Flexible Drawdown Product.

The table overleaf summarises the Company's material lines of business as at 31 December 2022.

Line of Business	Contract Type	Product(s)	% of Technical Provisions
Unit-Linked and Index-Linked Insurance	Unit-Linked	Life and Pensions Savings, Protection	85%
Other Life Insurance	Non-Linked	Annuities	9%
Other Life Insurance	Non-Linked	Life and Pensions Savings, Protection and Other	2%
Other Life Insurance	Non-Linked	Funeral Plan	1%
Insurance With-Profit Participation	With-Profits	Life and Pensions Savings, Protection and Other	2%
Insurance With-Profit Participation	With-Profits	With Profit Annuities	1%

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 Company Strategy Update

During 2022, decisions have been made in line with achieving the strategy to become a successful medium-sized UK life and pensions consolidator. This has included completing the integration activities following the acquisition of Equitable Life in 2020, and launching our online proposition "MyUtmost". Our key financial decisions made during the year included the declaration and payment of two dividends, totalling £70m, after careful consideration of all the consequences for other stakeholders, including customers.

A.1.5.2 Target Operating Model delivery

Throughout 2022, we have continued to deliver for our customers through good customer service and investment performance in line with benchmark. We launched our online proposition "MyUtmost" to enhance our customer proposition. We have also continued to make our operation more efficient through further system enhancements. Finally, we have also maintained a strong and resilient Balance Sheet, whilst also delivering £70m of dividends to our shareholder. We therefore start 2023 in a strong position, well-aligned behind our strategy to face the opportunities and challenges for the year ahead and continuing to deliver successful outcomes for our customers, shareholder and other stakeholders.

We are ready for for future opportunities to grow in line with our strategy.

A.1.5.3 Launch of Sustainability Strategy

Utmost Life and Pensions is committed to making a positive difference. Our responsibility to our customers combines with a sense of responsibility in all our corporate actions to the environment, to our employees and to the wider Society in which we operate, in order to maximise the positive impacts we can create. As well as being an overall positive for the Company, this also makes business sense in keeping with our long-term vision. This is brought together in our Sustainability Strategy.

Our Sustainability Strategy is defined across four pillars, which are underpinned by policies and targets, recognising that sustainable business encompasses a range of topics. The four pillars are:

Customer Outcomes

Responsible Investments

Environmental Impact

Community Engagement

Customer Outcomes - we seek to communicate transparently with our customers, providing good customer service and our proposition is continually assessed to ensure suitable outcomes.

Responsible Investments - we recognise the importance of our role as a long-term allocator of capital. Sustainable investing is a key issue facing our industry and wider society, and an important factor to our customers when allocating funds. ULP takes its responsibility seriously and is committed to taking a pro-active approach to sustainable investing.

ULP has committed to reducing the carbon emissions in its shareholder investment portfolio. With UGP we have set a target to halve the carbon emissions in our shareholder investment portfolio by 2030, and to be net zero in our shareholder investment portfolio by 2050, in line with the ABI Climate Change Roadmap. In 2022, UGP and ULP further enhanced our Sustainability Strategy, with an additional exclusion relating to thermal coal. Across our shareholder investment portfolio, ULP will not make new investments into any Companies that support the financing of any new thermal coal activity, including of new thermal coal plants or continuation with plans in pre-construction.

UGP have also become a signatory to the UN's Principles of Responsible Investment initiative ("UNPRI"). The UNPRI is the world's leading proponent of responsible investment. It works to understand the investment implications of environmental, social and governance ("ESG") factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

We are committed to taking a proactive approach to sustainable investing and we will continue to embed it across our business – in our strategy, in our investments and in our ongoing stewardship. Becoming a signatory to the UNPRI demonstrates our commitment to this and encourages investments that contribute to prosperous and inclusive societies for current and future generations.

Environmental Impact - Utmost Group, including ULP, has achieved a net zero carbon status in its operations. Net zero carbon is where the carbon emissions caused by our organisation are balanced out by funding an equivalent amount of carbon savings elsewhere in the world.

The Group has achieved its net zero carbon status through a Tree Buddying Scheme in partnership with Carbon Footprint Limited. As part of the project, the Group has arranged to plant a tree for each of its employees. Carbon Footprint Limited provides verified carbon standard approved carbon credits, where Carbon Footprint Limited protects trees in the Brazilian Amazon through avoided deforestation.

We intend to continue to measure and offset our operational carbon emissions in future years.

Further details on the strategy are published on our website at https://www.utmost.co.uk/about-us/sustainability.

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 05 April 2023 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 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;

- 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 2022 was 227% (2021: 184%), which was successfully above of the Board's stated risk appetite of at least 135% Solvency Ratio at all times and at least 150% Solvency Ratio immediately after the payment of a dividend or loan interest.

The table below analyses the Solvency Coverage of the Company.

SII Pillar 1 Solvency (£m)	31-Dec-22	31-Dec-21
Own Funds (unrestricted)	264.7	302.9
Restriction on Own Funds	(4.7)	(12.2)
Own Funds	**260.0**	290.7
Solvency Capital Requirements	114.5	157.6
Sub-fund capital support	0.0	0.0
Excess Available Capital (after capital support)	**145.5**	133.1
Solvency Capital Ratio	**227%**	**184%**
Minimum Capital Requirement ("MCR")	40.8	51.5
Unused Future Discretionary Benefits ("FDBs")	44.8	49.1

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 £36.0m (2021: £39.0m) 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 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.

2022:

	Debt Securities	Equity securities	Other Financial Investments	Total
	£m	£m	£m	£m
Dividends	-	0.6	88.7	89.3
Interest	24.4	-	1.1	25.5
Net realised (losses) / gains	(8.3)	-	45.8	37.5
Net unrealised (losses)/ gains	(175.6)	(8.6)	(656.0)	(840.2)
	(159.5)	(8.0)	(520.4)	(687.9)

2021:

	Debt Securities	Equity securities	Other Financial Investments	Total
	£m	£m	£m	£m
Dividends	-	0.6	57.3	57.9
Interest	29.8	-	-	29.8
Net realised (losses) / gains	(2.8)	-	71.1	68.3
Net unrealised (losses)/ gains	(55.4)	2.2	460.3*	407.1*
	(28.4)	2.8	588.7	563.1

*The comparative information for the year ended 31 December 2021 has been restated to change the accounting policy for the valuation of investments in subsidiaries from fair value to cost less impairment on a UKGAAP basis. SII valuation basis is based on SII own funds.

The realised gains and unrealised losses are in respect of the portfolio of corporate and government bonds and OEIC investments. At 31 December 2022, 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 Material Activities

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

Climate Change and wider ESG Risks

Expectations with regards to the management of climate change risk and wider ESG risks has continued to increase over the last year. We continue to develop our understanding of these risks by working with UGP to develop our risk management framework which includes work on scenario analysis.

The Company has been actively working to ensure that climate risk is integrated effectively within the Company's risk management. This includes:

- Effective management and oversight from the Board
- Development of a Climate Risk Framework which sets out the overall approach adopted to identify, assess, manage, monitor and report risks associated with climate change and ensures that climate-related factors are considered when assessing the overall risks to the Company
- Embedding controls into relevant processes covering risk identification, assessment, acceptance or approval, monitoring, and reporting through the Company's Risk Control Self-Assessment process. The existing set of Policies has been enhanced through the addition of a Group Responsible Investment Policy.
- We have taken positive steps in assessing the sensitivity of the Company's financial positions to climate transition risk based on results from scenario analysis.

B. SYSTEM OF GOVERNANCE

B.1 General Information

The Board meet 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. At the end of 2022 the Board comprised the Chair (an Independent Non-Executive member), three other Independent Non-Executive members, two Group Non-Executive Directors and two Executive Directors.

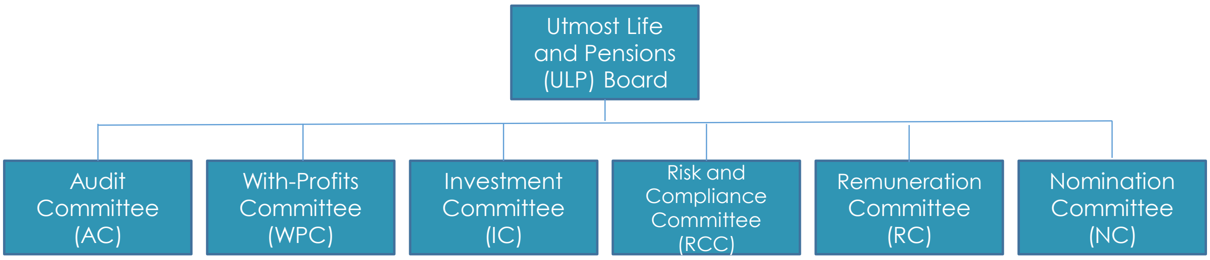
Directors	Name
Chairman	Michael J Merrick
Chief Executive Officer	Stephen Shone
Chief Financial Officer	Jeremy S Deeks
Independent Non-Executive Directors	Duncan A Finch
	Lord Daniel W Finkelstein
	Feilim Mackle
	Vicky Kubitscheck (appointed 26 January 2022, resigned 7 October 2022)
Group Non-Executive Directors	A Paul Thompson
	Ian G Maidens

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 Fit and Proper Policy also governs the delegations, to ensure that individuals and committees have relevant qualifications, experience and knowledge to complete the task. The structure of the delegated responsibilities to all Board Committees is shown below.



Audit Committee

The Audit Committee is a 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 will be composed of at least three members at all times, and must be composed only of Non-Executive Directors. At least one member of the Committee must have competence in accounting and/or auditing, and the remaining members should at a minimum have experience of dealing with financial and accounting matters.

The Committee Chair is appointed by the Board, and must be an Independent Non-Executive Director. In the absence of the Chair and/or an appointed deputy, the remaining INED members present shall elect one of themselves to chair the meeting.

The Company's Chief Executive Officer, Chief Financial Officer and Chief Actuary are invited to attend meetings of the Committee. In addition to appointed members, the Chair 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 to discuss any significant or critical aspects concerning the Company's financial control affairs and/or related matters.

With-Profits Committee

The With-Profits Committee is a 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-Profit 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 Chair and other members of the Committee are appointed by the Board in consultation with the Chair of the Board. 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 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 shall have recent and relevant financial experience and, preferably, hold a professional qualification from the professional actuarial body.

The Chair 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 Chair 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 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 Chair. The Committee will be composed of at least three members at all times.

The Chair is appointed by the Board, and must be an Independent Non-Executive Director. In the absence of the Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chair of each meeting shall be an INED.

The Company's Chief Financial Officer, Chief Actuary, Chief Risk Officer, and the Head of Investments 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 Head of Investments shall have direct access to the Committee as appropriate.

The Committee shall meet at least quarterly and at such other times as the Chair considers necessary or appropriate to discuss any significant or critical aspects concerning the Company's investment affairs and/or related matters.

Risk and Compliance Committee

The Risk and Compliance Committee is a 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 are appointed by the Board following consultation with the Committee Chair. The Committee will be composed of at least three members at all times.

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

The Company's Chief Executive Officer, the Chief Risk Officer, the Chief Financial Officer and the Chief Actuary are invited to attend meetings of the Committee. In addition to appointed members, the Chair 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 Chair considers necessary or appropriate to discuss any significant or critical aspects concerning the Company's risk and compliance affairs and/or related matters.

Remuneration Committee

The Remuneration Committee is a 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 Chair. The Committee will be composed of at least three members at all times.

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

In addition to appointed members, the Chair 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 Chair 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 Chair considers necessary or appropriate to discuss any significant or critical aspects concerning the Company's remuneration affairs and/or related matters.

Nomination Committee

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

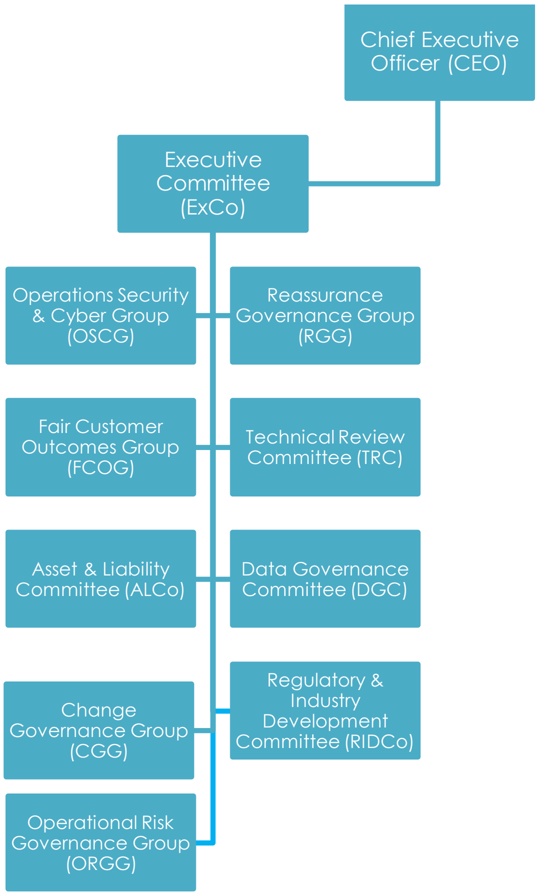
The membership and chairmanship of the Committee will be reviewed each year by the Board in consultation with the Chair to ensure that an appropriate balance is maintained between experience and independence. Changes as required will be recommended to the Board thereafter. The appointment of members 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 Chair 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, 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 risks. This includes liaising with the other executive sub-committees and responding to their recommendations.

Over the reporting period, the Committee was comprised of the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the Chief Actuary, the Customer Services Director, the IT Director, the HR Director and the Head of Change and Company Secretary. The Head of Internal Audit also has a standing invitation to attend meetings. The Company Secretary and HR Director act as Secretary to the Committee. 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 Chief Executive Officer, the With-Profits Committee, the Investment 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, the Chief Actuary, the Chief Risk Officer, the Head of Investments, and the Head of Capital and ALM, and meets at least monthly and more frequently if needed.

Fair Customer Outcomes Governance Group

The Fair Customer Outcomes Group ("FCOG") reports to ExCo. 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.

FCOG comprises the Chief Actuary as Chair, the Chief Financial Officer and the Customer Services Director. The Chief Executive Officer, Compliance Manager, Head of Investments, Product Management Actuary, Customer Services Director and Chief Risk Officer act as advisors to the Committee.

Data Governance Committee

This Committee assists ULP in meeting its legislative and regulatory data requirements, and its responsibilities include monitoring compliance with the organisation's data policies and procedures, and ensuring ULP is compliant with General Data Protection Regulation (GDPR), and other relevant data legislation and regulation.

It is comprised of the Customer Services Director (as Chair), Chief Risk Officer, IT Director (as Information Security Officer), Chief Financial Officer and Chief Actuary.

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 Group

This Committee is 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 the Chief Executive Officer 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 Head of Change and Company Secretary and is a cross functional, cross-departmental meeting with representatives from functions impacted or participating in change and business-as-usual projects. The main objectives are to prioritise and schedule change initiatives in conjunction with the business strategy and objectives, 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.

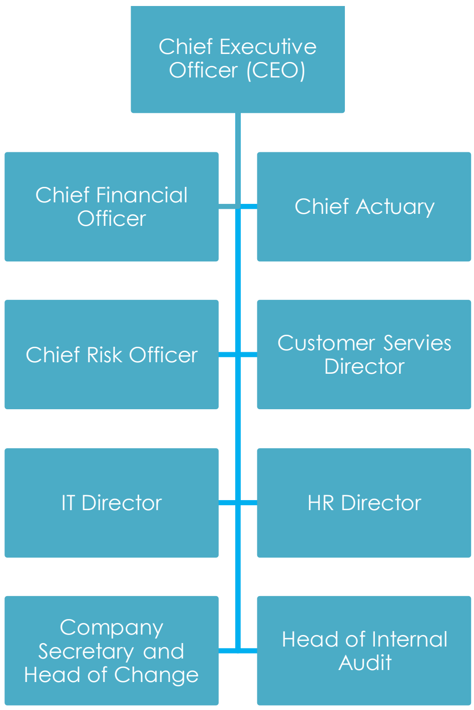
Operational Risk Governance Group

The Operational Risk Governance Group ("ORGG") maintains oversight of operational risk through the collective lens of operational resilience, business continuity and operational risks and risk events. Its main duties include monitoring the risk management framework to ensure that operational resilience is suitably embedded, ensuring owners of important business services and third party relationships clearly understand their role and responsibilities in meeting regulatory requirements, and ensuring the business adheres to a range of operational risk related policies and frameworks.

It comprises the Customer Services Director (Chair), Chief Risk Officer, Head of Compliance, IT Director, Head of Change and Company Secretary, Head of Investments, and Head of Actuarial Services. Internal Audit have the right of attendance.

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

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 ExCo, and reviews the Company's risks with the senior management team at least monthly, and at every Board meeting.

The Compliance function performs its role in a similar way, with the Compliance Manager reporting to the Chief Risk Officer.

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

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 Officer, Executive Directors and senior managers is set by the Remuneration Committee in accordance with the Group Remuneration Policy. The primary objective of the Remuneration Policy 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.

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.

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.

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 Holders ("'SMFH"), Notified Non-Executive Directors ("NNEDs"), Key Function Holders ("KFHs")), and Certification Function Holders ("CFHs"):

- 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 SMFHs 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 SMFHs 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 System 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 SMFH or notification form for an NNED.

The Company maintains a central register of SMFHs, KFHs and CFHs in its Management Responsibilities Map. This records the names and positions of those SMFHs who run the Company as and when appointed. The map is reviewed quarterly.

Once the Company has decided at the most senior level that it wishes to appoint an SMFH, 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.

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 SMFHs, NNEDs, KFHs and CFHs. An annual evaluation of the effectiveness of the Board is also undertaken.

B.3 Risk Management System

The Risk Management function is principally responsible for the ongoing implementation of the Company's Risk Management Framework ("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: risk and control 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 management 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.4 Own Risk and Solvency Assessment

The Company's Own Risk and Solvency Assessment ("ORSA") 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 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 Appropriateness Exercise	Analysis of the standard formula SCR relative to the Company's current and emerging risk profile, to ensure it remains appropriate.
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 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 report is produced 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.5 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 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 Chief Risk Officer ("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 and Compliance function, and 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.

B.6 Internal Audit Function

The Company's Internal Audit (IA) 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 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 Policy, 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.7 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.

B.8 Assessment of Governance

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 2022 the Company did not enter into any new strategic or material outsourcing arrangements. One contract arrangement, that of Apogee, increased in scale with outsource services engaged for remote printing and onward mailing of some policyholder communications.

All of the outsourced functions are within the jurisdiction of the UK.

Assessment of Governance

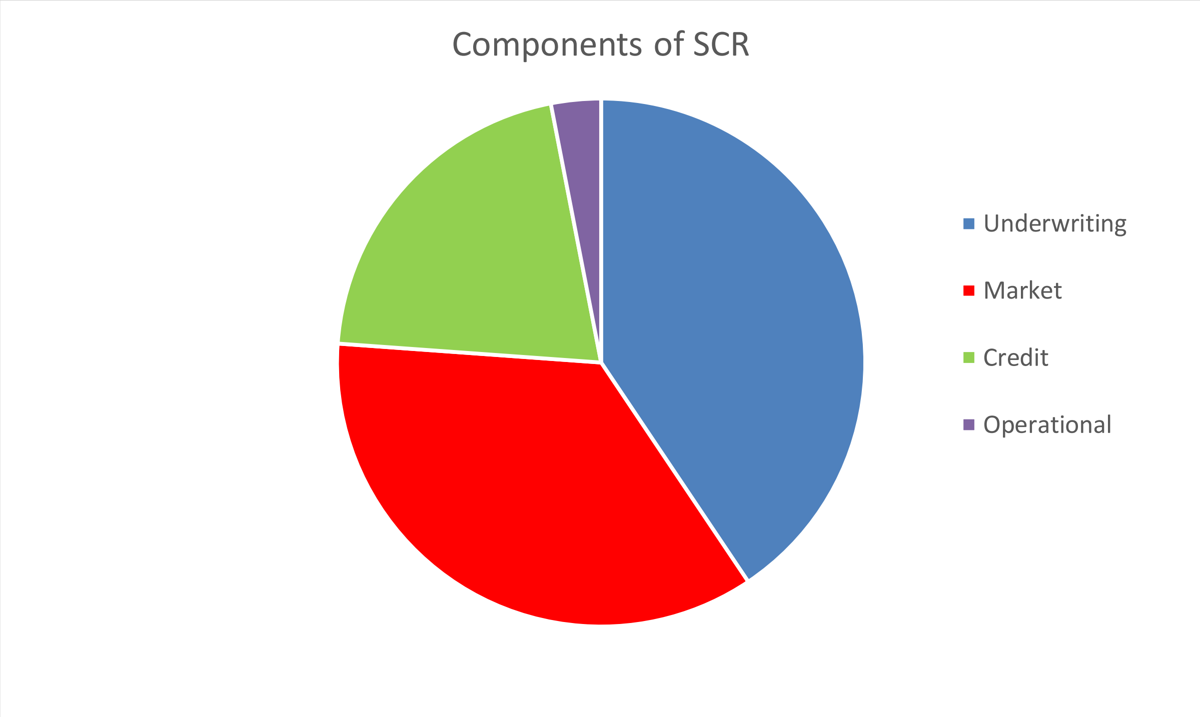
Key elements of the Company's System of Governance including the risk management system (including ORSA), the Internal Control System, and the Internal Audit function are all subject to ongoing oversight and review by senior management and the Board to ensure that they remain effective and fit for purpose.

As at 31 December 2022, 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 Officer 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.

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 following table 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 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 from 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. Which enables those policyholders wishing to access their tax free cash and/or drawdown to do so with ULP without transferring to another company. In addition, the business offering was further expanded in 2022 to include consolidation of personal pensions, either into existing Personal Pension Plans or into Drawdown products.

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.
Gilt – Swap Spread	Risk that the spreads between gilt rates and swap rates (based on the PRA 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 PRA 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 another one of the Company's market related risks (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 overleaf 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.

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.
Concentration (Fixed-interest and other money market	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.

Risk Category	Risk Description
instruments, cash deposits)	
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).

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). As such, the Company does not consider that this exposure 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 2022 were, by issuer, as follows: NatWest Group (£57.9m); GlaxoSmithKline (£13m); Wells Fargo (£12.3m); JP Morgan (£11.3m) and European Investment Bank (£10.7m).

Each of these top holdings individually contributes less than 8% 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 2022, under both base and longevity stress scenarios.

Reinsurer	Net exposure, £m, 2022	
	Base	Longevity Stress (20% stress on mortality rates)
TRZ	(7.9)	4.2
RGA	(38.9)	(23.1)
London Life	(2.8)	0.3
Swiss Re	2.6	2.6
Pacific Life	1.8	1.8
Hanover Re	2.7	3.1
Scottish Widows	208.9	229.5

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.£208.9m at 31 December 2022.

The Company does not consider the level of exposure to any of the other particular reinsurers to be significant or to represent a concentration of risk. The negative reinsurance values arise 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 reinsurers ('the floating leg') but the payments made to the reinsurers ('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 Operational Risk

C.4.1 Risk exposures

The Company has identified seven operational risk categories, as follows: internal fraud, external fraud, employment practices, damage to physical assets, business disruption and system failures, client/products/business practices and execution/delivery/process management. All operational risks identified by the Company are allocated to one of these categories.

Cyber risk is the risk of financial loss, disruption or reputational damage due to breaches of or attacks on the Company's information technology ("IT") systems. The risks from a cyber-attack have continued to increase in 2022 following the war in Ukraine. Any failure of the Company's IT systems could have a large impact on operations.

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

C.4.2 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.

Measurement Tool	Measure
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.4.3 Risk concentration

Given the wide scope of operational risk, any concentration of operational risk is monitored and managed as per sections C.4.2 and C.4.4.

C.4.4 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.5 Liquidity Risk

C.5.1 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.5.2 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.5.3 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 is required to hold in excess of £10m gilts and/or cash 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.5.4 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 2022, the value of the Company's total EPIFP was £2.3m; the vast majority of which was from unit-linked business.

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, currency and interest rate. The 1 in 200 year event assumptions and percentage change in Own Funds is set out in the following table.

Sensitivity Testing

Risk	Calibration	% change in own funds
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 PRA equity index at the valuation date and its average value over the preceding 3 years.	(25.2%)
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%.	(23.1%)
Spread	An instantaneous relative decrease in the value of each bond varying between 0% and -70% (by credit quality and duration.	(12.3%)
Expense	Instantaneous permanent: i) increase of 10% to future expenses: and ii) increase of 1% point to the expense inflation rate.	(9.5%)
Currency	The more onerous of: i) An instantaneous decrease of 25% in the value of the foreign currency against the local currency. ii) An instantaneous increase of 25% in the value of the foreign currency against the local currency.	(4.5%)
Interest Rate	The more onerous of: i) a rise in the value of interest rates of between 20% and 70% (exact amount is specified by PRA for each duration) ii) a decrease in the value of interest rates of between 20% and 75% (exact amount is specified by PRA for each duration)	(4.2%)

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 2022 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 2022.

Risk Class	Risk	Calibration	% Change in Own Funds	% Change in SCR
Life Underwriting	Lapse Down	Lapses down by 50%	10.5%	42.3%
Market	Interest rate (Down)	100 basis points ("bps") downward parallel shift to risk-free yield curve.	(3.7%)	2.4%
	Spread Up	Spread widening by 200bps	(5.6%)	(6.5%)
	Equity and Property	Instantaneous 40% decrease in equity and property prices.	(19.9%)	(23.3%)

Changes in 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.

C.7 Any Other Material Information

C.7.1 Inflation

2022 has seen a period of increased inflation, following on from the after effects of the COVID-19 pandemic due to supply chain issues, the Russia-Ukraine conflict and the resulting impact on energy and food prices. The response from central banks has been to increase interest rates and the forecast is that 2023 will see a worldwide recession. The impact will be dependent on the depth and duration of the recession – both in the UK and worldwide.

The continued effects of long COVID have the potential to impact the risks that the Company faces. .

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.

C.7.2 Liquidity Risk

ULP does not use an LDI strategy to hedge liabilities and is not exposed to a liquidity risk from its holding of derivatives used to back guaranteed annuity options.

C.7.3 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 PRA 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 2022.

£ million Assets	Statutory Reporting	Elimination of Intangible assets & group transactions	Reallocation Of Assets & Liabilities	Reversal of UK GAAP Technical provisions	Solvency II Technical Provisions	Solvency II
Goodwill	**(92.8)**	**92.8**				**-**
Intangible assets	**110.1**	**(110.1)**				**-**
Deferred Tax assets	**1.9**		**(0.3)**			**1.6**
Property, plant and equipment held for own use	**-**					**-**
Investments (other than assets held for index-linked and unit-linked contracts)	**811.0**	**0.5**	**9.3**			**820.8**
Equities	4.1					4.1
Bonds	667.7		8.7			676.4
Collective investment undertakings	74.7					74.7
Derivatives	4.4					4.4
Property (other than for own use)	-					-
Holdings in related undertakings	4.5	0.5				5.0
Deposits other than cash equivalents	55.6		0.6			56.2
Assets held for index-linked and unit-linked contracts	**4,529.0**					**4,529.0**
Loans and mortgages	**1.3**					**1.3**
Insurance and intermediaries receivable	**0.5**					**0.5**
Reinsurance recoverable	**224.0**			**(224.0)**	**166.4**	**166.4**
Reinsurance receivables	**1.1**					**1.1**
Receivables (trade, not insurance)	**21.1**		**(9.3)**			**11.8**
Cash	**46.2**					**46.2**
Total Assets	**5,653.3**	**(16.8)**	**(0.3)**	**(224.0)**	**166.4**	**5,578.7**

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

The Company's investments comprise government bonds, corporate bonds, collective investment undertakings, derivatives, deposits other than cash equivalents, other investments and investments held for unit-linked contracts.

a) Active market

Quoted price: Fair values of assets traded on active markets are determined using quoted market prices when available. An instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis between a willing seller and a willing buyer. For financial instruments traded in active markets, quotes received from external pricing services represent consensus prices, i.e. using similar models and inputs resulting in a very limited dispersion.

b) Active versus inactive markets: financial instruments

Equity instruments quoted on exchange traded markets and bonds actively traded on liquid markets are generally considered as being quoted in an active market when:

- Quotes that represent consensus are regularly provided by external pricing services with limited dispersion;
- And prices are readily available.

Liquidity for debt instruments is assessed using a multi criteria approach, including the number of quotes available, the place of issuance and the evolution of the widening of bid/offer spreads.

A financial instrument is regarded as not quoted in an active market:

- If there is little observation of transaction prices as an inherent characteristic of the instrument;
- When there is a significant decline in the volume and level of trading activity;
- In case of significant illiquidity; or
- If observable prices cannot be considered as representing fair value because of dislocated market conditions. Characteristics of inactive markets can therefore be very different in nature, inherent to the instrument or indicative of a change in the conditions prevailing in certain markets.

c) Assets and liabilities not quoted in an active market

The fair values of assets and liabilities that are not traded in an active market are estimated:

- Using external and independent pricing services; or
- Using valuation techniques.

d) No active market: use of external pricing services

External pricing services may be fund asset managers in the case of investments in funds. To the extent possible, the Company collects quotes from external pricing providers as inputs to measure fair values. Prices received may form tight clusters or dispersed quotes which may then lead to the use of valuation techniques. The dispersion of quotes received may be an indication of the large range of assumptions used by external pricing providers given the limited number of transactions to be observed or reflect the existence of distress transactions. In addition, given current market conditions since the financial crisis and the inactivity of some markets since then, many financial institutions ceased to be engaged in the origination or trading of structured assets deals and are as a result no longer in a position to deliver meaningful quotes for such assets.

e) No active market: use of valuation techniques

The objective of valuation techniques is to arrive at the price at which an orderly transaction would take place between market participants (a willing buyer and a willing seller) at the measurement date.

Valuation technique models include:

- Market approach: the consideration of recent prices and other relevant information generated by market transactions involving substantially similar assets or liabilities;
- Income approach: use of discounted cash flow analysis, option pricing models, and other present value techniques to convert future amounts to a single current (i.e. discounted) amount; and
- Cost approach: the consideration of amounts that would currently be required to construct or replace the service capacity of an asset. Valuation techniques are highly subjective in nature, and significant judgment is involved in establishing fair values. The use of valuation techniques and the related underlying assumptions could produce different estimates of fair value. Valuations are determined using generally accepted models (discounted cash flows, Black & Scholes models, etc.) based on quoted market prices for similar instruments or underlying factors (index, credit spread, etc.) whenever such directly observable data are available and valuations are adjusted for liquidity and credit risk.

Investments are classified into three tiers of fair value hierarchy based on the characteristics of inputs available in the marketplace. The following valuation hierarchy is used:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

All assets are classified as Level 1 or Level 2 assets under the fair value, with the exception of the Level 3 assets detailed below.

Included in Level 2 assets are derivatives (swaptions) totalling £4.4m (2021: £17.8m), held on the Company's balance sheet to back its GAO liabilities. These are classed as Level 2 under the fair value hierarchy on the basis that their fair value measurements are derived from inputs other than quoted market prices that are observable. The swaptions are Over the Counter ("OTC") instruments, for which the fair value is provided to the Company by the counterparty

The other investments include one equity holding of £4.1m (2021: £4.2m) and unit-linked assets of £0.7m (2021: £0.8m) that are also classified as Level 3 under the fair value hierarchy on the basis there are no observable ('publicly available') prices.

The Level 3 equity asset (£4.1m) (2021: £4.2m) represents an equity holding in an investment company which holds a portfolio of onshore UK wind farms and wind finance companies. 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	% change in fair value
Energy yield	20.71%-35.98%	30.85%	P50 +10%	£6.9m	12.1%
			P50 – 10%	(£7.0m)	(12.3%)

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

f) Valuation and Recognition of assets

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
- Reinsurance recoveries which are treated as an asset.
- Holdings in related undertakings – valued at cost less impairment for UKGAAP, valued at fair value for SII based on excess of assets less liabilities (SII own funds).

Asset values in the Solvency II Balance Sheet are shown including accrued interest thereon, in accordance with EIOPA guidelines subsequently adopted by the PRA, 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.1.2 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 £46.2m (2021: £97.5m), where they have maturity dates of three months or less from date of acquisition.

D.1.4 Intangible assets

The Present Value of Acquired In-force Business (PVIF) and Negative Goodwill balances relate to two acquisitions: Equitable Life Assurance Society (ELAS) in January 2020 and RMIS in April 2018.

The Directors have assessed the useful life of the PVIF and useful economic value of the Negative Goodwill arising on these acquisitions 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 for ELAS business at 31 December 2022 is 12 years (2021: 13 years). The remaining amortisation period for the RMIS business is 10.25 years at 31 December 2022 (2021: 11.25 years) 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 £17.3m (2020: £19.0m) for UK GAAP purposes and nil under Solvency II.

D.1.5 Property held for own use and other fixed assets

Under Solvency II, property, plant and equipment held for own use is recognised at fair value. Asset components are depreciated over their estimated useful lives 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 Nil (2021: £3.45). The 2021 balance related to a freehold owner occupied land and building in Tunbridge Wells, which was vacant since ULP relocated to Aylesbury in 2020. The building was sold in June 2022 for £3.2m.

D.1.6 Prepayments and accrued income

On a UK GAAP basis, accrued income aggregating £9.3m (2021: £10.0m) 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, corporate bonds and deposits (other than cash).

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 2022, the value of the Company's reinsurance recoverable based upon UK GAAP was a net receivable of £184.5m, disclosed as an asset of £223.9m (including linked) and liability of £39.5m 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 an asset value of £166.4m (2021: £269.2m), which has been reported in the table shown in section D.1. This comprises a negative asset of £49.7m (2021: £67.1m) representing the net position of the longevity swaps (see section D.1.8) offset by a recoverable amount of £216.1m (2021: £336.4m) in respect of traditional reinsurance 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 and subsequently adopted by the PRA.

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 £21.1m (2021: £27.8m) on the UK GAAP basis includes cash collateral received under derivative arrangements from counterparty of Nil. (2021: £7.4m).

D.1.10 Loans and mortgages

Amortised cost is used as an approximation of fair value for loans for both UK GAAP and Solvency II, having due regard to collectability. Loans and mortgages had an aggregate value of £1.3m (2021: £1.4m).

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.

As at 31 December 2022 ULP has recognised a net SII policyholder deferred tax asset of £1.6m, which relates to unrealised bond losses in the year on the portfolio backing policyholder liabilities. As the underlying portfolio matures losses are expected to unwind and income will accrue to the fund. As a result the deferred tax asset has been recognised as it is considered more probable than not that future income and gains will arise to utilise the asset. In addition a net shareholder deferred tax asset of £0.3m has been offset against the SII deferred tax liability of £20.6m, giving a total deferred tax liability of £20.3m. 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 2022, insurance receivables for premiums and recovery of pension relief at source were valued at £0.5m (2021: £0.5m) for UK GAAP and Solvency II purposes.

D.2 Liabilities

The technical provisions are shown in the table below.

Technical Provisions		
Liabilities	**Solvency II**	**Statutory Reporting**
Technical Provisions – life (excluding health and index-linked and unit-linked)	**793.6**	**772.8**
Best Estimate	752.0	n/a
Risk Margin	41.6	n/a
Technical Provisions – index-linked and unit-linked	**4,447.3**	**4,530.0**
Technical Provisions calculated as a whole	4,525.8	n/a
Best Estimate	-81.0	n/a
Risk Margin	2.6	n/a
Other Technical Provisions – Reinsurance	0.0	39.5
Provisions other than Technical Provisions	1.0	1.0
Pension benefit obligations	0.7	0.7
Deposits from reinsurers	3.2	3.2
Deferred tax liabilities	20.3	0.0
Insurance and intermediaries payables	33.0	33.0
Reinsurance payables	0.6	0.6
Payables (trade, not insurance)	14.2	14.2
Any other liabilities, not elsewhere shown	0.0	61.2
Total liabilities	**5,314.0**	**5,456.3**
Excess of assets over liabilities	264.7	197.2

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 2022 for each of the Company's sub-funds. Currently the Transitional Measure on Technical Provisions ("TMTP") are set to zero.

ULP - Technical Provisions £m			
Sub-Fund	**BEL**	**Risk Margin**	**Technical Provision**
Non-Profit Fund	5,023.3	43.8	5,067.2
NPF	4,688.8	20.0	4,708.8
MA1	283.5	20.2	303.7
MA2	51.0	3.6	54.7
WPSF1	22.5	0.1	22.6
WPSF2	8.6	0.0	8.6
WPSF4	67.2	0.1	67.3
WPSF6	75.1	0.1	75.3
Total Company	**5,196.7**	**44.2**	**5,240.9**

A summary by line of business is provided below.

ULP - Technical Provisions £m			
Sub-Fund	**BEL**	**Risk Margin**	**Technical Provision**
Life With-Profits Participation	165.1	0.4	165.5
Linked Life	4,444.7	2.6	4,447.3
Other Life Insurance	586.9	41.2	628.1
Total Company	**5,196.7**	**44.2**	**5,240.9**

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 10% on non-investment related expenses.
- Assurance and annuities in payment mortality assumptions have a margin of 10%. There is further prudence in the long-term improvement rates for annuities in-payment (0.25% pay 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.

Balance Sheet Components	Technical Provisions Differences (£m)				
	Statutory Accounts FRS102	Reallocation	Recognition of Discretionary Elements	Accounting Policy Differences	Solvency II Value
Unit-linked technical provisions					
BEL	4,530.0	35.8	0.0	(121.1)	4,444.7
Risk Margin	0.0	0.0	0.0	2.6	2.6
Life and Health technical provisions					
BEL	772.8	(35.8)	65.0	(50.0)	752.0
Risk Margin	0.0	0.0	0.0	41.6	41.6
Gross Technical Provisions	5,302.8	0.0	65.0	(126.9)	5,240.9
Reinsurance					
BEL	(184.5)	0.0	0.0	18.1	(166.3)
Net Technical Provisions	**5,118.3**	**0.0**	**65.0**	**(108.8)**	**5,074.6**

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

Appendix A shows the material assumptions used to calculate the BEL for the Company as at 31 December 2022. 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 PRA, 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. The MA is not applied when discounting the reinsurance cash flows associated with this business.

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 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 bonus reserve valuation ("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 reserves in respect of each manual reserve are determined as follows:

- The cash flows in respect of the manual reserve are imported into the model so that they can be included in the final BEL calculation as appropriate; or
- An adjustment for the manual reserve is added to the BEL outside of the liability cash flow model.

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.

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 MA portfolios.

D.2.3 Matching Adjustment

The following table summarises the Company's two MA portfolios as at 31 December 2022.

MA Portfolio Liabilities at 31 December 2022			
Contract Type	Contracts	BEL (with MA)	BEL (no MA)
Annuities (NPF MA1)	24,959	283.5	315.0
Funeral Plan (NPF MA2)	11,133	51.0	49.7
Total	**36,092**	**334.5**	**364.7**

In each of the 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 2022 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.	5.69%	3.37%
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.	3.73%	3.65%
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	0.46%	0.00%
Matching Adjustment		**1.49%**	**(0.28%)**

The following table summarises the assets held in the two NPF MA1 and NPF MA2 portfolios as at 31 December 2022.

Assets in the MA portfolios (£m)		
Asset Type	Value at 31 December 2022 (£m)	
	NPF MA1	NPF MA2
Corporate bonds	291.5	1.1
Government bonds	36.0	52.9
Cash, Deposits and Other	48.7	3.2
Total	**376.2**	**57.1**

The table below shows the impact on the Company's Solvency II Pillar 1 balance sheet as at 31 December 2022 of zeroing the MA.

Balance Sheet Components	Value as at 31 December 2022 (£m)		
	With MA	Without MA	Impact of MA
Assets	5,505.6	5,505.6	0.0
Technical Provisions	(5,240.9)	(5,271.1)	30.2
Own Funds	**264.7**	**234.6**	**30.2**
RFF Restrictions	(4.7)	0.0	(4.7)
Eligible Own Funds	**260.0**	**234.6**	**25.5**
Solvency Capital Requirements	114.5	122.3	(7.7)
Solvency Capital Ratio (%)	**227%**	**192%**	**35%**

The benefit of the MA methodology 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 £335m. 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 £30m.

D.2.4 Volatility Adjustment

As at 31 December 2022, 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 2022, 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.

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 £33.0m (2021: £36.9m) 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 £14.2m (2021: £21.6m) 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 nil (2021: £7.4m) 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 £3.2m (2021: £4.6m) 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 2022, the DB pension scheme was in deficit valued at £0.7m (2021: £1.4m), applicable for both UK GAAP and Solvency II purposes, as follows:

Pension Scheme assets	£23.6m
Pension Scheme liabilities	(£24.3m)
Onerous Liability (effect of asset ceiling)	Nil
Deficit	(£0.7m)

D.3.5 Reinsurance payables

As at 31 December 2022, the value of the Company's reinsurance payables was £0.6m (2021: £0.6m), for both UK GAAP and Solvency II reporting.

D.3.6 Provisions other than Technical Provisions

Provisions other than technical provisions are £1.0m (2021: £2.0m) for both UK GAAP and Solvency II reporting. The liability consists of provision for pension mis-selling of £0.6m and a further provision for over paid reinsurance premiums of £0.4m. A deferred tax liability, with a balance at 31 December 2022 of £20.3m (2021: £7.5m) has been disclosed separately, for Solvency II reporting.

D.3.7 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.3.8 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 became a wholly owned subsidiary of ULP on 1 January 2020. The ELAS subsidiary is treated as a strategic participation.

On a UKGAAP basis the carrying value of ELAS as a subsidiary of ULP is based on its cost less impairment. The value shown in the SII balance sheet is based on the excess of assets over liabilities (SII own funds).

D.4.2 Loans on policies and outstanding premiums

Loans on policies and outstanding premiums are valued for UK GAAP at amortised cost of £0.7m (2021: £1.4m), and this is not considered to be materially different to their fair value for Solvency II purposes.

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 Solvency Monitoring Tool was used to produce an estimation of the balance sheet on a monthly basis and to determine the sensitivity of the roll-forward position to market conditions through the year, ensuring that the capital requirements are met adequately. 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 2022 was £260.0m. The Company had an SCR of £114.5m at year end 2022, with a Solvency Coverage Ratio of 227%. Comparable figures for year end 31 December 2021 were a TOAF of £290.7m, an SCR of £157.6m and a Solvency Coverage Ratio of 184%.

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. Solvency and liquidity levels are monitored on a regular basis, and are used to inform the dividend capacity. 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. 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.

There were no changes to the capital structure of ULP during 2022.

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 2022	31 December 2021
Paid in ordinary share capital	1	100.0	100.0
Surplus funds	1	0.3	0.6
Reconciliation reserve	1	158.1	190.1
Net deferred tax asset	3	1.6	0.0
Total Available Restricted Own Funds to meet SCR		**260.0**	**290.7**
Eligible Own Funds to meet the MCR		**258.5**	**290.7**

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.

With-profits 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. 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 future discretionary benefits ("FDB") in the Company's with-profits funds, the PRA calculation of Surplus Funds results in a value of zero.

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.

E.1.3 Eligibility restrictions of Own Funds

The following table details the restrictions on the Own Funds.

Own Funds (£m)	31 December 2022	31 December 2021
With-Profits Surplus	0.0	0.0
Matching adjustment portfolio Own Funds in excess of SCR	(4.7)	(12.2)
Tier II capital restriction	0.0	0.0
Eligibility restriction	(4.7)	(12.2)

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.

The value of eligibility restrictions at 31 December 2022 was £4.7m. Further details on the components of the capital requirements and potential volatility can be found in section E.2.

E.1.4 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.

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

SII Pillar 1 Solvency (£ millions)	2022	2021	Change
UK GAAP Equity	197	219	(22)
Own Funds (Unrestricted)	265	303	(38)

SII Pillar 1 Solvency (£ millions)	UK GAAP Statutory	Solvency II	Change
Valuation of Assets	5,654	5,579	75
Valuation of Technical Provisions	(5,303)	(5,241)	(62)
Subordinated Loan	0	0	0
Funds for future appropriations	(61)	0	(61)
Valuation of other liabilities	(92)	(73)	(19)
Total Own Funds (unrestricted)	**197**	**265**	**(68)**
Ring-fenced Fund Restrictions	0	(5)	5
Loan Restriction	0	0	0
Own Funds	**197**	**260**	**(63)**

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 2022 has been calculated to be £114.5m.

SCR Module	SCR (£m)	
	31 December 2022	31 December 2021
Life Underwriting	85.5	106.6
Market	104.2	148.0
Counterparty Default	10.6	17.0
Diversification	(42.0)	(58.7)
Basic SCR	**158.3**	**212.8**
Operational SCR	7.6	9.7
Loss Absorbing Capacity	(51.4)	(65.0)
Total SCR	**114.5**	**157.6**

The loss-absorbing capacity of Technical Provisions of £51.4m (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 mixture of product code level and individual policy level, rather than solely 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 2022 has been calculated to be £40.8m. The table below sets out the components of the MCR. The amounts include reinsurance recoverable and liabilities.

Components	Value (£m)	
	31 December 2022	31 December 2021
Technical Provisions (Life, 1)	105.7	145.1
Technical Provisions (Life, 2)	64.9	77.8
Technical Provisions (Life, 3)	4,439.9	5,388.6
Technical Provisions (Life, 4)	419.9	575.9
Capital at Risk	466.1	528.7
SCR	114.5	157.6
MCR	**40.8**	**51.5**

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. The long term impacts on financial markets and companies are expected to remain for some time.

The Company entered 2023 with a strong Balance Sheet and with a Solvency II coverage ratio of 227% as outlined in E.1 and continues to do so in 2023.

APPENDIX A: 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 PRA term structure for the UK for all lines of business. For business which is in its Matching Adjustment MA portfolios, the PRA 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. Consistent with year 2021, the inflation assumption used by the Company at year end 2022 is an inflation curve (sourced from Bank of England yield curve data) across all business.

No allowance is made to reflect the difference between earnings and price inflation. An allowance was previously made for the difference between earnings and price inflation, but this does not reflect recent experience, and there is no significant difference expected between these two types of inflation in the future.

MORTALITY

Assurances

Different percentages of standard tables, NLT17-19, ELT16, and TNL16 ranging from 60% to 128% (50% to 110% of tables ELT16, NLT15-17, AC00 and TC00 at year end 2021) 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.

Annuities

For all annuities, the gender-specific PL16 or PA16 tables are used for males and females (PL08 or PA08 at year end 2021).

Different percentages of standard tables, PL16 and PA16 ranging from 75% to 260% (80% to 260% of PLO8 or PA08) at year-end 2021), are used depending upon the risk group.

The Company has adopted the CMI 2021 mortality improvement factors published by the Institute of Actuaries in 2022 for the valuation of annuity liabilities at year end 2022.

EXPENSES

The table below shows the unit cost assumptions. These unit costs are weighted depending on individual products, based on the amount of resources required to administer the particular products.

Unit Cost Assumptions £	YE21	YE22
Renewal Expenses	55.61	58.64

The charges to WPSF1, WPSF2, WPSF4 and WPSF6 for expenses are governed by the Scheme of Arrangement, as described in the Company's PPFM.

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 20% and 50% (year end 2021: 20% and 50%).

LAPSE ASSUMPTIONS

The Company's lapse assumptions are set using historic experience, with the lapse rates rounded to the nearest 0.1%. The rates vary by product, ranging from 0% to 8.7% (year end 2021: 0% to 7.5%).

APPENDIX B: 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.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 measures

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.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	1,566
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	820,878
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	5,014
R0100	*Equities*	4,081
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	4,081
R0130	*Bonds*	676,445
R0140	*Government Bonds*	272,017
R0150	*Corporate Bonds*	404,429
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	74,700
R0190	*Derivatives*	4,433
R0200	*Deposits other than cash equivalents*	56,204
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	4,528,975
R0230	Loans and mortgages	1,351
R0240	*Loans on policies*	570
R0250	*Loans and mortgages to individuals*	131
R0260	*Other loans and mortgages*	650
R0270	Reinsurance recoverables from:	166,340
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*	161,564
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	161,564
R0340	*Life index-linked and unit-linked*	4,776
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	484
R0370	Reinsurance receivables	1,109
R0380	Receivables (trade, not insurance)	11,818
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	46,202
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	5,578,722

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)	793,571
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)*	793,571
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	752,015
R0680	*Risk margin*	41,556
R0690	Technical provisions - index-linked and unit-linked	4,447,334
R0700	*TP calculated as a whole*	4,525,752
R0710	*Best Estimate*	-81,038
R0720	*Risk margin*	2,620
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	1,004
R0760	Pension benefit obligations	696
R0770	Deposits from reinsurers	3,235
R0780	Deferred tax liabilities	20,318
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	32,996
R0830	Reinsurance payables	611
R0840	Payables (trade, not insurance)	14,226
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**	5,313,990
R1000	**Excess of assets over liabilities**	264,733

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross		694	40,723	11,354				196	52,968
R1420	Reinsurers' share		1,376	689	17,596				0	19,661
R1500	Net		-682	40,034	-6,242				196	33,307
	Premiums earned									
R1510	Gross		694	40,723	11,354				196	52,968
R1520	Reinsurers' share		1,376	689	17,596				0	19,661
R1600	Net		-682	40,034	-6,242				196	33,307
	Claims incurred									
R1610	Gross		13,204	430,422	55,796				120	499,542
R1620	Reinsurers' share		376	1,260	29,152				0	30,787
R1700	Net		12,828	429,162	26,645				120	468,755
	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**		1,097	16,482	2,271				0	19,850
R2500	**Other expenses**									1,708
R2600	**Total expenses**									21,558

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	4,525,752			0				0	4,525,752						
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	4,897			0				0	4,897						
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**	165,114		-61	-80,977		482,270	104,266		364	670,977						
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-5,431		0	-121		89,076	77,919		0	161,443						
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	170,546		-61	-80,856		393,194	26,347		364	509,534						
R0100	**Risk margin**	358	2,620			41,172				26	44,176						
	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**	165,472	4,447,334			627,708				390	5,240,905						

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	5,240,905	0	0	0	30,173
R0020	Basic own funds	260,033	0	0	0	-25,473
R0050	Eligible own funds to meet Solvency Capital Requirement	260,033	0	0	0	-25,473
R0090	Solvency Capital Requirement	114,537	0	0	0	7,732
R0100	Eligible own funds to meet Minimum Capital Requirement	258,467	0	0	0	-25,473
R0110	Minimum Capital Requirement	40,759	0	0	0	634

S.23.01.01
Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	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	347	347			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	158,121	158,121			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	1,566				1,566
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**	260,033	258,467	0	0	1,566
	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	260,033	258,467	0	0	1,566
R0510	Total available own funds to meet the MCR	258,467	258,467	0	0	
R0540	Total eligible own funds to meet the SCR	260,033	258,467	0	0	1,566
R0550	Total eligible own funds to meet the MCR	258,467	258,467	0	0	
R0580	**SCR**	114,537				
R0600	**MCR**	40,759				
R0620	**Ratio of Eligible own funds to SCR**	227.03%				
R0640	**Ratio of Eligible own funds to MCR**	634.13%				

		C0060
	Reconciliation reserve	
R0700	Excess of assets over liabilities	264,733
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	0
R0730	Other basic own fund items	101,912
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	4,700
R0760	**Reconciliation reserve**	158,121
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	2,313
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	0
R0790	**Total Expected profits included in future premiums (EPIFP)**	2,313

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	107,061		
R0020	Counterparty default risk	10,916		
R0030	Life underwriting risk	87,833		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-47,502		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	158,308		
	Calculation of Solvency Capital Requirement	C0100		
R0130	Operational risk	7,647		
R0140	Loss-absorbing capacity of technical provisions	-20,206		
R0150	Loss-absorbing capacity of deferred taxes	-31,211		
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**	114,537		
R0210	Capital add-ons already set	0		
R0220	**Solvency capital requirement**	114,537		
	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	90,274		
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	780		
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	23,483		
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0		
	Approach to tax rate	C0109		
R0590	Approach based on average tax rate	Yes		
	Calculation of loss absorbing capacity of deferred taxes	**LAC DT**		
		C0130		
R0640	LAC DT	-31,211		
R0650	LAC DT justified by reversion of deferred tax liabilities	-20,318		
R0660	LAC DT justified by reference to probable future taxable economic profit	0		
R0670	LAC DT justified by carry back, current year	-10,894		
R0680	LAC DT justified by carry back, future years	0		
R0690	Maximum LAC DT	-27,692		

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

S.28.01.01

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

		C0010
	Linear formula component for non-life insurance and reinsurance obligations	
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		

		C0040
	Linear formula component for life insurance and reinsurance obligations	
R0200	MCR_L Result	40,759

		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	105,661	
R0220	Obligations with profit participation - future discretionary benefits	64,885	
R0230	Index-linked and unit-linked insurance obligations	4,439,939	
R0240	Other life (re)insurance and health (re)insurance obligations	419,905	
R0250	Total capital at risk for all life (re)insurance obligations		466,058

		C0070
	Overall MCR calculation	
R0300	Linear MCR	40,759
R0310	SCR	114,537
R0320	MCR cap	51,541
R0330	MCR floor	28,634
R0340	Combined MCR	40,759
R0350	Absolute floor of the MCR	3,445
R0400	**Minimum Capital Requirement**	40,759

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
ESG	Environmental, Social and Governance
EU	European Union
ExCo	Executive Committee
FCA	Financial Conduct Authority
FCOG	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
GSAM	Goldman Sachs Asset Management
HRG	Homogeneous Risk Group
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
JPMAM	JP Morgan Asset Management
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
ULG	Utmost Group Plc
ULP	Utmost Life and Pensions Limited("the Company")
ULPH	Utmost Life and Pensions Holdings Limited
UNPRI	UN's Principles of Responsible Investment initiative
ULPS	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