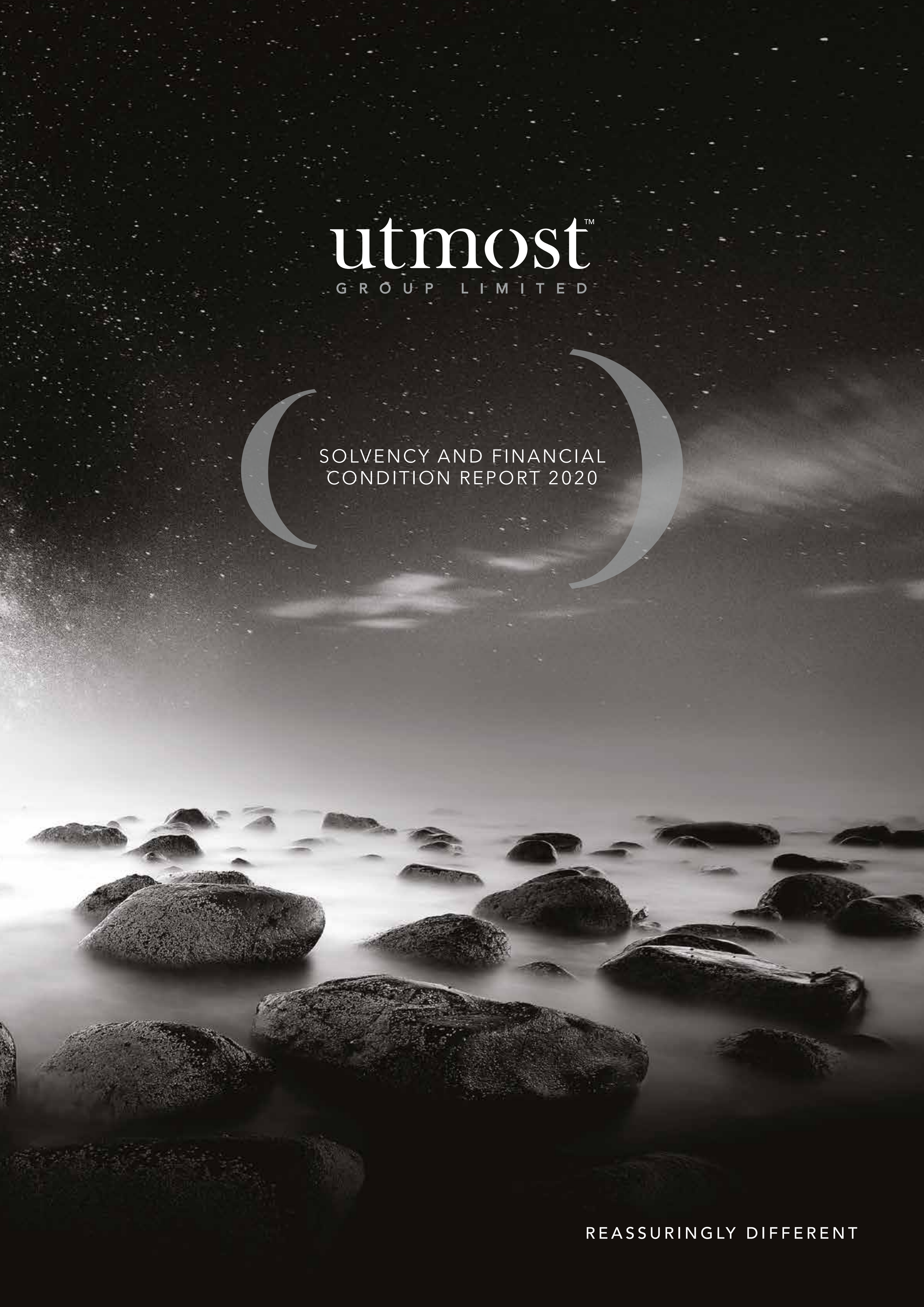
utmost™
GROUP LIMITED

SOLVENCY AND FINANCIAL CONDITION REPORT 2020



REASSURINGLY DIFFERENT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FINANCIAL PERIOD ENDED DECEMBER 2020

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report ("SFCR") of Utmost Group Limited in accordance with the Prudential Regulation Authority ("PRA") rules and the Solvency II ("SII") Regulations.

The Directors are satisfied that to the best of their knowledge and belief:

a. Throughout the financial year to 31 December 2020, the Group has complied in all material respects with the requirements of the PRA rules and the SII regulations as applicable at the level of the Group; and

b. It is reasonable to believe that at the date of the publication of the SFCR, the Group has continued to comply, and will continue to comply in all material respects with the requirements of the PRA rules and the SII Regulations as applicable to the Group and its solo insurance undertakings.

The SFCR approved by the Board of Directors on 18 May 2021 and signed on its behalf by:

Ian Maidens

Chief Financial Officer

18 May 2021

INDEPENDENT AUDITORS' REPORT

Report of the external independent auditors to the Directors of Utmost Group Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms.

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

OPINION

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

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report of the Company as at 31 December 2020, (**'the Narrative Disclosures subject to audit'**); and
- Group templates S.02.01.02, S.22.01.22, S.23.01.22, S.25.01.22 and S.32.01.22 (**'the Templates subject to audit'**).

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

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

- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Group Solvency and Financial Condition Report;
- Group templates S.05.01.02 and S.05.02.01;
- The written acknowledgement by management of their responsibilities, including for the preparation of the Group Solvency and Financial Condition Report (**'the Responsibility Statement'**);
- Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with PRA rules other than those implementing the Solvency II Directive or in accordance with an EU instrument other than the Solvency II regulations (**'the sectoral information'**) as identified in the Appendix to this report.

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

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

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

- Assessed the ability of the Company to comply with debt covenants; and
- Inquired and understood the actions taken by management to mitigate the impacts of COVID-19.

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

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

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

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

EMPHASIS OF MATTER – BASIS OF ACCOUNTING

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

OTHER INFORMATION

The Directors are responsible for the Other Information.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE GROUP SOLVENCY AND FINANCIAL CONDITION REPORT

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

- Approval to use the matching adjustment in the calculation of technical provisions.

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE RELEVANT ELEMENTS OF THE GROUP SOLVENCY AND FINANCIAL CONDITION REPORT

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

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

- Discussions with management and Internal Audit, including consideration of any known or suspected instances of non-compliance with laws and regulation and fraud.
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Audit Committee, Risk and Compliance Committee and Investment Committee;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to insurance liabilities and balances arising from the Part VII transaction;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Reviewing the Company's register of litigation and claims, Internal Audit reports, and Compliance reports in so far as they related to non-compliance with laws and regulations and fraud.

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

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

USE OF THIS REPORT

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Sectoral Information

In our opinion, in accordance with Rule 4.2 of the External Audit Part of the PRA Rulebook, the sectoral information has been properly compiled in accordance with the PRA rules and EU instruments relating to that undertaking from information provided by members of the group and the relevant insurance group undertaking.

Other Information

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The engagement partner on the audit resulting in this independent auditors' report is Gary Shaw.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
7 More London Riverside
London
SE1 2RT
18 May 2021

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utmost™
GROUP LIMITED

SUMMARY

ABOUT UTMOST GROUP LIMITED

Utmost Group Limited (the "Company" or "UGL") and its subsidiaries form a specialist life assurance group (collectively, the "Group" or "Utmost.") The Group was founded by Paul Thompson and Ian Maidens (the "Founders") to be a leading consolidator for the European insurance market. The Group was founded on the belief that all its stakeholders are better served by being part of an active and growing franchise. Its purpose is to build a brighter future for its clients and to better serve all its stakeholders.

The ultimate parent company into which the Group's results are consolidated is Utmost Topco Limited (illustrated in the structure chart in Section B.1.1). Utmost Topco Limited is part-owned by the Founders (who hold 15.5% of its ordinary share capital) and by funds managed by subsidiaries of Oaktree Capital Group LLC ("Oaktree") (who hold 84.5% of its ordinary share capital). Oaktree is a leading global investment manager specialising in alternative investments with $148bn in assets under management as of 31 December 2020. Oaktree has over 1,000 employees and offices in 19 cities worldwide. Oaktree is regulated by the US Securities and Exchange Commission ("SEC") and its UK entity, Oaktree Capital Management (UK) LLP, is authorised and regulated by the Financial Conduct Authority ("FCA").

Beneficial ownership of the Utmost Group is currently held by the Founders and the limited partners in the Oaktree Funds, none of whom play any part in the management of those Funds. The management of the Oaktree Funds is delegated to the General Partners of the Funds, controlled by Oaktree. Oaktree therefore has significant indirect control of the investments in the Oaktree Funds, and is deemed the ultimate significant controller of the Group.

The Group manages £37bn of assets under administration ("AUA") on behalf of more than 510,000 customers across the UK, Europe, the Middle East, Latin America and Asia. The Group employs over 1,000 people.

The core divisions of the Group are Utmost International and Utmost Life and Pensions.

Utmost International is an international life assurance business which serves two key markets. It provides international life assurance to high net worth individuals through its Utmost Wealth Solutions ("UWS") business, and employee benefits to multinational corporates through its Utmost Corporate Solutions ("UCS") business.

The UWS and UCS businesses are open to new business. These businesses are focused on developing the most appropriate products and services for new and existing customers to help our customers secure their financial futures.

Utmost Life and Pensions is a specialist UK life consolidator focused on the acquisition of books of life assurance business in the UK. No new business is written by Utmost Life and Pensions other than the sale of annuities and flexible drawdown products to existing customers on the vesting of their pension savings contracts.

The Group strategy centres on completing value-adding acquisitions. The Group applies a clear set of criteria to assess potential acquisitions. Its ability to undertake acquisitions is enhanced by its financial strength, its strong regulatory relationships, its access to capital, its reputation, and its track record for creating value for customers.

On 1 January 2020, the Part VII transfer of The Equitable Life Assurance Society ("ELAS") to Utmost Life and Pensions completed. ELAS was a mutual insurance company which was closed to new business and had books of with-profits and non-profits policies. In advance of the transfer, the with-profits policies were converted to unit-linked policies, removing the investment guarantees. The in-scope with-profits policyholders received uplifts in excess of 75% of their policy value, compared to the existing 35% uplift that was being offered on with-profits business with guarantees. The business transfer added £6.2bn of assets under administration and around 300,000 customers to ULP. The transaction delivered good value to Equitable Life customers and demonstrates ULP's credentials as a consolidator for the UK life and pensions market.

The integration of ELAS into the Utmost Life and Pensions business completed in June 2020. The business moved to a remote working environment in line with government guidance relating to the COVID-19 pandemic, however the thorough planning of the project ensured a timely and cost-efficient integration. As a part of the integration, the businesses were moved into a single site based in Aylesbury, the original location of ELAS. The ULP office in Tunbridge Wells was closed.

The Group's development team continually identify and assess opportunities. The financial and operational risks of targets are assessed as a part of due diligence and mitigants are identified. Integration plans are developed and resourced with skilled change staff to ensure efficiencies are driven in line with expectation.

The Group's purpose is developing propositions which meet the evolving needs of its clients.

Our proposition team develop and tailor our client offering, focused on our strategic goal of delivering good client outcomes. They actively review our propositions to ensure they remain competitive and provide best outcomes for customers. We seek feedback from partners to inform future development.

Our business is well positioned to take advantage of the fundamental growth trends in our markets. Our new business team source business from a diverse range of partners across multiple geographies. New business was robust in 2020 resulting from our modern, flexible proposition and strong relationships.

ABOUT THIS REPORT

The purpose of the SFCR is to provide information to help Utmost's customers and other stakeholders to understand the nature of the business, how the business is managed and its capital position. The Group SFCR has been prepared in accordance with the relevant PRA rules and SII Regulations.

This Group SFCR covers the year to 31 December 2020. The Group was reorganised in October 2020 to bring the Utmost International and Utmost Life and Pension businesses into a single group whose holding company is UGL, which is regulated by the PRA. As this is the first year of preparing the Group SFCR, comparatives are not presented for the year to 31 December 2019.

BUSINESS AND PERFORMANCE

Section A of this report contains information on the Group's structure, operations, and financial performance during 2020.

Operating profit is considered by management to provide a better view of the Group's underlying quality of earnings compared to the International Financial Reporting Standards ("IFRS") profit before interest and tax. The items excluded from operating profit, but included in IFRS profit, are generally related to mergers and acquisitions ("M+A") activity and considered to be more strategic in nature than representing the underlying operating performance. Operating profit for 2020 was £82m.

The Group primarily writes unit-linked investment business under the UWS brand, whereby most of the investment risk is borne by the policyholder. UWS is a leading provider of wealth solutions through the use of unit-linked life assurance products, and Capital Redemption Bonds in relevant markets. Our clients are affluent, High-Net-Worth ("HNW") and Ultra-High-Net-Worth ("UHNW") individuals who are based in a wide range of jurisdictions globally. Our products help our clients to preserve their wealth and safeguard it for future generations.

The Group also writes life insurance business under its UCS brand, providing employee benefits including life, disability and critical illness cover to the employees of its clients (mainly multi-national groups) as well as pensions and savings products for the employees themselves. UCS offers a unique global employee benefit proposition for clients with staff situated across multiple global jurisdictions.

As noted above Utmost Life and Pensions is closed to new business. However, its in-force book is primarily life and pensions business written in the UK. The only new business written is annuities sold to existing policyholders on the vesting of their pension savings contracts (including contracts with Guaranteed Annuity Options ("GAOs")) and the Company's new Flexible Drawdown Product.

Further details on the lines of business written by the Group are provided in section A.1.6.

Section A also contains information on the impact of COVID-19 on the Group's business and any events following the year end reporting date.

SYSTEM OF GOVERNANCE

The UGL Board ("Board") is responsible for leading and controlling the Group and has overall authority for the management and conduct of the Group's business, strategy, and development. The Board is also responsible for ensuring the maintenance of a sound system of internal control and risk management, and for the approval of any changes to the capital and management structure of the Group.

The Board has delegated a number of its responsibilities to a Board Committee. This assists the Board in carrying out its functions and to ensure there is independent oversight of internal control and risk management.

The system of governance is the Group's overall framework of policies, standards and practices which is in place to meet the requirements of a sounds risk-based management.

Section B of this report contains further information on Utmost's system of governance, in particular:

- the structure of the system of governance;
- the role of the Board and information on the Board of Directors;
- the role of the committees of the Board;
- Utmost key functions;
- remuneration policies;
- principles used in assessing the fitness of key functions and Board of Directors;
- overview of the risk management system;
- overview of the internal control system;
- information on the role and independence of the Internal Audit Function;
- information on the role of the Actuarial function; and
- information on the Group's outsourcing policy and outsourced services.

SUMMARY (CONTINUED)

RISK PROFILE

The Risk Management Framework of the Group embeds proactive and effective risk management across the businesses. It seeks to ensure that all risks are identified and managed effectively and that the Group is appropriately rewarded for the risks it takes. Section C of this report contains further information on the Group's risk profile.

The Solvency Capital Requirement ("SCR") is the level of capital the Group is required to hold to meet its obligations if a 1-in-200-year event were to occur in the next 12 months.

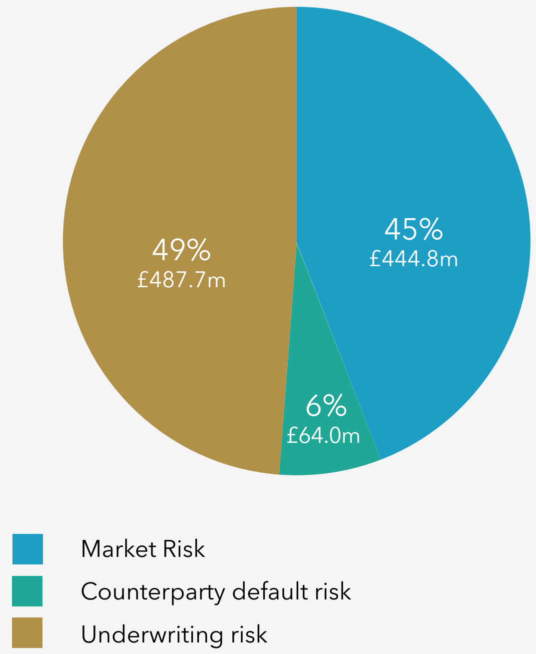
Holding a capital surplus above the SCR provides a level of capital coverage and should enable the Group to continue to meet its regulatory capital requirements under SII.

The Group has adopted the Standard Formula specified in the SII legislation to assess the capital risks within Utmost.

RISK COMPONENTS OF THE SCR

The Group SCR is £689m as at 31 December 2020, as calculated using the Standard Formula methodology.

The chart below sets out the capital risk components of the Group's SCR before diversification. Further details of the Groups risk profile can be found in Section C.



VALUATION FOR SOLVENCY PURPOSES

UGL uses the accounting consolidation-based method, also called Method 1, to prepare the Group SII balance sheet. Method 1 is the default method under the SII rules.

In preparing the Group's SII balance sheet, assets and liabilities are valued according to the SII Directive and related laws and guidelines. Under SII, assets and liabilities are required to be valued at fair value which is the amount for which they could be exchanged with a third party in an arm's length transaction. The valuation principles are broadly the same as those applied under IFRS but there are some notable exceptions including the valuation of deferred acquisition costs, intangible assets, the technical provisions, and the valuation of subordinated loans.

As at 31 December 2020, the Group's excess of assets over liabilities of £978m compare to consolidated IFRS net assets of £851m. A bridge between these bases is provided in section D.

The Group's regulated life entities calculate their SCR using the Standard Formula. Own Funds, including the calculation of technical provisions, are calculated based on the valuation requirements set out in the SII Directive.

Own Funds are the amount of shareholders and other funds which qualify as eligible Own Funds under the SII Rules. Own Funds consist of basic Own Funds and ancillary Own Funds. Pursuant to Article 88 of the SII Directive (EU Directive 2009/138/EC), basic Own Funds are composed of the excess of assets over liabilities and subordinated liabilities. Undertakings must apply for supervisory approval of ancillary Own Funds.

Section D of this report provides further information on the methods and assumptions used in the valuation of assets, technical provisions and other liabilities and an explanation of the main differences between the IFRS basis of valuation used to prepare the UGL 2020 Annual Report and SII valuation rules.

CAPITAL MANAGEMENT

The primary objective of capital management is to maintain an efficient capital structure using a combination of equity shareholders' funds and subordinated debt, in a manner consistent with our risk profile and the regulatory and market requirements of our business.

At 31 December 2020, the total regulatory eligible Own Funds to meet the SCR was £1,262m, of which £960m was represented by Tier 1 capital, £300m Tier 2 capital and £2m Tier 3 capital. The Group SCR, which is calculated, based on the SII Standard Formula, was £689m. The overall Group surplus position was £573m which translates to a Solvency Coverage Ratio of 183%.

At 31 December 2020, the total regulatory eligible Own Funds to meet the Minimum Capital Requirement ("MCR") was £1,004m, of which £959m was represented by Tier 1 capital. The Group MCR, which is calculated, based on the SII Standard Formula, was £225m.

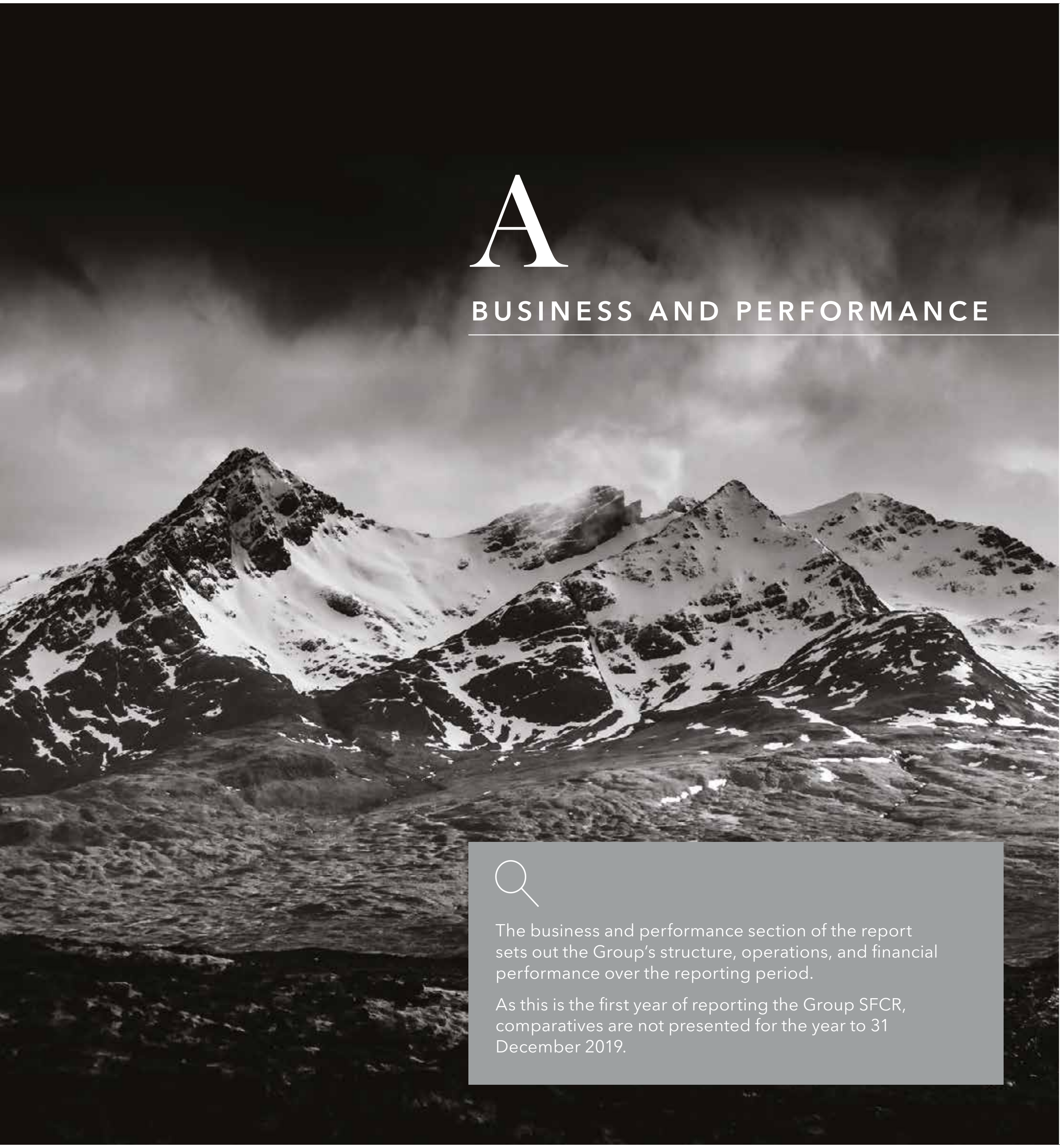
The Group has two Matching Adjustment ("MA") portfolios within Utmost Life and Pensions Limited ("ULP"), that back some of the annuity business and Funeral Plan policies. The matching adjustment enables the Group to benefit from a higher discount rate that reduces the value of its liabilities. The Group solvency coverage ratio without the matching adjustment would be 176%.

The Group does not make use of the volatility adjustment as referred to in Article 77d of Directive 2009/138/EC or the transitional arrangements on interest rate as referred to in Article 308c in Directive 2009/138/EC and does not have any Transitional Measures on Technical Provisions ("TMTPs") as referred to in Directive 2009/138/EC.

The Group complied with all applicable regulatory capital requirements throughout 2020.

The onset of the COVID-19 pandemic resulted in falls in equity markets. The Group monitored its financial and solvency position on a weekly basis through the crisis in order to identify any emerging issues. Weekly calls between Group and the management teams of the individual insurance entities were held and the business continuity plan was successfully implemented across the business. Further detail on the impacts of COVID-19 can be found in Section A.1.13 of this report.

Further detail on Capital Management is provided in Section E of this report.



A

BUSINESS AND PERFORMANCE

The business and performance section of the report sets out the Group's structure, operations, and financial performance over the reporting period.

As this is the first year of reporting the Group SFCR, comparatives are not presented for the year to 31 December 2019.

A.1 BUSINESS

A.1.1 NAME AND LEGAL FORM

UGL is a private limited company incorporated and domiciled in England and Wales (No. **12268786**). UGL is the holding company of the Utmost Group. The Group is part-owned by the Founders and by funds managed by subsidiaries of Oaktree Capital Group LLC ("Oaktree").

UGL's registered office is 5th Floor, Saddlers House, 44 Gutter Lane, London, EC2V 6BR.

The Group was reorganised in October 2020 so that its two businesses, Utmost International and Utmost Life and Pensions, were brought together under a single UK holding company, UGL. UGL is a UK registered company subject to full group regulation by the PRA.

All the businesses acquired by the Group have been rebranded to align with the Utmost brand.

All the Group's insurance subsidiaries are private companies limited by shares. The Group's core insurance subsidiaries are ULP, registered and domiciled in England and Wales, Utmost Limited ("UL"), registered and domiciled in the Isle of Man, Utmost PanEurope dac ("UPE"), registered and domiciled in Ireland, and Utmost Worldwide Limited ("UW"), registered and domiciled in Guernsey. ELAS is registered and domiciled in England and Wales and is a company limited by guarantee.

A.1.2 BASIS OF PREPARATION

This Group SFCR covers the year to 31 December 2020.

The Group was reorganised in October 2020 to bring the Utmost International and ULP businesses into a single group whose holding company is UGL. Comparatives are not presented for the year to 31 December 2019.

The Group's reporting currency for both IFRS and SII is Pounds sterling. The Quantitative Reporting Templates ("QRTs") in Appendix F.1 are presented in £k. Figures presented in the tables contained within this report may not add up to the totals and subtotals presented due to rounding.

The majority of the financial information in Section A is taken from UGL's financial statements which are presented in the UGL 2020 Annual Report and which are prepared on an IFRS basis. UGL's 2020 Annual Report was approved and signed by the Board of UGL on 18 May 2021.

SII Economic Value ("SII EV") is an alternative performance measure used by the Group. SII EV provides an overall view of the underlying value of the Group attributable to shareholders. SII EV is considered by management to better reflect the commercial value of the Group than IFRS equity, as the latter excludes components of value such as the present value of future earnings arising from in-force business. SII EV represents a metric which better aligns with the traditional Embedded Value ("EV") reporting which pre-dated the SII regulations which became effective on 1 January 2016.

A.1.3 SUPERVISORY AUTHORITIES

UGL is under the Group supervision of the PRA.

ULP is regulated by the PRA and the FCA. UL is regulated by the Isle of Man Financial Services Authority ("IoM FSA). UPE is regulated by the Central Bank of Ireland ("CBI"). UW is regulated by the Guernsey Financial Services Commission ("GFSC"). Some of UGL's non-insurance subsidiaries and branches are also regulated by their local supervisory authorities.

CONTACT DETAILS

PRUDENTIAL REGULATION AUTHORITY

20 Moorgate, London, EC2R 6DA

+44(0)20 3461 4878

FINANCIAL CONDUCT AUTHORITY

12 Endeavour Square, London, E20 1JN

+44(0)20 7066 1000

A.1.4 EXTERNAL AUDITOR

The Group's external auditor is PricewaterhouseCoopers LLP ("PWC").

PWC

7 More London Riverside, London, SE1 2RT

+44(0)20 7311 1000

PWC also act as the external auditor for the insurance subsidiaries of UGL.

A.1 BUSINESS (CONTINUED)

A.1.5 QUALIFYING HOLDINGS IN THE UNDERTAKING

There are no qualifying holdings in UGL.

A.1.6 MATERIAL LINES OF BUSINESS AND GEOGRAPHIES

The Group provides life assurance, investment and savings and employee benefit services through its subsidiaries.

The material lines of business of the Group's insurance undertakings and top 5 material geographical areas during 2020 can be seen within the Group QRTs (S.05.01.02 and S.05.02.01) in Appendix F.1.2 and F.1.3 and are listed below:

A.1.7 SCOPE OF THE GROUP

A complete list of the undertakings within the scope of the Group is contained in the S.32.01.22 Group QRT in Appendix F.1.7

The scope of the Group for Group solvency calculation under SII is the same in all material respects as the scope of the Group for the purposes of the UGL consolidated financial statements.

MATERIAL LINES OF BUSINESS

LIFE

- Unit-Linked and Index-Linked Insurance
- Other
- Insurance with profit participation

HEALTH

- Health Insurance

GEOGRAPHICAL AREAS

- United Kingdom
- Italy
- Finland
- Spain
- Portugal
- Hong Kong

A.1 BUSINESS (CONTINUED)

A.1.8 MATERIAL RELATED UNDERTAKINGS

The principal subsidiaries of UGL at 31 December 2020 are listed below.

	NAME	NATURE OF BUSINESS	UTMOST GROUP LIMITED'S HOLDING
UNITED KINGDOM	Utmost International Group Holdings Limited	Holding company	100%
	UIG Holdings (No 1) Ltd	Holding company	100%
	Utmost UK Group Holdings Limited	Holding company	100%
	Utmost Life and Pensions Holdings Limited	Holding company	100%
	Utmost Life and Pension Services Limited	Service company	100%
	Utmost Life and Pensions Limited	Life insurance company	100%
	The Equitable Life Assurance Society	Life insurance company	100%
IRELAND	Utmost Holdings Ireland Limited	Holding company	100%
	Utmost Services Ireland Limited	Service company	100%
	Utmost PanEurope dac	Life insurance company	100%
ISLE OF MAN	Utmost Holdings Isle of Man Limited	Holding company	100%
	Utmost Services Limited	Service company	100%
	Utmost Limited	Life insurance company	100%
GUERNSEY	Utmost Worldwide Limited	Life insurance company	100%
	Utmost Portfolio Management	Provision of financial services	100%

A.1.9 BRANCHES

The Group's UK, Ireland and Isle of Man insurance subsidiaries have no material foreign branches.

UW has regulated branches in Singapore, Hong Kong and Switzerland and a non-regulated branch in Ireland.

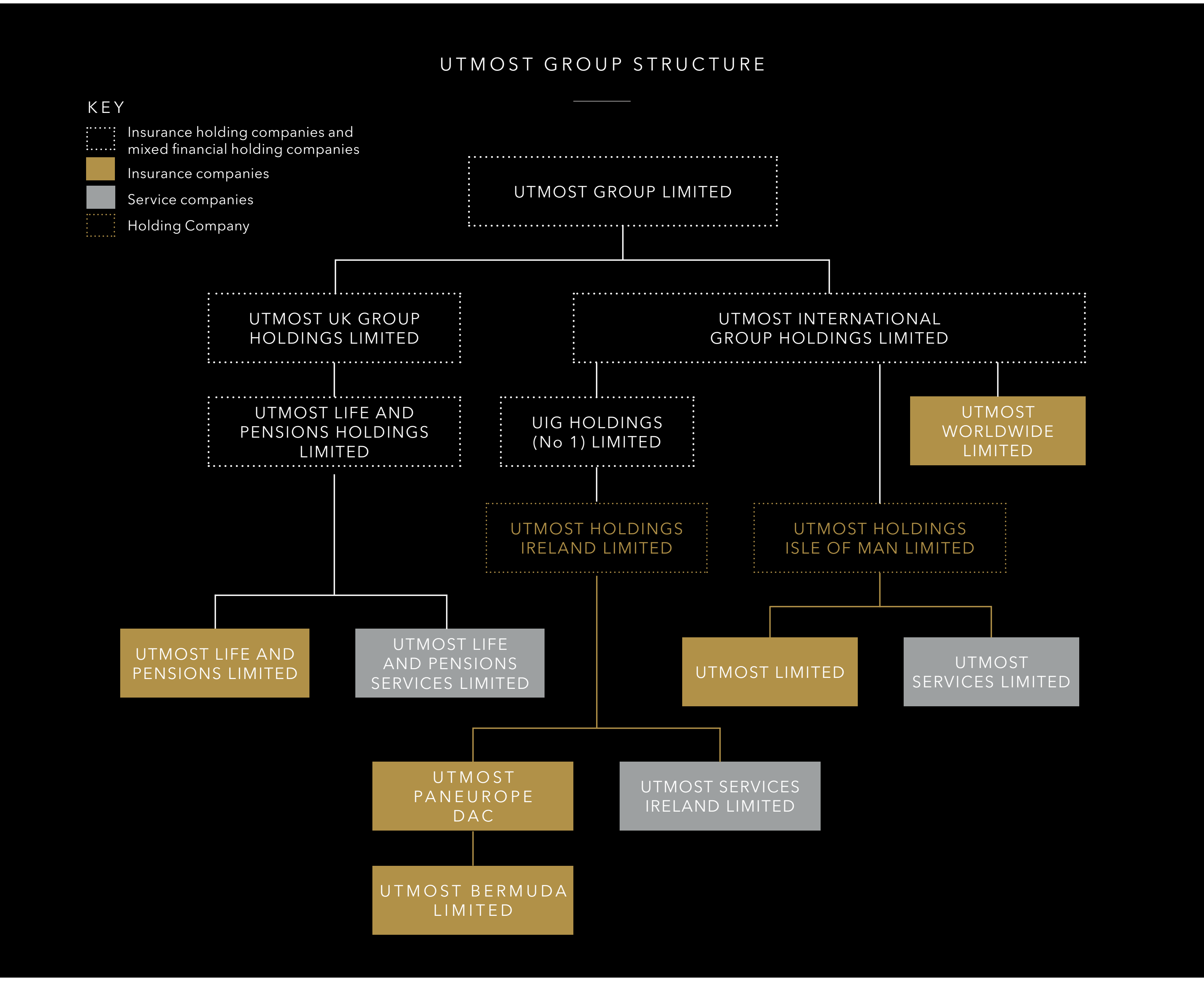
The Irish service company, Utmost Services Ireland Limited ("USIL"), has a UK branch. The Isle of Man service company, Utmost Services Limited ("USL"), has a UK branch.

A.1 BUSINESS (CONTINUED)

A.1.10 SIMPLIFIED GROUP STRUCTURE

A simplified group structure chart is shown below. UGL is the holding company of the Group. The chart shows UGL and its main subsidiaries at 31 December 2020. For each subsidiary company shown the Group's ownership percentage is 100%.

A complete list of the Group's entities along with registered address, country of incorporation and ownership percentage is included in S.32.01.22 Group QRT in Appendix F.1.7.



A.1 BUSINESS (CONTINUED)

A.1.11 DELIVERING OUR STRATEGY

Utmost Group has set clear strategic objectives for its businesses in order to provide appropriate insurance and savings solutions which deliver good client outcomes, maintain our position as a leading consolidator for the life insurance market, enhance our financial and operational performance to support the delivery of sustainable, strong returns for our investors and make a positive difference by operating as a sustainable business.

To achieve its strategic objectives, the Group is focused on the delivery of its four strategic pillars:

1. Good client outcomes
2. Growth through acquisitions
3. Organic growth
4. Delivery of synergies

Utmost Group was founded on the belief that all stakeholders are better served as part of an active and growing franchise. Good client outcomes remain front and centre of our strategy and our overall purpose is to build a brighter future for our clients. Our teams were required to adapt to a new working environment and provide uninterrupted client service after the onset of the Covid pandemic. Positive feedback was received on our client service and responsiveness during a period of great uncertainty. Our digital strategy accelerated in 2020 and focused on enhancing our online servicing and contactless onboarding.

Some of the adaptations of our business model to support customers through the pandemic will drive lasting change in our operating model to support our customers and our partners evolving requirements. Client confidence in our business in 2020 was demonstrated by our strong new business figures and by the high retention rates among all policyholders, including those whose policies were transferred into the Group from Equitable Life (see A.1.12).

The Equitable Life transaction completed in 2020 and was the culmination of significant work during 2019, with customers of Equitable Life voting in favour of both a Scheme of Arrangement to uplift with-profits policy values, remove investment guarantees and convert with-profits policies to unit-linked policies, and a Scheme of Transfer to ULP. The structure of the transaction helped maximise the capital distribution to customers providing uplifts in excess of 75% compared to the existing 35% uplift that was being offered on with-profits business with guarantees, demonstrating a continued focus on good client outcomes.

In April 2021, the proposed acquisition of Quilter International for £483m was announced. It is estimated that the transaction will add £22bn of assets under administration and 90,000 policies to Utmost International. It confirms Utmost International's position as a leading global provider of international life assurance. Quilter International's diversified business footprint and distribution network across the UK, Europe, the Middle East, Asia and Latin America, with branches in Singapore and Hong Kong and a regulated distribution office in the Dubai International Financial Centre (DIFC), will complement and strengthen Utmost International's existing position in these attractive markets, where Utmost International sees strong, continuing demand for wealth solutions for HNW and UHNW clients. The acquisition is in line with our growth strategy and positions us well to benefit from the fundamental growth trends in the international life assurance sector.

New business sales in 2020 were robust with £1.8bn of inflows into our customer propositions. Our focus on customer service and modern and flexible product range enabled us to serve our clients who expect a committed partner and solutions which are attractive throughout market cycles.

The demand for wealth solutions is stronger than ever. The geographical footprint of our Wealth Solutions business across the UK, Continental Europe, the Middle East, LatAm and Asia positions us to take advantage of the secular growth trends in this market. The value of having trusted partners was evident in this challenging year when market volatility was heightened, and economic uncertainty reigned with concerns over personal wealth at the forefront. We aimed to bring reassurance and confidence to our customers and partners.

The appointment of a Head of Product and Propositions has injected momentum into the development of our propositions, demonstrated by product launches in Portugal and Singapore. The appointment of a Head of Sales for Asia will support our business development in a region we recognise as a key driver for growth in the HNW space.

Successful integration is key to Utmost Group's consolidation strategy and is one of the Group's core competencies. When businesses are acquired or portfolio transfers undertaken, a period of integration activity will follow, carried out consistently with the Group Target Operating Model and giving appropriate priority to immediate control and governance matters. Utmost Group is an expert at striking the right balance between maintaining the clarity of its vision and objectives, including its Target Operating Model, and at the same time being flexible enough to take on and integrate the operating infrastructure of acquired books of policies.

Thorough planning ensured that the Part VII transfer of Equitable Life into ULP completed on 1 January 2020 with a period of integration activity thereafter. Commercial arrangements have been rationalised across the business delivering cost benefits and operational efficiencies.

A.1 BUSINESS (CONTINUED)

The International business operates an in-house client servicing and investment administration target platform and has already effectively migrated several acquired books, securing tangible cost reductions as a result. To date, 30% of the International single premium policies have been migrated to our strategic platform via five migration projects. A further migration of around 10% of our single premium policies is underway with completion planned for H2 2021. The latter policies are currently covered by Utmost International's final remaining outsource administration arrangement and thus the migration is in line with our strategy to perform administration in-house.

Following the announced Quilter International acquisition, detailed planning has commenced for the integration into our Utmost International business. Opportunities for capital, financial and operational synergies will be identified in line with our Target Operating Model.

During 2020 we launched our sustainability strategy which sets out our commitment to make a positive difference through our business activities. The strategy is set out along four pillars, which are underpinned by policies and targets, recognising that sustainable business encompasses a range of topics.

As the manager of £37bn of our customers' life and pensions investments, an important pillar of the strategy is investing this money in a responsible manner. We recognise the importance of our role as a long-term allocator of capital and take this responsibility seriously. We adopt a proactive approach to sustainable investment taking environmental, social and governance factors, including climate change, into account in our investment process.

The support of our of local charities and communities by our employees continued through the year. To support their efforts we have introduced a volunteering policy across the Group enabling all our employees to take one day each year to support good causes.

A.1.12 SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

Significant events during the year to 31 December 2020 are summarised below. Further information is included in the UGL 2020 Annual Report.

Equitable Life Business Transfer

On 1 January 2020, the Part VII transfer of ELAS to ULP completed. ELAS was a mutual insurance company which was closed to new business and had books of with-profits and non-profits policies. In advance of the transfer, the with-profits policies were converted to unit-linked policies, removing the investment guarantees. The in-scope with-profits policyholders received uplifts in excess of 75% of their policy value, compared to the existing 35% uplift that was being offered on with-profits business with guarantees. The business transfer added £6.2bn of assets under administration and around 300,000 customers to ULP. The transaction delivered good value to Equitable Life customers and demonstrates ULP's credentials as a consolidator for the UK life and pensions market.

The integration of ELAS into the ULP business completed in June 2020. The business moved to a remote working environment in line with government guidance relating to the COVID-19 pandemic, however the thorough planning of the project ensured a timely and cost-efficient integration. As a part of the integration, the businesses were moved into a single site based in Aylesbury, the original location of ELAS. The ULP office in Tunbridge Wells was closed.

Group Reorganisation

In October 2020, the Group underwent a reorganisation, having operated as two separate Groups up to that date: Utmost International Group Holdings and Utmost UK Group Holdings. The acquisition has been accounted for as a non-adjusting post balance sheet event. There was no change in the ultimate significant economic ownership and control of the Utmost Group. The reorganisation was conducted in a series of steps, all of which were completed on 1 October 2020.

Product Development

As the Group grows it will continue to invest in enhancing its product offering. Utmost International launched two products during 2020. A proposition for expatriates, Apex (Portugal), was launched in Portugal in September 2020 and a regular savings proposition, FOCUS (Singapore), was launched in Singapore in October 2020. Utmost International has a pipeline of proposition development to ensure our range continues to meet client requirements and enables the business to respond to new market opportunities.

ULP launched a Flexible Drawdown Product in Q1 2020. This product is currently only available to existing customers of ULP. The product enables clients to access their pension savings in a flexible manner to meet their varied needs through retirement.

A.1 BUSINESS (CONTINUED)

Debt Reorganisation

On 9 November 2020 Utmost Group Limited issued £300m of Tier 2 debt, listed on The International Stock Exchange, to its immediate parent company Utmost Holdings (Guernsey) Limited. The Group used the proceeds of this issuance to repay the existing debt facilities between UIG Holdings (No 1) Ltd and Utmost UK Group Holdings Limited with Utmost Holdings (Guernsey) Limited. The interest rate on the Tier 2 debt is 6% with interest payable in May and November.

Brexit

The Brexit transition period ended on 31 December 2020 and EU law no longer applies in the UK from that date.

Brexit is not expected to have a significant impact on the Group's operational activity. However, discussions between the UK and the EU regarding the regulation of financial services following Brexit are ongoing and there will, until these discussions are concluded, be some uncertainties regarding the regulatory position going forward. It is also possible that Brexit will result in some tax changes that could impact the Utmost Group.

The Group continues to monitor regulatory developments following Brexit, engaging with regulators where appropriate. It has contingency plans in place to ensure that it can service effectively our EU and UK customers irrespective of the outcome of any negotiations between the UK and the EU.

Sustainability

The Group launched its Sustainability Strategy in February 2021. Utmost Group is dedicated to making a positive difference. In order to continue to meet the needs of clients and attract investors who share our long-term philosophy – as well as it being an overall good – sustainability has become central to our strategy.

Our sustainability strategy supports our vision by delivering positive benefits to our stakeholders and embedding sustainability across our business.

Our sustainability strategy is framed along four pillars: our customer outcomes, responsible investments, our environmental impact and engagement in our community. Our Group CEO has overall accountability for the delivery of our sustainability strategy, which is implemented by our Sustainability Working Group which includes senior representatives from across the business, and ensuring we do business in the right way.

As regulations and client expectations evolve, our strategy will be regularly revisited in order that we maximise our positive impact.

Digitalisation

The pandemic highlighted the competitive edge that digital platforms provide when it comes to the distribution of products and services. As face-to-face interaction became impossible, firms with strong digital channels and readiness were positioned to deliver seamless advice and service. A shift to remote working and changing client expectations intensified the importance of the digital transformation throughout the insurance value chain. Customers increasingly expect personalised service with the availability of online servicing alongside in-person support.

Digitalisation is a key focus for Utmost Group. Our online service centre was upgraded as a part of the launch of the new Utmost International website in 2020, to guide clients to relevant products, services and fund information as well as a range of helpful tools and resources. Utmost Group will continue to look to enhance our digital presence to aid customer access and create an efficient user experience. Utmost Group has put digitalisation at the core of its operational agenda, with COVID-19 accelerating the shift to the firm of the future.

Events after the year end date

On 25 March 2021 the Company paid a cash dividend of £35m to its immediate parent company Utmost Holdings (Guernsey) Limited.

On 1 April 2021 the Group announced the proposed acquisition of Quilter International, a highly complementary business to the existing Utmost International businesses. The acquisition continues the expansion of the Utmost International business and further strengthens its global footprint. Total cash consideration of £483m is expected to be paid to Quilter assuming a completion date on the transaction of 31 December 2021. A gain on bargain purchase is expected to be recognised in the IFRS financial statements for the year ending 31 December 2021.

Corporation tax rate

On 3 March 2021, the UK Government announced that Finance Bill 2021 will increase UK corporation tax from its current rate of 19% to 25% with effect from April 2023. The legislation implementing the latter change had not been substantially enacted at the balance sheet date of 31 December 2020 and, accordingly, no account of the proposed rate increase was made in calculating the Group's provision for deferred tax. If the rate increase had been enacted prior to the balance sheet of 31 December 2020, then it would have had the effect of increasing the Group's closing deferred tax liability, leading to a corresponding reduction in Own Funds. However, through increasing loss-absorbing capacity for deferred tax the rate increase would also have led to a corresponding reduction in the Group's SCR, ensuring that there would have been no overall impact on the level of Excess Available Capital.

A.1 BUSINESS (CONTINUED)

A.1.13 COVID-19 UPDATE

The global health crisis relating to the COVID-19 pandemic impacted the Group in 2020. The impact was felt across all geographical areas including the UK, our core Continental European regions including Italy and Spain, the Middle East, Latin America and Asia. The measures taken by these regions' respective governments disrupted the Group's operations during H1 2020. Financial markets experienced heightened volatility and uncertainty during the period and growth forecasts were downgraded.

Our Group regulator, the PRA, and our insurance subsidiaries' regulators issued statements and guidance in relation to the pandemic. The Group and its subsidiaries monitored the situation closely and followed relevant government and national health agency advice in our markets. The health and safety of our employees, our clients and our partners were our priority throughout the period and precautionary measures were taken as required. Our sympathies are with those whose lives have been impacted as a result of the crisis whether through the loss of a loved one, financial difficulties or mental health consequences.

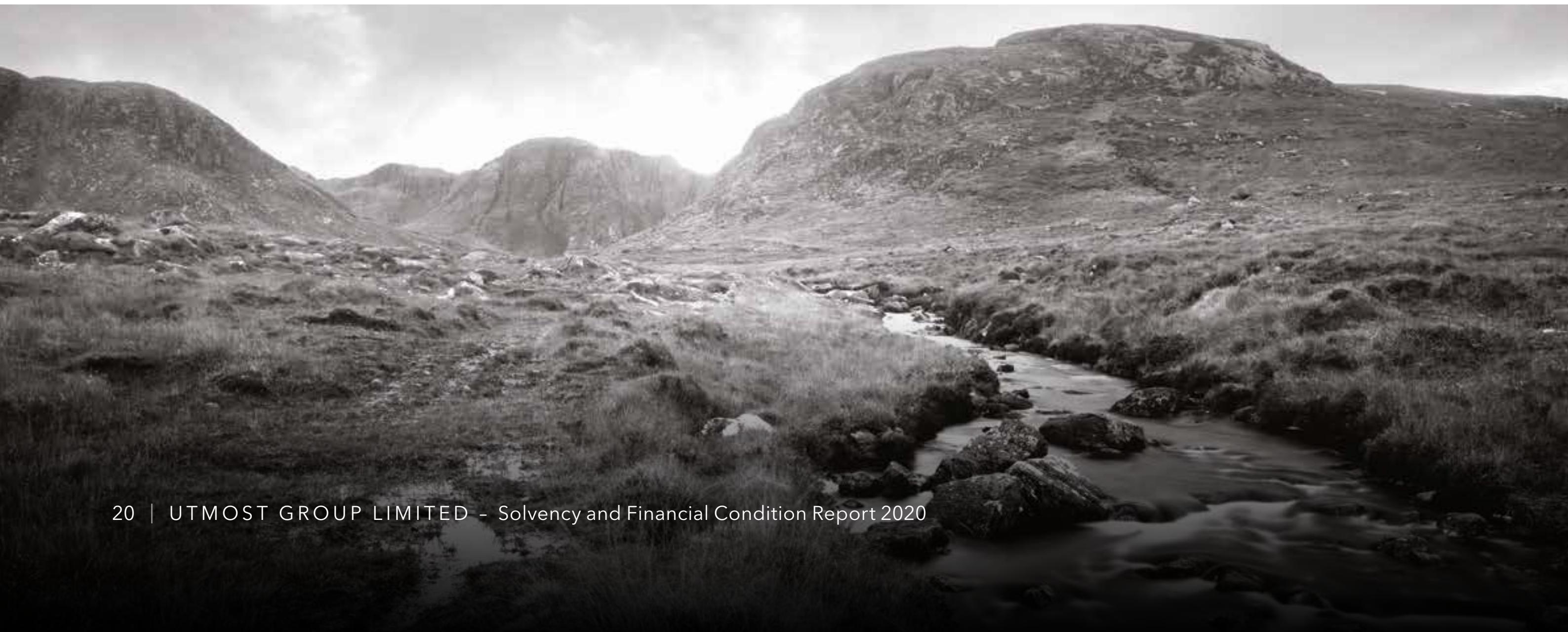
Throughout the year, the Group remained well capitalised with a high solvency coverage ratio and a low leverage ratio. Utmost Group Limited is subject to ongoing stress testing based on extreme market conditions and holds adequate capital and liquidity to withstand such conditions.

Weekly calls between Group and the management teams of the group's insurance entities were held and a business continuity plan was successfully implemented across the business.

New business inflows were robust for 2020, in spite of the disruption caused by the pandemic, which led to the suspension of travel and the restriction on in-person meetings in our core markets. In a volatile macroeconomic environment with a vast reduction in economic activity, appetite for our products remained strong, reflecting the modern, flexible nature of our products which remain relevant throughout market cycles. The long-term nature of our products and their proven effectiveness in assisting clients in wealth preservation has supported new business inflows.

Despite the move to a remote working environment, the Group maintained its high standard of client service and continued to meet all its obligations to clients. Clients and advisers were supported via telephone and email services and the operating model was moved towards online processing.

At the height of the crisis all our offices were working remotely with a skeleton staff conducting specific activities in the offices. Robust business continuity planning ensured servicing was not disrupted with a seamless transition to home working. No government support schemes were accessed.



A.2 UNDERWRITING PERFORMANCE

Due to the nature of the Group's business an analysis of underwriting performance does not provide meaningful information in respect of the financial performance of the Group. The focus is on the Group's SII EV and Solvency Coverage Ratio.

The total premiums written during the period were £2,005m and gross claims incurred were £3,420m. Further information on the key elements of underwriting performance including the line of business, can be found in the Group QRT's (S.05.01.02 and S.05.02.01) in Appendix F.1.2 and F.1.3.

A.3 INVESTMENT PERFORMANCE

A.3.1 INCOME AND EXPENSE ARISING FROM INVESTMENTS

The majority of the Group's business is unit-linked. Increases and decreases in the value of the assets covering unit-linked liabilities are matched by corresponding changes in unit-linked liabilities and so there is no first-order impact on profitability.

Investment performance has a second-order impact on the profitability of the Group's unit-linked business because higher asset values result in increased income from asset management charges. Conversely, lower asset values can result in reduced income from annual management charges.

Information about the investment performance of the Group's invested assets, including assets held to cover unit–linked liabilities and shareholder assets is included in note 6 of the UGL 2020 Annual Report.

A.3.2 GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY

The majority of the Group's financial assets and liabilities are measured at fair value through profit or loss ("FVTPL") in the Group's IFRS financial statements. Certain items such as exchange gains on translation of foreign operations are recognised within other comprehensive income (i.e., recognised directly in equity).

The following table has been extracted from the consolidated statement of comprehensive income with the UGL 2020 Annual Report.

	31 DECEMBER 2020
	£m
Profit for the year after tax	**79.4**
Change in fair value of financial assets at fair value through Other Comprehensive Income ("OCI")	4.2
Foreign currency translation movements in the year	10.3
Fair value movements of owner occupied land and buildings	(0.1)
Re-measurement on retirement benefit asset	(3.4)
Total tax on components of other comprehensive income	(0.1)
Total comprehensive income for the year, net of tax	**90.3**

A.3.3 INVESTMENTS IN SECURITISATIONS

The Group did not invest in securitisations during 2020.

A.4 PERFORMANCE OF OTHER ACTIVITIES

The Group is primarily engaged in the following business activities from which it generates revenue: investment and asset management, revenue from fee income and other income from service activities, and life assurance (revenue from premium income).

The table below provides an analysis of the Group's total revenue on an IFRS basis and includes revenue related to assets backing unit-linked liabilities.

Further information relating to revenue is contained in the UGL 2020 Annual Report.

	31 DECEMBER 2020
REVENUE	£m
Net earned premiums	67.9
Fee income and other income from service activities	162.6
Other income	9.3
Total Revenue	**239.9**

A.4.2 OVERVIEW OF EXPENDITURE

The Group's total expenses on an IFRS basis for 2020 amounted to £114m.

The table below provides an analysis of the Group's other operating and administrative expenses on an IFRS basis, as presented within note 7 of the UGL 2020 Annual Report.

	31 DECEMBER 2020
OTHER OPERATING AND ADMINISTRATIVE EXPENSES	£m
Staff costs	71.2
Depreciation of property plant and equipment	5.4
Amortisation of intangible assets – software	0.2
Auditor's fees	3.0
Auditor's fees on non-audit services	0.7
Professional fees	8.8
Other administrative costs	25.1
Total other operating and administrative expenses	**114.4**

A.4 PERFORMANCE OF OTHER ACTIVITIES (CONTINUED)

A.4.3 LEASE ARRANGEMENTS

Utmost Group Limited as lessor

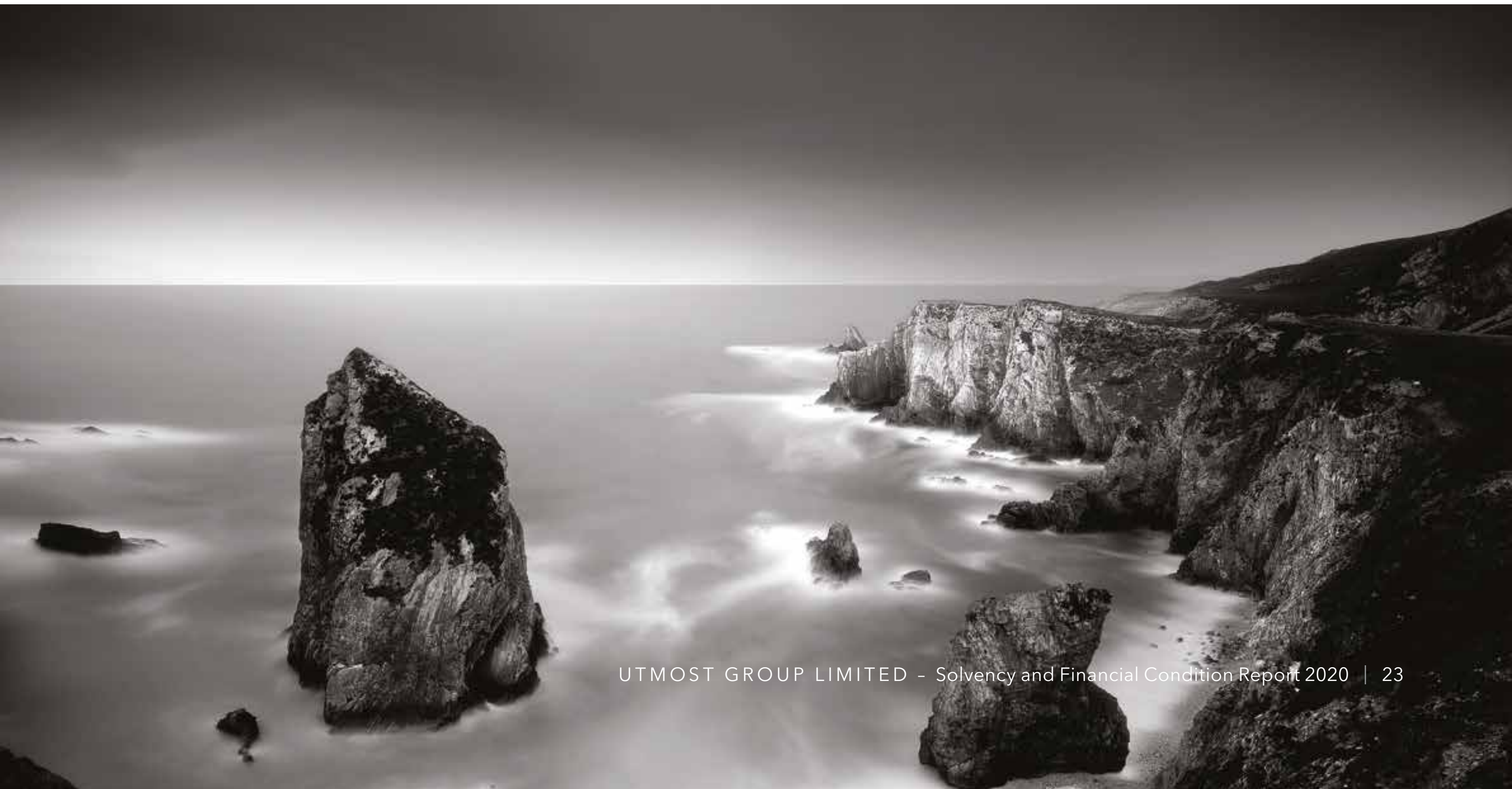
The Group had no lease arrangements during 2020 as lessor.

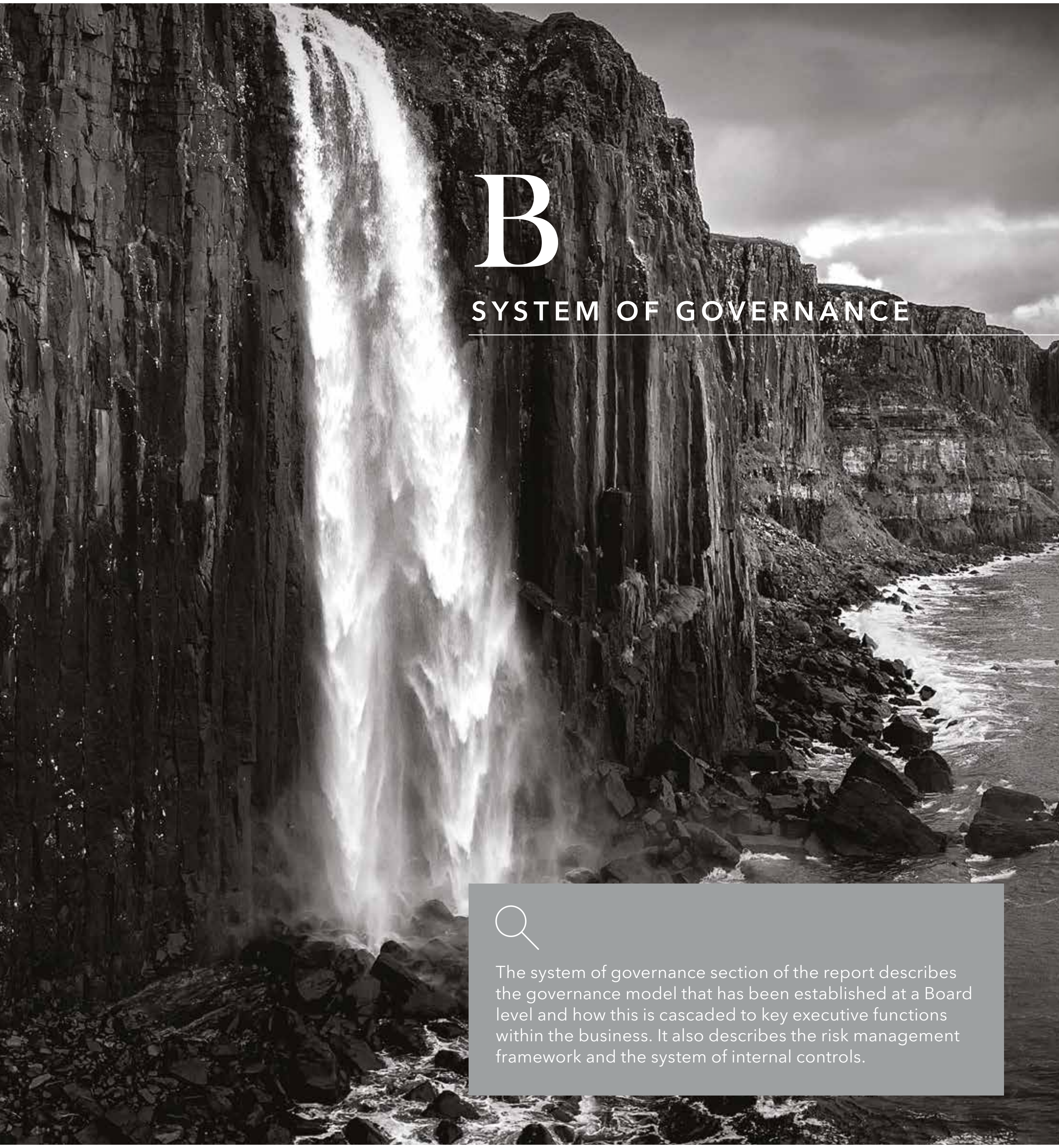
Utmost Group Limited as lessee

The Group has entered into various operating leases on certain rented office locations across several jurisdictions. Such leases have varying terms, clauses, and renewal rights.

A.5 ANY OTHER INFORMATION

There is no additional information considered to require disclosure in Section A. Further information on the impacts of Brexit have been provided in Section A.1.12.





B

SYSTEM OF GOVERNANCE

The system of governance section of the report describes the governance model that has been established at a Board level and how this is cascaded to key executive functions within the business. It also describes the risk management framework and the system of internal controls.

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

The operating businesses within the Group are governed by their constitutional documents, local law and regulation, and the Shareholder Agreement. As such each operating company has its own governance structures all of which are broadly aligned across the Utmost Group.

Boards of each of the operating businesses ("subsidiary boards") each have mandates and duties which are drafted to align with the requirement of the Shareholder Agreement and local law and regulation.

Alignment of the activities and processes of the subsidiary boards and Systems of Governance arrangements across the Group is an ongoing process which commenced prior to the Group reorganisation in October 2020. Initiatives include the introduction and the continued strengthening of a Group Risk Management and Policy Framework, the introduction of a Group Corporate Governance Manual and implementation of board effectiveness recommendations from each of the operating business boards.

The system of governance is structured in a manner relevant to the size and complexity of the Group, factoring in specific local requirements, as necessary. The information provided on the system of governance is grounded on the well-established governance structures in place within the Group's operating businesses and supplemented by the newly formed UGL governance arrangements.

Although each entity has a separately constituted board of directors, the Founders act as non-executive directors of each regulated entity to enable aligned oversight, direction and supervision through the subsidiary boards across the Group.

B.1.1 INTRODUCTION TO THE SYSTEM OF GOVERNANCE AND THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BOARD

Corporate Structure

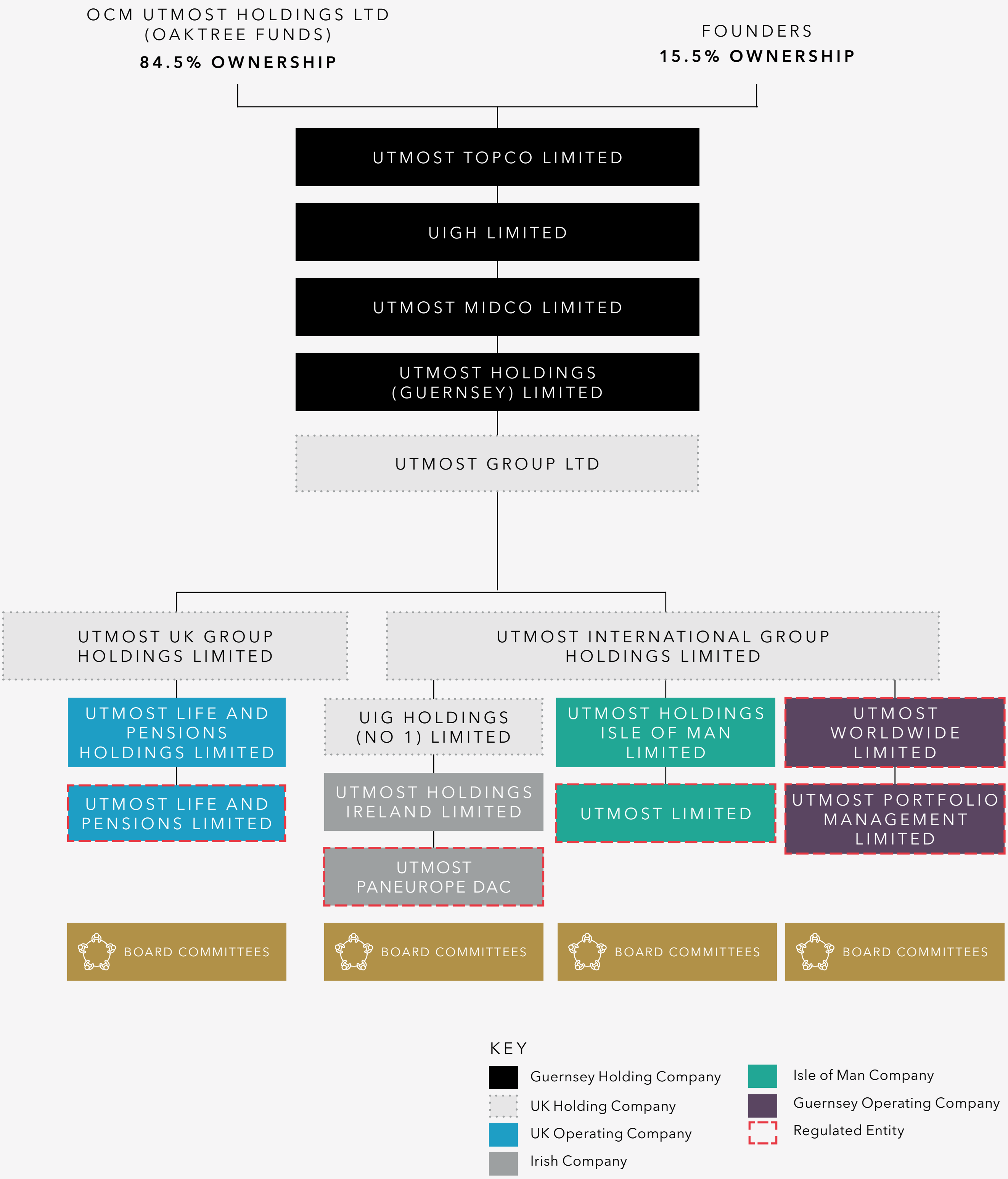
UGL is an English holding company into which the results of the UWS, UCS and Utmost Life and Pensions businesses are consolidated. The operating subsidiaries through which business is conducted include UPE, incorporated in Ireland, UL, incorporated in the Isle of Man, UW, incorporated in Guernsey and ULP, incorporated in England.

The operating subsidiary companies comply with local laws and regulations and report to the regulator as required by Codes and requirement including:

- the PRA and FCA;
- the IoM FSA Corporate Governance Code of Practice for Commercial Insurers;
- the CBI Corporate Governance Requirements for Insurance Undertakings; and
- the GFSC's Finance Sector Code of Corporate Governance.

CORPORATE STRUCTURE

OWNERSHIP AND GOVERNANCE STRUCTURE



B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE (CONTINUED)

B.1.2 THE UTMOST GROUP LIMITED BOARD

Utmost Group Limited Board Membership

The Board of UGL comprises the Group Chief Executive Officer ("CEO") and the Group Chief Financial Officer ("CFO") (the "Founders") and two non-executive directors representing OCM Utmost Holdings Ltd, the Group's majority shareholder. Following completion of the Group Reorganisation, the Board plans to appoint an independent Chairman and an independent non-executive director who will act as Chairman of the Audit, Risk and Compliance Committee. The recruitment process is underway for an independent Chairman, and the Board has identified a suitable candidate to undertake the latter role, for whom the regulatory approval process is underway. It is expected that the regulatory permissions process and appointment of the two independent non-executive directors will be completed by the end of September 2021.

Role and responsibilities of the Utmost Group Limited Board

The Board is responsible for promoting the long-term success of the Utmost Group and, in particular, for setting the Group's strategic aims, monitoring management's performance against those strategic aims, setting the Group's risk appetite, ensuring the Group is adequately resourced and ensuring that effective controls are in place. The Board also sets the values and supports the culture of the Group.

The specific duties of the Board are clearly set out in the matters reserved for the Board and the Board Procedures which address a wide range of corporate governance matters and lists those items that are specifically reserved for decision by the Board.

Matters reserved for the Board

Matters requiring Board approval include:

› Group strategy and business plans;

› Financial reporting and controls, capital structure and dividend policy;

› Group risk appetite and framework; and

› Corporate governance matters (e.g., appointment and removal of directors across the Group, Board and committee succession planning and the constitution of the Board committees).

The Board's terms of reference also set out those matters that must be reported to the Board, such as senior leadership changes, significant litigation, or material regulatory breaches, and explain how matters that arise between scheduled meetings should be dealt with.

UGL Audit Risk and Compliance Committee

A UGL Audit, Risk and Compliance Committee ("ARCC") is being established to be responsible for making recommendations to the Board on the appointment of auditors and the audit fee, ensuring that the financial performance of the Group is properly monitored and reported on and reviewing the Group's financial statements and any formal statements on financial performance as well as reports from the Group's auditors on those financial statements. In addition, the ARCC will review the Group's internal control and risk management systems to assist the Board in fulfilling its responsibilities relating to the effectiveness of those systems. The ARCC will meet at least twice a year, or more frequently if required.

Board and Committees of operational business entities

Subsidiary boards are comprised of an Independent Chairman and a majority of non-executive directors, including the Founders, who are, as representatives of the Utmost Group and in accordance with the relevant Corporate Governance guidelines, not considered independent. Non-executive directors of each subsidiary board work collectively to fully understand the business and market conditions and provide constructive challenge to executive management. The executive directors are the CEO and CFO of each business.

The duties of the subsidiary boards include:

› developing the high-level strategy for their respective businesses;

› periodically reviewing the business plans and performance, ensuring that their regulatory responsibilities are discharged efficiently;

› ensuring that the principles of Treating Customers Fairly ("TCF") are embedded into the culture of each business;

› ensuring that each business meets the interests of policyholders, customers, and shareholders;

› approving the risk appetite of each business, monitoring the risk governance framework, and ensuring that risk management systems and controls are fit for purpose; and

› determining the appropriate investment parameters for each business.

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE (CONTINUED)

B.1.3 DELEGATION BY THE UTMOST GROUP LIMITED BOARD

As part of its governance structure, the Board will delegate the consideration of various matters to its Audit, Risk and Compliance Committee as explained above. In addition, the Board has delegated certain decisions to management. The delegated authorities operate in accordance with matters reserved for the Board. Where any event requiring financial transactions within certain limits also falls under the schedule of matters reserved for the Board, approval must be sought from the Board. Any payments or commitments falling outside the permitted authorities below must be approved by the Board. For the avoidance of doubt, this would include any payment or entry into commitments outside of the Business Plan where the total exceeds a certain quantum, as set out in the delegated authorities from time to time.

B.1.4 UTMOST GROUP SUBSIDIARY BOARD COMMITTEES

- **Audit Committees ("AC")**
  Responsible for monitoring the integrity of the regulated entity's financial statements and the adequacy and effectiveness of internal controls and risk management system. This includes the responsibility for the review of disclosures to the supervisory authority, including the SFCR, in addition to its statutory financial reporting and accounts disclosures.
- **Risk and Compliance Committees ("RCC")**
  Responsible for assisting the subsidiary board in its oversight of the risk management and compliance culture and ensuring compliance of the undertaking with all legal and administrative requirements. It is also responsible for: oversight of the regulatory capital position, advising the subsidiary board on the Group's risk appetite and risk, control, and compliance exposure of the firm; setting and monitoring the Group's risk management and compliance policies; and ensuring the effectiveness of its Own Risk Solvency Assessment ("ORSA"). These Committees align with the Remuneration Committees to embed risk-based Remuneration Policies.
- **Remuneration Committees ("RemCo")**
  The role of the Remuneration Committees is to oversee the ongoing appropriateness and implementation of the relevant Remuneration Policy, particularly for executive directors and their direct reports. The Board itself should determine the remuneration of the non-executive directors within the limits set in the Board Terms of Reference and the matters reserved for the Board. No director is involved in any decisions as to their own remuneration.
- **Investment Committees**
  Responsible for ensuring that investment activities carried out are consistent with the Investment Policy adopted by the subsidiary board. Exercising control over the execution of the subsidiary board's strategic decisions and the sound and efficient management of investment-related matters.
- **ULP With-Profits Committee**
  Advising the ULP Board on matters relating to treating customers fairly for its with-profits business and supporting the ULP Board in ensuring fairness to customers is embedded in the decision-making and execution of the Company's with-profits funds at all times, including all policies written within the with-profit funds.
- **ULP Nomination Committee**
  Responsible for ensuring the ULP Board has a formal, rigorous, and transparent procedure in place to manage the appointment of new Board Directors to the Board, and to ensure 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.
- **UPE Banking Committee**
  The Banking Committee established by UPE ensures that regular administrative matters can be dealt with by the directors without recourse to the UPE Board.

B.1.5 MANAGEMENT FORUMS, INCLUDING THE EXECUTIVE COMMITTEE

In order to ensure there is a clear division of responsibilities between the running of the Board and the running of the operating businesses, the Board has identified certain 'reserved matters' for its approval, as summarised above. In relation to all other matters, unless they are specifically reserved for shareholder approval, the Board delegates responsibility for these to the Group CEO, who then delegates responsibility for specific operations to the CEOs of the operating business entities from across the Group.

Oversight and control of performance, activity and risks within the business is overseen by the Group Executive Committee which is responsible for managing and overseeing the day-to-day business and affairs of the Group in accordance with the agreed strategy and the authority delegated to it by the Board.

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE (CONTINUED)

B.1.5 MANAGEMENT FORUMS, INCLUDING THE EXECUTIVE COMMITTEE (CONTINUED)

The Group Executive Committee is chaired by the Group CEO and is composed of the Group CFO, plus the UK entity CEO and other senior managers as nominated by the Group CEO to represent certain business units and functional areas. Formal and regular meetings are held, and relevant outputs are reported to the Board regularly via the Group CEO and Group CFO.

The Group Executive Committee's key responsibilities include:

a. development and execution of strategy and business plans, and monitoring of performance thereof;

b. ensuring that activities are consistent with the strategy, risk tolerance/appetite and policies approved by the Board;

c. reporting to the Board (via the Group CEO) on how it has discharged its responsibilities;

d. oversee business functions, ensuring that the business has the necessary resources to meet its objectives;

e. monitoring the financial position, ensuring that applicable legal and regulatory requirements (including as to capital and solvency) are met;

f. overseeing business development and new business opportunities; and

g. overseeing client relationships and customer experience.

B.1.6 OPERATING BUSINESS MANAGEMENT FORUMS

In addition to the subsidiary boards and their sub-committees, each operating business CEO has established an Executive Committee in respect of the relevant business to support each CEO in their decision-making. The Executive Committees report through the provision of management information to the Board.

These committees generally have no delegated authority but make recommendations to the CEO or Board and its committees as appropriate. Each committee and forum has a core membership consisting of relevant senior managers and, in general, committees and forums are chaired by the relevant Senior Manager Function ("SMF") holder or local equivalent. Each sub-committee and forum has delegated authority from the CEO to perform certain roles and responsibilities assigned to it within Terms of Reference set by the relevant Executive Committee.

Examples of management committees include:

› Senior Management Committee ("SMC").

› Asset Liability Committee ("ALCO").

› Fair Customer Outcomes Governance Committee.

› Fair Value Pricing Committee ("FVP").

› Data Governance Committee.

B.1.7 KEY FUNCTIONS

All members of the Board hold the Group SMF function and each of the individual businesses referred to on page 3 of this document has an independent governance structure reporting into the Group. The Chief Executives of each business report into the Group CEO and the Chief Financial Officers of each business report into the Group CFO. There are no other senior management functions defined at the Group level.

For the purposes of the SII Directive, Internal Audit is an Utmost Group function reporting to the Group Audit Risk and Compliance Committee chair once the governance structure is embedded as explained on page 25. The other mandatory key functions for the SII firms sit within each of the operating business entities and include Actuarial, Risk Management, and Compliance.

B.1.8 REMUNERATION POLICY

Following the Group reorganisation in October 2020 (as detailed in section A.1.12), a newly developed Group Policy suite has been established as part of the Group System of Governance, which includes, a newly established common Group Remuneration Policy approved by the Board in March 2021. The Group Remuneration Policy sets out the overriding principles to be applied for all remuneration schemes across the Group. All remuneration packages must demonstrate an appropriate balance between variable and fixed components to avoid employees being overly dependent on the variable component, while allowing Utmost Group to operate in a flexible manner.

The Group's Remuneration policy is intended to attract, retain, and reward employees with the appropriate skills and experience who are required to run the Group's businesses effectively. The principles embodied in the policy include:

› promoting sound and effective risk management that does not encourage risk-taking that exceeds the risk appetite of Utmost Group;

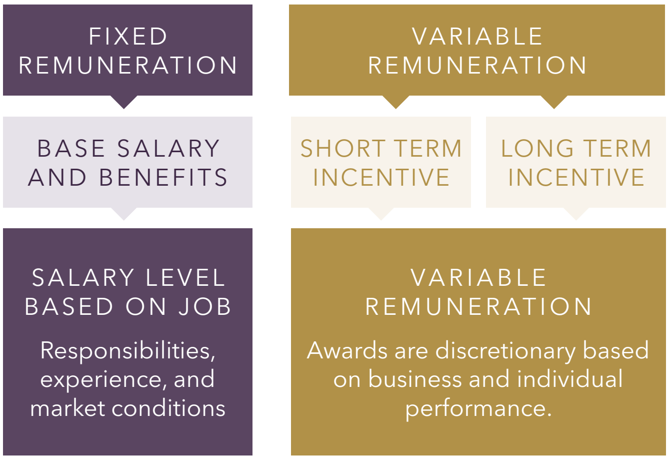
› assisting the Group and its business entities to attract, motivate and maintain employees with relevant skills to help achieve the business' objectives;

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE (CONTINUED)

- promoting consistency of approach and transparency across the Utmost Group;
- ensuring that the aggregate potential value of remuneration awards do not threaten the business' ability to maintaining an adequate capital base; and
- ensuring that remuneration arrangements for Material Risk Takers ("MRT's") are appropriate arrangements, encourage exceptional performance and, in a fair and responsible manner, reward them for their individual contributions to the medium and longer-term success of Utmost Group.

Remuneration components

Remuneration schemes consist of four primary elements: base salary, benefits during employment, retirement benefits and performance related incentives. The proportion of each element within the overall package will vary by operating business and role. Some senior positions may include a fifth element which is a long-term incentive ("LTIP").



The base salary and benefits are determined by the role, responsibility, and experience of the individual and having regard to local market comparisons, including relevant comparator companies of broadly similar size and complexity.

The discretionary annual incentive schemes will reflect individual, business entity and/or Utmost Group performance (as applicable) and support the delivery of benefits and services to customers, in a manner which promotes sound risk management. Any incentive awards are based on the delivery of objectives that are closely aligned to the Group or operational businesses critical priorities. A number of incentive schemes exist that are linked to the level of the role in the business, and where appropriate, the type of role.

The Group Remuneration Policy is supported by performance management processes that promote the development of a high-performance culture in line with the Group's strategy and values. Each employee will have a number of objectives set annually and awards will be assessed based on the performance of these objectives. This may include adjusting the variable component based on an assessment of current and future risks and the cost of capital for the Group and the operating businesses, with the potential for not awarding any variable component. The remuneration of the UGL CEO and CFO is overseen by the Board.

Variable remuneration for control functions (e.g., Risk, Compliance, Internal Audit, Actuarial) is not materially dependent on the performance of the areas that they oversee.

The remuneration of Independent Non-Executive Directors ("INEDs") is designed to attract and maintain high quality board members while being consistent with maintaining their independence. The INEDs receive a set fee for their services and are not entitled to any performance-based options or incentive payments.

The Group Remuneration Policy is made available to all employees via the Group Intranet.

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE (CONTINUED)

B.1.9 MATERIAL CHANGES TO THE SYSTEM OF GOVERNANCE OVER THE REPORTING PERIOD

As this is the first year of reporting the Group SFCR, changes to the system of governance during the year are not reported.

B.1.10 ASSESSMENT OF ADEQUACY OF THE SYSTEM OF GOVERNANCE

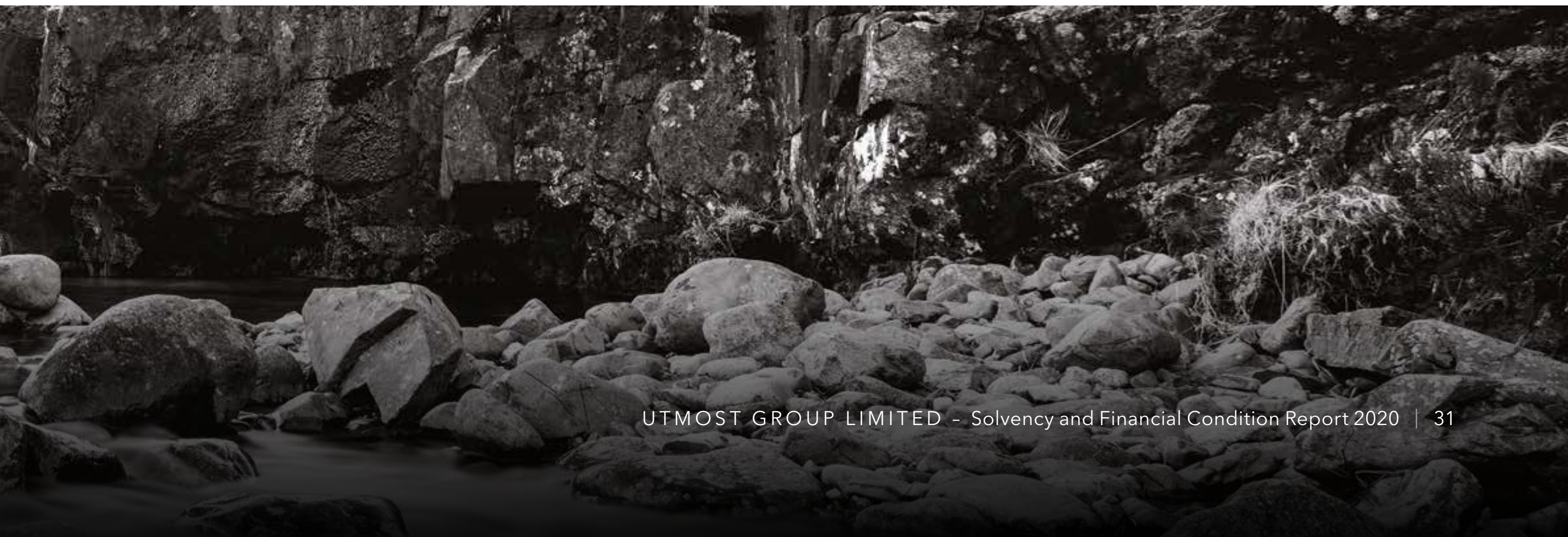
The Company (or "UGL") was established as the holding company of the Utmost Group in October 2020. The Board is responsible for setting the overall direction and risk appetite of the Group as a whole, to generate value for shareholders and its stakeholders including customers, employees, and the communities in which we operate. The subsidiary boards set their own objectives and risk appetite within the boundaries of the overall Group Risk Appetite and are responsible for conducting their everyday business, in line with the regulations and legislation of the local jurisdictions within which they operate.

The Group Board and committee structure set out in the sections above, is proportionate for a federated oversight model, where the day-to-day decision-making powers are largely delegated to the regulated operating businesses. The Group Directors are members of the subsidiary boards, thus directly embedding Group oversight within the operating businesses to ensure alignment within the overall strategy and risk appetite of the Board.

Each of the subsidiary boards are required to perform annual assessments of effectiveness and each has concluded that they are operating effectively. Comments received from the 2020 Board Effectiveness reviews acknowledged that, although it was demanding to gauge the atmosphere and tone in the virtual room due to the remote meeting environment, levels of contribution and debate were unaffected and they continued to operate effectively despite the challenges faced during the disruption caused by COVID-19. During the critical first months of the pandemic, subsidiary boards received weekly management information documenting customer service levels, solvency, financial stability, and progress on the transition of the relevant business to remote working. Despite dealing with these challenges and new ways of working, the Board and each of the subsidiary boards' primary focus has been, and continues to be, developing the right strategy for the Utmost Group and implementing it in a coherent and responsible way. On appointment of an independent Chairman and independent non-executive director to the Board, effectiveness reviews will be scheduled to align with the subsidiary boards.

Following the October 2020 Group Reorganisation, the internal audit function resources have transitioned to a Group function that is fully independent of the operating businesses, providing an effective 3rd line of defence. The Group Head of Internal Audit will report to the newly established Group Audit Risk and Compliance Committee Chairman (once appointed). The Risk, Actuarial and Compliance functions are well established and embedded within each of the regulated operating businesses and are well positioned to provide effective and timely 2nd line risk challenge, to the 1st line business' executive directors and senior management (as described in the SFCR of each regulated entity).

The Board considers the Group system of governance arrangements to be adequate and proportionate based on the current structure of the Group. In addition, it considers the subsidiary boards to be conducting their duties in accordance with the local requirements and the mandate of the Group. The UGL governance arrangements will continue to evolve and become embedded by the end of 2021.



B.2 FIT AND PROPER REQUIREMENTS

The Group's approach to implementing and embedding processes and procedures to ensure fitness and propriety is described below. It is acknowledged that fitness and propriety across the Group is essential for protecting the Group's reputation, maintaining the confidence of our customers and ensuring regulatory compliance.

The Group is committed to ensure that all fit and proper regulatory requirements are met. It must be able to demonstrate that it employs people who are fit and proper for the professional discharge of the responsibilities allocated to them. This, in turn, will assist in developing an appropriate culture in the business, thereby minimizing risk and ensuring sound and prudent management of the business.

The Group therefore ensures that all people, subject to the fit and proper requirements, have appropriate qualifications, knowledge, skills and experience required to carry out their role and:

› 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 need to avoid, via adhering to the Group's conflicts of interest policies, activities that could create conflicts of interest or the appearance of conflicts of interest.

The Group ensures that requirements are fulfilled by operating procedures during recruitment, and ongoing employment, to be satisfied that an individual:

› will be open and honest in their dealings and is able to comply with the requirements imposed upon them (honesty, integrity, and reputation);

› has the necessary knowledge, skills, and experience to carry out the function they are to perform (competence and capability);

› is financially sound (financial soundness); and

› each of the Utmost businesses has Fit and Proper Policies in place that set out the way in which each company complies with the relevant Fit and Proper requirements applicable to each jurisdiction.

The Group and its operating businesses operate a robust recruitment process and carry out the appropriate due diligence on all candidates. Anyone who is being assessed to perform in a specified role is subject to a rigorous review of their fitness and propriety against the role requirements. All assessments with a fit and proper requirement are supported by a Human Resources ("HR") professional.

To ensure that prospective candidates meet the "fit and proper" requirements the Group undertakes thorough recruitment processes. These include exercises to map the candidates' capabilities and experience against the requirement of the role profiles. The Group also takes other steps such as obtaining credit checks and checks from the Disclosure and Barring Service (or local equivalent), requiring proof of qualifications, requesting references and requiring candidates to complete self-certification regarding potential conflicts of interest.

Concerns are escalated to, and discussed with, the local Chief Risk Officer ("CRO") or member of the Senior Management team as appropriate. If screening concerns cannot be satisfactorily resolved, any offer of employment is withdrawn.

The individuals currently subject to the Fit and Proper requirements at the level of the Board are shown below. The new Chairman and independent non-executive director will also be subject to these requirements on appointment.

(ANDREW) PAUL THOMPSON
GROUP CEO

IAN MAIDENS
GROUP CFO

CHRISTOPHER BOEHRINGER
DIRECTOR

KATHERINE RALPH
DIRECTOR

B.3 RISK MANAGEMENT SYSTEM INCLUDING OWN RISK AND SOLVENCY ASSESSMENT

B.3.1. RISK MANAGEMENT SYSTEM

The newly established UGL risk management system is articulated through its Enterprise Risk Management ("ERM") framework. The Group has implemented a corporate governance structure around a decentralised ERM framework that is proportionate to the scale and complexity of the Group, but which allows the Board to:

- establish its strategy towards risk taking;
- oversee the communication and monitoring of adherence to the appetite for risks, and
- oversee the identification, measuring, monitoring, management and reporting of risks.

The Group ERM framework embeds proactive and effective risk management in the operating businesses by maintaining risk management functions and structures in a devolved model, whereby oversight is conducted by the respective subsidiary boards and committees and reported to the Board, as appropriate.

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

Risk Culture

A core objective of the ERM Framework is to embed a positive and open risk management culture within the Utmost Group. The risk culture is embedded through the following:

- the Chief Risk Officers of all operating businesses are members of senior management and in the execution of their roles, integrate risk management thinking into the decision-making process;
- the Group and operating business strategic planning and ORSA processes must be aligned to include a risk-based forward-looking view in the development of the strategic plan;
- the Risk Function in each operating business is involved in material initiatives which may impact the risk profile of that operating business or the Utmost Group as a whole. The role of each Risk Function is to integrate the risk management assessment methodologies into the decision-making process by supporting the business in identifying, assessing, and managing the risks associated with these initiatives; and
- each Risk Function works closely with the business teams in its own operating business, providing advisory services and promoting the advantages of a positive risk culture.

Risk Strategy

The risk strategy of the Group provides an overarching view of how risk management is incorporated across all levels of the business, from decision-making to strategy implementation. It assists the Group in achieving its strategic objectives by supporting the operating businesses with improved client and shareholder outcomes. This is achieved through the identification and management of an acceptable level of risk ("risk appetite") and by ensuring that the Utmost Group is appropriately rewarded for the risks it takes. To ensure that all risks are managed effectively, the Utmost Group is committed to:

- embedding a risk aware culture;
- maintaining a strong system of internal controls;
- enhancing and protecting client and shareholder value by continuous and proactive risk management;
- maintaining an efficient capital structure; and
- ensuring that risk management is embedded into day-to-day management and decision-making processes.

Risk Appetite

Risk appetite is the level of risk that the Utmost Group is willing to accept in pursuit of its strategic objectives. Risk preferences are outlined and documented within the Risk Appetite Statement. The Board articulates its risk appetite and risk preferences in the Group Risk Appetite Statement. The subsidiary boards tailor their own risk appetite statements within the boundaries of the risk appetite set by the Board. The operating businesses develop metrics to translate the risk appetite into quantitative and measurable risk limits and indicators, and to embed them into the operating processes to ensure proper monitoring and steering of business activities.

Risk appetite is embedded into the key decision-making processes in the operational businesses by looking at four main dimensions, namely capital, liquidity, earnings and expenses, and consistent risk metrics are in place to ensure that its risk profile is managed within the stated appetite and regulatory requirements, triggering actions whenever tolerance levels are breached.

B.3 RISK MANAGEMENT SYSTEM INCLUDING OWN RISK AND SOLVENCY ASSESSMENT (CONTINUED)

B.3.1. RISK MANAGEMENT SYSTEM (CONTINUED)

Risk Management Governance Structure

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

› **Own and manage the risks**
The first line of defence is operational management who perform day to day operational activities and self-assessment of their risks;

› **Oversee and provide specialist support**
The second line of defence are primarily the Risk and Compliance functions, who perform oversight of operational management; and

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

B.3.2 GROUP OWN RISK AND SOLVENCY ASSESSMENT

The Group ORSA is the primary means by which the Board and other key stakeholders are provided with a comprehensive understanding of the Group'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 Group's current strategic objectives, business plan and target risk profile are also key inputs into the scope and focus of the ORSA. The 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 Group ORSA Policy requires that the ORSAs of UGL and its operating businesses:

› provide key stakeholders with a comprehensive understanding of the relevant entity's risk profile, its capital needs, and the link between risk and capital;

› are forward-looking, and provides insight into both the current and expected future risk profile and capital position;

› allows identification, assessment, monitoring and management of all material risks, in order to ensure there is sufficient capital resources to meet the solvency requirements;

› are used as a key decision- making tool;

› are designed to be specific to the entity and the external environment in which it operates;

› are embedded as an ongoing process which comprises regular analysis, reporting, discussion and management action; and

› informs and responds to the way the Utmost Group and its operating businesses are run on a continuous basis.

B.3 RISK MANAGEMENT SYSTEM INCLUDING OWN RISK AND SOLVENCY ASSESSMENT (CONTINUED)

GROUP ORSA PROCESS

WORK STREAM	ACTIVITY	DESCRIPTION
DESIGN	Process & Document Design	Establish UGL ORSA process and documentation to ensure the ORSA is fit for purpose and compliant with current guidelines.
REPORTING & DOCUMENTATION	ORSA Policy	Establish Group ORSA policy to ensure it reflects the purpose, scope, process and aims of the Group's ORSA.
	Annual ORSA Report	Consolidation of the solvency position and risk profile of the Group's operating business ORSAs, 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 including any Group specific stresses.
	Submission	Submission of the completed ORSA Report to the PRA.
STANDARD FORMULA TESTING	Standard Formula Appropriateness Exercise	Analysis of the standard formula SCR relative to the Group's current and emerging risk profile, to ensure it remains appropriate.
SCENARIO DEVELOPMENT	Scenario Design & Definition	Development of any UGL specific scenarios required for the Group ORSA framework (over and above what is included in the operating business ORSAs).
PROJECTIONS	ORSA Projection Runs	Projection of the Group's balance sheet and risk profile under base and alternative scenarios.
	ORSA Control & Validation	Checks to ensure consolidation of business projections is complete and accurate.
USE	Strategy & Business Plan	Insight from the ORSA informs the Group's strategic direction and business planning.
	Risk Appetite	ORSA forecasts used to assess the Group's alignment with risk appetite.
	Investigation	ORSA analysis used to identify areas for further investigation, typically carried out by the Group actuarial team.
	Decision Making	The ORSA will be used as key management tool in the decision-making processes of the Group.

The output will be reviewed by the Board, committee members, and senior management to provide the opportunity to interrogate, challenge and feedback on the various inputs into and outputs from the ORSA analysis.

The Group ORSA will be completed annually and will be updated during the year in the event of any material change to the Group's risk profile. The ORSA is performed simultaneously at the level of the Group and its individual insurers. The Group CFO has overall responsibility for the ORSA process and the ORSA report. The Group Actuarial team produces the Group ORSA.

B.4 INTERNAL CONTROL SYSTEM

The Board is responsible for maintaining an effective system of internal control and for ensuring that controls are designed both to be aligned to risk exposures and to provide reasonable assurances regarding the achievement of the following objectives:

- effective and efficient operations;
- integrity of financial reporting;
- compliance with laws, regulations, and internal policies; and
- effective risk management within approved risk appetite limits.

The Group's principles of internal control include establishing:

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

The Group promotes the importance of appropriate internal controls via the Group Internal Control Policy:

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

The implementation and maintenance of the system of internal control in each operating business is the responsibility of the Executive Directors and senior management within the respective business. At Group level, this responsibility rests with the Utmost Group CEO and CFO and ultimately the Board.

Group Policy Suite Framework

The Board has approved a suite of policies that set out the over-riding principles and minimum requirements that the operating businesses must follow to ensure that the key risks to which the Group is exposed are controlled and managed in accordance with the Group's overall risk appetite. The Group Policy Suite is a key component in the Group's system of internal controls. The CEOs of the operating businesses will be required to attest on an annual basis that the relevant businesses have complied with the key requirements of the Group Policies. The Group Policy suite includes policies that cover:

- Enterprise Risk Management;
- Operational Risk;
- Internal Control;
- Internal Audit;
- Outsourcing Management;
- Investment & Market Risk;
- Insurance Risk;
- Credit & Liquidity Risk;
- Remuneration;
- ORSA; and
- Fitness & Propriety.

Three lines of defence assurance model

The Group uses the three lines of defence model to support and monitor the various control activities undertaken by employees (see B.3.1). The model clearly articulates the division of responsibilities for risk management between the three lines, the business and support functions, Compliance and Risk Functions and Internal Audit.

B.4 INTERNAL CONTROL SYSTEM (CONTINUED)

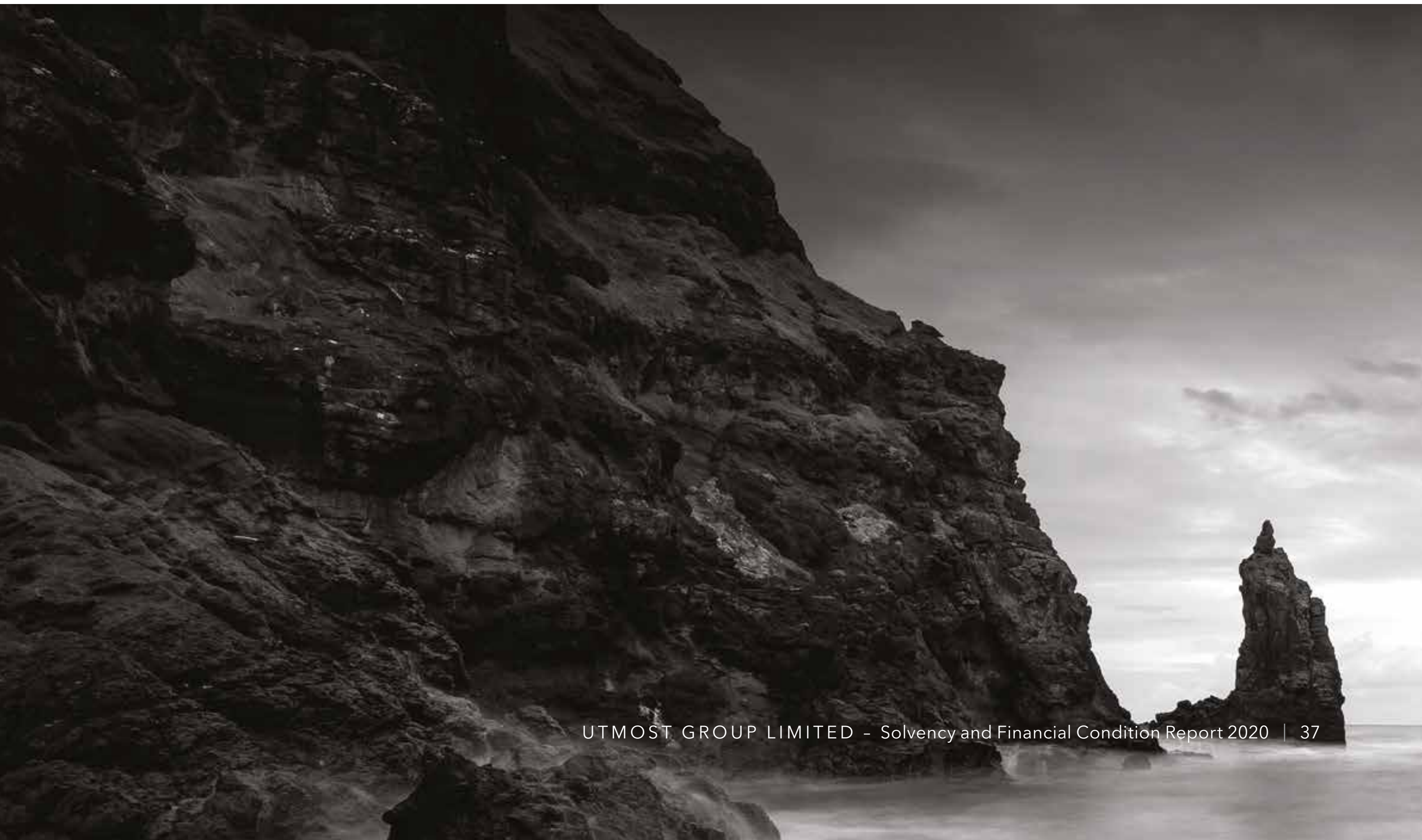
B.4.1 COMPLIANCE FUNCTION

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

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

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

The Group operates a devolved compliance function which utilises the compliance functions of each of the relevant operating businesses. The role of each compliance team is to ensure that the operating business meets the regulatory requirements in the jurisdictions in which it does business. This will be overseen at Group level by the Board ARCC.



B.5 INTERNAL AUDIT FUNCTION

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

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

The Group Internal Audit ("GIA") function will have a reporting line to the Chairman of the Board ARCC once the governance structure has been embedded. Currently the GIA Function reports to the ACs of each of the business entities and is led by the Group Head of Internal Audit ("GHoIA"). The function is responsible for regularly assessing the adequacy of the internal controls system of the Utmost Group and its operating businesses, including ULP, UPE, UW and UL, and reporting the findings to the relevant boards (via their ACs). Internal Audit personnel report directly to the GHoIA, with each HoIA having a dotted reporting line, for administrative purposes to their entity CEO.

Internal Audit activity is carried out based on the framework of risk based annual audit plans, that are prepared and submitted for review and approval by the appropriate Group or operating business AC. Upon approval, the GHoIA distributes the plan to Executive business leaders and executes the plan during the audit plan period. Additionally, at the GHoIA's discretion or at the request of an AC or member of senior management, other unannounced audits may be completed.

The Internal Audit charter defines the framework for the activities of the Group Internal Audit function and is approved by the relevant entity Boards (via their ACs). The GHoIA prepares a quarterly report for the Group and operating business ACs.

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

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

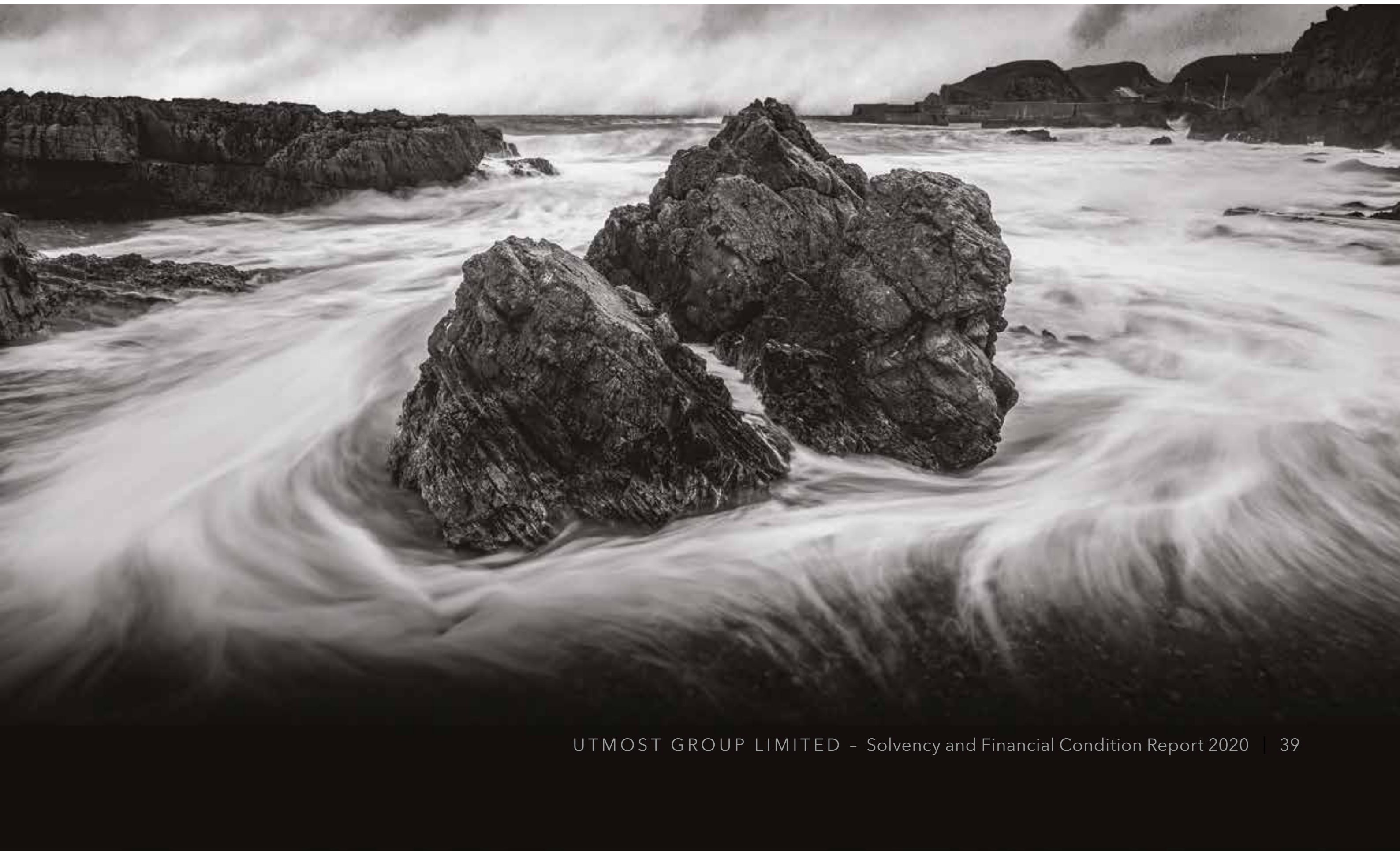
B.6 ACTUARIAL FUNCTION

The operating businesses have well-established Actuarial Functions that are led either by the Appointed Actuary or Chief Actuary; actuaries that are certified, where applicable, by local regulators. The Actuarial Functions of the operating businesses are staffed and resourced by appropriately skilled and experienced actuarial professionals. The authorities and responsibilities of the Chief Actuaries of the operating businesses as set out in Article 48 of the SII directive are detailed in the local business Actuarial Function policies and entity level SFCRs.

Utmost's Head of Group Actuarial is responsible for reviewing the activities of the operating business actuarial functions and consolidating the operating business results into the Group's financial statements and solvency reports. Overall responsibility for these activities rests with the Group CFO.

The key activities undertaken by the Group Actuarial team are summarised below:

- review of the technical Provisions and capital requirements consistent with SII requirements;
- co-ordinate the consolidation of the Group SCR and MCR;
- carry out the Group ORSA process;
- support annual SII reporting for the Group;
- carrying out Group specific stress and scenario testing;
- monitor the Group's capital position and financial condition to report any findings to the Group CFO and Board;
- review the experience analysis of the operating businesses; and
- review the solvency reporting of the operating businesses.



B.7 OUTSOURCING

B.7.1 OUTSOURCING POLICY

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

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

- materially impairing the quality of the Group system of governance;
- unduly increasing the level of operational risk;
- impairing the ability of regulators to monitor compliance with regulatory obligations; and
- undermining continuous and satisfactory service to policyholders and other stakeholders.

The Board and senior management of the Group and operating businesses must retain the necessary expertise to manage outsourcing risks and provide oversight of any critical and important outsourcing arrangements.

Each of the operating businesses has outsourcing policies which align with specific local regulatory requirements and the key elements of the Group Outsourcing Management Policy, including:

- Outsourcing Strategy and Business Justification
- Responsibility, Skills and Knowledge
- Negotiation and Contracts
- Critical and Important OSP arrangements
- OSP Risk Management
- OSP Approval
- Compliance
- OSP Due Diligence
- Intra Group Outsourcing
- Cross functional Outsourcing
- OSP Monitoring and Management
- OSP Business Continuity
- OSP Exit Strategies

UGL has entered into an outsourcing arrangement with a firm of consultants (Wraxall Capital Solutions Limited) in relation to the implementation of IFRS 17.

Details of the material outsourcing arrangements of the operating businesses are set out below. All of these providers have entities located within the UK or the EU, or within Isle of Man/Guernsey.

Utmost Life and Pensions Holdings Limited and its subsidiaries

ULP has outsourced its investment management to a number of managers, including J.P. Morgan, A.M. Goldman Sachs Asset Management and Aberdeen Asset Management, and its fund accounting to HSBC Securities Services. It has also outsourced its IT function to ATOS. The ULP CFO is the key function holder with responsibility for these arrangements.

Utmost Holdings Isle of Man Limited and its subsidiaries

UL does not have any material third-party outsourcing arrangements. However, it does rely on the services of another company within the Isle of Man group of companies (USL), for the provision of staff, services, and systems for its business activities. There is a service agreement in place to manage this arrangement.

B.7 OUTSOURCING (CONTINUED)

Utmost Holdings Ireland Limited and its subsidiaries

UPE has 10 critical outsource providers, and 4 non-critical service providers. External arrangements are in place between UPE and third Party OSPs such as SS&C, Capita, Cuna and Marsh and there are internal intragroup arrangements between Utmost entities in Ireland, the Isle of Man and Guernsey. There is also a service agreement in place with USIL for the provision of staff, services, and systems for its business activities.

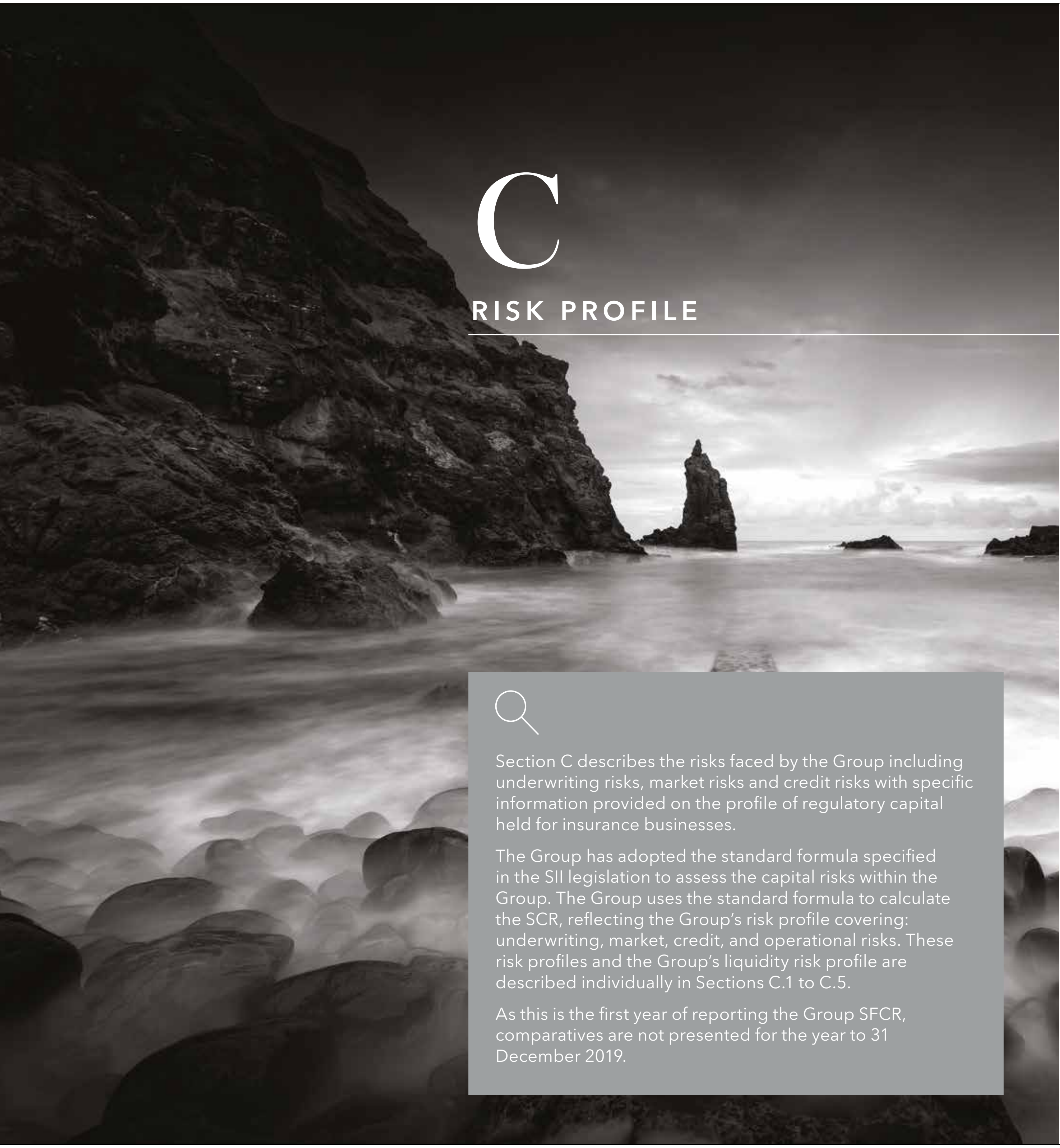
UPE's outsourcing team is responsible for conducting due diligence and risk assessment in relation to potential OSPs and arranging for their onboarding. It is also responsible for the ongoing oversight and monitoring of all OSPs, including both critical and non-critical.

Utmost Worldwide Limited and its subsidiaries

Utmost Worldwide Limited and its subsidiaries have eight critical external outsource providers. External arrangements are in place between UW and third party OSPs such as Europe Assist, Pangea International Risk Management Services Inc, Wakely, Canaccord, Willis Towers Watson, Milliman AG and Equiom. There are also internal intragroup arrangements between Utmost entities in Guernsey and Ireland. Utmost Worldwide's operational managers are responsible for conducting due diligence and risk assessment in relation to potential OSPs and arranging for their onboarding. They are also responsible for the ongoing oversight and monitoring of all OSPs, including both critical and non-critical.

B.8 ANY OTHER INFORMATION

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



C

RISK PROFILE

Section C describes the risks faced by the Group including underwriting risks, market risks and credit risks with specific information provided on the profile of regulatory capital held for insurance businesses.

The Group has adopted the standard formula specified in the SII legislation to assess the capital risks within the Group. The Group uses the standard formula to calculate the SCR, reflecting the Group's risk profile covering: underwriting, market, credit, and operational risks. These risk profiles and the Group's liquidity risk profile are described individually in Sections C.1 to C.5.

As this is the first year of reporting the Group SFCR, comparatives are not presented for the year to 31 December 2019.

THE UTMOST STRATEGIC RISK PROFILE

GROUP STRATEGY

The risk strategy of Utmost Group Limited utilises a devolved approach with full risk frameworks in each of the four operating businesses combined with high-level oversight from the Group. Using this approach risk management is focused directly on where it arises. Group oversight is provided to enable consistency and provide challenge.

EXTERNAL ENVIRONMENT – COVID-19

COVID-19 is expected to continue impacting global markets, operations, and global health. Throughout the year, the Group remained well capitalised with a high solvency coverage ratio and a low leverage ratio. Utmost Group Limited is subject to ongoing stress testing based on extreme market conditions and holds adequate capital and liquidity to withstand such conditions.

THE UTMOST CAPITAL RISK PROFILE

Sections C.1 to C.5 contain specific information on the profile of regulatory capital held for the Group and its insurance businesses.

Based on the Standard Formula, the Group had an SCR of £689m at 31 December 2020. The table across shows the Group SCR breakdown by risk category (after intra-module diversification) for the Group, including the contribution to the overall Group regulatory capital requirement (Group SCR) for the non-insurance entities.

RISK MODULES	31 DECEMBER 2020 £m
Underwriting risk	487.7
Market risk	444.8
Counterparty default risk	64.0
Total before diversification	**996.4**
Diversification	(248.1)
Basic solvency capital requirement	**748.3**
Operational risk	33.2
Loss absorbing capacity of deferred taxes	(59.5)
Loss absorbing capacity of technical provisions	(33.3)
Other financial sector entities	0.3
Group solvency capital requirement	**688.9**

C.1 UNDERWRITING RISK

Underwriting risk arises through exposure to unfavourable operating experience within the Group.

The Group's primary exposure to underwriting risk is associated with life insurance policies, arising from both new and in-force policies. Health underwriting risk arises from the UCS employee benefits business, which is also open to new business, but exposures are limited through the use of reinsurance. There is also a small amount of non-life risk that was acquired as part of an acquisition. The non-life businesses to which the latter risk relates is now closed to new business.

C.1.1 UNDERWRITING RISK EXPOSURE

The underwriting risk exposures for the Group are as follows:

- **Lapse Risk**
  Defined as the change in liabilities due to changes in the exit rates being different than expected. Exits can happen from either partial or full surrender of a policy. This also includes the risk of a catastrophic event resulting in a mass lapse of policies;
- **Expense Risk**
  Defined as a change in the value of liabilities resulting from changes in the expenses incurred in servicing insurance contracts;
- **Longevity Risk**
  Defined as a change in the value of liabilities resulting from mortality rates being lower than expected leading to an increase in the value of insurance liabilities (i.e. annuities);
- **Mortality Risk**
  Defined as a change in the value of liabilities resulting from mortality rates being higher than expected leading to an increase in the value of insurance liabilities (i.e. protection);
- **Life Catastrophe Risk**
  Defined as the change in the value of the liabilities, resulting from extreme or irregular events for the health insurance business;
- **Disability Risk**
  Defined as the change in the value of the liabilities, resulting from a change in morbidity;
- **Health Risk**
  Defined as the change in the value of the liabilities, resulting in the level of health claims being higher than expected; and
- **Non-life Risk**
  Defined as the change in the value of liabilities as a result of claims on a closed legacy non-life book.

C.1.2 UNDERWRITING RISK PROFILE

Life underwriting risk is measured through the following approaches:

- the capital requirement for each underwriting risk exposure is calculated using the SII Standard Formula;
- sensitivity testing is performed in respect of material underwriting risks to determine the impact of changes in experience on the value of Own Funds, the SCR, and the Group solvency ratio; and
- scenario testing is performed to measure the potential effect on the Group's solvency position and risk profile of alternative scenarios involving short or long- term changes to one or more of the underwriting risk variables.

The capital requirements for life underwriting risks at 31 December 2020 are set out in the following table:

LIFE UNDERWRITING RISK CATEGORY	31 DECEMBER 2020 £m
Longevity risk	44.7
Mortality risk	13.8
Lapse risk	345.4
Expense risk	118.2
Life Catastrophe risk	8.2
Disability risk	2.5
Subtotal	**532.7**
Diversification within risk module	(85.8)
Life underwriting risk SCR	**446.9**

The capital requirements for these risks represent losses due to extreme adverse scenarios which would arise approximately once in every 200 years.

The COVID-19 pandemic could lead to increased mortality claims on life assurance policies. Such an event is reflected through life catastrophe risk within the calculation of the life underwriting risk component of the SCR.

Health and non-life underwriting risk is not material and therefore has not been mentioned separately within the underwriting risk section.

C.1 UNDERWRITING RISK (CONTINUED)

C.1.3 UNDERWRITING RISK MANAGEMENT AND MITIGATION

Reinsurance Strategy

The Group has a number of reinsurance objectives including:

› to provide both balance sheet and income statement protection against material losses and events in accordance with the relevant risk appetite statement;

› to manage volatility in the financial performance;

› to provide support to emerging portfolios in new geographic territories or new product lines; and

› to provide protection against concentrations of risk, particularly on the Group risk portfolio.

The reinsurance arrangements are monitored in relation to the limits and strategy as per the Underwriting Policy and Reinsurance policy and in conjunction with the Group's overall business strategy.

Mitigation

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

RISK MITIGATION	DESCRIPTION
RISK APPETITE	Group Insurance Risk Policy including statements covering the Group's approach towards different insurance and underwriting risks.
ECONOMIC CAPITAL	Economic capital held on the Group's balance sheet in respect of each of its material underwriting risk exposures - derived using the SII Standard Formula approach.
REINSURANCE	Full or partial transfer of underwriting risk to reinsurance counterparties, including the use of longevity-swap arrangements on the Group's in-payment annuities.
ASSUMPTION SETTING	Annual assumption setting exercise to ensure that the assumptions used to determine the Group'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 as a result of exclusion clauses, non-disclosure, fraud, etc.
BUDGET REFORECASTING	Regular updates to the Group's business plan and expense budget to ensure forecasts continue to reflect expected experience.
COST CONTROL	Cost control activity to ensure expenditure remains within plan.
RISK MONITORING	Regular senior management and Board level review of the risk measures discussed in Section C.1.2.

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

C.1.4 UNDERWRITING RISK CONCENTRATION

The Group does not have any material concentrations of lapse, expense, and mortality risks.

C.2 MARKET RISK

Market risk arises primarily through potential reductions in future fee revenues that are linked to assets under management, leading to a reduction in Own Funds. This could arise due to falls in the value of assets underlying unit-linked funds, as a result of changes in equity, bond and property values, interest rates and foreign currency exchange rates.

The market risk capital requirement of the regulated life entities of the Group is mainly driven by the exposure to market risks from both unit-linked business and in relation to its shareholders funds.

In the case of unit-linked business the Group typically invests the premiums collected in financial instruments but does not bear the market risk directly.

C.2.1 MARKET RISK EXPOSURE

The key market risk exposures for the Group are as follows:

- **Equity Risk**
  A reduction in equity values reducing future fee income arising from a percentage of assets under management. The adverse changes (i.e. falls) in the level of equity prices could also reduce the value of the Group assets and/or increase the value of its liabilities. In practice this is limited to indirect exposure from the income described above and the Group Pension Schemes as shareholder assets are not invested in equities under the Asset Liability Matching ("ALM") policy.
- **Interest Rate Risk**
  Risk of unexpected changes in the level and/or shape of the term structure of risk-free interest rates which can adversely affect the value of Group's assets, liabilities, capital requirements and/or cash flows.
- **Currency Risk**
  Where the movement in exchange rates can reduce the value of an asset and hence reduce future fee income. There is also a risk of loss or of adverse change in the Group's financial situation (e.g. decreasing the value of the Group'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. The largest direct exposure in the Group is to operations in Ireland where the primary currency is the Euro.
- **Spread Risk**
  Defined as the risk of adverse changes in the market value of the assets due to changes in the level and/or volatility of credit spreads. The market value of an asset can decrease because of spreads widening either because the market's assessment of the creditworthiness of the specific obligor decreases, which is typically accompanied by a credit rating downgrade, or because there is market-wide systemic reduction in the price of credit assets.
- **Property Risk**
  Where movements in property values reduce asset values and future fee income arising from a percentage of assets under management.

The most material market risk exposure in terms of risk capital is equity risk (which arises primarily on the Group's significant in-force unit-linked policies). The other material market risks are currency, due to the geographical make-up of the Group and the underlying investments of the policyholders, and expense risk.

C.2.2 MARKET RISK PROFILE

Market risk is measured through the following approaches:

- the capital requirement for each market risk exposure is calculated using the SII Standard Formula;
- sensitivity testing is performed in respect of market risks in order to determine the impact of market movements on the value of Own Funds, the SCR, and the Group solvency coverage ratio; and
- scenario testing is performed to assess the impact of a severe economic downturn arising over the business planning period.

The capital requirements for market risks as at 31 December 2020 are set out in the following table:

MARKET RISK CATEGORY	31 DECEMBER 2020 £m
Interest Rate Risk	27.5
Equity Risk	262.2
Property Risk	7.6
Spread Risk	112.7
Currency Risk	153.6
Concentration Risk	4.4
Subtotal	**568.1**
Diversification within risk module	(123.4)
Market risk SCR	**444.8**

C.2 MARKET RISK (CONTINUED)

C.2.2 MARKET RISK PROFILE (CONTINUED)

The COVID-19 pandemic initially led to falls in global stock markets, continued downward pressure on interest rates, fluctuations in currency exchange rates and increased corporate bond spreads. These events have direct consequences to the value of Own Funds for the Group as Own Funds include allowance for future revenues. The overall impact has been relatively modest with reductions in fee income from annual management charges being offset by the depreciation of the British pound. The impact on the Group solvency position is also limited as movements in the Own Funds generally also results in similar movements in the SCR.

C.2.3 PRUDENT PERSON PRINCIPLE AND INVESTMENT OF ASSETS

The Group's investment policies and practices incorporate the principle of 'Prudent Person'. Accordingly, the relevant Boards require that the investment manager appointed to manage the investment portfolio only invests in assets and financial instruments whose risks the Group can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of its overall solvency needs performed as part of the ORSA.

The Group uses asset liability matching and currently invests shareholder assets in low risk investments such as government bonds. There are exposure limits for individual counterparties and a Group Investment and Market Risk Policy.

The Group complies with the SII requirements relating to Prudent Person Principle.

C.2.4 MARKET RISK MANAGEMENT AND MITIGATION

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

C.2.5 MARKET RISK CONCENTRATION

The Group's market and credit related risk concentrations are covered in Section C.3.4.

RISK MITIGATION	DESCRIPTION
RISK APPETITE	Group Investment and Market Risk Policy including statements covering the Group's approach towards market risk.
ECONOMIC CAPITAL	Economic capital held on the Group's regulatory balance sheet in respect of each of its material market risk exposures – derived using the SII Standard Formula approach.
ASSET LIABILITY MANAGEMENT	The Group actively pursues an asset liability matching strategy.
INVESTMENT GUIDELINES – LIMIT STRUCTURES	The Investment Guidelines for each of the Group'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 WITH PROFIT SUB FUNDS ("WPSFS")	The Group aims to have the WPSF's standing alone and meeting their own capital requirements (excluding operational risk) – as a result the market risk exposure of the WPSF's is controlled to facilitate this.
RISK MONITORING	Regular senior management and Board level review of the risk measures discussed in Section C.2.2.
FEE STRUCTURE	Fixed fees and charges based on adjusted premium reduce market volatility impacts.

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

C.3 CREDIT RISK

Credit risk is the risk that the Group is exposed to a loss if another party fails to meet its financial obligations to that company.

C.3.1 CREDIT RISK EXPOSURE

The key credit risk exposures for the Group are as follows:

- **Default Risk**
  Defined as the risk of incurring losses because of the inability of a counterparty to honour its financial obligations. Prescribed stresses are applied to model default risk in the bond portfolio (referred to as Credit Default Risk) and default risk arising from the default of counterparties in cash deposits, risk mitigations contracts (including reinsurance) and other types of exposures subject to credit risk (referred to as Counterparty Default Risk); and
- **Downgrade Risk**
  Defined as the risk of counterparties being downgraded, increasing the probability of default leading to additional capital requirements.

C.3.2 CREDIT RISK PROFILE

The Group's credit risk profile is derived from the SII standard formula counterparty risk module.

As at 31 December 2020 the Group SCR for this module was £64m.

The full implications of the COVID-19 pandemic are not yet known and could potentially result in an increase in credit risk exposure as difficult economic conditions result in reductions in the financial strength of the Group's counterparties.

The Group actively monitors the credit worthiness of counterparties and diversifies exposures in order to limit exposure to any one counterparty.

C.3.3 CREDIT RISK MANAGEMENT AND MITIGATION

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

RISK MITIGATION	DESCRIPTION
RISK APPETITE	The Group Credit and Liquidity Risk Policy includes statements covering the Group's approach towards credit risk.
ECONOMIC CAPITAL	Economic capital held on the Group's regulatory balance sheet in respect of each of its material credit risk exposures - derived using the SII Standard Formula approach.
INVESTMENT GUIDELINES - LIMIT STRUCTURES	The Investment Guidelines for each of the Group'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.
RISK MONITORING	Regular senior management and Board level review of the risk measures discussed in Section C.3.1.

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

The Group 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.

C.3.4 CREDIT RISK CONCENTRATION

The Group has substantial holdings (£152m) in UK government issued assets (i.e. gilts). However, these assets are considered to be risk-free. As such, the Group does not consider that these exposures pose a material concentration of risk.

The Group's shareholder assets are well diversified. Therefore, the credit risk concentration on financial assets is immaterial.

C.4 LIQUIDITY RISK

Liquidity risk is the risk that the Group, although solvent, does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost.

C.4.1 LIQUIDITY RISK EXPOSURE

Liquidity monitoring is completed by each of the life insurance entities using Group prescribed methodology. Group liquidity forecasting and budgeting is also considered with management information provided to the Board.

When considering liquidity risks, one of the key elements within UPE is the Italian Withholding Tax Asset ("ITA"). The ITA is a prepayment of policyholder capital gains tax that UPE makes to the Italian Revenue. UPE can reclaim it either from:

› deductions from future payments to the Italian Revenue via the 5 year offset mechanism; or

› by way of deduction of tax at source from payments to policyholders, where the payment includes capital gains made by policyholders.

C.4.2 LIQUIDITY RISK PROFILE

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

› liquidity in each entity is regularly monitored, including under stress;

› across the Group there is significant liquidity; and

› the Group'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.

C.4.3 LIQUIDITY RISK MANAGEMENT AND MITIGATION

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

RISK MITIGATION	DESCRIPTION
RISK APPETITE	The Group Credit and Liquidity Risk Policy includes statements covering the Group's approach towards liquidity risk.
CLOSE ASSET LIABILITY MATCHING	The Group has a process in place to ensure 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.
MONITORING	The Group reports liquidity metrics to the Board.

The Group 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.

The Group's shareholder assets are well diversified. There is not a significant exposure to a single named counterparty and therefore, the credit risk concentration on financial assets is immaterial.

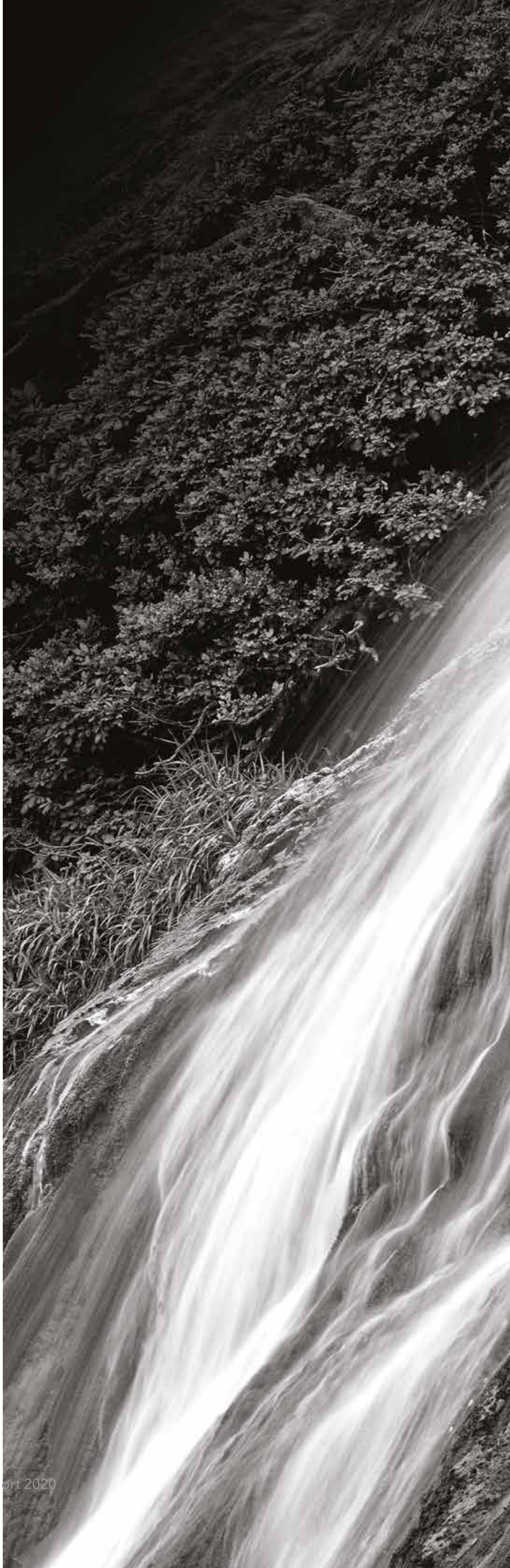
C.4.4 EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS ("EPIFP")

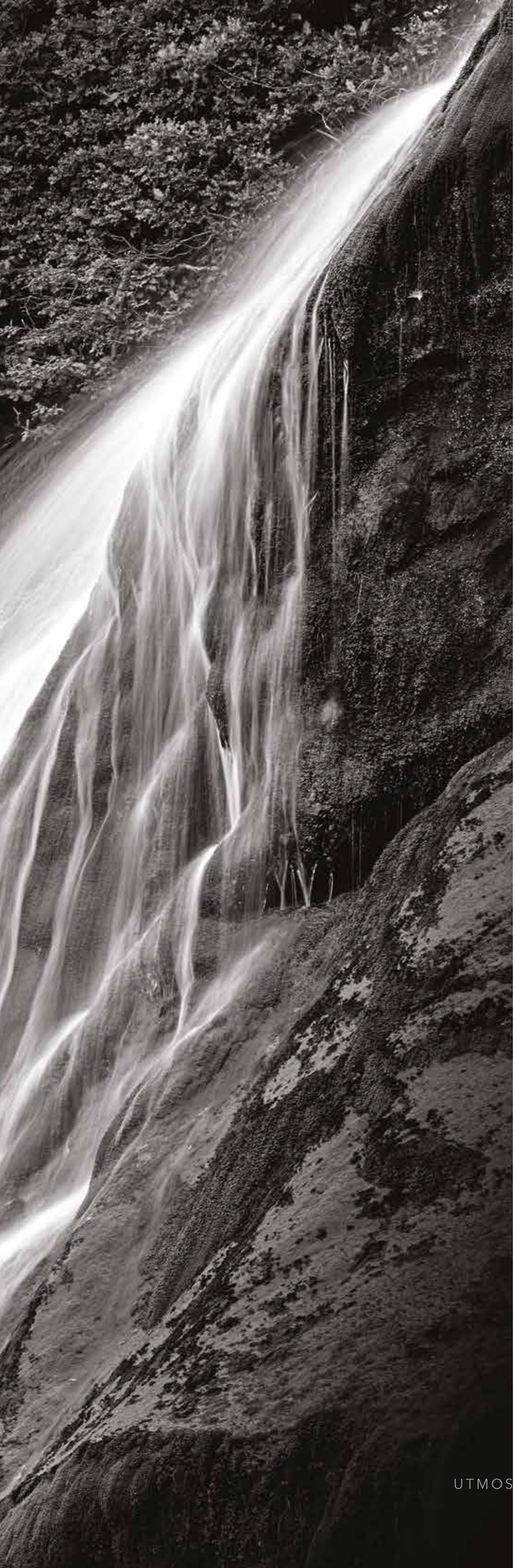
The Group calculates EPIFP in accordance with the requirements of Article 260 of the SII Delegated Acts. The regulation stipulates that the EPIFP shall be set equal to the difference between:

1. The Best Estimate Liability ("BEL") calculated in accordance with the SII requirements.
2. A 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).
3. 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.
4. As at 31 December 2020, the value of the Group's total EPIFP was £19m, the vast majority of which was from unit-linked business.

C.4.5 LIQUIDITY RISK CONCENTRATION

There is no significant concentration of liquidity risk in the Group.





C.5 OPERATIONAL RISK

Operational risk is the risk of loss arising from inadequate or failed internal processes, personnel, or systems, or from external events. Losses from events such as fraud, litigation, damages to premises, cyber-attacks, and failure to comply with regulations are therefore covered in the definition.

C.5.1 OPERATIONAL RISK EXPOSURE

The key operational risk exposures for the Group arising from failures on the part of our employees or from inadequate internal process or systems. The definition of operational risk includes compliance risk and financial and reporting risk. Operational risks can be generated by:

- **People**
  Human errors, fraud, unmanaged staff turnover, overreliance on key personnel, unmatched skills to job requirements, inadequate management oversight;
- **Internal Processes**
  Failure in the design and execution of core insurance and support processes such as sales and marketing, underwriting, policy issuance, customer billing and premium collection, reinsurance placement, claims payments, actuarial reserving, and outsourcing processes;
- **Systems**
  Inadequate data and security protections, weak access controls, unstable and overly complex systems, lack of adequate testing prior to production, deficient systems/tools; and
- **External Events**
  Natural disasters (floods, fires, earthquakes, etc.) as well as man-made disasters (terrorism, political and social unrest) that may impact the ability to operate on an ongoing basis; changes in the regulatory environment including new regulations.

C.5.2 OPERATIONAL RISK PROFILE

Throughout 2020 the most significant risk that the Group's operational businesses faced was the Covid-19 pandemic. This brought with it challenges due to financial market volatility, impacts on customers and the operational impacts of administering business. The Group's Business Continuity procedures have helped and continue to help to ensure that our people and technical resources can work remotely, in order to minimise the impact on operational activity and ensure that we are able to provide essential services to our customers. We continue to be focused on the health and well-being of our customers and staff, following all the recommendations and measures made by local Governments to reduce the spread of COVID-19.

C.5 OPERATIONAL RISK (CONTINUED)

Although the precise steps taken vary from location to location, the Group has implemented the following measures to protect our people, to serve our customers and to minimise business disruption:

- Business continuity plans were successfully put in place with a large majority of the Group working remotely for a period. Measures continue to be tailored to each specific location, with Guernsey and Isle of Man staff returning to the office as appropriate since June 2020 in accordance with local rules and intermittent 'lockdowns';
- Working with outsourcers to ensure continuity of service;
- Utmost Technical Academy seminars have adapted to become virtual seminars, with Utmost continuing to provide additional value to its stakeholders; and
- Accelerated automation of a number of processes has enabled a greater number of tasks to be undertaken remotely.

There has, and continues to be, an increased focus on operational risk as conditions continue to evolve. However, with the successful implementation of business continuity and advancements in remote processes there is more certainty in the Group's ability to deliver in these circumstances.

C.5.3 OPERATIONAL RISK MANAGEMENT AND MITIGATION

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

C.5.4 OPERATIONAL RISK CONCENTRATION

Given the wide scope of operational risk, any concentration of operational risk is monitored and managed using the details in sections C.5.3.

RISK MITIGATION	DESCRIPTION
RISK APPETITE	The Group Operational Risk Policy including statements covering the Group's overall 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 Group'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.5.1.
COMPLIANCE MONITORING	Risk and Compliance reviews of operational processes.
ROOT CAUSE ANALYSIS	The Group investigates business incidents and any complaints that have been upheld, to ensure the root causes have been identified and mitigating actions are implemented.
ASSURANCE	Reviews of operational areas by Group Internal Audit.
ECONOMIC CAPITAL	Economic capital held on the Group's regulatory balance sheet in respect of the Group's overall exposure to operational risk - derived using the SII Standard Formula approach.

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

C.6 OTHER MATERIAL RISKS

C.6.1 BUSINESS RISK

In addition to the other risk categories articulated in Sections C.1 to C.5, the Group identified a number of business related risks during 2020 which primarily relate to the reorganisation leading to the origination of UGL, a UK holding company that consolidates the Utmost Group.

C.6.2 BUSINESS RISK MEASURES

The most material business risks are identified using an expert judgement and relative basis and form part of the Group's risk reporting.

C.6.3 BUSINESS RISK MANAGEMENT AND MITIGATION

The table below sets out the specific risk management and risk mitigation approaches the Group uses in respect of its exposure to business risk.

RISK MITIGATION	DESCRIPTION
RISK OVERSIGHT	Management and monitoring of individual business risk exposures, with consideration of appropriate management action.
RISK CONTROLS	Individual controls applied to specific business processes or in respect of specific business risks, these are documented in the Group's risk reporting.

The Group does not anticipate making any material changes to its current approach to managing and mitigating its business risk.

C.6.4 BUSINESS RISK CONCENTRATION

The Group does not currently carry out any formal investigation into or analysis of concentrations of business risk.

C.7 ANY OTHER INFORMATION

C.7.1 RISK SENSITIVITY ANALYSIS

Scenario testing and sensitivity testing are performed on an annual basis to assess the resilience of the Group to potential stresses and scenarios. The table below sets out the main tools to measure its risks.

MEASUREMENT TOOL	MEASURE
STRESS TESTING	Impact on the Group'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 SII Standard Formula calibration.
SCENARIO TESTING	Potential effect on the Group's solvency position and risk profile of alternative scenarios involving short or long-term changes to one or more of the Group's underwriting risk variables.
SENSITIVITY TESTING	Impact on the Group's solvency position and economic value of changes in the risk variable(s) corresponding to underwriting risks.
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.
PORTFOLIO REPORTING	Measures and metrics contained within the Group's asset and investment reports which cover its asset portfolios, ALM management, 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 Group's different risk exposures.

As at 31 December 2020, the Group's surplus capital in excess of the SCR is £573m. The following table shows the change in the value of Own Funds and SCR due to key sensitivities.

SENSITIVITY TEST	IMPACT ON OWN FUNDS £m	IMPACT ON SCR £m	IMPACT ON THE SOLVENCY COVERAGE RATIO %
Interest rates +100bps	6.5	(19.3)	6%
Interest rates -100bps	(23.9)	27.0	(10%)
GBP appreciation (20%)	(54.0)	(63.2)	10%
Equity & Property -40%	(201.8)	(142.6)	11%
Mass Lapse (40%)	(213.2)	(207.8)	35%
Expenses +10%	(70.5)	(0.3)	(10%)
Credit spread +200bps	(63.6)	(18.5)	(4%)

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VALUATION FOR SOLVENCY PURPOSES

This section describes the main approach, methodology and assumptions used by the Group in valuing its assets and liabilities under SII and provides a comparison to the valuation methodology and consolidation approach used to provide the IFRS statutory view of the Group's balance sheet.

As this is the first year of reporting the Group SFCR, comparatives are not presented for the year to 31 December 2019.

VALUATION REQUIREMENTS OF ASSETS AND LIABILITIES FOR SOLVENCY II

Solvency II regulations require assets and liabilities to be valued in accordance with the provisions of Articles 75 to 86 of the SII Directive (2009/138/EC) and related guidance, which effectively state that assets and liabilities should be valued on a market-consistent fair value basis, being the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

The Group uses as its starting point its IFRS balance sheet, based on the accounting policies and methodologies set out in the UGL 2020 Annual Report and Accounts, and adjusts where needed (as described in this section) to provide a market-consistent economic balance sheet. SII values assets and liabilities based on quoted market prices in actively traded markets. For assets and liabilities not traded in active markets, quoted market prices for similar assets and liabilities are used where available, and in cases where there are no similar assets or liabilities, alternative valuation methods are applied.

The value of the technical provisions is calculated in line with SII rules as the sum of the technical provisions calculated as whole, including best estimate liabilities and the Risk Margin.

CONSOLIDATION APPROACH

The Group prepares its consolidated SII balance sheet in accordance with 'Method 1', the accounting consolidation-based method ('default method'). This requires the calculation of Group solvency to be based on consolidated data, with the consolidation approaches for SII and IFRS respectively set out in the table below.

A full list of the entities within the scope of the Group as at 31 December 2020 is set out in the in Group QRT S.32.01.22 in Appendix F.1.7, where the type of undertaking is specified for each entity and the level of ownership and control by the Group.

Non-insurance entities (other financial sector undertakings and other non-financial undertakings) are included as participations in the Group SII balance sheet and are therefore not consolidated on a line-by-line basis. Non-insurance entities comprise of Utmost Portfolio Management Limited and Utmost Worldwide (DIFC) Limited.

A summary of the principal Group entities within each category is shown for ease of reference below.

TYPE OF UNDERTAKING	RELATED UNDERTAKINGS WITHIN THE GROUP	SII APPROACH	IFRS APPROACH
Insurance or reinsurance undertaking, insurance holding company or mixed financial holding company	Utmost Limited (IOM) Utmost Worldwide Limited (Guernsey) Utmost PanEurope dac (Ire) Utmost Life and Pensions Limited (UK) Utmost Bermuda Limited Holding companies of the insurance entities (IOM/Gsy/Ire/UK)	Full consolidation on a line-by-line basis, using SII valuation basis.	Full consolidation on a line-by-line basis if the undertaking is controlled by the Group, using IFRS valuation basis.
Ancillary service undertakings	Utmost Services Limited (IOM) Utmost Services Ireland Limited (Ire) Utmost Life and Pensions Services Limited (UK)	Full consolidation on a line-by-line basis, using SII valuation basis.	Full consolidation on a line-by-line basis if the undertaking is controlled by the Group, using IFRS valuation basis.
Other financial sector undertakings	Utmost Portfolio Management Limited (Gsy) Utmost Worldwide (DIFC) Limited	Included using the sectoral valuation basis, taking into account the Group's ownership percentage.	Valued on the basis of the Group's proportional share of the undertaking's Own Funds (100%) calculated in accordance with the relevant sectoral rules.

CONSOLIDATION APPROACH (CONTINUED)

The Group's SII balance sheet as below as at 31 December 2020 shows the comparison between assets and liabilities under IFRS and SII.

SUMMARY BALANCE SHEET £m	REF.	IFRS	SII ADJUSTMENTS	REALLOCATIONS	SII
ASSETS					
Goodwill and intangible assets	D.1.1	483.8	(483.8)	-	-
Contract costs	D.1.2	44.5	(44.5)	-	-
Pension benefit surplus		-	-	-	-
Property plant and equipment held for own use	D.1.3	20.8	-	(0.1)	20.7
Investments (other than assets held for index-linked and unit-linked contracts)	D.1.4	2,279.9	(4.2)	38.1	2,313.8
Holdings in related undertakings	D.1.5	-	1.3	-	1.3
Assets held for index-linked and unit-linked contracts	D.1.6	35,089.6	-	(10.5)	35,079.1
Loans and mortgages	D.1.7	-	-	0.8	0.8
Reinsurance recoverables	D.1.8	1,234.0	(82.1)	-	1,151.9
Deposits to cedants	D.1.9	10.0	-	(10.0)	-
Insurance and intermediaries receivables		-	-	37.6	37.6
Reinsurance receivables		-		31.0	31.0
Receivables (trade not insurance)		122.4	-	18	140.4
Cash and cash equivalents	D.1.10	278.5	-	(9.1)	269.4
Any other assets, not elsewhere shown	D.1.10	148.2	20.9	(135.6)	33.5
Total assets		**39,711.7**	**(592.4)**	**(39.8)**	**39,079.5**
LIABILITIES					
Technical provisions for investment contract liabilities	D.2.4	34,312.1	(553.9)	1,394.7	35,152.9
Liabilities under insurance contracts	D.2.4	3,675.6	(57.6)	(1,428.7)	2,189.3
Provision other than technical provisions		-	-	4.6	4.6
Unallocated Surplus	D.3.1	96.5	(96.5)	-	-
Subordinated liabilities	D.3.2	302.6	-	(2.6)	300.0
Deferred tax liability	D.3.3	38.8	41.8	(27.1)	53.5
Pension benefit obligation	D.3.4	2.3	-	-	2.3
Other liabilities	D.3.7	432.4	(52.3)	19.3	399.4
Total liabilities		**38,860.2**	**(718.5)**	**(39.8)**	**38,102.0**
Excess of assets over liabilities		**851.4**	**126.1**	**0.0**	**977.5**

*The £1,428.7m reclassification from 'Liabilities under insurance liabilities' to 'Technical provisions for investment contract liabilities' relates to unit-linked with-profit insurance business written by the Group, as presented in section D.2.1., which is classified within Technical provisions – Index linked and unit-linked in the SII balance sheet S.02.01.02 as shown in Appendix F.1.1.

D.1 ASSETS

The section below describes the main valuation bases and assumptions applied in calculating the material items as presented on the Group's SII balance sheet.

Assets have been valued according to requirements of the SII Directive and related guidance. The basis of the SII valuation principle is the amount for which the asset could be exchanged between knowledgeable and willing parties in an arm's length transaction.

The description of valuation differences between SII and IFRS balance sheets, by material class, are provided below.

D.1.1 GOODWILL AND INTANGIBLE ASSETS

Under SII rules, goodwill is valued at nil. Intangible assets are fair valued to the extent there is available market information; the Group's valuation of intangible assets at 31 December 2020 is nil. For the Group's acquired value of in-force business ("AVIF"), which is shown as an asset under IFRS reporting, any future cash flows associated with the emergence of profit on the in-force business are included within the calculation of the SII technical provisions.

D.1.2 CONTRACT COSTS

Under SII rules, deferred acquisition costs ("DAC") and contract costs are valued at nil, and similar to the AVIF detailed above, any future cash flows relating to acquisition costs are included within the calculation of the SII technical provisions.

D.1.3 PROPERTY, PLANT AND EQUIPMENT HELD FOR OWN USE

The Group values property, plant and equipment based on its IFRS valuation basis, adjusted for any material differences in deriving fair value. Following the adoption of IFRS 16 'Leases' on 1 January 2019, this category includes the capitalised 'right of use' ("ROU") asset in respect of lease agreements (principally leased office space), for which the Group assesses the IFRS valuation for any material differences in determining the fair value of the ROU asset. A corresponding lease liability, representing the discounted cash flows in respect of lease payments, is included within 'Other liabilities'. Refer to section D.1.11 for details of ROU assets.

D.1.4 INVESTMENTS (OTHER THAN ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED CONTRACTS)

The majority of the Group's investment portfolio are measured at fair value for the IFRS balance sheet, as required under IFRS 9 'Financial Instruments' and IFRS 13 'Fair Value Measurement', based on quoted market prices in actively traded markets. No significant estimates or assumptions are applied by the Group as at 31 December 2020.

D.1 ASSETS (CONTINUED)

D.1.5 HOLDINGS IN RELATED UNDERTAKINGS, INCLUDING PARTICIPATIONS

This balance comprises holdings in related undertakings that are not fully consolidated. In the IFRS financial statements, the Group consolidates all entities on a line-by-line basis.

Under SII, due to the different consolidation approach, subsidiary undertakings outside the insurance consolidation group are not fully consolidated. These undertakings comprise of other financial sector undertakings of £1.3m.

UPM and Utmost Worldwide (DIFC) Limited are the only other financial undertakings within the Group. Holdings in other financial undertakings are measured at fair value. In cases where a market price (using listed quoted prices from a recognised stock exchange) is not available, the adjusted equity value is used. The adjusted equity value is calculated by multiplying Utmost's ownership percentage (100%) by the entity's IFRS net asset after certain adjustments including the deduction of any goodwill or other intangible assets, in accordance with the relevant sectoral rules.

D.1.6 ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED CONTRACTS

IFRS does not separately classify assets held to cover linked liabilities. In the Group financial statements, these assets are classified in the balance sheet under the relevant asset line (such as equities or bonds). Under SII £148m of these assets, representing linked policyholder investments, are reclassified, and reported in one line in the balance sheet as "Assets held for index-linked and unit-linked contracts".

Under SII, assets held to cover linked liabilities are valued on the same basis as IFRS. Valuation is largely on the basis of quoted market prices. Certain assets (totalling £273m) are valued using alternative valuation methods. Refer to Section D.4 for further details.

D.1.7 LOANS ON POLICIES

Amortised cost is used as an approximation of fair value on policy loans having due regard to recoverability. Loans on policies had an aggregate value of £0.8m.

D.1.8 REINSURANCE RECOVERABLES

Reinsurance recoverables are calculated on a basis consistent with gross best estimate liabilities; taking a probability-weighted average of discounted future cash flows, and then adjusted for expected credit losses due to counterparty default.

D.1.9 RECEIVABLES (TRADE, NOT INSURANCE)

This category includes the Italian Withholding Tax asset ("ITA") within UPE. The Italian withholding tax asset represents a 'tax prepayment' asset relating to prepaid withholding tax in relation to unit- linked business sold by UPE to Italian policyholders on a 'Freedom of Services' basis. The amount prepaid to the tax authority is based on a percentage of total mathematical reserves (MR) for the Italian business (currently 0.45%) and is paid each June subject to a cap of a specified percentage (currently 1.8%) of reserves in respect of Italian policies. The tax prepayment is recovered over time via several methods, including reclaiming tax directly from policyholders who elect to surrender their policy, or alternatively reducing the amount paid to the Italian tax authority in future periods, using specific rules which allow the prepayment to be reduced based on amounts paid 5 years beforehand.

There is no valuation difference between SII and the IFRS financial statements.

There are no SII adjustments to remove inadmissible assets from the SII balance sheet.

D.1.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held at amortised cost on an IFRS basis, which is deemed as an appropriate measure of fair value for SII purposes. As noted in section D.1.6. above, under IFRS any assets held to cover linked liabilities are classified separately within their respective balance sheet lines; and accordingly, for SII purposes, any cash and cash equivalents which are backing linked liabilities (in other words, policyholder cash balances) are reclassified to the 'Assets held for index-linked and unit-linked contracts' line.

D.2 TECHNICAL PROVISIONS

D.1.11 LEASING (RIGHT OF USE ASSETS)

Under IFRS, where the Group acts as a lessee, it recognises a ROU asset and a corresponding lease liability, representing the obligation to make lease payments.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, less any incentives receivable under the lease. Lease payments in relation to options to terminate are only included in the measurement of the liability if it is reasonably certain that the option will not be exercised, otherwise payments following the option to terminate will not be included. The asset is initially measured at cost which comprises the amount of the lease liability, and lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of the costs related to the dilapidation of the asset that would be incurred, less any lease incentives received. The asset is subsequently measured at cost less depreciation.

Under SII, a fair valuation is required to be used. The value produced using the IFRS 16 valuation methodology is considered to provide a materially accurate approximation for the fair value required under SII. At 31 December 2020, the ROU asset has a SII valuation of £18.1m and is included within property, plant, and equipment.

D.2.1 TECHNICAL PROVISIONS BY LINE OF BUSINESS

This section considers the technical provisions ("TPs") in the consolidated Group SII balance sheet for UGL (£37,342m) which consists of the technical provisions of the following entities under the consolidated insurance Group under Method 1:

- Utmost Life and Pensions Limited
- Utmost Worldwide Limited
- Utmost Limited
- Utmost PanEurope dac
- Utmost Bermuda Limited
- The Equitable Life Assurance Society

The value of the technical provisions is calculated in line with SII requirements as the sum of technical provisions calculated as a whole, the best estimates liabilities ("BEL") and the Risk Margin.

Technical provisions calculated as a whole are calculated as the component of technical provisions whose value was determined on the basis of the market value of replicating financial instruments in accordance with Article 77(4) of the SII Directive.

TYPE OF UNDERTAKING £m	31 DECEMBER 2020			
	TECHNICAL PROVISIONS CALCULATED AS A WHOLE	BEST ESTIMATE LIABILITY	RISK MARGIN	TOTAL TECHNICAL PROVISIONS
Life: Unit-Linked and Index-Linked Insurance	35,627.8	(689.3)	214.5	35,152.9
Non-Life: Other	-	80.6	-	80.6
Life: Insurance including profit participation	74.3	1,773.7	69.1	1,917.1
Health Insurance	-	190.2	1.4	191.5
Total Group technical provisions	**35,702.1**	**1,355.2**	**285.0**	**37,342.2**

The SII technical provisions have three components:

- TPs calculated as a whole of £35,702m. This represents the value of units credited to policyholders as at 31 December 2020.
- BEL of £1,355m. The BEL corresponds to the probability-weighted average of future cash flows, including policyholders' benefit payments, expenses, taxes and 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 best estimate assumptions.
- A Risk Margin of £285m. In line with SII 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.

D.2 TECHNICAL PROVISIONS (CONTINUED)

D.2.2 BASES, METHODS AND MAIN ASSUMPTIONS USED FOR TECHNICAL PROVISIONS

The assumptions and methodology for the Group's BEL and Risk Margin are set out in the following sections.

D.2.2.1 Methodology applied in deriving the best estimate liabilities

The BEL is defined as the probability-weighted average of future cash-flows, taking account of the time value of money (expected present value of future cash flows), using the relevant risk-free interest rate term structure.

The projected future cash flows typically include:

› Regular premium receipts;

› Claims payments with an allowance for an early surrender charge;

› Expenses;

› Commissions;

› Policyholder benefit payments;

› Costs associated with the ITA;

› External fund charges; and

› Profit share payments.

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

The calculation of the best estimate liability allows for any boundaries of the insurance contract. At the contract boundary date all future premiums beyond that point are excluded as are any obligations that would have accrued on these additional premiums. However, obligations due to premiums before this date are recognised. The primary restriction from contract boundaries occurs to the UCS (Group Life and Disability) business where premiums are typically paid annually. Although annual retention levels are significant no future premiums are included beyond the premium paying term unless a guarantee is in place.

D.2.2.2 Methodology applied in deriving the Risk Margin

The Risk Margin is determined as the present value of the cost of the non-hedgeable solvency capital requirements (at 6% per annum) needed for the full run off of the in-force liabilities, discounted using the prescribed SII term-dependent risk-free interest rates.

All standalone non-hedgeable SCRs are projected forward individually using the appropriate risk drivers. Diversification benefits between the standalone risks are allowed for in each future projection period.

D.2.2.3 Assumptions applied in deriving the best estimate liabilities and the Risk Margin

For the Group, the key areas of uncertainty relate to the items listed below:

› Life and health underwriting risk, which includes policyholder behaviour, mortality, longevity and morbidity experience;

› Market conditions, including change in equities, foreign exchange rates and credit spreads; and

› Future expenses incurred in servicing insurance obligations, including administrative, investment and claims management expenses plus provision for related overheads.

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.

In setting the expense assumptions, the Group has used its view on the expected future costs. The sensitivity of the Group to changes in expenses can be seen in the unaudited section C.7.

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 by each operating company based upon the business plan taking into account new business volumes but not any benefits arising from future acquisitions, including Quilter International.

Best estimate liabilities

The BEL correspond to the probability-weighted average of future cash flows as listed in D.2.2.1, 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 BEL is recognised on a gross of reinsurance basis, without deduction of amounts recoverable from reinsurance contracts. The cash flows are discounted using the SII basic risk-free term structure of interest rates applying at the valuation date to calculate the BEL. For the MA portfolios (described in section D.2.5), the corresponding MA is added to the basic risk-free curve at all durations.

D.2 TECHNICAL PROVISIONS (CONTINUED)

Underwriting Assumptions

Assumptions are set based on historical experience and comparison to external data sets where available. The most material assumption for UGL is persistency. Detailed reviews for persistency occur annually with progress monitored more regularly in management information. All relevant available information is taken into account and judgement is applied to determine any step changes in policyholder behaviour. Persistency assumptions are set at a granular level to identify behavioural differences such as sales channel and premium information. Although to a lesser extent and further mitigated by reinsurance arrangements longevity assumptions are also using a very similar process. Longevity assumptions utilise standard industry tables that are then parametrised to reflect specific Utmost exposures.

Manual reserves

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

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 the aggregation of the Solvency II Risk Margin for each operating entity with no allowance for diversification between entities. The Risk Margin for each operating entity is deemed to be the present value of the cost of future 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 Group 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 Group 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 Group uses a simplified approach to determine the Risk Margin in most instances. 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.

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

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

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

D.2.3 UNCERTAINTY ASSOCIATED WITH THE VALUE OF TECHNICAL PROVISIONS

Sensitivity tests on the assumptions are carried out to ensure the uncertainties are well understood and incorporated in the capital and risk management of the business.

The majority of the Group's business is unit-linked business. For unit-linked business, technical provisions are calculated as a whole representing the value of units credited to the policyholder. Therefore, in absolute terms, there is very limited uncertainty regarding the value assigned.

The best estimate liabilities component of the technical provisions represents the value of future revenues (net of expenses) based on the cash flow projection model and is equivalent to future product charges (income) less future expenses less future claims in excess of unit reserves. This component of technical provisions therefore carries greater uncertainty, principally driven by the following;

- Economic uncertainty related to future income from unit funds, e.g. reductions in unit funds from falls in markets will result in lower future asset-based revenues and lower future profits. This will cause the best estimate liabilities to increase; and
- Uncertainty related to future administration costs for servicing the in-force policies, e.g. higher than expected future expenses to service the in-force business will result in lower future funds. This will cause the best estimate liabilities to increase.

The best estimate liabilities component of technical provisions and its inherent risk profile also have a second-order effect on the size of the Risk Margin.

The Group uses asset liability matching and currently invests shareholder assets in low risk investments such as government bonds. There are exposure limits for individual counterparties and a Group Investment and Market Risk Policy.

D.2 TECHNICAL PROVISIONS (CONTINUED)

D.2.4 DIFFERENCES BETWEEN SOLVENCY II AND IFRS BASES, METHODS, AND ASSUMPTIONS

The table below provides a reconciliation of the value of technical provisions between SII and IFRS bases.

LIABILITIES	31 DECEMBER 2020 £m
Gross IFRS technical provisions	37,987.7
Adjustments to align to Solvency II valuation basis	(896.5)
Add: Risk Margin	285.0
Deduct: Outstanding claims moved to insurance payables	(34.0)
Solvency II technical provisions	**37,342.2**

D.2.5 MATCHING ADJUSTMENT ("MA")

The Group applies the MA in ULP. The following table summarises the two MA portfolios in place at 31 December 2020. For the purpose of this report the tables in this section have been shown in £m.

MA PORTFOLIO LIABILITIES AT 31 DECEMBER 2020 (£m)

CONTRACT	NO OF CONTRACTS	BEL (WITH MA)	BEL (NO MA)
ANNUITIES (NPF MA1)	26,286	476.4	513.2
FUNERAL PLAN (NPF MA2)	13,239	68.7	70.4
Total	**39,525**	**545.0**	**583.7**

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

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

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

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

MATCHING ADJUSTMENT RATES

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

D.2 TECHNICAL PROVISIONS (CONTINUED)

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

ASSETS IN THE MA PORTFOLIOS

ASSET TYPE	VALUE AT 31 DECEMBER 2020 £m	
	NPF MA1	NPF MA2
CORPORATE BONDS	433.1	3.6
GOVERNMENT BONDS	110.3	67.0
CASH, DEPOSITS AND OTHER	27.6	4.7
Total	**570.9**	**75.3**

The table below shows the impact on the balance sheet as at 31 December 2020 of zeroing the MA.

BALANCE SHEET COMPONENT	VALUE AT 31 DECEMBER 2020 £m		
	WITH MA	WITHOUT MA	IMPACT OF MA SET TO ZERO
ASSETS	38,319.7	38,319.7	-
TECHNICAL PROVISIONS	(37,342.2)	(37,380.8)	(38.6)
Excess of Assets over Liabilities	**977.5**	**938.9**	**(38.6)**
Restricted (With-Profits) Own Funds	(15.9)	(15.9)	-
Tier II Restriction	300.0	300.0	-
Eligible Own Funds	1,261.6	1,222.9	(38.6)
Solvency Capital Requirement	688.9	693.4	4.5
Solvency Ratio	**183%**	**176%**	**(7%)**
Minimum Capital Requirement	224.7	225.5	0.8

The benefit of the MA is largely due to ULP's significant exposure to annuities in payment. The combined value of the BEL in the two MA portfolios is £545m. Due to the long-term nature of these liabilities the uplift to the discount rate from the MA has a material impact on the BEL, reducing it by £39m.

D.2 TECHNICAL PROVISIONS (CONTINUED)

D.2.6 TRANSITIONAL MEASURES ON TECHNICAL PROVISIONS (TMTPs)

The Group does not have any TMTPs as referred to in Directive 2009/138/EC.

D.2.7 VOLATILITY ADJUSTMENT AND TRANSITIONAL ARRANGEMENTS ON INTEREST RATE

The Group does not make use of the volatility adjustment as referred to in Article 77d of Directive 2009/138/EC.

D.2.8 TRANSITIONAL RISK-FREE INTEREST RATE TERM-STRUCTURE

The Group does not make use of the transitional arrangements on interest rate as referred to in Article 308c in Directive 2009/138/EC.

D.2.9 REINSURANCE RECOVERABLES

Reinsurance recoverables are defined as the present value of the future liability cash flow referring to reinsurance contract agreements.

Reinsurance recoverables are calculated on the same basis and using the same contract boundary conditions as the best estimate liabilities (gross of reinsurance) described above. Reinsurance recoverables are reported as an asset on the balance sheet. Reinsurance recoverables are adjusted for expected losses due to reinsurer counterparty default.

D.3 OTHER LIABILITIES

The Group has considered the nature, function, risk, and materiality of other liabilities when aggregating the other liabilities into material classes in order to identify the valuation bases that should be applied to each class.

D.3.1 UNALLOCATED SURPLUS

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

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

D.3.2 SUBORDINATED LIABILITIES

Under IFRS rules, any subordinated liabilities issued by the Group are recognised at amortised cost; under SII rules these are measured at fair value, with changes in own credit standing removed after initial measurement, and any accrued interest on the liability is classified with the principal amount.

D.3.3 DEFERRED TAX LIABILITIES

Deferred tax liabilities on a SII balance sheet represent tax to be paid in future periods, arising due to taxable temporary differences on a SII basis. Differences between the IFRS basis and the SII basis relate primarily to the tax impact in respect of the valuation differences on assets and liabilities, as detailed in this section. This primarily includes the elimination of deferred acquisition costs and deferred front end fees, and recognition of a deferred tax liability on the future taxable profits arising on the in-force business as classified reflected within the SII technical provisions.

D.3.4 FINANCIAL LIABILITIES OTHER THAN DEBTS OWED TO CREDIT INSTITUTIONS

Amounts owed to credit institutions shall include all amounts arising out of banking transactions owed to other domestic or foreign credit institutions by the credit institution drawing up the balance sheet, regardless of their actual designations.

The only exception shall be liabilities represented by debt securities or by any other security.

D.3.5 LEASE LIABILITIES

The Group has recognised liabilities of £18.6m in respect of lease liabilities, both under IFRS and SII rules. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined then the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow funds to obtain an asset of similar value to the right-of-use asset. The value produced using the IFRS 16 valuation methodology is considered to provide a materially accurate approximation for the fair value required under SII.

D.3.6 PENSION BENEFIT OBLIGATIONS

The Group operates two defined benefit pension schemes – the Reliance Pension Scheme ("RPS") and Utmost Worldwide Employee Pension Scheme ("UWEPS").

The table below provides a summary of the IFRS deficit under each scheme and the values recognised in the SII balance sheet as at 31 December 2020:

The liability recognised in the IFRS statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related pension liability.

The SII balance sheet value of RPS and UWEPS is set equal to the IFRS valuation.

£m	Solvency II	IFRS	Difference
RPS	(2.3)	(2.3)	-
UWEPS	-	-	-

D.3.7 OTHER LIABILITIES

Under IFRS this line includes £52m of deferred front end fees which are not recognised on the SII balance sheet. There are no other valuation difference between the SII and the IFRS financial statements.

D.3.8 CONTINGENT LIABILITIES

The Group does not have any contingent liabilities.

D.4 ALTERNATIVE METHODS FOR VALUATION

The Group's assets and liabilities are primarily measured at fair value for both IFRS and SII purposes, applying the three levels of inputs based on the fair value hierarchy in accordance with IFRS 7 'Financial Instruments: Disclosures'.

As discussed in the 'Valuation requirements of SII' section above, quoted market prices from active markets are used where possible, but where this is not possible and no quoted prices for similar assets/liabilities are available, the Group must value its assets based on alternative methods using inputs not based on observable market data. The assets for which alternative valuation methods are applied are primarily assets held to cover linked liabilities, and any changes in the value of such assets have a corresponding change in the value of the linked liabilities, resulting in no direct net impact on the Group's equity or profitability (an indirect impact on the Group's performance based fees and expenses may occur, although this indirect impact will be of a reduced magnitude compared to the change in the asset value).

As at 31 December 2020, £273m of Level 3 assets (representing 0.69% of total assets) are valued using alternative methods. These assets are valued using a variety of methods according to the specific asset in question in order to provide the most reliable valuation, typically consisting of unaudited financial statements or valuations provided by a third party administrator. The majority of these assets are backing unit-linked liabilities, and accordingly any fair value movements on these assets are broadly offset by a corresponding liability movement, resulting in limited impact to Group Own Funds (and IFRS equity). Fair value movements in respect of Level 3 assets of £(14)m have been recognised in 2020 as presented in note 30 of the UGL 2020 Annual Report. There are no individually material Level 3 assets held by the Group within the £273m noted above deemed to require further disclosure in this section, and there are not considered to be any key assumptions applied across assets valued using alternative methods to which the Group is sensitive/ exposed. The Group has policies in place to minimise and monitor investment in assets classified as Level 3 under IFRS 7, in line with the requirements of the Prudent Person Principle as discussed in section C.2.3.

Valuation uncertainty when using alternative methods

Valuation uncertainty is determined by the extent to which unobservable inputs affect the overall valuation of the asset or liability concerned. To address valuation uncertainty, sensitivities to favourable and unfavourable movements in unobservable input parameters are assessed and presented in note 30 of the UGL 2020 Annual Report. Further details of sensitivities can be found in section C.7 of this report. The Group does not consider that there are any significant sensitivities to the fair value of the Level 3 investments should there be a change in the unobservable inputs.

D.5 ANY OTHER INFORMATION

COVID-19 has had no significant impact on the valuation of the Group during the reporting period. Further details are provided in Section A.1.13.

There is no further information the Group considers material to disclose in section D.

E

CAPITAL MANAGEMENT

This section describes the components of available Own Funds that are eligible to cover regulatory capital requirements and provides further detail on the composition of regulatory capital requirements.

As this is the first year of reporting the Group SFCR, comparatives are not presented for the year to 31 December 2019.

E.1 OWN FUNDS

E.1.1 CAPITAL MANAGEMENT

The Group monitors and manages capital on a SII basis, and in accordance with local regulatory requirements. The Group's capital management policies allow the Group to meet a number of objectives including:

- satisfying the requirements of its policyholders, creditors, and regulators;
- maintaining financial strength to support new business growth and create shareholder value; and
- matching the profile of its assets and liabilities, taking account of the risks inherent in the business.

Responsibility for the Group's capital management ultimately sits with the Board, with responsibility where required and where appropriate delegated to the boards of each of the underlying businesses. Capital is monitored and managed monthly, with more regular updates where necessary to ensure the Group stays within its regulatory requirements and risk appetite.

The Group's capital resources- represented by Group Own Funds- and capital requirements- represented by the SCR and MCR – are regularly monitored by the Board. The Group's policy is to at all times hold the higher of:

- the Group's internal assessment of the capital required; and
- the capital requirement of the relevant supervisory body.

Details of the specific capital management policies for each of the insurance undertakings within the Group are detailed within the UGL 2020 Annual Report and Accounts.

E.1.2 GROUP OWN FUNDS AS AT 31 DECEMBER 2020

As at 31 December 2020, Group Own Funds are £1,262m, corresponding to a Group Solvency Coverage ratio of 183%. Group solvency is calculated based on Method 1 (default method).

E.1.3 CLASSIFICATION AND COMPOSITION OF OWN FUNDS

The Group applies Method 1 (accounting consolidation-based method) as referred to in Article 230 of the Solvency II Directive to calculate the Group Solvency position.

Under SII, due to the different consolidation approach, subsidiary undertakings outside the insurance consolidation group are not fully consolidated. Utmost Portfolio Management and Utmost Worldwide (DIFC) Limited are the only Other financial undertaking within the Group. They are valued on the basis of the Group's proportional share of the undertaking's Own Funds (100%) calculated in accordance with the relevant sectoral rules.

The table below shows the composition of Group Own Funds as at 31 December 2020. The classification of Own Funds is also shown between tiers, depending on factors such as quality, liquidity and timeline to availability when liabilities arise.

At 31 December 2020, the total Group Solvency II Own Funds consist of £960m of unrestricted Tier 1 capital resources, £300m Tier 2 capital and £2m of Tier 3 capital. The Tier 2 capital amount comprises Tier 2 debt which is eligible as regulatory capital.

	2020			
£m	**Total**	**Tier 1**	**Tier 2**	**Tier 3**
Ordinary share capital	100.0	100.0	-	-
Surplus funds	0.9	0.9	-	-
Subordinated liabilities	300.0	-	300.0	-
Deferred tax assets	1.5	-	-	1.5
Reconciliation reserve	859.2	859.2	-	-
Total eligible Own Funds to meet the Group SCR	**1,261.6**	**960.1**	**300.0**	**1.5**

E.1 OWN FUNDS (CONTINUED)

The Group has ordinary share capital of £100m. Share capital consists of 100,000,000 ordinary shares of £1 each.

Subordinated liabilities comprise £300m of Tier 2 debt issued by UGL on 9 November 2020 to its immediate parent, Utmost Holdings (Guernsey) Limited. The debt is listed on The International Stock Exchange, and has a coupon of 6% per cent payable bi-annually.

The reconciliation reserve is calculated as the excess of assets over liabilities from the Solvency II balance sheet less basic Own Funds items (ordinary share capital and share premium) less any foreseeable dividend and fungibility deductions.

The Group and its insurance subsidiaries have no ancillary fund. Tier 3 capital comprises £1.5m of deferred tax assets.

Intragroup transactions between entities included in the consolidated insurance group are eliminated on consolidation when preparing the Group's solvency II balance sheet. Where entities consolidation on a line-by-line basis hold investments in the Group's asset management, these investments are replaced with the Own Funds of the asset management and advisory entities on a sectoral basis.

The Group has an MA in place in ULP. The impact of the MA can be seen in section D.2.5.

The Group has not placed reliance on the use of transitional measures as set out in the Solvency II Directive and has not applied for the use of the volatility adjustment mechanism.

A breakdown of the reconciliation reserve is shown in the Group QRT S.23.01.22 in Appendix F.1.4.

E.1.4 RECONCILIATION BETWEEN IFRS EQUITY AND SOLVENCY II OWN FUNDS

The table below shows a bridge between the Group's IFRS equity and SII Own Funds as at 31 December 2020.

Revaluation of technical provisions

Technical provisions are valued as the best estimate of future cash flows plus a Risk Margin.

Removal of goodwill and intangibles

Goodwill and intangibles are assets that are recognised under IFRS are valued at nil under Solvency II. DAC, contract costs and contract liabilities are also excluded from the Solvency II balance sheet.

Reclassification and revaluation of subordinated debt

Under Solvency II rules, the Tier 2 subordinated debt issued by UGL qualifies as regulatory capital, whereas under IFRS rules it is classified as a liability on the Group's balance sheet.

Furthermore, under IFRS the subordinated debt is valued at amortised cost and hence its valuation does not change due to changes in interest rates. Under Solvency II the debt is valued at market value and hence its valuation changes with changes in interest rates (removing any increase or decrease in the value as a result of changes in the Group's own credit standing after initial recognition).

	31 DECEMBER 2020 £m
IFRS Equity	**851.4**
Revaluation of technical provisions	625.0
Removal of Goodwill, and other Intangible assets	(483.8)
Revalue DAC, contract costs and contract liabilities	8.7
Revalue Financial Instruments to FV	(2.9)
Removal of deferred tax arising on Goodwill and other intangible assets	(20.9)
Solvency II excess of assets over liabilities	**977.5**
Inclusion of subordinated debt	300.0
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	(15.9)
Total Group Solvency II Own Funds	**1,261.6**

E.1.5 AVAILABILITY AND ELIGIBLE OWN FUNDS

The Group's available and eligible Own Funds are set out in the sections below.

E.1.5.1 Available Own Funds

The availability of Own Funds relates to the ability of capital resources located in one entity in the Group to absorb losses that arise in another Group entity. In line with Article 330 of the Delegated Regulation (EU) 2015/35, the following criteria are used when considering the availability of Own Funds to the Group:

- whether the own fund item is subject to legal or regulatory requirements that restrict the ability of that item to absorb all types of losses wherever they arise in the Group;
- whether there are legal or regulatory requirements that restrict the transferability of assets to another entity in the Group; and
- whether making those Own Funds available for covering the Group solvency capital requirement would not be possible within a maximum of nine months.

E.1 OWN FUNDS (CONTINUED)

E.1.5.2 Eligible Own Funds to meet SCR

The Group's Own Funds are subject to certain restrictions in respect of their ability to absorb losses that arise in another part of the group (availability), and ability to cover the Group's SCR (eligibility).

Article 82 of the Delegated Regulation (EU) 2015/35 specifies the quantitative limits in respect of the eligibility of Tier 2 and Tier 3 items.

In respect of compliance with the SCR, these limits are as follows:

› The eligible amount of Tier 1 items shall be at least 50% of the SCR;

› The eligible amount of Tier 3 items shall be less than 15% of the SCR; and

› The total of Tier 2 and Tier 3 items shall be no more than 50% of the SCR.

› Within these limits, the sum of paid in preference shares (and the related share premium account) and paid in subordinated liabilities classified as Tier 1 shall represent no more than 20% of the total amount of Tier 1 items. Items exceeding this limit are reclassified to Tier 2.

The table across shows the Group's unrestricted Own Funds at 31 December 2020. For the SCR eligibility criteria, the eligible amounts of Tier 2 items for the Group do not exceed 50% of the Group SCR. Hence there is no eligibility restriction when calculating the ratio of eligible Own Funds to the Consolidated Group SCR at 31 December 2020.

E.1.5.3 Eligible Own Funds to meet MCR

In respect of compliance with the MCR, these limits are as follows:

› The eligible amount of Tier 1 items shall be at least 80% of the MCR;

› The eligible amount of Tier 2 items shall not exceed 20% of the MCR;

› Within these limits, the sum of paid in preference shares (and the related share premium account) and paid in subordinated liabilities classified as Tier 1 shall represent no more than 20% of the total amount of Tier 1 items. Items exceeding this limit are reclassified to Tier 2; and

› Tier 3 items are not eligible to cover the Minimum Consolidated Group SCR ("MCGSCR").

With regard to the Tier 1 eligibility requirements set out for the SCR and MCR above, restricted Tier 1 items cannot exceed 20% of the total Tier 1 items. Any resulting excess of restricted Tier 1 items shall be reclassified as Tier 2 and should be subject to compliance with the limits on Tier 2 Own Funds.

Also, by definition, the total amount of eligible Own Funds to meet the MCGSCR is after deductions for participations in other financial undertakings, such as the non-regulated undertakings carrying out financial activities. This participation value amounts to £1.3m for the Group.

31 DECEMBER 2020
£m

	Total	Tier 1	Tier 2	Tier 3
Total eligible Own Funds to meet Group SCR	1,261.6	960.1	300.0	1.5

31 DECEMBER 2020
£m

	Total	Tier 1	Tier 2	Tier 3
Basic Own Funds before deductions	1,261.6	960.1	300.0	1.5
Deduction for participations in other financial undertakings	(1.3)	(1.3)	-	-
Eligibility restriction on the MCGSCR	(256.6)	-	(255.1)	(1.5)
Total eligible Own Funds to meet Group MCR	**1,003.7**	**958.8**	**44.9**	**-**

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

This section provides information on the Group's SCR and MCR at 31 December 2020.

E.2.1 CALCULATION OF GROUP SCR

The Group SCR as at 31 December 2020 is £689m. The SCR represents the amount of capital the Group is required to hold and is determined as the economic capital to be held by the Group to ensure it continues to be able to meet obligations to policyholders for the following 12 months following a 1-in-200 shock.

The Group applies Method 1 (default accounting consolidation-based method), as referred to in Article 230 of the SII Directive, to calculate the Group Solvency position. The Group SCR is calculated on a Standard Formula basis allowing for diversification between insurance undertakings and including the SCR of non-insurance undertakings.

The material insurance entities included in this consolidation are:

- Utmost Life and Pensions Limited
- Utmost Worldwide Limited
- Utmost Limited
- Utmost PanEurope dac

RISK MODULES	31 DECEMBER 2020 £m
Market Risk	444.8
Counterparty default risk	64.0
Underwriting risk	487.7
Total before diversification	**996.4**
Diversification	(248.1)
Basic solvency capital requirement	**748.3**
Operational risk	33.2
Loss absorbing capacity of deferred taxes	(59.2)
Loss absorbing capacity of technical provisions	(33.3)
Other financial sector entities	0.3
Group solvency capital requirement	**688.9**

Where the Standard Formula basis is used, there is an option to apply certain simplifications in the calculation of Group SCR. The Group does not apply any such simplifications to calculate the Group SCR as at 31 December 2020.

The diversification benefit within the SCR calculation is determined based on relative sizes of the risks and the correlation assumptions between them. The Standard Formula prescribes the correlation factors within the risk module and between the risk modules. There are two levels of diversification within each Group's SCR calculation:

- Intra-risk module diversification exists within the market risk module, the life underwriting risk module and the counterparty default risk module, e.g., within the market risk module, diversification benefit exists between the equity risk and the interest rate risk. The SCR for each module shown in the above table is stated after the deduction of this diversification. Its amounts to a total of £218m across all three modules.
- Inter-risk module diversification exists between the market risk module, the life underwriting module and the counterparty default risk module. This amounts to £248m and is shown separately in the table below.

E.2.2 CALCULATION OF MCGSCR

The MCGSCR is calculated as a floor to the Group SCR for insurance groups that adopt the Method 1 (accounting consolidation – based approach). This is calculated as the sum of:

- SII minimum capital requirement for all EEA and UK Method 1 entities, calculated using a formulaic approach (based on items such as technical provisions and premiums), which is subject to a minimum of 25% of the solo SCR and a maximum of 45% of the solo SCR; and
- local capital requirements for insurance entities outside of the EEA and non-insurance entities at which authorisation would be withdrawn.

The Group MCR represents the minimum capital that the Group must hold at all times. The Group MCR as at 31 December 2020 is £225m, corresponding to a coverage ratio of 445% (calculated as Group Own Funds eligible to cover the MCR, as a percentage of the Group MCR).

E.2.3 OTHER INFORMATION ON THE CALCULATION OF THE SCR

At 31 December 2020, the Group and its EEA and UK subsidiaries are not required to hold a capital add-on in excess of the calculated SCR position. The Group and its EEA and UK subsidiaries do not utilise any undertaking-specific parameters or any simplified calculations options when calculating the SCR.

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

The Group does not apply the duration-based equity risk sub-module in calculating its solvency capital requirements.

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

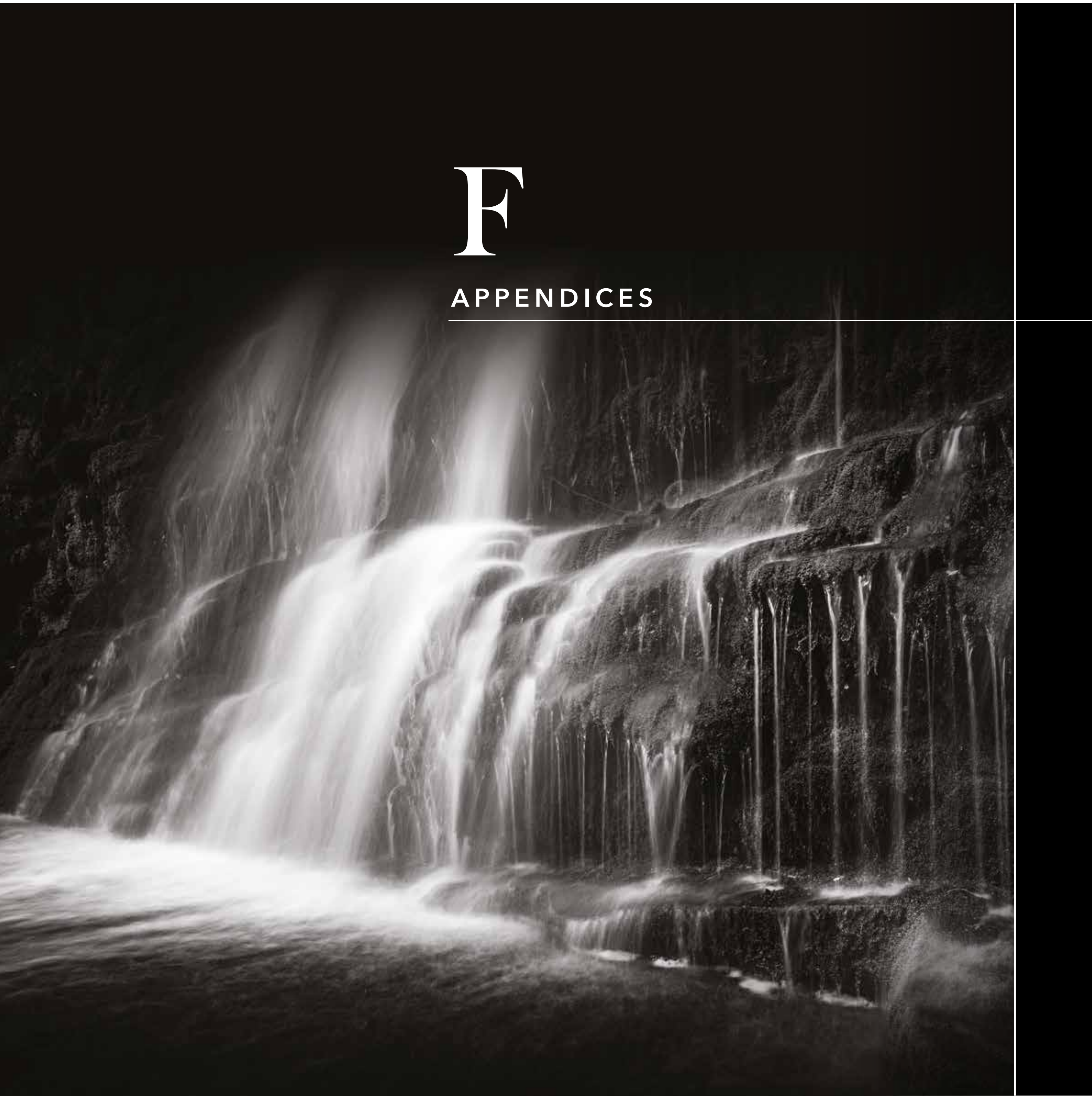
The Group calculates its SCR using the standard formula basis. The Group does not calculate capital requirements using an internal model or partial internal model.

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

The Group has complied at all times through the year with its capital requirements in respect of MCR and SCR. There have been no instances of non-compliance with either the MCR or SCR by any of the regulated insurance undertakings in of the Group during the year.

E.6 ANY OTHER INFORMATION

There is no further information the Group considers material to disclose in section E.


F
APPENDICES

F.1 GROUP QRTS

This appendix contains the following public disclosure QRT's applicable to the Group at 31 December 2020, as required under the SII regulations.

Any public group disclosure Group QRTs referred to in SII legislation that are not relevant to the Group are excluded from the list.

1. S.02.01.02 Balance Sheet

2. S.05.01.02 Premiums, claims and expenses by line of business

3. S.05.02.01 Premiums, claims and expenses by country

4. S.22.01.22 Impact of long term guarantees measures and transitionals

5. S.23.01.22 Own Funds

6. S.25.01.22 Solvency Capital Requirement – for Groups on Standard formula

7. S.32.01.22 Undertakings in the scope of the Group

All figures are presented in £000s with the exception of ratios that are in percentages.

Any annual Group QRTs referred to in SII legislation that are not relevant to the Group are listed below.

1. S.25.02.22 Solvency Capital Requirement – for undertakings using the standard formula and partial internal model

2. S.25.03.22 Solvency Capital Requirement – for undertakings on full internal models

1. S.02.01.02

BALANCE SHEET

		SOLVENCY II VALUE
	ASSETS	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	1,510
R0050	Pension benefit surplus	37
R0060	Property, plant & equipment held for own use	20,726
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	2,315,085
R0080	Property (other than for own use)	3,452
R0090	Holdings in related undertakings, including participations	1,310
R0100	Equities	4,487
R0110	Equities - listed	0
R0120	Equities - unlisted	4,487
R0130	Bonds	2,005,516
R0140	Government Bonds	969,339
R0150	Corporate Bonds	1,035,555
R0160	Structured notes	568
R0170	Collateralised securities	54
R0180	Collective Investments Undertakings	262,792
R0190	Derivatives	21,951
R0200	Deposits other than cash equivalents	15,577
R0210	Other investments	0
R0220	Assets held for index-linked and unit-linked contracts	35,079,116
R0230	Loans and mortgages	779
R0240	Loans on policies	622
R0250	Loans and mortgages to individuals	157
R0260	Other loans and mortgages	0
R0270	Reinsurance recoverables from:	1,151,859
R0280	Non-life and health similar to non-life	16,703
R0290	Non-life excluding health	0
R0300	Health similar to non-life	16,703
R0310	Life and health similar to life, excluding index-linked and unit-linked	544,550
R0320	Health similar to life	157,366
R0330	Life excluding health and index-linked and unit-linked	387,184
R0340	Life index-linked and unit-linked	590,607
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	37,648
R0370	Reinsurance receivables	31,009
R0380	Receivables (trade, not insurance)	140,360
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	269,417
R0420	Any other assets, not elsewhere shown	31,958
R0500	**Total assets**	**39,079,503**

1. S.02.01.02

BALANCE SHEET (CONTINUED)

	LIABILITIES	SOLVENCY II VALUE C0010
R0510	Technical provisions - non-life	80,632
R0520	Technical provisions - non-life (excluding health)	63,929
R0530	TP calculated as a whole	0
R0540	Best Estimate	63,929
R0550	Risk margin	0
R0560	Technical provisions - health (similar to non-life)	16,703
R0570	TP calculated as a whole	0
R0580	Best Estimate	16,703
R0590	Risk margin	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	2,108,639
R0610	Technical provisions - health (similar to life)	191,530
R0620	TP calculated as a whole	0
R0630	Best Estimate	190,172
R0640	Risk margin	1,358
R0650	Technical provisions - life (excluding health and index-linked and unit-linked)	1,917,109
R0660	TP calculated as a whole	74,281
R0670	Best Estimate	1,773,665
R0680	Risk margin	69,163
R0690	Technical provisions - index-linked and unit-linked	35,152,904
R0700	TP calculated as a whole	35,627,755
R0710	Best Estimate	-689,319
R0720	Risk margin	214,468
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	4,574
R0760	Pension benefit obligations	2,295
R0770	Deposits from reinsurers	68,552
R0780	Deferred tax liabilities	53,454
R0790	Derivatives	0
R0800	Debts owed to credit institutions	121
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	124,915
R0830	Reinsurance payables	66,068
R0840	Payables (trade, not insurance)	113,650
R0850	Subordinated liabilities	300,000
R0860	Subordinated liabilities not in BOF	0
R0870	Subordinated liabilities in BOF	300,000
R0880	Any other liabilities, not elsewhere shown	26,154
R0900	**Total liabilities**	**38,101,959**
R1000	**Excess of assets over liabilities**	**977,544**

2. S.05.01.02

PREMIUMS, CLAIMS AND EXPENSES BY LINE OF BUSINESS

NON-LIFE

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	Total
	PREMIUMS WRITTEN	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
R0110	Gross - Direct Business	37,888							0									37,888
R0120	Gross - Proportional reinsurance accepted	0							0									0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share	37,888							0									37,888
R0200	Net	0							0									0
	PREMIUMS EARNED																	
R0210	Gross - Direct Business	39,731							162									39,893
R0220	Gross - Proportional reinsurance accepted	0							0									0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share	39,731							0									39,731
R0300	Net	0							162									162
	CLAIMS INCURRED																	
R0310	Gross - Direct Business	31,105							0									31,105
R0320	Gross - Proportional reinsurance accepted	0							177									177
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share	31,259							0									31,259
R0400	Net	-155							177									22
	CHANGES IN OTHER TECHNICAL PROVISIONS																	
R0410	Gross - Direct Business	-4,103							-168									-4,270
R0420	Gross - Proportional reinsurance accepted	0							-114									-114
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share	-4,103							0									-4,103
R0500	Net	0							-282									-282
R0550	EXPENSES INCURRED	1,670							1,670									2,730
R1200	OTHER EXPENSES																	
R1300	TOTAL EXPENSES																	2,730

2. S.05.01.02

PREMIUMS, CLAIMS AND EXPENSES BY LINE OF BUSINESS (CONTINUED)

LIFE

		Line of business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Health reinsurance	Total
	PREMIUMS WRITTEN	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
R1410	Gross	67,113	45,658	1,768,072	85,941				177	1,966,961
R1420	Reinsurers' share	53,476	1,306	1,638	77,530				0	133,950
R1500	Net	13,637	44,351	1,766,435	8,411				177	1,833,011
	PREMIUMS EARNED									
R1510	Gross	65,924	45,658	1,768,072	85,043				177	1,964,874
R1520	Reinsurers' share	52,590	1,306	1,638	76,879				0	132,413
R1600	Net	13,334	44,351	1,766,435	8,164				177	1,832,460
	CLAIMS INCURRED									
R1610	Gross	64,842	82,618	3,129,549	111,832				200	3,389,042
R1620	Reinsurers' share	54,384	5,313	21,568	61,982				0	143,246
R1700	Net	10,458	77,305	3,107,981	49,851				200	3,245,796
	CHANGES IN OTHER TECHNICAL PROVISIONS									
R1710	Gross	7,618	2,384	-250,903	5,137				0	-235,764
R1720	Reinsurers' share	6,044	2,240	36,767	7,531				0	52,581
R1800	Net	1,574	144	-287,670	-2,394				0	-288,346
R1900	EXPENSES INCURRED	9,565	2,967	143,983	14,462				0	170,977
R2500	OTHER EXPENSES									7,846
R2600	TOTAL EXPENSES									178,823

3. S.05.02.01

PREMIUMS, CLAIMS AND EXPENSES BY COUNTRY

NON-LIFE

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
			TOP 5 COUNTRIES (BY AMOUNT OF GROSS PREMIUMS WRITTEN) - NON-LIFE OBLIGATIONS			TOP 5 COUNTRIES (BY AMOUNT OF GROSS PREMIUMS WRITTEN) - NON-LIFE OBLIGATIONS		
		Home Country	BS	KY				Total Top 5 and home country
	PREMIUMS WRITTEN	C0080	C0090	C0100	C0110	C0120	C0130	C0140
R0110	Gross - Direct Business	0	17,177	20,711	0	0	0	37,888
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0140	Reinsurers' share	0	17,177	20,711	0	0	0	37,888
R0200	Net	0	0	0				0
	PREMIUMS EARNED							
R0210	Gross - Direct Business	0	18,641	21,090	0	0	0	39,731
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0230	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0240	Reinsurers' share	0	18,641	21,090	0	0	0	39,731
R0300	Net	0	0	0				0
	CLAIMS INCURRED							
R0310	Gross - Direct Business	0	15,778	15,326	0	0	0	31,105
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0330	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0340	Reinsurers' share	0	15,933	15,326	0	0	0	31,259
R0400	Net	0	-155	0				-155
	CHANGES IN OTHER TECHNICAL PROVISIONS							
R0410	Gross - Direct Business	0	3,005	-1,098	0	0	0	-4,103
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0430	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0440	Reinsurers' share	0	3,005	-1,098	0	0	0	-4,103
R0500	Net	0	0	0				0
R0550	EXPENSES INCURRED	0	509	552	0	0	0	1,060
R1200	OTHER EXPENSES							0
R1300	TOTAL EXPENSES							1,060

3. S.05.02.01

PREMIUMS, CLAIMS AND EXPENSES BY COUNTRY (CONTINUED)

LIFE

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
			TOP 5 COUNTRIES (BY AMOUNT OF GROSS PREMIUMS WRITTEN) - LIFE OBLIGATIONS			TOP 5 COUNTRIES (BY AMOUNT OF GROSS PREMIUMS WRITTEN) - LIFE OBLIGATIONS		
		Home Country	IT	IE	HK	FI	ES	Total Top 5 and home country
	PREMIUMS WRITTEN	C0220	C0230	C0240	C0250	C0260	C0270	C0280
R1410	Gross	1,164,429	366,161	78,425	59,771	80,497	91,349	1,840,631
R1420	Reinsurers' share	69,865	220	55,523	0	0	0	125,608
R1500	Net	1,094,563	365,941	22,901	59,771	80,497	91,349	1,715,023
	PREMIUMS EARNED							
R1510	Gross	1,264,296	366,161	77,278	4,633	80,497	91,349	1,884,214
R1520	Reinsurers' share	69,157	220	56,437	0	0	0	125,813
R1600	Net	1,195,140	365,941	20,841	4,633	80,497	91,349	1,758,401
	CLAIMS INCURRED							
R1610	Gross	2,431,384	559,147	114,686	191,083	5,216	13,414	3,314,930
R1620	Reinsurers' share	74,500	2	58,250	0	0	0	132,751
R1700	Net	2,356,885	559,145	56,436	191,083	5,216	13,414	3,182,179
	CHANGES IN OTHER TECHNICAL PROVISIONS							
R1710	Gross	291,035	-283,256	-4,600	-63,444	0	0	-60,265
R1720	Reinsurers' share	53,301	0	0	0	0	0	53,301
R1800	Net	237,734	-283,256	-4,600	-63,444	0	0	-113,566
R1900	EXPENSES INCURRED	111,125	0	54,447	3,150	0	0	168,722
R2500	OTHER EXPENSES							7,846
R2600	TOTAL EXPENSES							176,569

4. S.22.01.22

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**	37,342,176	0	0	0	38,641
R0020	**Basic Own Funds**	1,260,302	0	0	0	(38,641)
R0050	**Eligible Own Funds to meet Solvency Capital Requirement**	1,261,612	0	0	0	(38,641)
R0090	**Solvency Capital Requirement**	688,910	0	0	0	4,460

5. S.23.01.22

OWN FUNDS

BASIC OWN FUNDS BEFORE DEDUCTION FOR PARTICIPATIONS IN OTHER FINANCIAL SECTOR		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	100,000	100,000		0	
R0020	Non-available called but not paid in ordinary share capital at group level	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
R0060	Non-available subordinated mutual member accounts at group level	0				
R0070	Surplus funds	946	946			
R0080	Non-available surplus funds at group level	0	0			
R0090	Preference shares	0		0	0	0
R0100	Non-available preference shares at group level	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	Non-available share premium account related to preference shares at group level	0				
R0130	Reconciliation reserve	859,155	859,155			
R0140	Subordinated liabilities	300,000		0	300,000	0
R0150	Non-available subordinated liabilities at group level	0				
R0160	An amount equal to the value of net deferred tax assets	1,510				1,510
R0170	The amount equal to the value of net deferred tax assets not available at the group level	0				0
R0180	Other items approved by supervisory authority as basic Own Funds not specified above	0	0	0	0	0
R0190	Non available Own Funds related to other Own Funds items approved by supervisory authority	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	Non-available minority interests at group level	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 other financial undertakings, including non-regulated undertakings carrying out financial activities**	1,310	1,310			
R0240	whereof deducted according to art 228 of the Directive 2009/138/EC	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	1,310	1,310	0	0	0
R0290	**Total basic Own Funds after deductions**	1,260,302	958,792	0	300,000	1,510

5. S.23.01.22

OWN FUNDS (CONTINUED)

BASIC OWN FUNDS BEFORE DEDUCTION FOR PARTICIPATIONS IN OTHER FINANCIAL SECTOR		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	ANCILLARY OWN FUNDS	C0010	C0020	C0030	C0040	C0050
R0300	Unpaid and uncalled ordinary share capital callable on demand	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				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0380	Non available ancillary Own Funds at group level	0				
R0390	Other ancillary Own Funds	0				
R0400	**Total ancillary Own Funds**	0			0	0
	OWN FUNDS OF OTHER FINANCIAL SECTORS					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	1,310	1,310			
R0420	Institutions for occupational retirement provision	0	0			
R0430	Non regulated entities carrying out financial activities	0				
R0440	**Total Own Funds of other financial sectors**	1,310	1,310	0	0	0
	OWN FUNDS WHEN USING THE D&A, EXCLUSIVELY OR IN COMBINATION OF METHOD 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
R0520	Total available Own Funds to meet the consolidated group SCR (excluding Own Funds from other financial sector and from the undertakings included via D&A)	1,260,302	958,792	0	300,000	1,510
R0530	Total available Own Funds to meet the minimum consolidated group SCR	1,258,792	958,792	0	300,000	
R0560	Total eligible Own Funds to meet the consolidated group SCR (excluding Own Funds from other financial sector and from the undertakings included via D&A)	1,260,302	958,792	0	300,000	1,510
R0570	Total eligible Own Funds to meet the minimum consolidated group SCR (group)	1,003,741	958,792	0	44,950	
R0610	**Minimum consolidated Group SCR**	224,748				
R0650	**Ratio of Eligible Own Funds to Minimum Consolidated Group SCR**	446.61%				
R0660	**Total eligible Own Funds to meet the group SCR (including Own Funds from other financial sector and from the undertakings included via D&A)**	1,261,612	960,101	0	300,000	1,510
R0680	**Group SCR**	688,910				
R0690	**Ratio of Eligible Own Funds to group SCR including other financial sectors and the undertakings included via D&A**	183.13%				

5. S.23.01.22

OWN FUNDS (CONTINUED)

BASIC OWN FUNDS BEFORE DEDUCTION FOR PARTICIPATIONS IN OTHER FINANCIAL SECTOR		Total
	RECONCILIATION RESERVE	**C0060**
R0700	Excess of assets over liabilities	977,544
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	
R0730	Other basic own fund items	102,457
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	15,932
R0750	Other non available Own Funds	
R0760	**Reconciliation reserve**	859,155

	EXPECTED PROFITS	
R0770	Expected profits included in future premiums (EPIFP) - Life business	18,594
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	Total Expected profits included in future premiums (EPIFP)	18,594

6. S.25.01.22

SOLVENCY CAPITAL REQUIREMENT - FOR GROUPS ON STANDARD FORMULA

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	450,282		
R0020	Counterparty default risk	64,788		
R0030	Life underwriting risk	452,445		
R0040	Health underwriting risk	22,494		
R0050	Non-life underwriting risk	18,789		
R0060	Diversification	-260,498		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	748,300		

	CALCULATION OF SOLVENCY CAPITAL REQUIREMENT	C0110
R0130	Operational risk	33,166
R0140	Loss-absorbing capacity of technical provisions	-33,348
R0150	Loss-absorbing capacity of deferred taxes	-59,512
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**	688,606
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	688,606

	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	631,151
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	11,658
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	45,797
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0470	Minimum consolidated group solvency capital requirement	224,748

	INFORMATION ON OTHER ENTITIES	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements) 0	304
R0510	Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	304
R0520	Institutions for occupational retirement provisions	0
R0530	Capital requirement for non- regulated entities carrying out financial activities	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0

	OVERALL SCR	
R0560	SCR for undertakings included via D&A	0
R0570	**Solvency capital requirement**	688,910

7. S.32.01.22

UNDERTAKINGS IN THE SCOPE OF THE GROUP

								CRITERIA OF INFLUENCE						INCLUSION IN THE SCOPE OF GROUP SUPERVISION		GROUP SOLVENCY CALCULATION
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	2138004N53RFLL6JDQ41	LEI	Utmost Group Limited	Mixed-activity insurance holding company as defined in Article 212(1) (g) of Directive 2009/138/EC	Private limited company	Non-mutual	Bank of England Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	2138008EY1PUPR4UJW45	LEI	Utmost International Group Holdings Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Private limited company by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800DZ5XY8AG5COI19	LEI	Utmost UK Group Holdings Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Private limited company by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GG	213800OYS5CYQ7BW8K97	LEI	Utmost Worldwide Limited	Life insurance undertaking	Incorporated company limited by shares or by guarantee or unlimited	Non-mutual	Guernsey Financial Services Commission	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
AE	2138008EY1PUPR4UJW45GG00001	Specific code	Utmost Worldwide (DIFC) Limited	Credit institution, investment firm and financial institution	Incorporated company limited by shares or by guarantee or unlimited	Non-mutual	Dubai Financial Services Commission	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GG	2138008EY1PUPR4UJW45GG00002	Specific code	Utmost Worldwide Employee Pension Scheme Limited	Institution for occupational retirement provision	Incorporated company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GG	21380017NR49F34PWQ94	LEI	Utmost Portfolio Management Limited	Credit institution, investment firm and financial institution	Incorporated company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	2138008EY1PUPR4UJW45GG00003	Specific code	UIG Holdings (No 1) Ltd.	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Private limited company by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
IE	635400JJABPWV2JJPE32	LEI	Utmost Holdings Ireland Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Private limited company	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
BM	549300OQOA5TQJ2HLN47	LEI	Utmost Bermuda Limited	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Private limited company	Non-mutual	Bermudian Monetary Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
IE	549300KWXY72RJWYSG13	LEI	Utmost PanEurope dac	Life insurance undertaking	Incorporated company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
IE	635400JJABPWV2JJPE32IE00002	Specific code	Harcourt Life Corporation dac	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Private limited company	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
IE	635400JJABPWV2JJPE32IE00001	Specific code	Utmost Services Ireland Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited company	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
IM	2138008EY1PUPR4UJW45IM00007	Specific code	Utmost Holdings Isle of Man Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Private limited company by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation

7. S.32.01.22

UNDERTAKINGS IN THE SCOPE OF THE GROUP (CONTINUED)

								CRITERIA OF INFLUENCE						INCLUSION IN THE SCOPE OF GROUP SUPERVISION		GROUP SOLVENCY CALCULATION
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
IM	213800MY9B6KWBWCJT05	LEI	Utmost Limited	Life insurance undertaking	Company limited by shares	Non-mutual	Isle of Man Financial Services Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
IM	2138008EY1PUPR4UJW45IM00004	Specific code	Utmost Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
IM	2138004QL5ALU854GR89	LEI	Utmost Administration Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
IM	2138008EY1PUPR4UJW45IM00006	Specific code	Utmost Partnerships Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
IM	2138008EY1PUPR4UJW45IM00005	Specific code	Utmost Trustee Solutions Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual	Isle of Man Financial Services Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800DZ5XY8AG5COI19GB00001	Specific code	Utmost Life and Pensions Holdings Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800DZ5XY8AG5COI19GB00002	Specific code	Reliance Unit Managers Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800DZ5XY8AG5COI19GB00005	Specific code	Utmost Life and Pensions Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800DZ5XY8AG5COI19GB00004	Specific code	FS Management Limited	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800211J26KBNINV56	LEI	Reliance Pension Scheme Trustee Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800I1ZCFT62P9P534	Specific code	Utmost Life and Pensions Limited	Life insurance undertaking	Company limited by shares	Non-mutual	Bank of England Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800XC51Q1FRX9I853	LEI	RMIS (RTW) Limited	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Company limited by guarantee	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	549300WH4MO7YSR34G34	LEI	The Equitable Life Assurance Society	Life insurance undertaking	Company limited by shares	Mutual	Bank of England Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
IE	549300H1DKPTFHL4S811	LEI	Equitable Life Ireland DAC	Life insurance undertaking	Company limited by shares	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800DZ5XY8AG5COI19GB00003	Specific code	Reliance Administration Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation

F.2 ABBREVIATIONS AND GLOSSARY

ALCO	Asset Liability Committee
ARCC	Audit Risk and Compliance Committee
AC	Audit Committee
ALM	Asset Liability Matching
AUA	Assets under administration
AVIF	Acquired Value of In-Force Business
BEL	Best Estimate Liability
BOARD	UGL Board
BRV	Bonus Reserve Value
BSCR	Basic Solvency Capital Rate
CBI	Central Bank of Ireland
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRO	Chief Risk Officer
DAC	Deferred Acquisition Costs
DIFC	Dubai International Financial Centre
EIOPA	European Insurance and Occupational Pensions Authority
ELAS	Equitable Life Assurance Society
ERM	Enterprise Risk Management
EPIFP	Expected Profit in Future Premium
EV	Embedded Value
FCA	Financial Conduct Authority
FDB	Future Discretionary Benefits
FVP	Fair Value Pricing Committee
FVTPL	Fair Value through Profit or Loss
GAO	Guaranteed Annuity Options
GFSC	Guernsey Financial Services Commission
GHoIA	Group Head of Internal Audit
GIA	Group Internal Audit
HNW	High Net Worth
HoIA	Head of Internal Audit
HRG	Homogeneous Risk Group
HR	Human Resources
IFRS	International Financial Reporting Standards
IoM FSA	Isle of Man Financial Services Authority
ITA	Italian Withholding Tax Asset
LTIP	Long-Term Incentive
M+A	Mergers and Acquisitions

F.2 ABBREVIATIONS AND GLOSSARY (CONTINUED)

MA	Matching Adjustment
MCR	Minimum Capital Requirement
MRTs	Material Risk Takers
NPF	Non-Profit Fund
Oaktree	Oaktree Capital Group LLC
ORSA	Own Risk and Solvency Assessment
OCI	Other Comprehensive Income
OSP	Outsource Service Provider
PRA	Prudential Regulation Authority
PWC	PricewaterhouseCoopers LLP
QRT	Quantitative Reporting Template
RCC	Risk and Compliance Committees
RemCo	Remuneration Committees
ROU	Right of Use
RPS	Reliance Pension Scheme
SII	Solvency II
SII EV	Solvency II Economic Value
SCR	Solvency Capital Requirement
SEC	Securities and Exchange Commission
SFCR	Solvency and Financial Condition Report
SMC	Senior Management Committee
SMF	Senior Management Function
SUBSIDIARY BOARDS	Board of regulated operating entities
TMTPs	Transitional Measure on Technical Provisions
TCF	Treating Customers Fairly
UCS	Utmost Corporate Solutions
UGL	Utmost Group Limited
UL	Utmost Limited
ULP	Utmost Life and Pensions Limited
UHNW	Ultra High Net Worth
UPE	Utmost PanEurope dac
UPM	Utmost Portfolio Management
USIL	Utmost Services Ireland Limited
USL	Utmost Services Limited
UWEPS	Utmost Worldwide Employee Pension Scheme Limited
UW	Utmost Worldwide
UWS	Utmost Wealth Solutions
WPSF	With Profits Sub-Fund

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