SOLVENCY AND FINANCIAL CONDITION REPORT

ReAssure Group plc

Year Ended 31 December 2019

CONTENTS

EXECUTIVE SUMMARY

INTRODUCTION

ReAssure Group plc together with its subsidiaries (the Group) has prepared a single Solvency and Financial Condition Report (SFCR). The Prudential Regulation Authority (PRA) granted permission in April 2020 for the Group to produce one SFCR for the Group. The permission is valid until June 2022.

During 2019 a new group holding company, ReAssure Group plc was introduced, into the company structure in preparation for a planned Initial Public Offering (IPO) on the London Stock Exchange. The new holding company was owned 75% by Swiss Re and 25% by MS&AD and it replaced ReAssure Midco Limited (RML) as the holding company for the Solvency II group. Comparatives presented in this report refer to the 2018 SFCR presented by RML.

On 6 December 2019, Swiss Re announced that it had reached agreement with Phoenix Group Holdings Plc (Phoenix) to sell ReAssure Group plc for £3.25 billion. The transaction was approved by the shareholders of Phoenix on 13 February 2020. The transaction is subject to regulatory approval and is expected to complete in 2020.

The acquisition by Phoenix is a validation of the Group's strategy, provides clarity on the Group's future and highlights that ReAssure Group is a major player in the UK closed book life insurance market. It is proposed that Phoenix will retain the Group's proprietary administration platform ALPHA, and the ReAssure Group brand as they set out the strategy for the future of the combined businesses. The new group will serve 14.1 million policies and have £329 billion of Assets under Administration. Combining ReAssure Group and Phoenix, and the expertise of both companies, will create a business that is committed to great customer service, adds value to shareholders and is well positioned for future growth.

BUSINESS AND PERFORMANCE

On 5 August 2019, the Group agreed with Quilter plc to acquire their UK Heritage Life & Pensions closed book of unit linked pensions, investment and savings and protection policies for a total cash consideration of £425 million. The underlying entities acquired were Old Mutual Wealth Life Assurance Limited (OMWLA) and its subsidiary Old Mutual Wealth Pensions Trustees Limited (collectively referred to as "Old Mutual Wealth"). The transaction completed on 31 December 2019. The Group expects to achieve synergies of £200 million from the transaction largely as a result of cost and capital efficiencies and expect to create surplus generation of more than £500 million.

The transaction was funded from the Group's existing cash resources and generates attractive returns with an expected IRR of over 11%, and an expected payback period of 4 years. The transaction will result in circa 200,000 UK policies transferring onto the Group's proprietary platform, ALPHA, and added £10 billion to our Assets under Administration. Approximately 300 employees of Old Mutual Wealth Life Assurance Limited and Old Mutual Wealth Pensions Trustees Limited have transferred to the Group. Included in the transaction are circa 10,000 policies in Sweden, Norway and Germany which will be administered through the Group's Irish operations, paving the way for future integration of European Economic Area businesses.

On 6 December 2017, the Group agreed to acquire the mature savings business of Legal & General Group plc (L&G). This comprised 1.1 million policies and £33 billion of Assets under Administration for a consideration of £650 million. The acquisition was structured initially as a Risk Transfer Agreement (RTA) whereby all the risks and rewards associated with the business transfer to the Group. This RTA was fully operational throughout 2018 and 2019 and the business is expected to fully transfer to the Group by way of a business transfer under Part VII of the Financial Services and Markets Act 2000 in the second half of 2020.

On 9 May 2019, Fitch assigned ReAssure Limited (RAL) an ‘A+’ (Strong) Insurer Financial Strength rating with a stable outlook. This rating was affirmed on 8 August 2019 following the announcement to acquire the UK Heritage Life & Pensions business from Quilter plc and the outlook was strengthened to ‘Positive’ on 9 December 2019 following the agreement between Swiss Re Limited and Phoenix Group Holdings Plc to sell the business.

On 13 June 2019, the Group issued £500 million Tier 2 ten-year subordinated notes, £250 million Fixed Rate Reset Callable Tier 2 ten-year subordinated notes (first optional call date in year five) and £250 million Tier 3 seven-year subordinated notes.

On 19 June 2019, ReAssure Group completed a reorganisation of the business such that the Group now operates its day to day business separately from the remainder of the Swiss Re Limited Group of companies as a standalone business with its own board of directors and management.

In July 2019, Swiss Re Limited, the Group’s ultimate holding company, announced the suspension of a proposed Initial Public Offering of ReAssure due to the heightened caution and weaker underlying demand in the UK primary market from large institutional investors.

During the year, the Group continued to manage the run off of its existing in force block of business while maintaining our unwavering customer focus against a backdrop of significant change and growth. The Group had a strong 2019 with our customer satisfaction increasing as we generated resilient and predictable surplus generation for reinvestment in the business or the payment of dividends. The Group paid a dividend of £519 million in 2019. The directors do not propose a final dividend in respect of financial year 2019. The changes in the capital composition of the Group are shown in the capital management section below. In line with its revised business structure and complimentary to its ambition to run as a standalone business on a day to day basis, the Group adopted a revised capital target of holding at least 145% of its Solvency Capital Requirement (SCR) (excluding that relating to With-Profits Funds). The Group had a regulatory solvency ratio of 152% (2018: 129%) at the year end. On a shareholder basis (adjusted for the exclusion of the SCR of the With-Profits Funds) the solvency ratio is 155% (2018: 145%).

For the year ended 31 December 2019 the Group made an IFRS profit before tax of £387 million (2018: £105 million, as restated). The following were the key drivers of the positive result:

- Profit emerging from the Group’s unit linked business on which the Group earns fees for administering unit linked policies;
- The unwind of the prudent margins in the reserves attaching to the Group’s annuity business and earned investment income;
- Updates of assumptions for mortality; and
- Income from the Risk Transfer Agreement in place with L&G.

SYSTEM OF GOVERNANCE

In August 2018, Swiss Re Group announced its intention to explore an IPO of shares in the Group. As part of the IPO separation activity, a change of control was approved by the PRA whereby a new holding company ReAssure Group plc became subject to Group supervision in place of ReAssure MidCo Limited.

The Group board of directors (the Board) is responsible for the strategic direction of the Group. Subsidiary legal entities also have their own boards of directors (The Boards).

During 2019 the Group continued to operate its comprehensive three lines of defence governance model described in further detail in section B3.1.

The Group operates a standalone system of governance. The Boards have Operating Manuals which set out the governance arrangements and these Manuals form part of the Governance Framework. They outline key responsibilities, those powers which the Boards wish to exercise themselves (or through formally constituted committees of the Boards) and delegation of authorities and other powers. Risk Management, Compliance and Group Internal Audit (IA) closely coordinate their second-line and their third-line activities related to the operation of the Risk Control Framework (Coordinated Assurance).

RISK PROFILE

The Group faces a number of principal risks which it manages by having a strong Enterprise Risk Management Framework (ERMF) and a culture of controlled risk taking. Due to the nature and composition of the business, the principal risks faced by the Group are credit and market risk on its sizable investment portfolio and longevity risk on its annuity book. The Group also faces strategic and operational risks which includes risks driven by the change and integration of insurance business portfolios, cyber risk, a high volume of regulatory change and uncertainties in the markets and wider UK economy regarding Brexit (political risk) and the impacts of COVID-19 (see sections C6.5 and C7 for further information).

VALUATION FOR SOLVENCY PURPOSES

The Group's Technical Provisions, net of reinsurance and after allowing for Transitional Measures on Technical Provisions, as at 31 December 2019 were £45.9 billion (2018: £36.2 billion). They included the following components:

2019 £m	ReAssure Limited	Ark Life	OMWLA	Group Adjustments	Total
Technical Provisions calculated as a whole	19,802	1,589	9,183	-	30,574
Gross BEL	15,264	392	323	914	16,893
Risk margin	1,374	40	11	-	1,425
Transitional on Technical Provisions	(844)	-	-	-	(844)
Total Technical Provisions	35,596	2,021	9,517	914	48,048
Reinsurance Recoverable	(508)	(442)	(993)	(215)	(2,158)
Technical Provisions allowing for Reinsurance Recoverable	35,088	1,579	8,524	699	45,890

2018 £m	ReAssure Limited	Ark Life	Group Adjustments	Total
Technical Provisions calculated as a whole	18,409	1,534	-	19,943
Gross BEL	15,665	333	571	16,569
Risk margin	1,397	40	-	1,437
Transitional on Technical Provisions	(772)	-	-	(772)
Total Technical Provisions	34,699	1,907	571	37,177
Reinsurance Recoverable	(589)	(363)	-	(952)
Technical Provisions allowing for Reinsurance Recoverable	34,110	1,544	571	36,225

The results above show the Technical Provisions under Solvency II calculated as at 31 December 2019 and 31 December 2018. The RAL Solo results include the Technical Provisions relating to the reinsurance arrangement with L&G following the acquisition of its Mature Savings business on 6 December 2017. The results for 2019 include the acquisition of OMWLA by the Group and also the impact of an intra-group reinsurance ('IGR') arrangement between RAL and OMWLA where RAL is reinsuring the OMWLA business that had not previously been ceded at the point of acquisition with the exception of unit-linked reserves which have not been reinsured. Also included in the above are the results of Ark Life Assurance Company dac (Ark Life), a long term insurance carrier based in Ireland.

The total Technical Provisions consist of Technical Provisions calculated as a whole, which is the value of the unit funds for all unit-linked policies, the Best Estimate Liabilities ('BEL'), the Risk Margin of the Group, and any transitional on Technical Provisions. The transitional on Technical Provisions is applied as a deduction to the Technical Provisions and is referred to throughout this document as Transitional Measures on Technical Provisions ('TMTP'). The calculation of the BEL involves discounting best estimate cash flows using a risk-free term structure prescribed by EIOPA, subject to adjustments for certain blocks of business as described below.

The Group has authorisation to use a Matching Adjustment ('MA') on a ring-fenced block of non-profit annuities. The MA rate is calculated as a fixed addition to the EIOPA risk-free interest rate term structure. During 2019, additional assets and liabilities were added into the MA Fund under the terms of the existing Matching Adjustment approval ('MA extension'). The reduction in BEL and Solvency Capital Requirement (SCR) as a result of the MA extension were offset by a reduction in TMTP. The reduction in the Capital Management Buffer as a consequence of the lower SCR is not offset by a change in TMTP.

The Group also has authorisation to use a Volatility Adjustment and the risk-free interest rate term structure has been increased by this Volatility Adjustment (also prescribed by EIOPA) for certain annuities in the ReAssure Limited Non-Profit Fund as well as on guaranteed annuity rates, guaranteed annuity options and cash guarantees in the National Mutual With-Profit Fund ('NMWPF') and the With-Profit Fund ('WPF').

CAPITAL MANAGEMENT

A summary of the Group's Own Funds at year end was as follows:

Solvency II Capital and Reserves	2019 £m	2018 £m
Share Capital	100	73
Share Premium	-	84
Reconciliation Reserve	3,115	2,869
Surplus Funds	607	556
Subordinated Liabilities	1,002	-
Amounts equal to value of deferred tax assets	-	104
Total	4,824	3,686

The change in share capital and share premium in the year arises from the revised group structure. During 2019 a new company, ReAssure Group plc, was created which then acquired the previous Group holding company ReAssure Midco Limited. The 2019 share capital and share premium represent the capital structure of the new group holding company. On 13 June 2019, the Group issued £500 million Tier 2 ten-year subordinated notes, £250m Fixed Rate Reset Callable Tier 2 ten-year subordinated notes (first optional call date in year five) and £250 million Tier 3 seven-year subordinated notes. This debt is shown in the table above in the subordinated liabilities line.

In December 2018, the Group was given approval by the PRA to use a Partial Internal Model (PIM) for the calculation of its Group SCR. The Internal Model is used to determine the capital requirements for the majority of the business. The Standard Formula is only used to determine the capital requirements for the with-profits funds, the economic exposure to the business acquired from L&G in 2017 and the capital requirements from the Old Mutual Wealth business acquired on 31 December 2019. The scope of the internal model is unchanged from 2018, other than to bring ReAssure Group plc into scope.

During the year, the Group retained surplus in excess of its capital requirements at all times. In addition to holding the Solvency II SCR, the Group also targets holding a 45% buffer on its capital requirements as part of its capital management policy. The total available Own Funds at year end was as follows:

Total available Own Funds	2019 £m	2018 £m
Total Own Funds	4,824	3,686
Solvency Capital Requirement	3,175	2,851
Excess Own Funds	1,649	834

The Group had a regulatory solvency ratio of 152% (2018: 129%) at the year end. On a shareholder basis (adjusted for the exclusion of the SCR of the With-Profits Funds) the solvency ratio is 155% (2018: 145%). The metrics presented in this document are in respect of the regulatory basis. The solvency ratio includes the impact of using a matching adjustment and TMTP. Without use of the matching adjustment, the solvency ratio is 82% (2018: 58%). Without the application of TMTP, the solvency ratio is 125% (2018: 103%).

The total Own Funds less the value of restricted Tier 3 and Tier 2 funds of £3,974 million are fully available to cover the Minimum Capital Requirement (MCR). The Group MCR is £756 million. The Group held Own Funds in excess of the MCR at all times during the year.

The Group paid a dividend of £519 million during the year. The Board does not propose the payment of a final dividend for the 2019 financial year.

OWN RISK AND SOLVENCY ASSESSMENT (ORSA) RESULTS

The Group applied for, and was granted by the Prudential Regulatory Authority (PRA) a waiver to allow the Group to produce a single Group ORSA covering and including all its legal entities.

ReAssure Group plc is defined as a mixed financial holding company and as head of the ReAssure Group, covering the underlying regulated life company entities and service company entities, it is required to produce a consolidated Group representative ORSA report which focuses on the consolidated risk and solvency positions of its legal entities, including the service company entities and the Staff Defined Benefit Pension Scheme (SDBPS).

The Group ORSA is a forward-looking assessment, and therefore the report is aligned to the format and contents of the Group Quarterly Risk and Solvency Reporting provided to the RAL Board Risk Committee (BRC), the Group Management Risk Committee (GMRC) and the Boards of ReAssure Group plc, ReAssure Limited, Old Mutual Wealth Life Assurance Limited and ReAssure UK Services Limited.

COVID-19

COVID-19, a coronavirus disease, is a newly discovered infectious disease. On 11 March 2020, the Director General of the World Health Organisation (WHO), declared COVID-19 a global pandemic, characterized by a rapid increase in the number of global cases.

As at 18 May 2020, there are no specific vaccines or treatments for COVID-19 although there are many ongoing clinical trials underway globally evaluating potential treatments.

The PRA issued a statement on 23 March 2020 declaring that COVID-19 should be treated as a “major development” as per Article 54 (1) of the Solvency II Directive. The valuations disclosed in this report are based on information available up to 31 December 2019 and have not been adjusted to capture the impact of COVID-19.

The Bank of England (BoE) has also put in place a package of measures that will help keep UK firms in business and people in jobs and limiting long-lasting economic harm.

The BoE has also been working closely with HM Treasury to co-ordinate and ensure the measures been implemented have maximum impact. Actions taken by the bank to date include cutting the base interest rate to 0.1% and supporting UK businesses via grants and loans to help them pay their staff and suppliers.

The UK Government has already confirmed that certain companies deemed to be in a ‘critical sector’ and should continue business operations during the Coronavirus pandemic. The Group has been classified as operating in a critical sector and further details on the Group response are disclosed in sections A5 and B8 below.

COVID-19 has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in UK and global financial markets. These market fluctuations have to date had a minimal impact on the Group’s Solvency II coverage ratio.

In the current COVID-19 related environment, downgrade and default of the credit portfolio are amongst the more material risk exposures of the Group. This is being closely managed by our asset management team who are focussed on maintaining credit quality. They have a weekly dialogue with all of our credit asset managers to identify those investments at risk of downgrade and where appropriate take actions to proactively rotate the exposure from adversely affected sectors and upgrade the ratings profile.

AUDIT OPINION

Report of the external independent auditors to the Directors of ReAssure Group plc ('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 Single Group-Wide Solvency and Financial Condition Report

OPINION

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2019:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2019, ('**the Narrative Disclosures subject to audit**');
- Group templates S.02.01.02, S.22.01.22, S.23.01.22 and S.32.01.22 ('**the Group Templates subject to audit**'); and
- Company templates S.02.01.02, S.12.01.02, S.22.01.21, S.23.01.01 and S.28.01.01 in respect of ReAssure Limited and Company templates S.02.01.02, S.12.01.02, S.23.01.01, S.25.01.21, S.28.01.01 in respect of Old Mutual Wealth Life Assurance Limited ('the group members') ('**the Company Templates subject to audit**').

The Narrative Disclosures subject to audit, the Group Templates subject to audit and the Company templates subject to audit are collectively referred to as the '**relevant elements of the Single Group-Wide 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:

- Information contained within the relevant elements of the Single Group-Wide Solvency and Financial Condition Report set out above which is, or derives from the Solvency Capital Requirement, as identified in the Appendix to this report;
- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Single Group-Wide Solvency and Financial Condition Report;
- Group templates S.05.01.02, S.05.02.01 and S.25.02.22
- Company templates S.05.01.02, S.05.02.01, and S25.02.21 in respect of ReAssure Limited;
- Information calculated in accordance with the previous regime used in the calculation of the transitional measure on technical provisions, and as a consequence all information relating to the transitional measure on technical provisions as set out in the Appendix to this report; and
- The written acknowledgement by management of their responsibilities, including for the preparation of the Single Group-Wide Solvency and Financial Condition Report ('**the Responsibility Statement**').

To the extent the information subject to audit in the relevant elements of the Single Group-Wide 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 Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2019 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 modified by relevant supervisory modifications, and 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 Single Group-Wide 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 Single Group-Wide 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the Single Group-Wide Solvency and Financial Condition Report is not appropriate; or
- the directors have not disclosed in the Single Group-Wide Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Single Group-Wide Solvency and Financial Condition Report is authorised for issue.

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

EMPHASIS OF MATTER - BASIS OF ACCOUNTING

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' of the Single Group-Wide Solvency and Financial Condition Report, which describe the basis of accounting. The Single Group-Wide 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 Single Group-Wide 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 Single Group-Wide 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 Single Group-Wide 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 Single Group-Wide 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 Single Group-Wide 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 Single Group-Wide 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 SINGLE GROUP-WIDE SOLVENCY AND FINANCIAL CONDITION REPORT

The Directors are responsible for the preparation of the Single Group-Wide Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations, which have been modified by the modifications, and 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:

- Permission to publish Single Group -Wide SFCR;
- Approval to use the matching adjustment in the calculation of technical provisions;
- Approval to use the volatility adjustment in the calculation of technical provisions; and
- Approval to use the transitional measure on technical provisions; and
- Approval to use a full or partial internal model.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Single Group-Wide 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 SINGLE GROUP-WIDE 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 Single Group-Wide Solvency and Financial Condition Report is prepared, in all material respects, in accordance with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Single Group-Wide 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 Single Group-Wide Solvency and Financial Condition Report.

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.

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.

OTHER MATTER

The Company has authority to calculate its Group Solvency Capital Requirement using a partial internal model ('the Group Model') approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. The group members have authority to calculate their Solvency Capital Requirements using partial internal models ('the Solo Models') approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. In forming our opinion (and in accordance with PRA Rules), we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Group Model and the Solo Models, or whether the Group Model and the solo Models are being applied in accordance with the Company's and the group members' application or approval order.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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.

PricewaterhouseCoopers LLP
Chartered Accountants

London 19 May 2020

APPENDIX

RELEVANT ELEMENTS OF THE SINGLE GROUP-WIDE SOLVENCY AND FINANCIAL CONDITION REPORT THAT ARE NOT SUBJECT TO AUDIT

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

- The following elements of Group template S.02.01.02:
  - Row R0550: Technical provisions - non-life (excluding health) - risk margin
  - Row R0590: Technical provisions - health (similar to non-life) - risk margin
  - Row R0640: Technical provisions - health (similar to life) - risk margin
  - Row R0680: Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin
  - Row R0720: Technical provisions - Index-linked and unit-linked - risk margin
- The following elements of Group template S.22.01.22
  - Column C0030 – Impact of transitional on technical provisions
  - Row R0010 – Technical provisions
  - Row R0090 – Solvency Capital Requirement
- The following elements of Group template S.23.01.22
  - Row R0020: Non-available called but not paid in ordinary share capital at group level
  - Row R0060: Non-available subordinated mutual member accounts at group level
  - Row R0080: Non-available surplus at group level
  - Row R0100: Non-available preference shares at group level
  - Row R0120: Non-available share premium account related to preference shares at group level
  - Row R0150: Non-available subordinated liabilities at group level
  - Row R0170: The amount equal to the value of net deferred tax assets not available at the group level
  - Row R0190: Non-available own funds related to other own funds items approved by supervisory authority
  - Row R0210: Non-available minority interests at group level
  - Row R0380: Non-available ancillary own funds at group level
  - Rows R0410 to R0440 – Own funds of other financial sectors
  - Row R0680: Group SCR
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
  - Row R0750: Other non available own funds
- The following elements of Company template S.02.01.02:
  - Row R0550: Technical provisions - non-life (excluding health) - risk margin (ReAssure Limited)
  - Row R0590: Technical provisions - health (similar to non-life) - risk margin (ReAssure Limited)
  - Row R0640: Technical provisions - health (similar to life) - risk margin (ReAssure Limited)
  - Row R0680: Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin (ReAssure Limited)
  - Row R0720: Technical provisions - Index-linked and unit-linked - risk margin (ReAssure Limited)

- The following elements of Company template S.12.01.02
  - Row R0100: Technical provisions calculated as a sum of BE and RM - Risk margin (ReAssure Limited)
  - Rows R0110 to R0130 – Amount of transitional measure on technical provisions (ReAssure Limited and Old Mutual Wealth Life Assurance)
- The following elements of Company template S.22.01.21
  - Column C0030 – Impact of transitional on technical provisions (ReAssure Limited)
  - Row R0010 – Technical provisions (ReAssure Limited)
  - Row R0090 – Solvency Capital Requirement (ReAssure Limited)
- The following elements of Company template S.23.01.01
  - Row R0580: SCR (ReAssure Limited)
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds (ReAssure Limited)
- The following elements of Company template S.28.01.01
  - Row R0310: SCR (ReAssure Limited)

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

DIRECTORS' STATEMENT IN RESPECT OF THE GROUP SFCR

We acknowledge our responsibility for preparing the Group SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

a) throughout the financial year in question, the Group has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable at the level of the Group; and

b) it is reasonable to believe that the Group has continued so to comply subsequently and will continue so to comply in future.

Signed on behalf of the Board of ReAssure Group plc on 19th May 2020 by:

Mark Hodges Chief Executive Officer	Ian Patrick Chief Financial Officer

SECTION A: BUSINESS AND PERFORMANCE

A1: BUSINESS

1. FULL NAME AND LEGAL FORM

ReAssure Group plc, registered office: Windsor House, Ironmasters Way, Telford Centre, TF3 4NB. Registered in England No 11597179. ReAssure Group plc is a public company limited by shares incorporated and is domiciled in the United Kingdom. On 9 May 2019, ReAssure Group plc acquired the entire share capital of ReAssure Midco Limited.

2. NAME AND CONTACT DETAILS OF REASSURE GROUP PLC SUPERVISORY AUTHORITY

The Prudential Regulation Authority (PRA), the Financial Conduct Authority (FCA) and the Central Bank of Ireland (CBI) are the supervisory authorities responsible for the regulation and financial supervision of the regulated entities in the Group. The contact details are:

Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA
UK

Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

Central Bank of Ireland
New Wapping Street
North Wall Quay
Dublin 1

ReAssure Group plc is a mixed financial holding company and heads a Solvency II group subject to group supervision. ReAssure Group plc is not a regulated entity.

3. NAME AND CONTACT DETAILS OF THE ULTIMATE PARENT COMPANY'S SUPERVISOR

Swiss Re Ltd, a company incorporated in Switzerland, is the ultimate controlling parent company of the Group. Swiss Re Ltd is regulated by the Swiss Financial Market Supervisory Authority (FINMA). The contact details of FINMA are:

Swiss Financial Market Supervisory Authority
27 Laupenstrasse
CH – 3003 Bern
Switzerland

4. NAME AND CONTACT DETAILS OF EXTERNAL AUDITOR

PricewaterhouseCoopers (PwC) LLP is the appointed auditor of ReAssure Group plc. The contact details of PwC are:

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT
UK

5. DESCRIPTION OF THE HOLDERS OF QUALIFYING HOLDINGS IN REASSURE GROUP PLC

There are two qualifying holdings in ReAssure Group plc (being a holder of 10% or more of the capital or voting rights).

	% of total voting rights
Swiss Re Finance Midco (Jersey) Limited	75
MS&AD Insurance Group Holdings	25

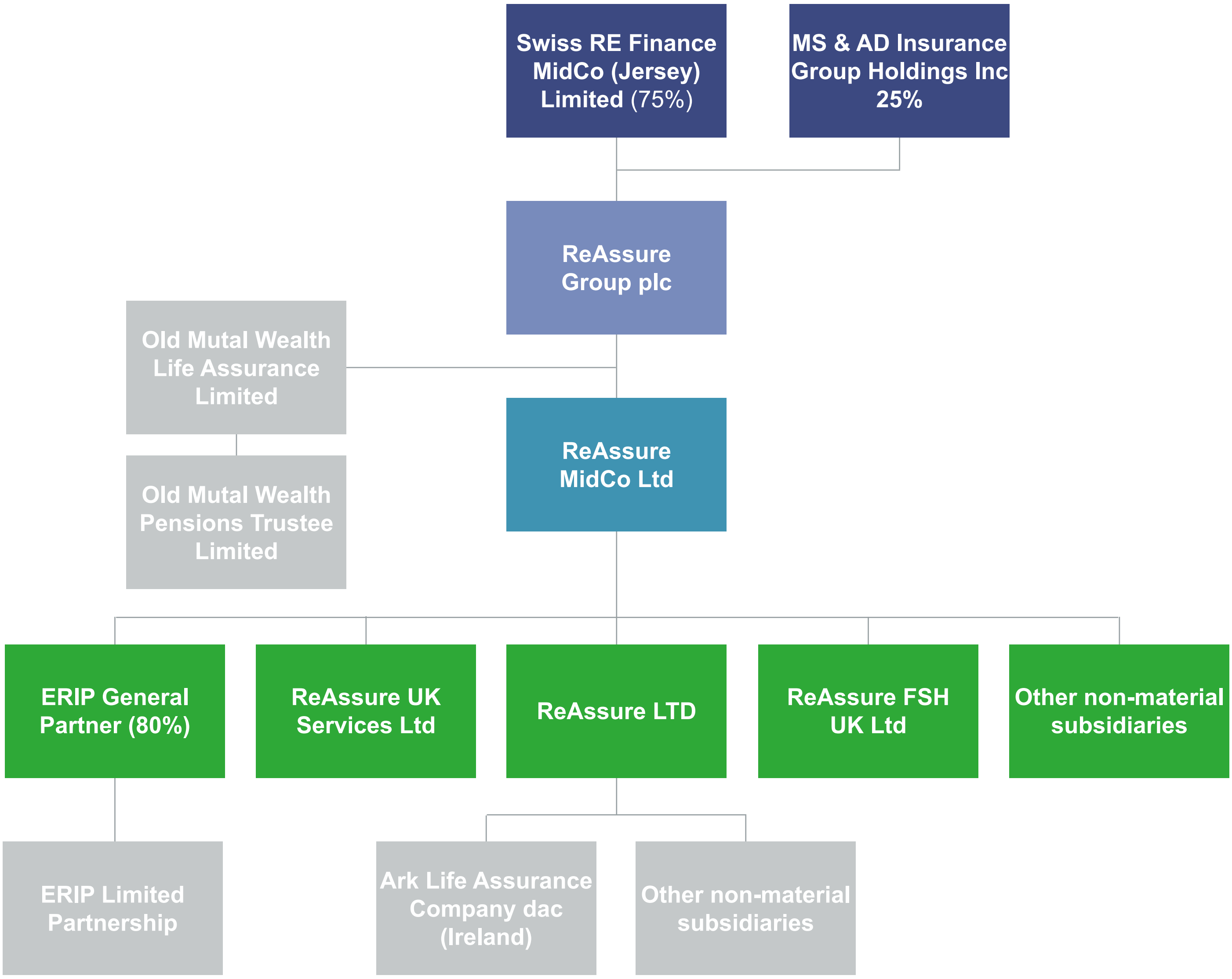
Swiss Re Finance Midco (Jersey) Limited is a subsidiary of Swiss Re, a public limited company incorporated in Switzerland. MS&AD Insurance Group is a public limited company incorporated in Japan.

6. DETAILS OF REASSURE GROUP PLC POSITION WITHIN THE SWISS RE LIMITED LEGAL STRUCTURE

The position of ReAssure Group plc within the legal structure of Swiss Re Limited is shown in the Group Structure Chart below. The immediate holding company of ReAssure Group plc is Swiss Re Finance Midco (Jersey) Limited, a company incorporated in Jersey. The ultimate parent company is Swiss Re Limited, a public limited company incorporated in Switzerland.

7. STRUCTURE CHART FOR REASSURE GROUP PLC AND DESCRIPTION OF ALL MATERIAL RELATED UNDERTAKINGS

The ownership structure of ReAssure Group plc is shown below. All holdings are 100% unless shown.



RAL is the main insurance carrier for the Group. RAL administers long term life, health and pension business for the benefit of policyholders. RAL also owns Ark Life Assurance Company dac (Ark Life) a long-term insurance carrier based in Republic of Ireland and OMWLA a predominantly UK based long-term insurance carrier. ReAssure UK Services Limited acts as the primary management services company for the Group. The company provides IT, administration and project management services to RAL and to other Group companies as required. ERIP Limited Partnership is an investment vehicle that holds a portfolio of residential property for the benefit of RAL.

8. MATERIAL LINES OF BUSINESS AND GEOGRAPHICAL AREA SERVED

The Group predominately operates in the UK and Ireland. ReAssure Group plc acts as an insurance holding company, setting strategy and direction for the Group. Its principle insurance companies have the following material lines of business:

- Life and pension annuities in payment;
- Personal and Group pension business;
- Life protection and endowment business; and
- Health protection business.

Within these lines of business, the companies have a mix of Non-Profit, Unit Linked and With-Profit products. The Group also includes the entities that provide services to its long-term insurance operations and provide third party administration services.

9. SIGNIFICANT BUSINESS OR OTHER EVENTS IN THE REPORTING PERIOD

REASSURE GROUP PLC PURCHASE OF OLD MUTUAL WEALTH LIFE ASSURANCE LTD (OMWLA) FROM QUILTER PLC

ReAssure Group plc announced on 5 August 2019 that agreement had been reached to buy the life insurance and pensions division OMWLA from Quilter plc for £425 million.

The transaction added circa 200,000 customer policies and £10 billion of assets to the Group's platform. The sale completed on 31st December 2019. The portfolio primarily consists of closed book unit linked policies. The core business covers pensions, investment and savings, and protection products with both Retail and Institutional offerings.

SWISS RE AGREES TO SELL REASSURE GROUP TO PHOENIX GROUP

Swiss Re announced on 6th December 2019 the sale of its subsidiary ReAssure Group plc to Phoenix Group Holdings plc. As part of the agreement, which values the Group at £3.25 billion, Swiss Re will receive a cash payment of £1.2 billion, shares in Phoenix representing a 13% to 17% stake and be entitled to a seat on its Board of Directors. The transaction will reinforce Phoenix's position as Europe's largest life and pension's consolidator, giving it an enhanced platform to pursue further growth opportunities. The transaction is expected to close in 2020, subject to approval by regulators.

10. GROUP CONSOLIDATED FINANCIAL STATEMENTS

For the ReAssure Group plc consolidated financial statements there are no differences between the data used in the consolidation and the data used for the calculation of group solvency.

11. GROUP OPERATIONS

The Group invests only in long term life and pension companies and does not operate in any other sectors. RAL, which acts as the main UK insurance carrier, represents the bulk of Group activity. RAL has assets of £42 billion compared to the total Group assets of £55 billion. In addition to RAL the majority of the remaining Group assets are the assets of OMWLA (£10 billion) and Ark Life (£2 billion). Aside from the holding company, the Group has an ancillary service company, which provides management services to the insurance entities.

The UK is the Groups' country of domicile and its principal market. Ark Life operates in the Republic of Ireland and Old Mutual Wealth Life Assurance has circa 10,000 policies in Sweden, Norway and Germany.

A2: UNDERWRITING PERFORMANCE

1. UNDERWRITING PERFORMANCE BY GROUP COMPANY AND MATERIAL LINES OF BUSINESS

The underwriting performance of the Group's insurance companies and summary IFRS results are shown below.

£m	ReAssure Limited 2019	Ark Life 2019	Group Companies 2019	Total 2019
Underwriting Loss	(4,001)	(271)	-	(4,272)
Investment Return	4,887	292	-	5,179
Other Expenses	(182)	-	(338)	(520)
Profit Before Tax	704	21	(338)	387
Tax On Profit	(166)	(6)	54	(118)
IFRS Profit	538	15	(284)	269

An analysis of the underwriting profit split by material lines of business is as follows:

£m	ReAssure Limited 2019	Ark Life 2019	Total 2019
Insurance with profit participation	(454)	-	(454)
Index-linked and unit-linked insurance	(2,751)	(275)	(3,026)
Health Insurance	(6)	5	(1)
Other life insurance	(790)	(1)	(791)
Total	(4,001)	(271)	(4,272)

Comparatives for 2018 for the underwriting result, IFRS profit (as restated) and material lines of business are as follows:

£m	ReAssure Limited *2018	Ark Life 2018	Group Companies 2018	Total 2018
Underwriting Profit	1,724	54	-	1,778
Investment Return	(1,209)	(40)	-	(1,249)
Other Expenses	(154)	-	(270)	(424)
Profit Before Tax	361	14	(270)	105
Tax on Profit	(55)	(4)	46	(13)
IFRS Profit	306	10	(224)	92

An analysis of the underwriting profit split by material lines of business is as follows:

£m	ReAssure Limited *2018	Ark Life 2018	Total 2018
Insurance with profit participation	140	-	140
Index-linked and unit-linked insurance	1,106	49	1,155
Health Insurance	10	(1)	9
Other life insurance	468	6	474
Total	1,724	54	1,778

*ReAssure Limited IFRS result is included at its restated value. The 2018 IFRS results were restated in the 2019 financial statements. The restatement was made as in 2019 two issues were identified with annuity data held on the company's policy administration system. The impact was to increase profit before tax by £44.3 million with a related tax charge of £8.4 million.

As a result of the structure of unit linked business in particular, which makes up a substantial proportion of the product portfolio, investment income earned offsets gains or losses at the underwriting level. The offset in the underwriting result arises due to changes in the technical provision for future liabilities which increase or decrease depending on investment return. This can be seen in the results above where in 2019 there was a loss at the underwriting level which is offset by net positive income and gains whereas in 2018 an underwriting profit is offset by net negative income and gains.

For the year ended 31 December 2019, ReAssure Limited made an IFRS profit after tax of £538 million (2018: £306 million). The following were the key drivers of the positive result:

- Profit emerging from the Group's unit linked business on which the company earns fees for administering unit linked policies;
- The unwind of the risk margin attaching to the Group's annuity business and non-linked investment income;
- Updates of assumptions for mortality;
- Income from the Risk Transfer Agreement in place with L&G; and
- In addition, the 2019 result contains a one off contribution from an extension of the business in the Solvency II matching adjustment portfolio.

A3: INVESTMENT PERFORMANCE

1. INCOME AND EXPENSES ARISING FROM INVESTMENTS

Investment income and expenses by investments assets category for ReAssure Group plc, as at 31 December 2019, were as follows:

Year Ended 31 Dec 2019 £m	Interest	Dividend	Fair Value Gains / Losses	Other	Total
Fixed and Variable Securities	694	-	1,105	-	1,799
Equities	-	531	2,198	-	2,729
Loans	2	-	18	-	20
Derivatives	-	-	(42)	-	(42)
Collective Investment Scheme	42	45	541	-	628
Participations	-	8	10	-	18
Investment Property	-	-	(22)	71	49
Cash and Deposits	9	-	(2)	-	7
Other Assets	-	-	8	3	11
Investment Management Expenses	-	-	-	(40)	(40)
Total investment income	747	584	3,814	34	5,179

Investment income and expenses by investments assets category for ReAssure Group plc, as at 31 December 2018, were as follows:

Year Ended 31 Dec 2018 £m	Interest	Dividend	Fair Value Gains / Losses	Other	Total
Fixed and Variable Securities	753	-	(903)	-	(150)
Equities	-	475	(1,475)	-	(1,000)
Loans	23	-	(5)	-	18
Derivatives	-	-	(31)	-	(31)
Collective Investment Scheme	37	57	(259)	-	(165)
Participations	-	22	-	-	22
Investment Property	-	-	15	37	52
Cash and Deposits	8	-	1	-	9
Other Assets	-	-	35	18	53
Investment Management Expenses	-	-	-	(57)	(57)
Total Investment Income	821	554	(2,622)	(2)	(1,249)

The financial market environment was favourable for both equities and fixed interest investments in 2019. UK and Global Equity markets rose significantly during the year resulting in substantial equity investment gains shown in the tables above. Positive returns in equity markets also increased valuations for collective investment schemes. For fixed interest investments, interest rates fell during the year and spreads on corporate bonds tightened. These movements increased fixed interest capital values and produced the gains for fixed income investments shown above. This was in contrast to 2018 where investment losses were recorded as both equity and fixed income markets fell.

2. SHAREHOLDER ASSETS AND INVESTMENTS IN SECURITISATIONS

The Group holds approx. £277 million (less than 2% of shareholder assets) of legacy positions secured on financial assets. All these securitised investments reside in ReAssure Limited.

The £277 million, as at 26 March 2020, is made up of asset backed securities and commercial mortgage backed securities secured on financial assets. All of these securitised investments reside in RAL.

Market Value 2019	£m
ABS	186
CMBS	91
Grand Total	277

A4: PERFORMANCE OF OTHER ACTIVITIES

There are no other material activities that impact on Group performance.

A5: ANY OTHER INFORMATION

COVID-19

The valuations disclosed in this report are based on information available up to 31 December 2019 and have not been adjusted to capture the impact of COVID-19.

The Group has a critical role to play during this crisis. Customers are at the heart of our business. For many of our policyholders we provide them with income to keep them safe, making regular payments to those in ill health or in retirement, protecting some of the most vulnerable in society. This is why the Government and our regulator, the FCA, have classified ReAssure in a 'critical sector' and should therefore maintain business operations during the coronavirus pandemic. The Group continues to provide essential services and protect customer savings and investments.

COVID-19 IMPACT ASSESSMENT AND MEASURES ADOPTED

BUSINESS OPERATIONS

The Group already had detailed business continuity plans in place that set out what the company would do in response to a major crisis emerging, such as COVID-19. Our planning in response to the coronavirus pandemic is being centrally managed across the Group. The cross-functional coronavirus response team have been prioritising and coordinating activities across all business functions and all ReAssure sites. The response team are meeting frequently to continually review our situation against the very latest advice. Working from home has been enabled for all but those whose critical role cannot be performed off-site. As of May 2020 fewer than 70 people in total across all our offices are required to maintain these critical roles and 98% of the Group's employees are working from home i.e. in excess of 3,000 people.

ENHANCED CUSTOMER PROPOSITION

In response to the ongoing crisis, the business has made considered changes to its customer offering during these exceptional times.

- The ReAssure Group companies continue to support customers over the phone with contact centre representatives across our sites, including ReAssure's Telford based head office, Dublin based Ark Life and OMWLA in Southampton;
- Some operational processes have been altered in a considered way to ensure business continuity for both our customers and our employees;
- The customer website has been updated with a new pop-up to highlight our response to coronavirus and, separately, a new response page added providing customers with up to date information about how the ReAssure Group is responding to the crisis and what this might mean to them;
- A facility has been introduced that allows customers experiencing financial hardship to request a premium holiday; and
- ReAssure's dedicated Customer Committee is continuing to assess both the service and options available to our customers at this challenging time.

BUSINESS STRATEGIC INITIATIVES

PROJECT CARBYNE

Project Carbyne is the proposed Part VII transfer of policies from L&G to the Group. Due to the rapidly changing situation with Covid-19 (coronavirus), the Group and L&G jointly approached the High Court to seek a delay to the transfer until the situation is more stable. The judge confirmed his agreement to this request on 25 March 2020. Both parties concluded a delay was in the best interest of customers and employees allowing the business to fully concentrate our efforts on continuing to provide the best possible level of service to their customers during this challenging time. This decision should put the Group in a stronger place to migrate L&G's business in due course. Although the business was ready and able to complete the migration to plan, the Group needs to ensure the quality of service for our customers, whether existing or transferring, and the safety of our staff in the current unprecedented situation should not be compromised.

ACQUISITION OF THE GROUP BY THE PHOENIX GROUP

Following the announcement by the Phoenix Group in December 2019 to acquire the Group, the timeline to complete the change of control in 2020, subject to regulatory approval, remains on track.

SECTION B: SYSTEM OF GOVERNANCE

B1: GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

1. OVERVIEW OF GOVERNANCE STRUCTURE

In considering the governance structure of the Group, it is important to make the distinction between governance of ReAssure Group plc (the legal entity company) and the consolidated ReAssure Group comprising of ReAssure Group plc and all of its subsidiary companies, which together form the Solvency II consolidated group.

Governance arrangements described below concerning the legal entity board outline the legal responsibilities of the directors of ReAssure Group plc to that legal entity. However, in general, unless otherwise stated, the Board and operational committees described cover the operations of all ReAssure Group companies. That would include governance of OMWLA since the acquisition completed at the end of 2019. Some of those committees will often be primarily concerned with ReAssure Limited, the principal operating subsidiary of the group and the carrier of the bulk of the insurance risk and other related risks. Examples of this would be the Board Investment Committee and the ReAssure Management Committee.

THE BOARDS

The activities of each legal entity within the Group are governed by its respective Board of Directors (Board). The Board Operating Manual (BOM) outlines the Board level governance arrangements for each entity as approved by each Board and establishes the structure for oversight and management of the Group.

The BOM forms part of the Governance Framework. It outlines key responsibilities, those powers which the Board wish to exercise themselves (or through formally constituted committees of the Board), delegation of authorities and other powers, such as day to day management of the business to the Chief Executive Officer of the Group.

The BOM articulates key aspects of the internal control environment which assist the Board and Executive Management to govern, direct and control the business of the Group. The governance structure is reviewed by the Board at least annually and in the event of material changes to the business.

The Board reserve certain matters and decisions for themselves and also delegate other matters for decision to the relevant Board Committees. The Board may also delegate specific matters to other committees on an ad hoc or Standing Committee basis.

MATTERS RESERVED TO THE GROUP BOARD

The Group board have a number of matters specifically reserved to them for decision as described below or where specific delegated authority limits apply:

- Board membership and committee matters;
- Executive remuneration;
- Capital, reserving and revenue transactions;
- Management matters exercising ultimate management authority of the Group;
- Material transactions;
- Investment strategy;

- Changes to business activities;
- Share capital and financing;
- Guarantees or security;
- Internal control and risk management oversight;
- Contract approval;
- Political and charitable donations;
- Matters delegated from the Boards;
- Adoption/Approval of Risk Policies; and
- Governance of subsidiary undertakings.

REASSURE GROUP CHIEF EXECUTIVE OFFICER

The CEO of ReAssure Group plc is responsible for the execution of company strategy as approved and adopted by the Board. The principal areas of responsibility are:

- Identifying opportunities for and facilitating delivery of value-added activities within the business plan and those that are approved during the year;
- Capital and investment management;
- Championing at all levels within the organisation the importance of treating customers fairly;
- The recruitment and retention of appropriate skilled personnel to ensure strong governance and operational management of all life company matters;
- Sponsorship of delivery of the core customer and product proposition initiatives to both maintain and, where necessary or justified, enhance customer outcomes;
- Ensuring compliance with regulatory requirements;
- Supporting the Group aspects of the Solvency II development and implementation programme;
- Integration and transition into the Group of any businesses acquired; and
- Oversight of outsourced arrangements.

Leadership and direction are provided through the ReAssure Group Executive Committee (RGEC) which is chaired by the CEO. Members of the RGEC comprise the senior leaders, in the following functions:

- Asset Management;
- Finance and Actuarial;
- HR;
- Legal and Company Secretarial;
- Mergers, Acquisitions and Integration;
- Operations;
- Pricing; and
- Risk.

ARK LIFE ASSURANCE COMPANY DAC

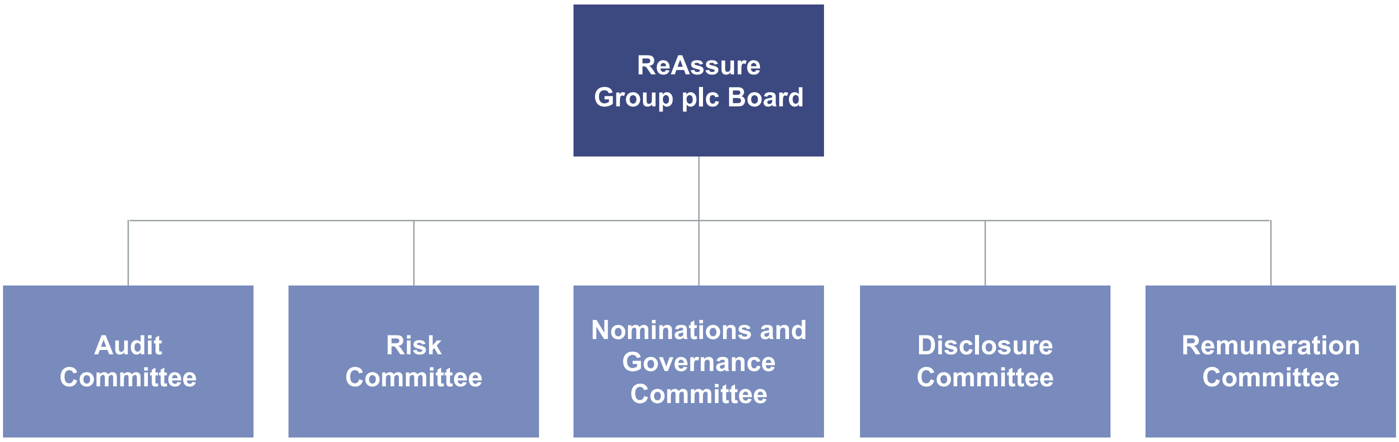
The governance and organisational structure of Ark Life Assurance Company dac is set out in the Company's Terms of Reference and charters. These define the responsibilities and authority of the members of the Board and Committees. The following chart outlines the Company's structure at both the Board and Management levels:

The board is fully engaged and actively involved in the oversight of the business.

The business is compliant with the requirements of the Central Bank of Ireland (CBI) Corporate Governance Code and the governance requirements of Solvency II.

2. BOARD COMMITTEES

The Board has delegated authority to the following Board committees. Although delegations of authority involve allocation of responsibility those delegating remain ultimately responsible.



Each Board Committee performs a function on behalf of the Board of Directors, with high level duties being summarised as follows:

AUDIT COMMITTEE

The Audit Committee assists the Board in, amongst other matters, discharging its responsibilities with regard to ensuring the independence and effectiveness of the internal and external audit functions and to satisfy itself on the integrity of the Group's financial and narrative statements and also discharging its responsibilities with regards to financial reporting, external and internal audits and controls, including reviewing the Group's annual financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment, reappointment, removal and independence of external auditors and reviewing the effectiveness of the Group's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remains with the Board.

NOMINATION AND GOVERNANCE COMMITTEE

The Nomination and Governance Committee assists the Board in discharging its responsibilities relating to the composition and make-up of the Board. The Committee is responsible amongst other matters for leading the process of appointments of new directors and senior management, ensuring plans are in place for orderly succession and overseeing the development of a diverse pipeline for succession.

RISK COMMITTEE

The Risk Committee is responsible for (i) advising the Board on the Group's risk strategy, risk policies and current risk exposures, (ii) overseeing the implementation and maintenance of the overall risk management framework and systems, and (iii) reviewing the Group's risk assessment processes and capability to identify and manage new risks.

REMUNERATION COMMITTEE

The remuneration committee is responsible for advising the board on matters relating to the remuneration of the board and senior management in order to motivate and retain executives and ensure that the Group is able to attract and retain the best talent for the benefit of all Group stakeholders.

DISCLOSURE COMMITTEE

The disclosure committee supports the board in fulfilling their responsibilities to identify and disclose material information about the Group and to comply with all relevant disclosure legislation.

3. EXECUTIVE COMMITTEES

REASSURE GROUP EXECUTIVE MANAGEMENT COMMITTEE

The purpose of the ReAssure Group Executive Committee is to assist the Group Chief Executive Officer in the performance of their duties including: Development and implementation of the Group's strategy and overall commercial objectives, policies and procedures. Monitoring of operating and financial performance. Communication with shareholders and the workforce. Oversight of risk management and governance. The ReAssure Group Management and Risk Committee and the ReAssure Group Management and Treasury Committee are sub committees of this committee.

REASSURE GROUP ASSET MANAGEMENT AND TREASURY COMMITTEE

The purpose of the ReAssure Group Asset Management and Treasury Committee is to oversee the management of liquidity, capital and funding as well as asset-liability and investment management activities for the ReAssure Group and its legal entities.

REASSURE GROUP MANAGEMENT RISK COMMITTEE

The purpose of the ReAssure Group Management Risk Committee is to assist the Group Board Risk Committee, Group Board Audit Committee and ReAssure Group Executive Committee in discharging their duties. Ensure appropriate implementation of the Risk (including risk appetite), Internal Control and Compliance Frameworks. Review and manage the risk and controls of the Group and its legal entities in line with the above frameworks.

REASSURE MANAGEMENT COMMITTEE (RMC)

The purpose of the RMC is to promote strong, sound financial stewardship of the business (including investments) for the benefit of policyholders and shareholders and ensure that high standards of conduct risk are set and achieved. The RMC is the primary body bringing together executive management and takes input from a wide range of other committees. The scope of the RMC includes strategic oversight, risk management and governance.

INDEPENDENT GOVERNANCE COMMITTEE (IGC)

The purpose of the Independent Governance Committee is to operate in the interests of workplace pension scheme members to challenge the providers that schemes are offering a value for money product in an appropriate way. This involves the review of various aspects of the administration of workplace personal pensions administered by the Group.

GROUP CREDIT AND VALUATIONS COMMITTEE

The purpose of the Group Credit and Valuations Committee is to assist the ReAssure Group Management Risk Committee in the oversight of risk management activities related to credit risk. To approve and monitor private debt assets. To monitor and approve revisions to ratings of external asset managers and those used in the internal model.

ARK LIFE COMMITTEES

The following provides a brief outline of the role of the board and each committee, and where it falls within the three lines of defence model:

BOARD

Ark Life is a regulated entity and is a subsidiary of ReAssure Limited. The Board is comprised of two Executive Directors and four Non-Executive directors, three of which are independent. The Board's role includes defining the Company's business strategy, risk appetite, right compliance, policies, capital adequacy and solvency frameworks and to ensure that all policies and functions take full account of Irish law and regulations and the supervisory requirements of the CBI.

RISK COMMITTEE

The Risk Committee provides oversight, advice and assurance across the Company's business. The Risk Committee is comprised of three Non-Executive Directors and is attended by the relevant executive team members. Its duties include the setting of risk appetite and future risk strategy, assessing risk tolerance and exposure, overseeing the risk management framework, reviewing whistleblowing, fraud prevention and detection procedures and assessing the adequacy of the compliance function.

AUDIT COMMITTEE

The Audit Committee performs oversight and independent assurance over the effectiveness of systems of internal control. The Audit Committee is comprised of three Non-Executive Directors and is attended by the relevant executive team and internal audit and external audit representatives. Its duties include reviewing the internal audit remit and effectiveness, reviewing and challenging the Company's financial statements and regulatory returns and assessing the effectiveness of the external audit process. The Committee is also responsible for overseeing the relationship with the external auditor.

Structure Group	Board / Committee / Forum / Group	Line of Defence		
		1st	2nd	3rd
Board	Board	✓	✓	✓
Committee	Risk Committee	x	✓	x
	Audit Committee	x	x	✓

4. OPERATIONAL COMMITTEES

There are a number of other operational committees which have been constituted in order to discharge a number of key cross functional managerial responsibilities. These include:

- Management Risk Committee (RC) which oversees the risk environment of the business;
- Technical Committee (TC) which is focused on reviewing the appropriateness of the internal model;
- Strategy and Operational Model Committee which exists to agree and enforce a coherent operating model for the business;
- Policyholder Investment Committee which ensures policyholder assets are appropriately invested;
- Treating Customers Fairly Committee (TCF) which ensures that the conduct risk framework of the Group is well defined and effectively implemented (note that there are two sub elements to this body focusing on Servicing and Technical Actuarial matters such as WP management and pricing respectively); and
- Change Committee, which approves and oversees the delivery of material change within the business.

5. MAIN ROLES AND RESPONSIBILITIES OF KEY FUNCTIONS

FINANCE

The key role of Finance is to identify and prepare appropriate information that allows a wide range of stakeholders (internal and external) to make informed judgements and decisions. The Finance function generates a broad spectrum of financial and non-financial information covering planning and forecasting, budgeting, Board and management packs (operational and strategic), financial documentation, statutory reporting and prudential reporting. It provides effective management support and rigour to investment appraisals with appropriate insight and analysis, and ensures that planning assumptions are well conceived. The Finance function also plays a key role in articulating business performance enabling management to address and react to trends quickly.

Finance incorporates specialist areas covering tax, treasury, investment reporting, corporate finance, external reporting, central planning and analysis. Finance ensures adequate funding is continuously available to support the business and acquire the resources needed to help ReAssure Group achieve its objectives whilst controlling costs, safeguarding adequate cash flows and establishing and controlling profitability levels.

ACTUARIAL

The Actuarial function is responsible for calculating and monitoring the ongoing solvency of the Group on all applicable regulatory bases. It is also responsible for economic capital valuations and reporting the net worth of the in-force business on a realistic basis, together with providing actuarial calculations and analysis pertinent to profit reporting. The function is responsible for delivering the requirements of Article 48 of the SII directive, including determining the adequacy of the technical provisions and giving an opinion on the overall underwriting policy and adequacy of the reinsurance arrangements. Other ancillary responsibilities include;

- Unit pricing;
- With Profits management;
- Reinsurance arrangements for capital management;
- Asset Liability Modelling (ALM) and input to investment management;
- Providing advice, challenge, and analysis to management on actuarial matters; and
- Actuarial implications of transactions, project initiatives or management actions.

As part of reporting to the regulator, the responsibilities of the Actuarial function also include coordination and oversight of the technical provisions calculation:

- Ensuring the appropriateness of methodologies and underlying models used;
- Ensuring appropriateness of assumptions made;
- Assessing sufficiency and quality of data used;
- Comparing best estimates against experience; and
- Informing the Board as to their adequacy.

The Actuarial function contributes to the effective implementation of the risk management system and is responsible for calculating the Solvency Capital Requirement for the business at both a solo and a Group level, including Ring Fenced Funds.

RISK MANAGEMENT

The Group's Risk Management function (also referred to as "Risk Management") is an independent part of the Group's business model. The function is headed by the ReAssure Group Chief Risk Officer (CRO) and comprises of Strategic risk, Operational risk, Financial and Insurance risk, Information Security risk and Investment Oversight teams, who oversee all the Group's risk-taking activities supported by the CRO Office.

Risk Management provides independent second line oversight and assurance to the Boards and Board Risk Committees that all Principal risks to which the Group are exposed, are effectively identified, measured (modelled where appropriate), monitored, reported and controlled within defined risk appetite and tolerance limits set by the Boards as part of the business planning process.

Risk Management oversees the effective operation of the ERMF. It monitors the risk profile and aggregated view on risk exposures across the Group in line with the approved appetite and risk tolerance limits.

ASSET MANAGEMENT

Asset Management is responsible for the stewardship of the Group's investment portfolio. This includes liaison with fund managers, overseeing investment trading, provision of management information on the portfolio and oversight of valuation methodology. The department works closely with other departments, in particular Actuarial and Finance, to ensure accurate reporting of investment positions and asset/liability matching is within tolerance.

COMPLIANCE

ReAssure maintains a permanent second line Compliance function, within Risk management, which operates independently and has the responsibility to monitor and, on a regular basis, to assess the adequacy and effectiveness of the measures and procedures put in place to comply with ReAssure's obligations under the regulatory system; and the actions taken to address any deficiencies in ReAssure's compliance with its regulatory obligations. The Compliance function is principally responsible for overseeing ReAssure's compliance with applicable laws, regulations, rules, codes of conduct, and identification of and support in management of Compliance Risk. It serves to assist the Board in discharging their respective duties to effectively identify, mitigate and manage Compliance Risks, and maintain ethical standards and behaviour.

The scope of the Compliance function's oversight role does not include reviewing or auditing the accuracy or completeness of technical calculations or related financial or actuarial statements, tax returns or similar regulatory filings or employment law.

The Compliance function also monitors regulatory change, provides guidance on regulatory requirements and is responsible for producing Compliance Policies which meet UK regulatory and ReAssure Group requirements.

REASSURE INTERNAL AUDIT

ReAssure Internal Audit (IA) is objective and independent from ReAssure's operational functions. Internal Audit provide independent evaluation and assurance on the adequacy and effectiveness of the wider control framework covering design effectiveness and operational compliance, the effectiveness of the internal control system and other elements of the system of governance. The function helps the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The conclusions drawn from the independent assessment must be reported to the Audit Committee of the Board in order to enable it to act on this information if necessary. The Audit Committee approve the Internal Audit Plan on an annual basis. Any changes made to the plan must also be approved by the Audit Committee. The ReAssure Internal Audit function remains connected to Swiss Re Group Internal Audit (GIA) (as can be seen in the structure chart in section B5 – Internal Audit function).

CORPORATE STRATEGY AND PLANNING (CSP)

The key responsibilities of CSP are to design and maintain comprehensive business plans for ReAssure. In discharging its duties, this business area actively engages with senior management, the ReAssure Group Board and the Prudential Regulator in respect of planning. It supports significant transactions providing co-ordination, management and project delivery expertise. CSP also manage third-party relationships and confirm adequate oversight of suppliers.

REASSURE UK SERVICES LIMITED (RUKSL) AND DELIVERY OF SERVICES VIA THE MANAGEMENT SERVICES COMPANY

The Group delivers its management services via management services agreements between Group companies and the services company RUKSL. RUKSL delivers the majority of key management services to the rest of the Group. These include customer servicing, IT support and project and change management. ReAssure Limited pays a fixed fee per policy tariff for the delivery of core services and also contracts separately with RUKSL for the delivery of specific change projects where new requirements arise. Executive oversight of the delivery of services from RUKSL rests with the ReAssure Management Committee.

OVERSIGHT OF ARK LIFE

Ark Life operates as a standalone long-term insurance company in Ireland. Ark Life has its own governance arrangements which are the responsibility of the Ark Life board of directors, headed by the Ark Life CEO. The Ark Life CEO reports directly to the ReAssure Limited CEO. The ReAssure Limited Board retains oversight responsibility for Ark Life dac. This ensures broad consistency of operational models between Ark Life dac and the rest of the ReAssure Group.

Although the Ark Life governance arrangements are tailored to its own particular business it is broadly consistent with the arrangements followed in the rest of the Group. It also employs a three lines of defence structure and has a number of board committees which ensure a strong governance overview of its operations.

6. REPORTING, RESOURCES AND ACCESS TO INFORMATION

The Boards, the Board Committees and the Operational Committees have full authority to investigate any matters within their respective duties. They are authorised to obtain independent professional advice, request external advisors to undertake specific tasks or to obtain any information from any director, officer or employee acting on behalf of the Group and to secure their attendance to the relevant meetings when necessary.

The key functions have operational independence in performing their reporting functions with the exception of Internal Audit, which has complete independence in performing its reporting function. Key function holders report directly to the Boards, Board Committees or Operational Committees any issues that could have an impact on the Group. The heads of key functions have authority to recruit and retain suitably qualified staff and where necessary to supplement permanent staff with qualified and experienced temporary staff should that be required.

7. ADEQUACY OF THE SYSTEM OF GOVERNANCE

The Group is a large and complex organisation. The system of governance, including second and third line assurance functions reflects the broad spread of risks that the Group faces in its operations. The comprehensive nature of the structure of governance and the considerable resources that support the structure means that the Group is well placed to mitigate the multiple risks that it faces. The Group has both Group functions providing oversight and where it is appropriate for regulated legal entities, especially ReAssure Limited, OMWLA and Ark Life, to have bespoke governance forums then these operate at legal entity level. In particular, legal entity Boards retain responsibility for ensuring an adequate system of governance for their entities. The Group actively monitors for new and emerging risks and is ready to respond to those as necessary.

8. CONSISTENT APPLICATION OF RISK MANAGEMENT SYSTEMS ACROSS THE GROUP

The majority of the insurance risk is contained in two Group carriers, ReAssure Limited and OMWLA, and so many risk management systems apply only to those carriers. ReAssure and OMWLA risk and governance forms integrated and are responsible for both carriers. However where risk management systems such as compliance and internal audit are applicable to other Group companies such as the ancillary service companies and the Group holding company these are applied with consistency across the Group. Internal audit, compliance and risk are Group functions and they work in a consistent manner across the Group, using the same standards, personnel and resources for all entities.

Ark Life operates as a standalone long-term insurance carrier but the CEO of Ark Life reports to the CEO of ReAssure Limited and this ensures that equivalent standards are applied to Ark Life as are applied to the rest of the

Group. Ark Life follows the same governance and risk management model as ReAssure, employing three lines of defence to manage risk to ensure appropriate governance.

9. REMUNERATION POLICY AND PRACTICES

As part of the preparation for being a listed independent company, the Group obtained approval from the Compensation Committee of Swiss Re Ltd to implement a revised remuneration structure and deferral plans for certain Senior Material Risk Takers in ReAssure. This structure and revised deferral plans were implemented in the second half of 2019.

These changes can be summarised as follows:

- 2019 Performance metrics and individual objectives were fully aligned to the performance of ReAssure;
- Base salary and Target bonus were reviewed and aligned to a listed organisation;
- The Annual Performance Incentive (API) in H2 2019 operated on a varied basis looking at specific ReAssure performance metrics and personal objectives in 2019, but with the overall value of the H2 API operating within both individual and overall costs parameters agreed with the Compensation Committee of Swiss Re Ltd;
- API in H2 2019 operated on a varied basis looking at specific ReAssure performance metrics and personal objectives in 2019. These metrics included ReAssure's 2019 Surplus Generation, the value of Management Actions and the value of Adjusted Shareholder Solvency II Own Funds;
- 40% of all API outcomes for 2019 (both H1 and H2) are deferred as fixed amounts of cash for a period of 3 years (not in the Value Alignment Incentive Award/VAI Plan); and
- Swiss Re Leadership Performance Plan (LPP) remained in place in respect of 2019.

For the remainder of the organisation the Swiss Re remuneration policy (Swiss Re Standard on Compensation) and practice remained in place.

The Swiss Re Standard on Compensation captures Swiss Re's compensation framework and governance, outlines the compensation processes across the Group and provides key guidelines for the execution of individual compensation actions.

Swiss Re aims for total compensation that is competitive in local labour markets and also seeks to ensure that total compensation is well-balanced in terms of fixed versus variable compensation and in terms of short-term versus long-term incentives. This encourages sustainable long-term performance and supports shareholder alignment as well as appropriate risk-taking in line with the business and risk strategy.

Swiss Re has several incentive programmes that reflect the long-term nature of the business: both the Value Alignment Incentive (VAI) as the deferred part of the Annual Performance Incentive (API) and the Leadership Performance Plan (LPP) aim to reward sustainable long-term performance rather than short-term results. These programmes support closer alignment of the interests of shareholders and employees.

10. OVERVIEW OF THE COMPENSATION COMPONENTS

FIXED COMPENSATION

BASE SALARY

Base salary is the fixed compensation paid to employees for carrying out their role and is established based on the following factors:

- Scope and responsibilities of the role, and qualifications required to perform the role;
- Market value of the role in the location in which Swiss Re competes for talent; and
- Skills and expertise of the individual in the role.

BENEFITS

Swiss Re aims to provide a competitive package of employee benefits. Benefits are designed and implemented under a global framework and global principles, while appropriately reflecting differing local employment market conditions.

VARIABLE COMPENSATION

ANNUAL PERFORMANCE INCENTIVE (API)

The API is a performance-based, variable component of compensation. Combined with the base salary, it provides competitive total cash compensation when both business and individual performance targets are achieved, and desired behaviours are demonstrated. When the total API level for an employee exceeds a predefined amount, the award is split into two components: an immediate cash portion (cash API) and a deferred cash portion (Value Alignment Incentive/VAI).

VALUE ALIGNMENT INCENTIVE (VAI)

The VAI is the mandatory deferred of a portion of the API which introduces a time component to the performance-based, variable compensation. This supports the Group's business model by aligning a portion of variable compensation with sustainable long-term results.

LEADERSHIP PERFORMANCE PLAN (LPP)

The purpose of the LPP is to provide an incentive for Swiss Re's senior management to create sustainable company performance over the long term. The vesting period, during which performance is measured, is three years. For LPP awards granted to Swiss Re Group Executive Committee members and other key executives, the duration of the LPP is five years, comprising a three-year vesting and performance measurement period and an additional two-year holding period.

11. PARTICIPATION PLANS

GLOBAL SHARE PARTICIPATION PLAN (GSPP)

The GSPP provides employees with an opportunity to directly participate in the long-term success of the Group by purchasing Swiss Re shares (up to a maximum of CHF 7 000 per year of a plan cycle and capped at 10% of base salary). Swiss Re provides a 30% match on the number of shares held by employees at the end of the three-year plan cycle. The match is subject to forfeiture in case of termination of employment before the end of the plan cycle. The GSPP has the same core design in all locations.

COMPENSATION FRAMEWORK FOR THE BOARD

COMPENSATION STRUCTURE FOR NON-EXECUTIVE DIRECTORS

Non-executive members of subsidiary Boards receive their fees 100% in cash. The fees are reviewed annually and payments are made on a monthly basis. When a member of the Board of Directors of Swiss Re Ltd also serves on the Board of a subsidiary, the aggregate compensation for the members of the Board of Directors proposed to the Annual General Meeting of Swiss Re Ltd for approval also includes any subsidiary Board fees.

COMPENSATION STRUCTURE FOR EXECUTIVE DIRECTORS

The majority of the Board members at subsidiary level are Swiss Re executives. They do not receive any additional fees for their services as members of the Boards at the subsidiary level.

12. PERFORMANCE CRITERIA

API

Swiss Re operates a Target API (TAPI) system along with a performance management framework that provides equal weighting to results-oriented and behavioural-related performance criteria for all employees.

A TAPI is set for each eligible employee based on multiple factors, but primarily on the role being performed, internal calibration and market benchmarks. The actual API payout is based on Swiss Re's financial results, on qualitative criteria as well as on the achievement of individual objectives and the demonstration of desired behaviours.

VAI

The performance measurement calculation of the VAI uses the three-year average of the published Economic Value Management (EVM) previous years' business profit margin. EVM is Swiss Re's proprietary integrated economic valuation and steering framework, consistently measuring performance across all businesses.

LPP

At the grant date, the award amount is split equally into two underlying components: Restricted Share Units (RSUs) and Performance Share Units (PSUs). A valuation executed by a third party is used to determine the number of RSUs and PSUs granted.

RESTRICTED SHARE UNITS (RSU)

The performance condition for RSUs is return on equity (ROE) with a linear vesting line. Vesting is at 0% for an ROE at the risk-free rate and at 100% for an ROE at a predefined premium above the risk-free rate. The premium is set at the beginning of the plan period, and for LPP 2019, this premium has been set at 900 basis points above the annual risk-free rate which is determined as the average of 12 monthly rates for ten-year US Treasury bonds of the corresponding performance year. At the end of each year, the performance against the ROE condition is assessed and one third of the RSUs are locked in within a range of 0% to 100%. At the end of the three-year period, the total number of units locked in at each measurement period will vest (capped at 100%).

PERFORMANCE SHARE UNITS (PSU)

The performance condition for PSUs is relative total shareholder return (TSR) measured over three years. The PSUs vest within a range of 0% to 200%. Vesting starts at the 50th percentile of TSR relative to peers with 50% vesting and is capped at 200%[1] vesting at the 75th percentile relative to peers. In case of a negative TSR over three years, Swiss Re retains the discretion to reduce the level of vesting. Swiss Re's three-year TSR performance is assessed relative to the TSR of a predefined peer group for the same period. This peer group is set at the beginning of the plan period and consists of companies that are similar in scale, have a global footprint or a business mix similar to Swiss Re.

13. SUPPLEMENTARY PENSION OR EARLY RETIREMENT SCHEMES FOR KEY INDIVIDUALS

The Group does not have a policy of offering supplementary or enhanced early retirement to key individuals.

14. MATERIAL TRANSACTIONS

During 2019, there were no other material transactions with shareholders, with persons who exercise a significant influence on the Group, or with members of the administrative, management and supervisory bodies.

[1] Maximum vesting percentage excludes share price fluctuation until vesting.

B2: FIT AND PROPER REQUIREMENTS

1. SKILLS, KNOWLEDGE AND EXPERTISE REQUIREMENTS OF PERSONS MANAGING THE BUSINESS

The Group has in place an effective system of governance which provides for sound and prudent management of the business. This includes a transparent organisational structure with a clear allocation and appropriate segregation of responsibilities, proportionate to the nature, scale and complexity of the business.

The "Senior Managers & Certificate Regime" requires all Regulated Persons, who effectively run the business, to be assessed as fit and proper, on appointment, and thereafter on a continuing basis. All Regulated Persons are required to adhere to the PRA Conduct Standards and FCA Conduct Rules, which are consistent with the behavioural standards expected by ReAssure.

The Group has in place specific requirements in relation to the appointment of Regulated Persons to assess their fitness and propriety at recruitment, and thereafter on an annual basis to demonstrate the individual remains fit and proper to perform the role. On appointment, these include a variety of checks including competency based assessments to ensure that such persons possess the appropriate skills, knowledge and experience required for their roles.

All Regulated Persons shall be fit and proper to fulfil their role taking into account the following factors:

(a) Their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (fit); and

(b) They are of good repute and integrity (proper).

Regulated Persons within the Group should collectively possess appropriate qualification, experience and knowledge in respect of:

- insurance and financial markets;
- business strategy and business model;
- system of governance;
- financial and actuarial analysis; and
- regulatory framework and requirements.

2. PRINCIPLES FOR ASSESSING THE FITNESS AND PROPRIETY OF PERSONS MANAGING THE BUSINESS

Certain prescribed information is obtained as part of the assessment of the individual at recruitment, and on an ongoing basis to demonstrate the individual is and remains fit and proper to perform the role. The following key principles set out how the Group meets the fit and proper requirements:

- Apply the regulatory criteria for the assessment of the fit and proper requirements before an individual is appointed as a new Regulated Person;
- HR maintains procedures which set out the requirements and controls required for the recruitment, selection and assessment; on-boarding and ongoing assessments for Regulated Persons. On appointment, HR also undertake due diligence and background checks including educational and (if required, professional) qualifications, financial soundness checks, criminal records checks and Directorship checks. They also seek regulatory references from previous employers in line with regulatory requirements;

- Obtain approval for a Regulated Person in line with regulatory requirements;
- Assess competence and undertake the checks required, including adherence to the Conduct Standards and Rules on an ongoing basis. These include financial soundness checks, criminal record checks and an assessment of competency which is incorporated within the annual performance lifecycle;
- Assessments are conducted professionally, fairly and with integrity; and
- Inform the PRA and/or the FCA of:
  - any changes impacting the Regulated Person who effectively runs the business;
  - all information required to assess whether a prospective Regulated Person is fit and proper; and
  - any Regulated Person who has been removed or replaced because they no longer fulfil the fit and proper requirements.

ARK LIFE

Ark Life follow set procedures relating to appointment to controlled functions. These include a number of checks to ensure that those persons possess the requisite skills, knowledge and experience for their roles. HR will undertake a due diligence process running checks on a range of factors including educational qualifications, references, knowledge of the Irish market, additional directorships, background CBI and criminal conviction checks. Staff in controlled functions are then subject to annual reassessment to ensure they remain fit and proper for their role.

B3: RISK MANAGEMENT SYSTEM INCLUDING THE ORSA

1. RISK MANAGEMENT FUNCTION

The Group Risk Management function also referred to as Risk Management, is an integral, yet independent part of the company's business model. The function is headed by the CRO and comprises of Strategic risk, Operational risk, Financial and Insurance risk, Information Security risk, and Investment Oversight teams, who oversee all the Group's risk-taking activities supported by the CRO Office.

Risk Management provides independent second line oversight and assurance to company's Board, its Committees and the ReAssure Management Committees that all risks to which the company is exposed are identified, measured, modelled where appropriate, monitored, reported and controlled within defined risk appetite limits as set by the Board as part of the business planning process.

Risk Management oversees the effective operation of the risk, control and governance frameworks. It sets risk processes, standards and limits through its principal risk policies and monitors the risk profile and aggregated view on risk exposures across the company in line with the approved appetite and risk limits within the Risk Appetite Framework (RAF).

INDEPENDENCE

The Group Risk Policy confirms the role and independence requirements of the risk function as follows:

"To avoid conflicts of interest, dedicated specialised units monitor risk origination activities. The Group Risk Management function is responsible for providing independent assurance that all of the Group's risks are being appropriately controlled, modelled, managed and that adequate control instruments are in place. In order to discharge these responsibilities, Group Risk Management is given unrestricted access to all information deemed relevant."

THREE LINES OF DEFENCE

Risk-taking activities are typically subject to three lines of control, which are also referred to as the three lines of defence:

The first line of defence is represented by risk control activities performed by front-line employees such as the use of authority limits and risk taking.

The second line of defence provides independent risk oversight. This is principally provided by Risk Management, although independent risk oversight and control tasks are also performed by the Compliance function.

The third line of defence is provided by IA. The main task of the third line of defence is to provide independent assurance to the Board through the company's Board Audit Committee (BAC).

Risk Management, Compliance and IA closely coordinate their second and third line of activities related to the operation of the Risk Control Framework (Coordinated Assurance).

2. RISK STRATEGY

The Group has a defined risk strategy that it has adopted to ensure it meets the needs of stakeholders whilst ensuring risk taking is controlled, transparent and understood. The Group risk strategy supports the wider business strategy and is made up of the following key principles:

- Fair treatment and outcomes for customers;

- Providing shareholders with a consistent and reliable dividend stream;
- Embedding a control environment that reduces operational risks to acceptable limits;
- Targeted taking of financial and insurance risk where we understand and are best placed to manage that risk; and
- All risk taking must be subject to the three lines of control principles where all risk taking must be controlled, have clear accountability and be monitored by an independent risk function and should fully comply with applicable laws and regulations.

3. RISK CULTURE

The Group's risk culture is based on transparency and its ability to respond to change, which are integral to the risk and control processes, facilitating risk management knowledge sharing at all levels. The central goal of risk transparency is to create a culture of mutual trust, and to reduce the likelihood of surprises regarding the source and potential magnitude of losses. This goal is achieved through regular dialogue and by establishing timely and appropriate risk reports, which document the risk landscape and loss potential. The aim is to establish risk transparency internally and, to the extent, that it does not affect the Group's competitive position, externally with shareholders and regulators.

Risk transparency requires the establishment of processes and systems to regularly review and update the risk landscape and in particular to monitor emerging risks. In addition, it also requires that the bases for key risk decisions are appropriately documented. This allows these decisions to be potentially challenged and ultimately improved.

4. RISK APPETITE FRAMEWORK

The RAF establishes the company's preference and practices in terms of controlled risk taking. At its highest level this is expressed as a series of risk appetite statements, which in accordance with the Group risk strategy, expresses the types of risk that the Group wishes to pursue, or avoid. The Group's risk limits outline the maximum extent to which the Board has authorised senior management to assume risk given its financial resources. A tiered approach is adopted for the RAF where risk appetite statements and metrics are set at three tiers. The following tier 1 risk appetite statements and metrics express overall target level of resilience against key risks faced by the Group and relate back to the group's risk strategy.

- SOLVENCY – the Group has no appetite to breach its Solvency II SCR as measured on a shareholder basis;
- LIQUIDITY – the Group has no appetite for failure to maintain sufficient sources of liquidity to meet expected short and long term funding liquidity requirements as they fall due;
- CREDIT RATING – the Group has a low appetite for a credit rating below an investment grade rating from Fitch or External Credit Assessment Institution.
- CONDUCT – the Group has no appetite for any events that lead to non-compliance with regulatory legislation and relevant laws. The Group will adopt a proactive approach to dealings with policyholders;
- OPERATIONAL – the Group accepts operational risks inherent in its activities, provided they remain within the defined risk tolerance limit in the operational risk matrix;
- REPUTATIONAL – the Group has a low appetite for any events that lead to an adverse impact on its reputation with investors, retail customers, employees, regulators and other stakeholders; and
- KEY PROJECTS – ReAssure has a low appetite for key projects to fail to meet their objectives.

The tier 2 and tier 3 risk appetite statements provide a more granular view of the risks faced by the Group.

5. RISK GOVERNANCE

The Group Risk Policy articulates the Group's approach to managing the principal risks associated with pursuing its strategic objectives and is owned by the Board.

The Group and Operating Companies (OpCo) Boards (the Boards) exercise management authority and control over the Group and its Legal Entities. This includes responsibilities specifically relating to risk management, internal control and capital management.

The Group Board is the ultimate owner of the Group's principal risks and reviewing the effectiveness of the internal risk and control environment and the framework and systems that oversee that environment is an essential part of the Group Board's responsibilities.

Principal risk policies set out the approach, tone, direction, risk appetite and exposure limits in which the risk takers must operate. They contain mandatory requirements that must be complied with, set either by the Boards themselves or as a consequence of applicable laws, regulation or legislation.

The purpose of the Group Risk Policy is to articulate the Group's approach to managing risk, which is achieved through the deployment, and embedding of the Group's ERMF, RCF, RAF and the Group's Capital Structuring Framework.

The Group Risk Policy is supported by a number of principal risk policies which include:

- Financial Risk Policy;
- Asset and Liability Risk Policy;
- Funding Liquidity Risk Policy;
- Regulatory Risk Policy;
- Life and Health Risk Policy;
- Operational Risk Policy; and
- Information Security Risk Policy.

6. RISK MANAGEMENT ACTIVITIES

Risk Management supports and provides monthly risk and solvency reporting including risk assurance and oversight to the management Risk Committee (RC) of the Group.

Risk Management also provides quarterly risk and solvency reporting including risk assurance and oversight to the Board Risk Committee (BRC) of the Group, which is chaired by an independent non-executive Board member. The BRC is attended by the Group CRO who serves the BRC in all matters relating to risk and solvency.

The RMF supports regular risk and solvency reporting against defined risk appetite limits and risk concentrations for the key risks faced by the Group. The risk profile of the Group is monitored through regular risk and control self-assessments completed by risk originating functions supported by risk partners from risk management.

Risk assurance is provided to the BRC through the Co-ordinated Assurance Framework (CAF). An annual coordinated assurance plan is reviewed and jointly approved by the Group Board Audit Committee (BAC) and Group BRC to ensure that key risks are being effectively controlled across the business.

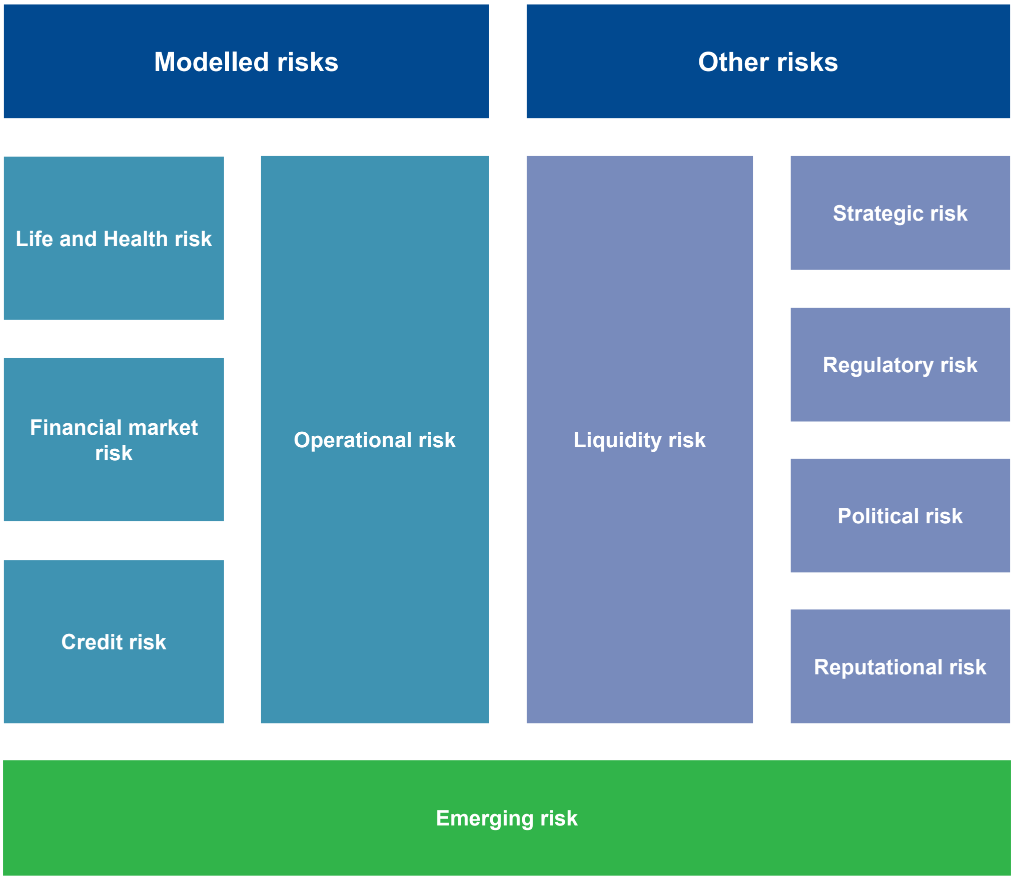
Risk Management also provides line 2 oversight of all potential acquisitions, mergers, strategic transactions, major projects and investments. The function also provides risk input into the strategic business and contingency planning processes ensuring that all risks are fully understood, and that the business plan operates within the levels of risk appetite defined by the Boards.

The Risk Management Function is responsible for supporting the Emerging Risk Panel (ERP) and overseeing the Emerging Risk Process in order to capture and evaluate new or changing risks, which may have a material direct impact on the Group business model, or indirectly through impacts to society, industry or commerce.

7. MATERIAL RISKS

The Group is exposed to a broad landscape of risks which are shown in diagram below. These include key risks that are taken as part of insurance or asset management operational activities and are quantified currently using a Partial Internal Model (PIM) approach under Solvency II. In addition to these modelled risks, the Group is also exposed to further risks that which are not modelled in the PIM.

REASSURE GROUP KEY RISK CATEGORIES



MEASURES USED TO ASSESS RISKS AND MATERIAL CHANGES

The Group derives the Solvency Capital Requirement (SCR) based on its PIM. The PIM is made up of Internal Model and Standard Formula components. As at 31 December 2019, the Internal Model components are used to calculate the capital requirements for all entities or funds except for the following, which adopt a Standard Formula approach:

- The 3 with-profits funds in the Group;
- The L&G or Carbyne Risk Transfer Agreement; and
- OMWLA, which was recently been purchased.

In line with the definition of Solvency II, the SCR of the Group is based on a 99.5% Value-At-Risk over a 1-year time horizon, which is a measure of the expected one in two hundred year loss.

Sections C1 to C6 provide quantitative and qualitative information on the modelled risk categories and an overview of expected changes anticipated over the year. C7 provides an update on the current global pandemic and the impact on the Group.

Risks not covered by the SCR, shown as 'other risks' in diagram above, are monitored, reviewed and reported through the Own Risk and Solvency Assessment (ORSA) process and against the Group risk appetite limits. Information on how the Group identifies and manages these other risks is given below.

STRATEGIC RISK refers to the risk of current or prospective impact on its business plan and initiatives to surplus, capital, funding, reputation and resilience arising from changes in the environment which the Group operates in and from adverse strategic decisions, improper implementation of decisions, or lack of responsiveness to industry, economic or technological changes. The responsibility for setting and implementing the Group strategy lies with the Group and Operating Boards supported by executive management. The Group Risk policy and strategic risk control framework including the Group annual business model contingency planning exercise support the Board to control the risk taking arising from its delegation and execution of the Group strategy and its various strategic initiatives.

LIQUIDITY RISK is defined as the risk that the Group will not be able to efficiently meet both expected and unexpected (i.e. stressed) future cash flows and collateral needs without affecting either daily operations or their financial condition. Section C4 provides further information on management of this risk.

REGULATORY RISK is the risk of non-compliance with Regulatory legislation/direction and relevant laws. The Group maintains a permanent second line compliance function which operates independently and has the responsibility to monitor and, on a regular basis, to assess the adequacy and effectiveness of the measures and procedures put in place to comply with the Group obligations under the regulatory system; and the actions taken to address any deficiencies in the Group compliance with its regulatory obligations. The compliance function (supported by risk management in the case of prudential regulation) also monitors regulatory change, provides guidance on regulatory requirements and is responsible for producing Compliance Policies which meet UK regulatory and Group requirements.

POLITICAL UNCERTAINTY or changes in the government may result in changes in policy, legislation or uncertainties in economic markets that could impact the environment in which the company operates. The Group monitors emerging risks, which include political risks, and these risks are qualitatively reported through the ORSA process.

REPUTATIONAL RISK arises through risks to three fundamental sources of franchise value: (i) the perception of the Group's financial strength, (ii) the perception of its operational competence and (iii) the perception of the ethics of the Group business practices. The Group treats reputational risk as a risk inherent in all activities and affected by all of the above risk categories. Reputational risk identification is therefore part of the standard risk identification responsibility for all risk categories.

8. PRUDENT PERSON PRINCIPLE

The Group investments are governed by the ReAssure Investment Guidelines and accompanied by the Group Financial Risk Policy, ReAssure Group Responsible Investment Policy and the ReAssure Group – Asset Liability Risk Policy.

Investments must in addition meet with the requirements set out in Article 132 of the Directive in relation to the Prudent Persons Principle (PPP) which sets out certain principles for ensuring prudent investment. ReAssure have also been considering the requirements under Consultation Paper CP22/19 - Prudent Person Principle.

The starting point for prudent investment remains focused on asset liability risk management in order to protect the Group's stakeholders, capital base and liabilities.

The Group Financial Risk Policy meets the requirements of the Prudent Person Principle (requirements set out in the Solvency II delegated acts Article 132) by establishing a clear set of investment principles that ensures a prudent approach is taken regarding investments:

- DUE DILIGENCE - Appropriate levels of due diligence should be completed for any newly proposed investment strategy, process and, or partner in order to fully understand the potential changes to the risk profile of the portfolio;
- SKILL - Investment managers / partners should possess the appropriate levels of experience and qualifications commensurate to the investment portfolio being managed;
- FAMILIARITY - Investment managers / partners should acquire sufficient familiarity with the Financial Risk Policy, Supervisory Trading Standards, Investment Policy, Investment Strategy, limits and mandates of the investment portfolio being managed;
- KNOWLEDGE - Investment managers / partners should be aware of the liability and regulatory constraints of the investment portfolio being managed so as to ensure compliance at all times;
- PRUDENCE - Investment managers should consider the security, quality, liquidity and profitability of the investment portfolio being managed on a regular basis and when making investments on behalf of the portfolio;
- GOVERNANCE - Appropriate independent oversight and assurance should exist to ensure investment risks are transparent and that any conflicts of interest are identified and appropriately managed; and
- VALUATION ASSURANCE - the valuation process should be independent, robust and reliable.

Investment Managers report to the Board Investment Committee on fund performance and derivatives performance on a quarterly basis. Derivatives performance reporting takes place in accordance with the ReAssure Limited derivative governance principles.

Conflicts of interest are considered during the due diligence process when hiring individual asset managers (internal or external) or investment partners / fund managers and are on-going as part of the internal risk and control cycle.

9. APPROPRIATENESS OF CREDIT ASSESSMENTS FROM EXTERNAL INSTITUTIONS

External credit ratings are collected for all fixed income investments with the exception of a small number of thinly traded issues for which none of the credit agencies issue a rating. These bonds are recorded in the relevant QRT as 'non-rated' and attract risk capital charge according to our Internal Model methodology. Ratings are also collected for external reinsurers. External ratings are obtained from up to three external agencies.

The use of more than one agency reduces the level of dependency on individual rating agencies and also reduces the risk of any erroneous ratings that are produced, through a comparison of ratings between agencies. Where more than one external rating is available the regulations require us to take the second best of two or more external ratings (this avoids the risk of taking the most optimistic view). ReAssure's policy is to take the lower of two or the middle of three available ratings. Where only one external rating is available then this is used.

ReAssure uses the following credit rating agencies, (who meet the requirements of regulation EC No 1060/2009), which are part of the registered and certified external credit assessment institution (ECAIs) listing. A list of registered and certified ECAIs is maintained and published by the European Securities and Markets Authority ('ESMA'). The Group uses ratings produced by the following ECAIs:

- S&P;
- Moody's; and
- Fitch.

The credit ratings are sourced from Swiss Re Asset Management, which further ensures a high degree of data quality and integrity. There are no outsourcing arrangements that cause limitations in the reporting of external ratings.

For ReAssure's Private Debt portfolio (Infrastructure Debt, Commercial Mortgage Loans and Local Authority Loans), reliance in some instances is placed on the External Asset Manager assigning Credit Ratings. The Credit Risk team review the Credit Rating Methodologies of the External Managers to ensure ECAI comparability which is also in compliance with SS3/17. The reviews are done on a tri-annual basis, based on specific asset class and includes but is not limited to:

- Credit Rating Process – Data Requirements and Controls;
- Credit Rating Methodology – Scorecard, Credit Rating Scale and Definitions;
- Credit Rating Analytics – Financial Ratios and Expert Judgement; and
- Governance and Controls – Independence, Governance, Monitoring, Ratings Performance Monitoring, Employees and Culture.

In instances where the credit rating methodology is not found to be ECAI comparable, a conservative rating is assigned to reflect the credit risk of the investment.

10. RISK REPORTING INCLUDING ORSA PROCESS AND ASSESSMENT

The principal goal of risk reporting is to create internal risk transparency in order to make informed risk decisions and meet external disclosure requirements. These goals translate into three objectives:

- Design risk reports from the perspective of recipients so that they optimally meet their needs;
- Provide stakeholders with accurate and timely information about material risk issues in such a way that the recipient can understand the message; and
- Facilitate informed decision-making.

APPROACH

In general, risk report owners depend on input from various sources in order to produce a report. Individuals or functions that provide information to report owners are described as information providers.

Risk reports provide risk information in order to decide whether a risk should be accepted, rejected or mitigated, as well as informing external stakeholders where the company has a duty to disclose risk information (e.g. regulators) or an interest in creating risk transparency (e.g. analysts, shareholders and clients).

MONTHLY REPORTING

Monthly risk and solvency reporting is provided to the ReAssure Management Committee (RMC), RC and as part of the monthly Executive Information Pack (EIP) for consideration, review and challenge.

QUARTERLY ORSA REPORTING

Quarterly reporting is provided to the RMC, RC, BRC and the Boards. Quarterly ORSA reporting is performed via the Risk and Solvency Update as part of the on-going ORSA process. This covers the majority of the areas included in the annual ORSA except for those identified below in the Annual ORSA process and reporting.

ANNUAL ORSA PROCESS AND REPORTING

The annual ORSA process and reporting covers all the areas of the Quarterly Risk and Solvency Update noted above, as well as the following additional elements:

- Stress and scenario testing, including reverse stress testing;
- Material changes to reported Transitional Measures;

- Forward assessment of own risks, including ability to meet regulatory capital requirements across the business planning horizon (considering run-off and growth scenarios per the ReAssure Business Plan) via capital projections and stress and scenario testing;
- Suitability of Partial Internal Model;
- Quality of capital/funding; and
- Governance responsibilities.

Integration of the ORSA process into the organisational structure is defined in the ORSA Policy, which lists the processes and procedures for conducting the ORSA as well as roles and responsibilities of the organisation, including the Boards, Committees and key functions.

The ORSA allows senior management and the Boards to understand the risks facing the Group and provides a forward-looking assessment of the risk profile and solvency position across the business-planning horizon timeline. The ORSA also considers the future risk and solvency position of ReAssure under stressed conditions and assumed growth and run-off scenarios, informing senior management and the Boards with respect to decision-making and capital planning. Risk reports produced throughout the year may also include an assessment of upcoming transactions on ReAssure risk profile, risk limits and solvency to facilitate decision making in advance of any transactional activity.

The ORSA uses the Partial Internal Model SCR and Stress and Scenario Testing to assess the Group's own solvency needs. The outcome of this assessment feeds back into the derivation of risk appetite limits and is provided to assist the Board in evaluating management actions. Management actions are considered in the business planning process which Risk Management provides both input into and risk oversight of.

RISK MANAGEMENT RESPONSIBILITIES

The CRO is responsible for delivering the Quarterly Risk and Solvency Update to the Group Board and the ReAssure Group Executive Committee. At operational level the CRO will update the RMC, the RC, BRC and the operational Boards. In case of significant regulatory, business, economic or demographic change, the CRO will determine if an interim ORSA should be produced.

11. GOVERNANCE OF THE PARTIAL INTERNAL MODEL

The Model Governance Policy sets out how the design, build, operation and future development (model changes) of the PIM are controlled and governed in order to comply with the Solvency II framework. This forms an integral part of the wider Group Risk Management Framework.

The Model Governance Policy details the governance oversight and minimum control framework around the Partial Internal model (PIM) in order to:

- Mitigate model risk;
- Ensure that the PIM outputs are reliable, effective, and efficiently produced; and
- Ensure that the PIM remains appropriate and compliant.

There are a number of PIM policies, standards and general guidance that are subordinate to the Model Governance Policy that serve to ensure appropriate governance exists over the PIM. These are further reinforced by a number of supporting policies and standards that have a wider scope than just model governance, such as the Expert Judgement and Data Quality Policies.

The Board are the ultimate owners of the Group's PIM and are supported by the RC and TC in ensuring the PIM remains appropriate to the risk profile of the Group.

Assurance over the PIM is provided to the company's Board and BRC through regular and independent validation and is governed by the Group PIM Validation Policy. The validation is supported by the use of quantitative and qualitative validation tools.

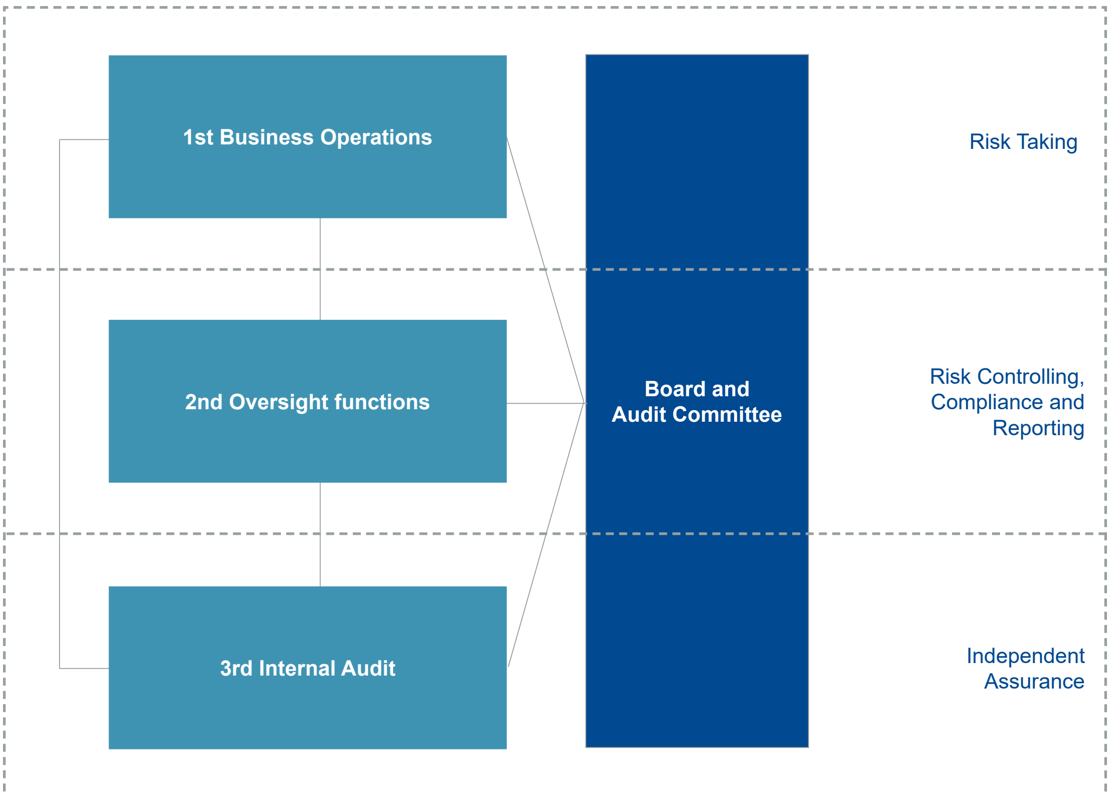
B4: INTERNAL CONTROL SYSTEM

1. INTERNAL CONTROL SYSTEM

Operationally, the Group uses the three lines of defence model in running the Internal Control System (ICS) and providing independent oversight, i.e. assigning primary responsibility for identifying and managing risks to risk owners and risk takers, with independent oversight and control by risk controllers such as Risk Management, Compliance and other risk controlling functions and assurance by Internal Audit.

A number of sub-committees exist which cover a broad spectrum of business risks and issues through scheduled management reporting and/or ad hoc escalations (to the extent these are relevant). Outside of formal committee structures, management are accountable to the Boards for monitoring internal control systems on a day-to-day basis, and for providing assurance that this has taken place via regular reporting. The whistle blowing process also provides a formal procedure for all employees to report suspected improper conduct directly to Compliance. If a reasonable basis for an investigation exists, Compliance will manage or oversee the investigation and escalation of an issue.

The Group follows the risk management principles of controlled risk taking, clear accountability, an open risk culture and the presence of an independent risk controlling function. To support the implementation of its risk management principles, the Group uses a framework which is made up of five components which work together to build an effective internal control system. By operating an effective internal control system, this allows the business to provide Management and the Boards with required assurance that the business operates within the defined risk appetites. The five components are risk assessment, control environment, control activities, information and communication and monitoring.



Internal control lines of defence

FIRST LINE OF DEFENCE

The first line of defence refers to those who carry out risk management at or close to the source of the risk. It comprises of the risk owners and risk takers in the business and corporate units, recognising that these parties own the entire control environment. All employees have a responsibility to identify and flag risks to their team leaders or managers.

SECOND LINE OF DEFENCE

The second line of defence refers to a layer of independent risk controlling. It comprises Risk Management which establishes and coordinates the risk management framework. The compliance function guides and advises the business on regulatory matters and conducts independent monitoring.

THIRD LINE OF DEFENCE

The third line of defence comprises the independent review of processes and procedures by IA on behalf of the Chairman and Audit Committee of the Group Board. The benefits of this approach include the ability to establish and enforce expected control related behaviour, set tolerance levels, minimise overlap and duplication between assurance functions and focus all lines of defence on the most critical risks. The Group risk register forms the foundation of the risk framework, providing a continually evolving inventory of inherent risks faced by the business. Appetite is set by the Board and risk control policies are in place to help maintain risk within this appetite.

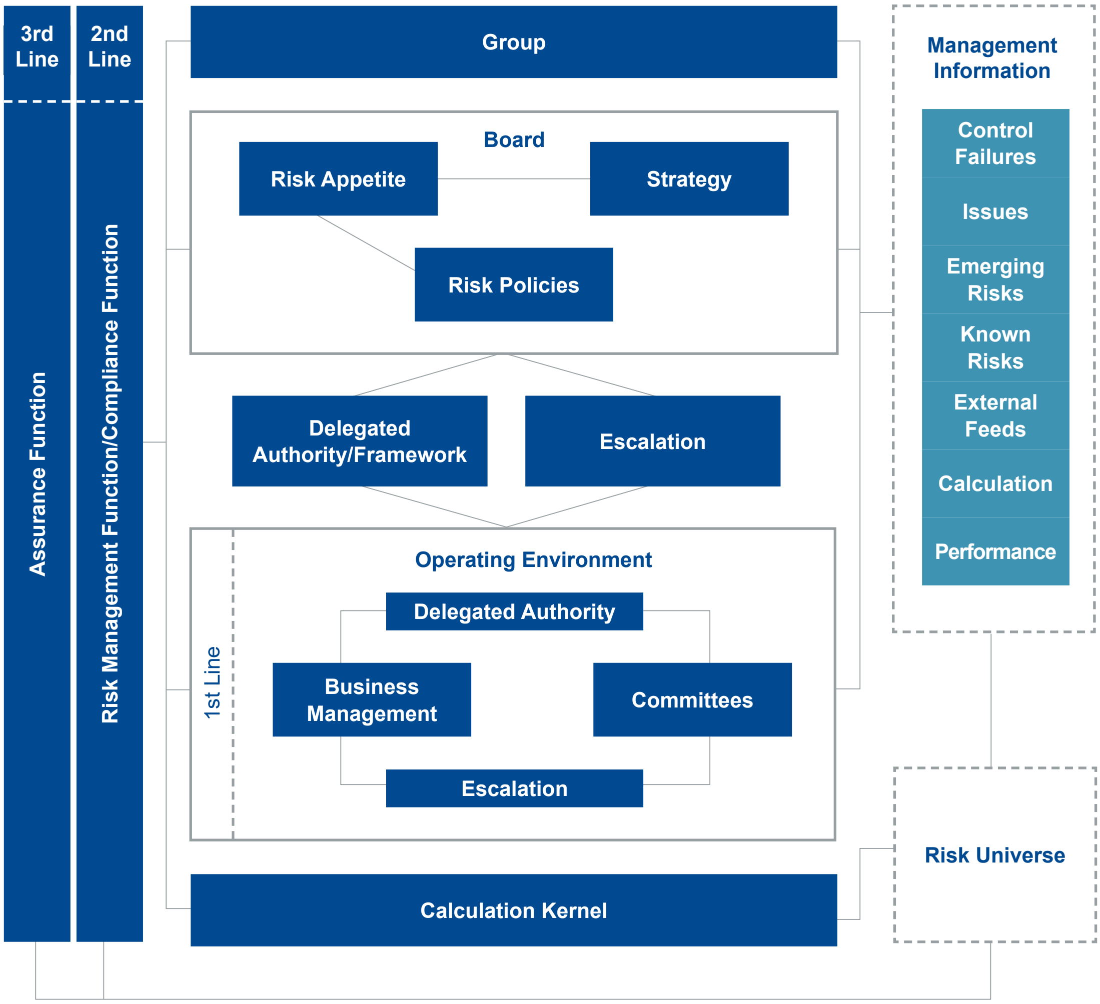
The ICS is set out in the Risk Control Framework approved by the Board Risk Committee and is a subset of the Risk Management Framework (RMF). It comprises of actions to control risks originated by any of the Group's business activities or operations and establishes the responsibilities of the Risk Taker, the Risk Owner and the Risk Controller and requires that they are discharged in a defined, auditable process.

ROLES FOR DELEGATED RISK TAKING

Under the Group's risk management principles all risk taking must be controlled, have clear accountability and be monitored by an independent risk controlling function. To ensure that risk taking conforms to these principles, the RMF establishes three fundamental roles in the delegation of risk taking:

- THE RISK OWNER, who establishes a strategy, assumes responsibility for achieving the objectives and maintains ultimate responsibility for the outcomes;
- THE RISK TAKER, who takes steps to achieve this objective within a clearly specified authority delegated by the Risk Owner; it is the duty of each Risk Taker to inform the Risk Controller of all facts relevant for the discharge of their duties; and
- THE RISK CONTROLLER, who is tasked by the Risk Owner with overseeing risk taking activities and escalating risk issues to the Risk Owner.

At each level of delegation, these three roles must be clearly identified with a clear description of their respective responsibilities.



Controll universe

ASSURANCE FUNCTION INTERACTIONS

While all functions retain their specific mandates and areas of expertise, by working together and relying where possible on each other's work, a holistic approach is assured under the risk control framework. Information, planning and execution of assurance work are co-ordinated and results are shared, reducing overlap between assurance units, increasing mutual reliance and providing an increased focus on pre-emptive assurance. The co-ordinated approach is deployed within the following activities:

- Risk scoping and assurance planning;
- Coordination between 2nd and 3rd line assurance functions in business interactions;
- Issue and action management interactions;
- Monitoring across assurance functions; and
- Reporting.

2. KEY INTERNAL CONTROL SYSTEM PROCEDURES

Within the internal control system procedures there are a combination of forward looking and current controls. Key stages control system procedures are as follows:

- RISK ASSESSMENT – Existing risks are captured in the Risk Register. A variety of risk indicators will be used to assist management and governing bodies in assessing the level of risk faced by the business. Emerging risks are identified and monitored via the Emerging Risk Panel to ensure completeness of risk assessment;
- CONTROL ENVIRONMENT – The control environment establishes the foundation for the internal control system by providing fundamental discipline and structure. Delivered via a principle and policy structure, the Group ensures that its business complies with Group Policies, Board approved Risk Appetite, FCA/PRA Regulations and principles, and regulations prescribed by bodies such as HMRC, Department of Work and Pensions and the Pension Regulator ;
- CONTROL ACTIVITIES – Control activities are recorded in a structured suite of documentation with a graduated level of detail, tailored to the requirements and level of responsibility of the intended audience. These ensure management objectives are achieved and risk mitigation strategies are carried out. The primary tool for recording and managing the completeness of control activities is the Risk and Control Self-Assessment process;
- INFORMATION AND COMMUNICATION – Information and communication supports all other control components by communicating control responsibilities to employees and by providing information in a form and time frame that allows people to carry out their duties; and
- MONITORING – Monitoring covers the oversight of internal controls by management or other parties outside the process, namely the “three lines of defence” model.

3. COMPLIANCE FUNCTION

IMPLEMENTATION OF THE COMPLIANCE FUNCTION

The Group is committed to operating its business in compliance with all applicable legal and regulatory requirements, the highest professional and ethical standards, and its stated corporate values.

To ensure that ReAssure’s compliance objectives are consistent with the expectations of the UK regulatory authorities (Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) collectively known as the Regulators), shareholders, clients and other stakeholders, the Board mandates best compliance practices and an appropriately staffed and resourced Compliance function with clearly defined roles, responsibilities and authority to perform its duties.

Compliance serves in the dual capacity as (i) an enabling function supporting business activities regarding ethical and regulatory compliance; and (ii) a control and governance function providing independent assurance on Compliance Risk matters to management and the relevant Governance Committees of the Board. Compliance is a member of the ReAssure Coordinated Assurance Framework and remains independent from ReAssure’s business units.

4. SCOPE OF THE GROUP’S COMPLIANCE RESPONSIBILITIES

The Group’s Compliance function operates as a second line of defence and is principally responsible for overseeing ReAssure’s compliance with applicable laws, regulations, rules, codes of conduct, and identification of and support in management of Compliance Risk. It serves to assist the Board in discharging their respective duties to effectively identify, mitigate and manage Compliance Risks, and maintain ethical standards and behaviour.

Compliance provides appropriate and timely compliance reporting to senior Management and relevant legal entity Governance Committees regarding Compliance Risk matters.

The role of the function is to monitor compliance with regulatory requirements and assist the business. The business itself owns the risk of non-compliance which it should seek to offset with the assistance of the Compliance function. The Compliance function is an advisory function that provides a supporting role.

The scope of the Compliance function's oversight role does not include reviewing or auditing the accuracy or completeness of technical calculations or related financial or actuarial statements, tax returns or similar regulatory filings or employment law.

The Compliance function takes all reasonable steps to ensure that such operational support does not impair or influence its objectivity or independence from the business.

The Compliance department comprises of three core functions:

- Compliance Support and Regulatory Guidance (including Data Protection);
- Financial Crime; and
- Compliance Assurance.

Compliance also supports the business in meeting its regulatory requirements in relation to the Compliance oversight of the third party Outsource Service Providers. The core deliverables are:

- Own and maintain the Compliance Outsource Oversight Framework;
- To represent Compliance at relevant joint governance meetings with outsource business partners;
- Analysis of Key Performance Indicators and Key Risk Indicators relating to outsource partners, challenging metrics relating to regulatory risk exposure for ReAssure from outsource arrangements; and
- To provide information/MI on potential Compliance risks within outsourced arrangements.

The specific areas of Compliance Risk within the scope of the Compliance function's core responsibilities include:

- UK regulatory requirements;
- Anti-money laundering;
- Anti-trust and competition;
- Anti-bribery and anti-corruption;
- Anti-fraud;
- Data protection and privacy;
- Insider trading;
- International trade controls and economic sanctions;
- Investment management compliance oversight;
- Market conduct, including cross-border activities and conduct risk;
- Outsourcing oversight;
- Solvency II compliance oversight; and
- Whistleblowing.

B5: INTERNAL AUDIT FUNCTION

1. INTERNAL AUDIT FUNCTION IMPLEMENTATION

IA is an independent and objective assurance function that assists the Board to protect the assets, reputation and sustainability of the Group. IA performs audit activities designed to assess the adequacy and effectiveness of the Group's internal control systems, and to add value through improving the Group's operations.

IA provides written audit reports, identifying issues and management actions to the Board, senior management and external auditor on a regular basis. IA monitors and verifies that management's actions have been effectively implemented. Significant issues, and issues that have not been effectively corrected, are highlighted to the Boards.

During 2019 the co-sourcing relationship with KPMG was extended from just Ireland (covering Ark Life) to the UK. This third-party relationship is intended to provide supplementary resource and expertise to the in house ReAssure IA team. ReAssure IA remains connected to Swiss Re Group Internal Audit (GIA) (as can be seen in the structure chart below).

The Swiss Re GIA charter undergoes an annual policy review process to update the charter and if required obtain Board approval. The latest version, with minor changes only, was presented to the ReAssure Boards in December 2019.

2. INDEPENDENCE OF THE INTERNAL AUDIT FUNCTION

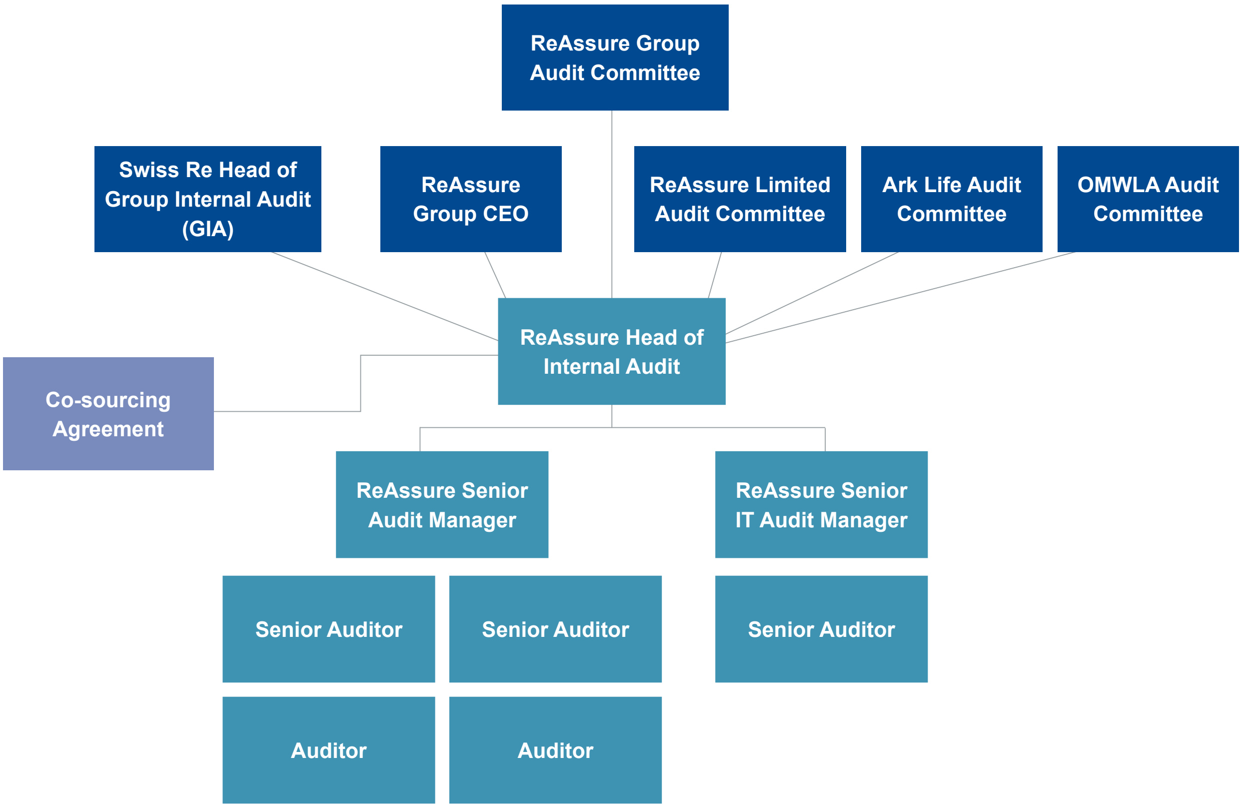
IA will perform its internal audit activities with independence and objectivity. Activities are coordinated with the other assurance functions. IA shall have no direct operational responsibility or authority over any of the activities it reviews. In addition, potential conflicts of interests of the audit staff are considered for each audit in order to maintain IA's independence.

The Chairperson of the ReAssure Group Audit Committee is responsible for the ReAssure Internal Audit function ensuring independence of reporting line.

Authority is granted to ReAssure IA for full, free and unrestricted access to any and all of the Group's property and personnel relevant to any function under review. All employees are required to assist ReAssure IA in fulfilling their duty.

ReAssure IA staff govern themselves by adherence to The Institute of Internal Auditors' "Code of Ethics". The Institute of Internal Auditors' "International Standards for the Professional Practice of Internal Auditing" constitutes the operating guidance for the department. In addition, ReAssure IA adheres to the Group's guidelines and procedures.

The organisational structure of the Internal Audit function is summarised as follows:


ReAssure Group Audit Committee
Swiss Re Head of Group Internal Audit (GIA)
ReAssure Group CEO
ReAssure Limited Audit Committee
Ark Life Audit Committee
OMWLA Audit Committee
ReAssure Head of Internal Audit
Co-sourcing Agreement
ReAssure Senior Audit Manager
ReAssure Senior IT Audit Manager
Senior Auditor
Senior Auditor
Senior Auditor
Auditor
Auditor

B6: ACTUARIAL FUNCTION

1. IMPLEMENTATION OF THE ACTUARIAL FUNCTION

The Actuarial Function (AF) is headed by the Chief Actuary, who is a Fellow of the Institute and Faculty of Actuaries and is the holder of Senior Manager Function 20 (SMF20) under the PRA Senior Managers and Certification Regime (SMCR).

During 2019, a review of the structure of the Actuarial and Finance Functions was carried out, in light of the Mature Savings acquisition from L&G and the potential IPO, which resulted in these Functions being restructured during the last quarter of 2019.

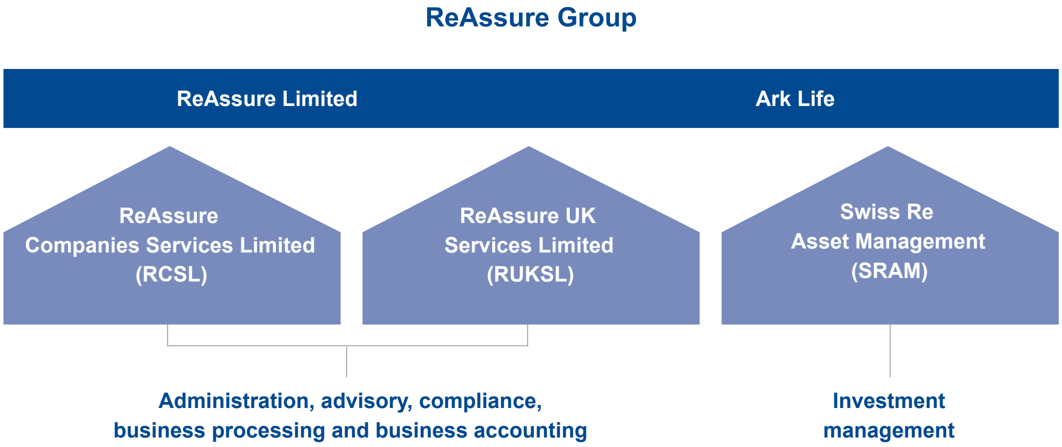
Under the new structure, the AF is organised into five main areas, each reporting to the Chief Actuary, as follows:

- OVERSIGHT – setting assumptions and methodology for regulatory reporting, reviewing results, administration of reinsurance;
- CAPITAL – setting calibrations for the Partial Internal Model (PIM), PIM development and implementation of new risk factors, Capital Optimisation and ALM;
- WITH-PROFITS MANAGEMENT – ongoing management of the with-profits funds;
- PROJECTS – support to the Group projects and management actions; and
- WITH-PROFIT ACTUARIES – providing independent oversight of the With-Profits funds.

B7: OUTSOURCING

1. INFORMATION ON MATERIAL INTRA-GROUP OUTSOURCING ARRANGEMENTS

In the Group there are intragroup outsourcing arrangements between ReAssure Limited, Ark Life and ReAssure UK Services Limited (RUKSL), which provides administration, advisory, compliance, business processing and business accounting services to ReAssure Limited and Ark Life.



RUKSL and RCSL provide the above services for all ReAssure policies predominately out of the Telford and Hitchin offices. The Group has in place an oversight model which is underpinned by a governance framework that feeds into meetings attended by the Group CEO.

As of 16th July 2019, the Group was to separate from the Swiss Re Group following a potential IPO. As part of the separation activity, the Group required either direct contracts or to source alternative suppliers to obtain the required service. The separation has been put on hold but activity on third parties continued.

Post separation, certain services will still be required from Swiss Re for a transitional period whilst ReAssure puts in place its own provisions. A Transitional Services Arrangement (TSA) has been agreed by both parties therefore, on separation, Swiss Re would then become a Tier 1 outsource supplier to the Group providing critical outsourced services.

As well as the RUKSL relationship, the TSA is overseen as part of ReAssure's Supplier Management Framework which will include second and third-line assurance activity. Regular governance meetings challenge the risk management and internal control environment and there is also an annual review of the service delivery undertaken.

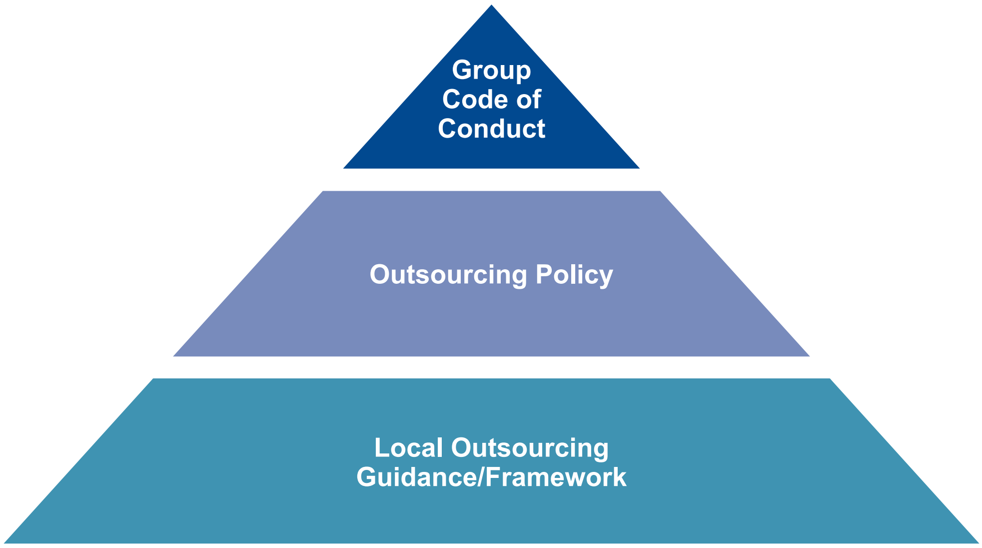
The acquisition from Quilter plc of OMWLA was completed on 31 December 2019. To support the period between completion and migration, a Transitional Services Arrangement was signed between OMWLA and Quilter on the same date to provide the continued provision of a range of services to the business (including IT system provision). This arrangement falls within ReAssure Group governance and the Senior Management Function with governance provisions in place to oversee the services Quilter will provide.

2. DESCRIPTION OF OUTSOURCING POLICY

The Group has an outsourcing policy in place that covers the Group, its legal entities, locations, and business units. ReAssure Limited, OMWLA, ReAssure UK Services Limited, Ark Life and Namulas Pension Trustees Ltd (a subsidiary company of ReAssure Limited) are all included in this policy. Each entity under the Group follow a localised framework, the ReAssure Supplier Management Framework. This framework applies to individuals working on or behalf of the Group involved in the receipt, facilitation or assurance of Supplier Management. The only exception is the legal entity of Ark Life who have a localised process.

The ReAssure Supplier Management Framework is intended to complement the Group Outsourcing policy and operating model approved by Group Board of Directors, by clarifying the roles and responsibilities for outsourcing governance at entity level. Special mention has been made of Solvency II and the need for the current policy and process to meet this and all other regulatory requirements for the management of material outstanding arrangements.

2.1 OVERVIEW OF GOVERNANCE STRUCTURE



Authority is delegated from the ReAssure Group plc Board to the relevant Service Recipient Board of Directors who will be required to comply with this Outsourcing Policy and any local legal or regulatory requirements. The Service Recipient will assign an Accountable Executive who will have responsibility for overseeing the Outsourced Functions and activities.	Risk Controllers (Risk & Compliance functions) are tasked by the entity Board to help the Service Recipient understand how to operate within the appetite for risk set by the Board, and independently monitor and report on all Risk Taking. The nominated Approved Person is specifically tasked with notifying the regulator of Critical, Important or Material (CIM) Tier 1 relationships.	Relationship Managers are appointed by the Service Recipient and are responsible for: • Day to day management & oversight • Following Local Outsourcing Guidance/Framework • Reporting to the Accountable Executive

2.2 SENIOR MANAGEMENT AND BOARD OVERSIGHT

An overview of key suppliers is provided to the ReAssure Management Committee (RMC) on a monthly basis in the form of a Supplier Dashboard. In addition, an Annual Outsourcer Review is submitted into the ReAssure Group Board and RMC which provides an overview of performance for Critical suppliers for the current year and delivers a forward looking view for the year to come.

3. SERVICE PROVIDERS TO WHOM CRITICAL OPERATIONAL ACTIVITIES HAVE BEEN OUTSOURCED

The Group uses a supplier categorisation tool to determine if an outsourcer is deemed a critical supplier which is underpinned by the Solvency II definition.

Below are details of critical or important operational functions that are outsourced by ReAssure Limited to entities outside of the Group:

ADMINISTRATION AND/OR SERVICING SERVICES

Supplier	Service Supplied
HCL IBS	Administration for circa 460k Life and Pension policies
LIVERPOOL VICTORIA (LV=)	Administration for circa 1k SIPP policies
HANNOVER RE	Administration of circa 26k annuities which ReAssure acquired as part of the HSBC acquisition. As well as the administration, Hannover Re fully reinsures this block
EQUINITI PAYMASTER	Payroll and tax reporting facilities to ReAssure policyholders
JLT	Administration services for 12 Occupational Service Schemes
IRISH LIFE FINANCIAL SERVICES	Policy administration and financial accounting support for Ark Life
FCS LASERMAIL	Printing and postage facilities for ReAssure correspondence
MIDLAND HR	HR function services
WNS	Back office calculations in respect of L&G interim (short term arrangement)

STORAGE AND SCANNING SERVICES

Supplier	Service Supplied
DILIGENTA	Storage services (previously provided administration activities)
IRON MOUNTAIN	Storage services
EDM	Scan on Demand / Storage services / Post Scanning

IT AND TELECOMMUNICATION SERVICES

Supplier	Service Supplied
NTT EUROPE LTD	Managed IT infrastructure services
OLIVE	Telecommunication services
MICROSOFT	Office 365 and Azure
FUJITSU	Delivery of ServiceNow platform

ASSET MANAGEMENT SERVICES

Supplier	Service Supplied
IRISH LIFE INVESTMENT MANAGEMENT	Investment management services for Ark Life
ABERDEEN STANDARD INVESTMENTS (ASI)	Investment management services
AGFE	Investment management services
SWISS RE TRANSITIONAL SERVICES ARRANGEMENT (TSA)	Investment and risk management services
BLACKROCK	Investment management services
HSBC GLOBAL ASSET MANAGEMENT (HGAM)	Investment management services
METLIFE	Investment management services
MACQUARIE	Investment management services
M&G	Investment management services
GLOBAL ASSET MANAGEMENT	Investment management services
HSBC SECURITIES SERVICES (HSS)	Investment Accounting and Unit Pricing services, including (but not limited to): asset servicing, fund valuation, asset liability matching, non-discretionary dealing, taxation and MI

ACTUARIAL SERVICES

Supplier	Service Supplied
MOODYS	Actuarial Platform

4. JURISDICTION IN WHICH SERVICE PROVIDERS OF OPERATIONAL FUNCTIONS OR ACTIVITIES ARE LOCATED

All service providers fall under UK jurisdiction other than the following:

- HCL IBS – Outsources administration to Chennai and Lucknow in India to support overall HCL IBS servicing strategy;
- HSBC HSS – Provides services out of India and Sri Lanka offices to support overall HSBC strategy;
- WNS – Provides normalisation services out of Pune in India to support back office manual calculations;
- HANNOVER RE – All direct functions are based in the UK with overall Group policies driven out of Germany; and
- IRISH LIFE – Irish Life operates in Ireland.

B8: ANY OTHER INFORMATION

COVID-19

The Group's System of Governance is robust and designed to adapt to major developments and significant events. The emergence of the COVID-19 pandemic has not impacted ReAssure's existing corporate governance structure and additional measures have been introduced to ensure full business operations continue to be managed in a safe and efficient manner. The Group is continuously monitoring the financial market and economic turbulence resulting from COVID-19. Further details explaining the potential impact of COVID-19 on the Group's principal risk categories, valuation, capital and solvency position is contained in sections C-E below.

ADDITIONAL COVID-19 CONTROLS, MONITORING AND REPORTING

RISK AND COMPLIANCE

Risk and Compliance are now reporting weekly and providing status updates to the regulator on the Group's response to this pandemic.

REGULATORY CHANGE TEAM

The Group's regulatory change team are actively monitoring and publishing on the company's intranet all the measures the Government, HMRC, Pension Regulator and PRA are introducing to assist businesses during the pandemic and other changes to assist with regulatory reporting. Some of this information is of particular importance to customer service teams on the front line dealing with increased queries generated by customers in these unprecedented times.

INCIDENT MANAGEMENT TEAM (IMT)

The team meet to review the Group's response to rapidly changing COVID-19 developments. A separate team continuously monitors all external advice emerging and escalates any changing information to the IMT.

FINANCE INCIDENT MANAGEMENT TEAM (FIMT)

The FIMT meet regularly to co-ordinate the response Finance specific impacts of the pandemic with a focus on ensuring continuity of critical processes such as payments to policyholders, treasury and investment management, unit pricing and monitoring of the control environment.

CRITICAL OUTSOURCERS

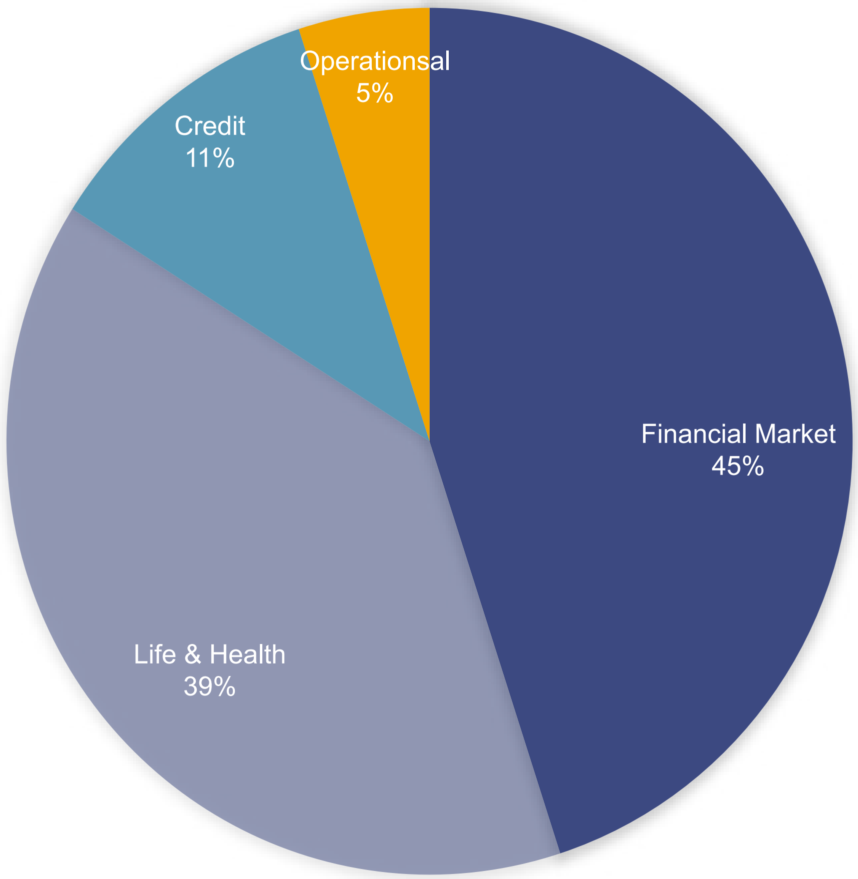
The Group's Third Party Strategy and Oversight team are working closely with the Group's critical outsourcers, HCL, Equiniti Paymaster and WNS who provide customer servicing support to ReAssure customers.

SECTION C: RISK PROFILE

The Group is exposed to a broad landscape of risks. The following sections (C1 to C6) provide quantitative and qualitative information on these specific risk categories and an overview of the key changes to risk exposure over the year.

QUANTIFICATION OF MODELLED RISKS BY RISK CATEGORY

The chart below shows a high level view of the composition of the undiversified SCR for the Group's modelled risks as at 31 December 2019.

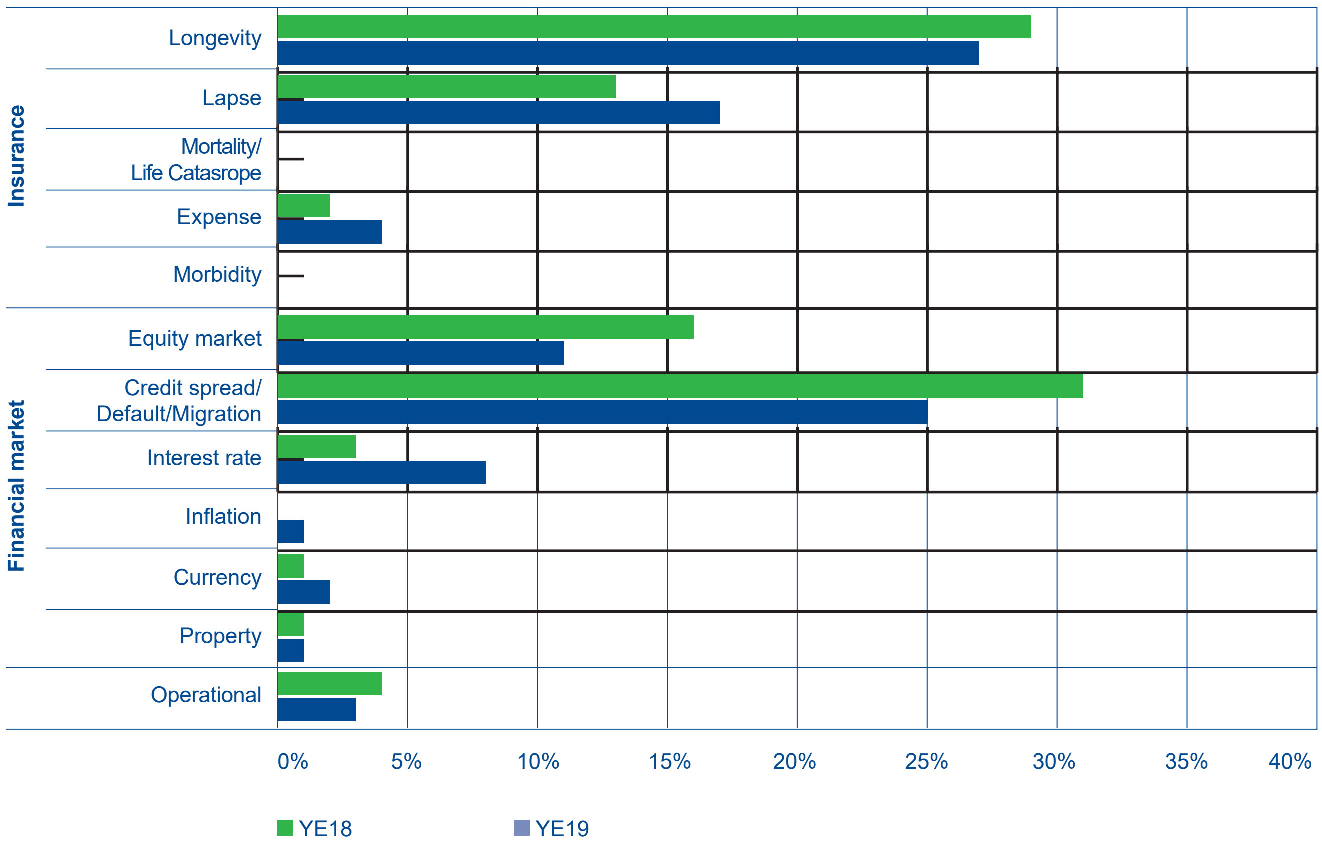


RISK CONCENTRATION

The concentration of risks for the Group excluding the with-profits business at 31 December 2019 is shown below. This is based on an internal view of risk which differs to the SCR calculated for regulatory reporting purposes. A lower level of risk due to credit spread is assumed due to a less severe impact allowed on the MA fund in a stressed market scenario. The Group's concentration limit is set at 50% for any individual risk to ensure a well-diversified portfolio.

The largest single risks held within the Group are credit spread and longevity. The results indicate that both of these risks remained within the concentration risk appetite limits at 31 December 2019.

RGP (EXCL. WPFS) RISK CONCENTRATIONS



C1: UNDERWRITING RISK

1. RISK EXPOSURE

Underwriting risk, also referred to as Life and Health risk, is defined as the unexpected economic impact from mortality, longevity, expense or morbidity obligations, as well as persistency rates deviating from the levels assumed at outset or subsequently in reserving. The following table describes each source of underwriting risk that the Group is exposed to.

Risk	Description
Longevity risk	Beneficiaries to whom the firm has a contractual obligation (e.g. policy holders) live longer than expected and as a consequence receive benefit payments for longer than expected.
Lapse risk	The proportion of policyholders that choose to discontinue their existing policy with the Group is different from that assumed in the Solvency II Technical Provision, resulting in a loss in the Basic Own Funds.
Expense risk	Loss or adverse change in the balance sheet, resulting from changes in the level of expenses. Expense inflation is not included within the definition of expense risk as it is included as an inflation risk.
Mortality risk	Losses due to fluctuations in mortality rates relative to those assumed when calculating the Technical Provisions.
Critical illness risk	Losses due to fluctuations in critical illness inception rates relative to those assumed in the calculation of the Technical Provisions.
Income protection risk	Losses due to fluctuations in income protection inception rates and/or recovery rates relative to that assumed within the calculation of the Technical Provisions.

The Group does not actively market or seek to write any new business and is mainly exposed to underwriting risk through its acquisition of closed life insurance entities or portfolios of insurance business.

New acquisitions are managed under the Large Transactions Process. This requires detailed due diligence to be undertaken and independently reviewed by Risk Management to ensure all material risks are identified.

Three types of underwriting risks are currently material for the Group: longevity, lapse and expense risks.

The Group is exposed to longevity risk through its large portfolio of lifetime annuity policies and through being the provider of longevity swaps to UK Pension Schemes, whereby ReAssure is exposed to improvements in life expectancy. Residual exposure comes from the Group's closed defined benefit pension scheme. This risk is mitigated in part through entering into offsetting longevity swaps with Reinsurance Group of America (RGA) and Swiss Re whereby these companies accept the longevity risk.

The majority of exposure to lapse risk can be found within the Group's unit-linked business and deferred annuity products. More specifically, higher lapses than expected within the unit-linked business causes a reduction in expected future management charges and a loss for the Group. In addition, an increase in the number of annuity policyholders choosing to take guaranteed benefits (less lapses than expected) priced at interest rates in excess of those currently in the market could cause a loss.

The Group is exposed to expense risk in relation to running off the current business, from the risk that the present value of the future expense costs exceeds the allowance made in the best estimate calculations.

Mortality, critical illness and income protection risks arise within the Group's protection and savings business. They are of very low materiality and only contribute a small amount to the SCR.

The table below shows the split of the undiversified SCR in respect of underwriting risk.

£m	Undiversified SCR
Longevity	1,411
Lapse	782
Expense	358
Mortality	96
Critical Illness	24
Income Protection	22

During the year ended 31 December 2019, the key changes to underwriting risk exposure included:

- An increase in exposure to lapse risk due to the purchase of OMWLA at 31 December 2019 which covers predominantly unit-linked business;
- An increase in exposure to expense risk due to a revised approach of modelling expense risk; and
- An increase in longevity exposure due to falls in interest rates, somewhat offset by changes in PIM methodology and an update to longevity assumptions.

2. RISK MEASUREMENT

Exposure to underwriting risk is primarily measured via the PIM. Other methods used to assess and monitor underwriting risk exposures include profit and loss analysis, sensitivity analysis, stress and scenario testing.

3. RISK CONCENTRATION

The Group, where possible, avoids a heavy concentration in any one risk type and aims to have a diversified portfolio of underwriting risks. For the largest underwriting risk, longevity, there is a concentration of risk at older ages as longevity risk primarily arises on annuities bought by retirees. The Group does not have any significant concentration of policyholders by geographic area.

4. RISK MITIGATION

Underwriting risk is mitigated via:

- Use of reinsurance;
- Regular monitoring of exposure changes via regular risk reporting; and
- Annual review of longevity, mortality and persistency assumptions

In order to limit the Group's exposure to longevity risk, a number of reinsurance arrangements and longevity swaps are in place across each of the exposed funds. Material longevity reinsurance arrangements are in place with Swiss Re, RGA, Aegon Scottish Equitable, Hanover Re and Partner Re. These arrangements have been applied consistently with the criteria of Articles 209-213 of the Delegated Regulation and the Group considers them to be appropriate risk mitigation techniques for Solvency II purposes.

5. SENSITIVITY ANALYSIS

As part of the Group's risk management processes, stress and scenario testing is carried out. The results of sensitivity testing to underwriting risks on the Group's solvency ratio at 31 December 2019 is provided below and demonstrates the resilience of the Group.

	Group Solvency II basis		
Solvency Ratios	**SCR £m**	**no TMTP re-calculation**	**with TMTP re-calculation**
Base	**3,175**	**152%**	**152%**
5% decrease in mortality rates	3,203	140%	143%
10% change in lapse rates	3,148	151%	151%

The above sensitivities assume no management actions apart from the recalculation of TMTP.

The results show the balance sheet is sensitive to decreases in mortality which is expected given the large amount of annuities in the Group's portfolio. This is in line with the strategy of the group to seek out insurance risk subject to it remaining within the Group's risk appetite limits. Any breach of risk appetite limits would require action such as further reinsurance of longevity risk.

C2: MARKET RISK

1. RISK EXPOSURE

The Group defines Financial Market (FM) risk as the risk of loss arising from holding a portfolio of positions and contracts, due to market changes impacting the economic value of the portfolio. FM risk therefore refers to the risk of loss from changes in financial market variables and may arise in several forms including:

- Regular or stressed movement in market observable parameters such as equity prices, or interest rate levels;
- Regular or stressed movement in parameters used for financial modelling such as volatility or correlation; and
- Regular or stressed movement in market observable credit variables such as credit spreads or recovery assumptions.

The Group is exposed to FM risk through its assets and liabilities. Movements in financial market prices or rates, such as equity prices, interest rates, credit spreads, foreign exchange rates or real estate prices, affect the value of these assets and liabilities. The Group is exposed to FM risks from two main sources: through its investment activities and through the sensitivity of the economic value of liabilities to financial market fluctuations. The following table describes each source of FM risk that the Group is exposed to.

Risk	Description
Credit spread risk	Losses due to changes in the value of credit spreads. Changes in credit spreads also have an impact on the value of the matching adjustment and thus the level of Technical Provisions.
Equity risk	Losses due to variations in the value of equity assets.
Interest rate risk	Losses due to the impact of movement in the risk free yield curve on the Group's assets, liabilities and capital requirements. Changes in interest rates affect both assets and liabilities and therefore the whole balance sheet is exposed to interest rate risk.
Currency risk	Movements in foreign exchange rates causing the value of foreign denominated assets and liabilities to change resulting in a loss.
Inflation risk	Losses caused by a deviation of the actual value of assets and/or liabilities from their expected value due to inflation. This may lead to an unanticipated change in the insurance cost and/or impact an insurance contract.
Property risk	Losses arising from the change in property prices.

Three types of FM risk are currently material for the Group: credit spread, equity and interest rate risks.

The Group is exposed to the widening of credit spreads in their fixed interest holdings (e.g. corporate bonds). The Group's credit spread exposure predominately arises from the non-linked funds, with the unit linked funds and pension scheme not being material contributors to the overall exposure.

The majority of Group's exposure to equity risk comes from the charges it receives from unit linked funds under management. Since management charges are levied as a percentage of in force unit linked assets under management, poor equity performance leads to lower fund values which in turn leads to a decrease in income from fund charges. The Group has additional exposure through its direct holding of equity investments (e.g. in the pension scheme) and via the shareholder transfers from the with-profits funds.

Changes in interest rates to revalue affect both assets and liabilities and therefore the whole balance sheet is exposed to interest rate risk. The long-dated assets and liabilities held are the most sensitive to interest rates changes.

The Group's interest rate risk arises primarily from investments in fixed interest securities. In addition, to the extent that the value of claims costs are related to interest rates, liabilities to policyholders are exposed to interest rate risk. Non-profit insurance and investment contracts have benefit payments that are fixed at the inception of the contract. The primary financial risk on these contracts is that the interest income and capital redemptions from the financial assets backing the liabilities are insufficient to fund the policy benefits payable. Therefore, changes in interest rates will impact the cash flows available to meet liabilities as they fall due. Movements in market interest rates affect the liabilities as well as the assets.

The Group is exposed to currency risk where it holds investments denominated in foreign currencies or via charges on its unit-linked funds under management. The Group is also exposed to currency risk through Ark Life as it is domiciled in Ireland and transacts its business for the most part in Euros.

The Group is predominately exposed to an increase in inflation through inflation linked annuity liabilities, expenses in the non-profit fund and through the pension scheme.

Property risk primarily arises within the non-profit fund through an investment vehicle that holds a portfolio of residential property and the volatility of the expected future management charges linked to the value of the unit-linked funds. Property assets only represent around 3% of the unit-linked portfolio, therefore the materiality of property risk is low.

The table below shows the split of the undiversified SCR in respect of market risk.

£m	Undiversified SCR
Credit Spread	1,230
Equity	639
Interest Rate	740
Currency	214
Inflation	289
Property	49

During the year ended 31 December 2019, the key changes to market risk exposure included:

- An increase in credit spread exposure due to extension of the Group's MA portfolio;
- A decrease in equity exposure due to further equity hedging; and
- Implementation of interest rate risk hedging, reducing interest rate risk exposure

2. RISK MEASUREMENT

Exposure to FM risks is primarily measured via the PIM.

The Group's credit spread exposure is monitored by both its Investment Committee and Risk Management department. The latter is responsible for monitoring and reporting the Group's exposure to the Board and Risk committee through monthly and quarterly risk and solvency reporting. The regular reporting ensures that the Group is operating in line with its Risk Appetite framework – which defines the Group's overall position towards risk and communicates quantitative or qualitative ranges for each risk type.

3. RISK CONCENTRATION

The Group has a Financial Risk Policy that aims to avoid significant concentrations of risks in any one type of market risk. The Risk Appetite Framework requires that ReAssure holds a balanced portfolio of risks.

4. RISK MITIGATION

FM risks are mitigated by:

- Asset-liability matching strategy;
- Implementing hedging arrangements to ensure market risks remain within limits;
- Use of Matching Adjustment/Volatility Adjustment; and
- Unit-linked matching to reduce equity risk.

The Group mitigates a great deal of credit spread exposure by matching its long-term liabilities with fixed interest assets. This mitigates some of the exposure in the Matching Adjustment fund as the aim of the fund is to hold all assets to maturity – hence mitigating the effect varying credit spreads have on the value of the Group's assets and liabilities at a point in time.

The Group looks to mitigate some equity risk in the unit-linked funds by hedging part of the portfolio against adverse movements using equity futures. The Group also sets unit reserves to match unit assets which mitigates all equity risk that would otherwise arise from a potential mismatch.

The Group's investment policy is designed to limit the amount of any mismatch due to interest rate movements between the assets and the Technical Provisions (net of TMTP), SCR and Buffer in order to reduce gross surplus volatility. A capital requirement arises due to interest rate sensitivity of the assets over and above the BEL.

5. SENSITIVITY ANALYSIS

As part of the Group's risk management processes, stress and scenario testing is carried out. The results of sensitivity testing to market risks on the Group's solvency ratio is provided below and demonstrates the resilience of the Group.

GROUP SOLVENCY II BASIS

Solvency Ratios	£m	no TMTP re-calculation	with TMTP re-calculation
Base	**3,175**	**152%**	**152%**
25% fall in equity markets	3,004	153%	150%
25% fall in property values	3,156	152%	152%
100 bps rise in risk free rate (parallel shift)	2,861	162%	156%
100 bps fall in risk free rate (parallel shift)	3,545	139%	145%
50 bps change in gilt-swap spread (gilts rise)	3,154	146%	149%
100 bps widening in credit spreads	2,908	159%	158%
50 bps rise in inflation	3,182	148%	145%
25% fall in GBP exchange rates	3,260	154%	153%

The above sensitivities assume no management actions apart from the recalculation of TMTP. These sensitivities have been prepared using the methods set out in PRA Supervisory Statement 7/17 – Data Collection of Market Risk sensitivities.

Over 2019, the Group took steps to minimise its exposure to market risks via hedging and other matching strategies. Further optimisation is expected over 2020 to further reduce the exposure to market risks.

C3: CREDIT RISK

1. RISK EXPOSURE

Credit risk reflects the risk of incurring a financial loss from the default of counterparties or of third parties. In addition, it takes account of the increase in risk represented by any deterioration in credit ratings of those counterparties. This risk arises directly from investment activities, as well as from counterparty risk related to external credit risk and intra-group and external retrocession agreements.

The Group is therefore exposed to two classes of credit risk: credit default risk and credit migration risk.

DEFAULT RISK: This is quantified by considering the probability of obligor default and the loss given default; and

MIGRATION RISK: This is quantified by considering the probability of a deterioration in obligor credit quality which adversely impacts the economic value of underlying positions.

The credit risk inherent within all positions is broken down into the spread risk elements (Financial Market risk) and the default/migration risk elements (Credit risk).

The spread risk is considered as a “market induced” risk and is incorporated into the Financial Market risk category and managed at an aggregate level.

As of 31 December 2019, ReAssure’s largest exposure remains to the UK government (AA/AA/Aa3) whilst the top three public bond exposures are Electricite de France SA, HSBC holding Plc and FGP Topco LTD. These positions have an average A rating. In addition, the Group’s largest internal group retrocession remains that to the parent SwissRe and all exposures are managed through internal limits set out in the risk tolerance policy.

Credit risk management reviews and monitors all credit exposure (Issuer, Counterparty and Retrocession) and report this at a parent aggregate level against risk appetite limits approved by the board. Limits are periodically reviewed and refined to single obligor and industry limits considered for overall financial risk exposure control. The single obligor credit limits define the risk limit for both credit default and credit spread exposure.

The table below shows the split of the undiversified SCR in respect of credit risk.

£m	Undiversified SCR
Credit Default	251
Credit Migration	504

2. RISK MEASUREMENT

The Group’s asset management function manages credit risk on a day-to-day basis using the policies and limits set out in the Group’s risk appetite policies.

Risk Management also monitors credit risk by considering the exposure to each counterparty. The Board determines the credit risk appetite for the business.

3. RISK CONCENTRATION

Concentrations of credit risk by issuer, type of debt and sector (private debt) area are controlled via specific concentration limits and annual Stress and Scenario Testing.
Single obligor credit exposures are also managed through the single obligor limits, Watchlist, Excession reporting (in excess of credit limits) and Asset Management restricted list.

The following table shows how the Group's credit exposure varies by credit rating at 31 December 2019.

Allocation at 31 December 2019	%
UK Treasury, Cash and Derivatives	19%
AAA	5%
AA	10%
A	33%
BBB	22%
Below BBB	0%
Not publicly rated by an ECAI (S&P, Moody's, Fitch)	11%

4. RISK MITIGATION

Credit risk is controlled by setting appropriate limits for counterparty exposures and communicating them to those who are responsible for complying with them. The principal financial instruments that give rise to an exposure to credit risk are fixed-interest securities, cash deposits and retrocession agreements.

The Group further mitigates the credit risk though strategies such as the reduction of lower rated public corporate bonds and replacing this with better quality A- rated bonds. Any currency risk is then also mitigated by cross currency swaps. In addition, sector and industry concentrations are monitored to ensure well maintained diversification of the portfolio, both public and private debt.

5. SENSITIVITY ANALYSIS

As part of the Group's risk management processes, stress and scenario testing is carried out. The results of sensitivity testing to credit downgrade risk on the company's solvency ratio is provided below and demonstrates the resilience of the company.

GROUP SOLVENCY II BASIS

Solvency ratios	SCR £m	no TMTP re-calculation	with TMTP re-calculation
Base	**3,175**	**152%**	**152%**
Downgrade of 20% of bonds	3,250	145%	143%

The above sensitivities assume no management actions apart from the recalculation of TMTP. These sensitivities have been prepared using the methods set out in PRA Supervisory Statement 7/17 – Data Collection of Market Risk sensitivities.

C4: LIQUIDITY RISK

1. RISK EXPOSURE

Liquidity risk is defined as the risk that the Group will not be able to efficiently meet both expected and unexpected (i.e. stressed) future cash flows and collateral needs as they fall due without affecting either daily operations or their financial condition. This differs from market liquidity risk, which is the risk of being unable to sell assets in a timely manner without having to include a heavy discount. The two are linked as the firm's ability to meet its liabilities is reliant on having sufficiently liquid assets available.

Liquidity risk in the context of the MA portfolios is defined as the risk that the Group will not have sufficient liquid resources, either within or outside the MA portfolios, to meet MA liability outgoings, in both normal and stressed circumstances or without recourse to selling MA assets that are matched against liabilities.

2. RISK MEASUREMENT

The Group Funding and Liquidity Risk Policy states that liquidity risk is measured by comparing the sources and uses of existing liquid assets and internal/external funding solutions in stressed conditions over our business planning period.

The liquidity risk metric used by the Group is the Liquidity Coverage Ratio (LCR) defined as the ratio of liquidity sources to liquidity requirements under stress at four different time horizons (1,3,6 and 12 months). The liquidity stress is based on the 12 month liquidity requirements under the 1-in-200 PIM stress calibration at the valuation date.

$$\text{LCR} = \frac{\text{Source of liquidity in stressed scenario}}{\text{Required liquidity in stressed scenario}}$$

At 31 December 2019, all funds within the Group remained within liquidity risk appetite.

The primary sources of liquidity are cash and cash equivalents including money market funds, as well as other income from retrocession receivables, fees and charges. Expected Profit in Future Premiums is not treated as a liquid asset for liquidity reporting purposes. The amount of Expected Profit in Future Premiums is £1.3 billion.

3. RISK CONCENTRATION

Concentration risk is controlled by counterparty limits in place for all investments. Exposure to private debt is kept at prudent levels to avoid concentrations of private debt investments that would pose a risk to liquidity.

Additionally, haircuts are applied to asset values to recognise that not all unrestricted assets may be readily realisable under stress and there may be additional losses due to having to trade in inefficient markets.

4. RISK MITIGATION

The LCR is reported on a monthly basis by Treasury. If the LCR is below the risk appetite limit, this will trigger management action to rectify the situation.

Actions to provide liquidity to specific entities may include:

- Selling restricted assets. The time frame over which such assets are to be sold and any loss on the sale will be factored in the action plan;
- Management of assets and liabilities through strategic and tactical asset allocations, derivatives overlay and collateral /margin management;
- Transferring liquid assets within the Group, with no appetite to violate TCF principles and set out liquidity policy and standards;
- Dividend management or withhold; and
- Sourcing of intra-group and external capital.

5. STRESS TESTING

As part of the Group's risk management processes and PRA SS5/19 requirement, a series of stress and scenario tests were carried out on liquidity positions.

Overall, LCRs within the pooled funds within the Group were within the Group's risk appetite reflecting the effectiveness of the corporate derivative strategy and liquidity risk management process over multiple time horizons.

C5: OPERATIONAL RISK

1. RISK EXPOSURE

Operational risk is defined as the potential economic, reputational or supervisory impact resulting from inadequate or failed internal processes, people and systems both internally and externally to the Group. Operational risks include legal and compliance risks and the risk of a material misstatement in the Group's financial reporting but excludes strategic and business risks.

OVERVIEW

The Group has in place a robust framework for reporting operational risk. Reports are gathered from all operational areas giving updates on the status of projects and risk areas, along with any projected economic impact. In addition, a register of operational incidents is kept, including the potential economic impact and recording both the potential and actual exposure of the incident. Reports are submitted to both the Executive Management Committees allowing them to form a comprehensive picture of the operational risk in the Group and the trend by business area. Operational risks are reported under a red/amber/green framework allowing clear identification of high priority risks. This allows for early intervention should that be required and also reveals any patterns of interconnected risk between business areas. The Management Risk Committee has authority to raise any operational risk issues directly to the board, should they consider that to be necessary.

KEY OPERATIONAL RISKS FACED BY THE BUSINESS

The key operational risks (by risk and potential impact) identified by the business during 2019 were as follows:

- Volume and complexity of change delivery, including significant changes to systems and processes as part of the initiative to operate as a standalone company separate from ultimate parent Group;
- The size and complexity of the project to migrate the acquired book of business from L&G onto the ReAssure administrative platform;
- Migration of OMWLA book of business onto ReAssure platform, considered to have minimal impact on ReAssure risk profile as work continues to embed the framework with no key person dependencies identified in the business;
- People risk arising particularly from the capacity to deliver the number of change initiatives;
- Risk of cyber attack; and
- Financial reporting risk due to the incremental volume of financial reporting required and the shortened timetable for delivery.

2. RISK MEASUREMENT

These risks are mitigated by intensive monitoring by Executive Management Committees which have a range of options for ensuring that risk are kept within the risk appetite, including the authority to allocate resource to one or more business areas should that be required.

At 31 December 2019 the overall internal Red Amber Green (RAG) status for operational risk is assessed as red due to the aggregation of the key risks identified above.

The operational risk capital requirement is assessed using the approved PIM. The assessment of the top risks faced by the business is reached by expert opinion following a series of workshops for each risk. Each operational risk scenario is calibrated to withstand a 1 in 200 year event. Internal and external loss event data is used to help validate the results. At 31 December 2019 operational risk represented 4% of the Group's total undiversified SCR.

3. RISK CONCENTRATION

The Group is highly reliant on the core operating platform including a number of key applications. The Group also has a significant concentration of risk in supporting financial and solvency reporting.

4. RISK MITIGATION

The Group seeks to mitigate operational risk to within agreed risk tolerance limits as defined in the Group Risk policy and Risk Framework. Risk Management provides periodic reporting to management oversight committees on operational risk exposure against the tolerance limits. For any risk exposure outside risk tolerance the risk mitigation plans are assessed by the risk owners for effectiveness in bringing the risk back within tolerance.

The key risk of maintaining customer servicing standards is primarily addressed by ensuring there is an appropriate back up and business continuity plans for business critical services. The plans are regularly updated and tested.

Risk associated with the production of financial and solvency reporting is mitigated by ensuring a three lines of defence approach is adopted throughout the Group. This ensures the accuracy of production and reporting.

C6: OTHER MATERIAL RISKS

1. CYBER RISK

Cyber Security risk is a component of Information Security risk and is concerned with preventing or reducing the potential of customer detriment, financial loss, fraud, sanction, fine, disruption or damage to ReAssure's brand or reputation arising from our failure to appropriately store, handle, and process or transmit information. ReAssure's appetite for Cyber risk is defined in terms of operational risk tolerances. Cyber Risk tolerance limits are set in consideration of potential economic, financial reporting, reputational or compliance impact.

To mitigate this risk, ReAssure is continually strengthening its internal controls and attack response processes identified by ongoing assessment and review.

2. REGULATORY RISK

Regulatory risk continues to pose a significant challenge to the business in terms of interpreting and managing the large volume of change required in order to implement our conduct and prudential strategies. Consequently, there are numerous secondary risk impacts associated in navigating the ever-changing regulatory landscape.

3. STRATEGIC RISK

On 6 December 2019, Phoenix Group Holdings plc announced that it will acquire the Group (including the operating entity ReAssure Limited). The acquisition is subject to a number of conditions, including PRA approval, CBI approval and the satisfaction of relevant antitrust authorities. If any of the conditions could not be satisfied prior to the Long Stop date (31 Dec 2020), the change of control may not complete. The acquisition as a class 1 transaction under the Listing Rules was approved by its shareholders on 13 February 2020.

The risks arising from this material event are as follows:

(a) The operating entity, whose principal activity as a life insurance consolidator, will be hampered during the interim period. This could materially affect the growth of the business if the transaction could not be completed in the near – medium term.

(b) The integration of current acquisitions including OMWLA and the L&G business, plus the integration of the Group into Phoenix, could have an adverse effect on the Group's human resources becoming overstretched and distracted, thus resulting in not achieving the objectives/synergies expected from these material transactions.

(c) The costs and effects of threatened, pending or future legal or arbitration proceedings from ReAssure customers due to the change in ownership, could materially affect ReAssure's business, results, financial conditions and reputation.

(d) Regulatory capital requirements and management actions / initiatives planned, including further optimisation of the MA fund(s) for the standalone entity, can change as they are matters of the regulator's discretion and externalities that are not directly within the control of the management. The impact due to delays/no activation of certain actions could result in financial and valuation loss to shareholders and policyholders in particular with relation to the approvals required for the Solvency II Internal Model, the Matching Adjustment applications for new assets/liabilities and application of transitional provisions priced in the acquisitions in train for integration.

During the interim period of awaiting the decision of the approval of the change of control to Phoenix, the Group has put a hold on its M&A strategy and future acquisitions/disposals Group-wide. The Group's ability to gain new value-add financing sources could also be challenged during this period.

4. CLIMATE CHANGE RISK

The Group looks to actively monitor and implement policies to address climate change risks. The Group operates under an Environmental, Social and Governance (ESG) investment policy, which covers the principles for responsible investments and how assets/investment partners should be selected when dealing with environmental (which encompasses climate change issues), social and corporate governance. The management of financial risks from climate change are set out in the Group Risk Policy.

Broadly speaking, the Group recognises two primary sources of climate change financial risks i.e. physical and transition risks.

Physical risks arise from the increased frequency and severity of climate and weather-related events that damage property and disrupt trade.

Transition risks result from the adjustment towards a lower-carbon economy. Changes in policies, technologies and physical risks will prompt a reassessment of the value of a large range of assets as costs and opportunities become apparent. The longer a meaningful adjustment is delayed, the more transition risks will rise.

The Group is not significantly exposed to climate change transition risks because:

- The Group does not invest in industries with material exposures to coal; and
- The Group invests in renewable energy sources which have a positive exposure to transition risk

The bulk of the Group’s sovereign investments are in Gilts and the UK as a country is considered less exposed to transition risks.

5. BREXIT

On 31 January 2020, the UK left the European Union and is now in a transitional state until 31 December 2020. As the UK work towards agreeing future trading relationships with other countries, there remains uncertainty around the financial, legal and tax implications of Brexit.

Following increased hedging activity, the Group has largely mitigated the impact of any volatility in interest rates following a disorderly Brexit. However, the risks of changes in the spread between swaps and UK gilts remains a potential risk that the Group is monitoring.

C7: ANY OTHER INFORMATION

COVID-19

The Group does not expect underwriting risks to be materially impacted by COVID-19 as the Group is not materially exposed to insurance losses from increased mortality. The strain on the NHS and diversion of resource due to COVID-19 is likely to lead to increased mortality over the next two years, however this is unlikely to be realised until 2021.

The Group is monitoring the impact of market movements on the solvency ratio more frequently due to escalation of the COVID-19 pandemic via the Financial Incident Management Team. Although market volatility has increased since 31 December 2019, the Group's solvency position has remained stable due to hedging activity undertaken prior to the pandemic.

The Group's Risk Management team are using stress and scenario testing to quantify the potential losses to the Group from credit risk and assessing potential management actions that can be taken. A range of scenarios with different levels of severity are being considered to quantify the impact of credit downgrades and disruption in economic activity leading to a recession in 2020.

Additional stress testing for liquidity risk is also being carried out and potential management actions to ensure liquidity risk for all liquidity pool within the Group remain within appetite are being assessed. Management actions include sale of restricted assets and reducing planned dividends. To date, the market movements have been beneficial to the Group's overall liquidity position.

The impact of COVID-19 on operational risk exposure is being constantly monitored by management and changes to the control environment are being appropriately approved by the risk takers and risk owners. A significant number of ReAssure staff were already enabled to work from home, however, the current crisis has meant that this has had to be scaled up considerably. The key risks of health and safety, people resource adequacy, information security, data protection and business interruption are being particularly closely monitored.

It is likely that non business critical services will need to be either scaled back or stopped which may mean delays to projects planned for 2020. ReAssure have identified critical business services, with a focus on protecting customers and in line with regulatory guidance and may need to scale back operations in a prioritised manner as the situation develops and new risks materialise.

Currently, no new risks are assessed as moving outside of tolerance.

SECTION D: VALUATION FOR SOLVENCY PURPOSES

D1: ASSETS

1. SOLVENCY II VALUATION FOR EACH MATERIAL ASSET CLASS

The Solvency II valuation for each material class of investment asset for the Group as at 31 December 2019 is as follows:

Investment Type	Total Solvency II Value 2019 £m	Total Solvency II Value 2018 £m
Property	277	332
Holdings in related parties, including participations	5	3
Equities	486	411
Bonds	17,493	17,740
Collective Investment Holdings	1,948	1,237
Derivatives	48	13
Assets Held for Index-Linked and Unit-Linked Contracts	29,979	20,094
Loans and Mortgages	1,501	1,178
Cash and Cash Equivalents	283	61
Total	**52,020**	**41,069**

The Solvency II valuation for each material class of investment asset for ReAssure Limited as at 31 December 2019 is as follows:

Investment Type	Total Solvency II Value 2019 £m	Total Solvency II Value 2018 £m
Property	171	221
Holdings in related parties, including participations	460	453
Equities	486	411
Bonds	17,002	17,281
Collective Investment Holdings	1,656	1,187
Derivatives	35	13
Assets Held for Index-Linked and Unit-Linked Contracts	19,872	18,544
Loans and Mortgages	1,501	1,178
Cash and Cash Equivalents	97	42
Total	**41,280**	**39,330**

The Solvency II valuation for each material class of investment asset for Ark Life as at 31 December 2019 is as follows:

Investment Type	Total Solvency II Value 2019 £m	Total Solvency II Value 2018 £m
Bonds	184	173
Assets Held for Index-Linked and Unit-Linked Contracts	1,610	1,554
Cash and Cash Equivalents	16	21
Total	**1,810**	**1,748**

The Solvency II valuation for each material class of investment asset for OMWLA as at 31 December 2019 is as follows:

Investment Type	Total Solvency II Value 2019 £m
Bonds	132
Collective Investment Holdings	207
Deposits other than cash equivalents	30
Assets Held for Index-Linked and Unit-Linked Contracts	8,515
Loans and Mortgages	290
Cash and Cash Equivalents	16
Total	**9,190**

The Solvency II valuation for each material class of other asset as at 31 December 2019 is as follows:

Group £m	2019	2018
Reinsurance recoverables	2,158	952
Insurance and intermediaries receivables	118	21
Reinsurance receivables	175	150
Receivables (trade, not insurance)	255	245
Other assets	108	1
Total	**2,814**	**1,369**

£m	ReAssure Limited 2019	ReAssure Limited 2018	Ark Life 2019	Ark Life 2018	OMWLA 2019
Reinsurance recoverables	508	589	442	363	993
Insurance and intermediaries receivables	180	21	-	-	33
Reinsurance receivables	121	147	24	3	31
Receivables (trade, not insurance)	181	191	-	2	9
Other assets	79	1	-	-	-
Total	**1,069**	**949**	**466**	**368**	**1,066**

Valuation methodologies described below are adopted at both a solo and a Group level.

2. VALUATION BASES, METHODOLOGIES AND MAIN ASSUMPTIONS FOR EACH MATERIAL ASSET CLASS

VALUATION BASES

The Group values its assets at fair value in line with IFRS accounting standards. In circumstances where the adoption of more than one valuation basis is permitted, the basis chosen is consistent with the economic valuation principles prescribed by Solvency II. The methodologies for ascertaining fair value are described in more detail below.

VALUATION METHODOLOGIES

The vast majority of the Group assets are priced using Quoted Market Prices (QMP) available from actively priced markets. The Group also prices assets by referring to Quoted Market Prices for similar assets in active markets (QMPS). For the Group assets that have a relatively low market liquidity, the Alternative Valuation Method (AVM) is applied. AVM is typically used to determine a best estimate for certain assets where quoted market prices are unobtainable. AVM techniques rely on models that apply benchmarks, extrapolated or otherwise calculated, as far as possible, from available market inputs. Although the application of AVMs can be subjective, their use in the Group is consistent and carried out under a controlled environment with input from experienced professionals. Property valuations are free of mortgage, charge or other debt security and therefore no deductions are made for such charge or debt.

VALUATION ASSUMPTIONS

Assets are valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. All assets are valued separately and on a going concern basis. The valuation information produced and retained is complete, accurate and reliable. The principle method for valuing the Group assets is the utilisation of QMP. Where an exchange market is closed, due to national holiday or otherwise, the last available price from the preceding trading day is used.

LISTED EQUITIES

All equities, including foreign equities, are valued on a closing price basis. Foreign equities are quoted in the currency of the country in which they are listed and subsequently converted to sterling using the exchange rate supplied from the valuation date.

UNIT TRUSTS AND OPEN ENDED INVESTMENT COMPANY FUNDS

UK authorised unit trusts are valued at bid price. Holdings in open ended investment company funds (OEICs) are valued at the single quoted price for such funds. Underlying assets to these funds use fair value prices.

GOVERNMENT BONDS

Government bonds are valued on a closing bid price basis.

CORPORATE BONDS

Corporate bonds are priced using a closing bid price basis. The majority of corporate bonds held are priced using QMP although a small and immaterial number of assets are priced using AVM due to lack of publicly available prices in the market.

ASSETS HELD FOR INDEX AND UNIT LINKED FUNDS

Assets held for index and unit linked funds are valued at the bid price of the funds. Underlying assets to these funds use fair value prices.

COLLATERALISED SECURITIES

Collateralised securities are generally valued at bid price using QMP. A small number of illiquid securities are valued using AVM.

MORTGAGES AND LOANS

Commercial mortgages and loans (including infrastructure loans) will not usually be traded in an open market and hence will not have an observable price. These investments will be valued using AVM. The price for such investments is calculated by taking the projected cash flows for the investment and applying a suitable discount factor based with an allowance for illiquidity built in over the benchmark government rate. The valuation will take into account any expected impairment to the prospective cash flows.

CASH AND DEPOSITS

Certificates of deposit mainly comprise of money market instruments that have a duration term of twelve months or less. Under IFRS, these holdings are classed as cash equivalents and as such, QMP methodology is not applied. The carrying value of cash and cash equivalents is equal to their fair value. Access to cash and bank deposits is on demand or within one business day.

PROPERTY

Investment property consists of land and buildings held for investment purposes to generate rental income and/or capital appreciation. All properties are priced monthly by professional advisers on an open market value basis, as determined by the Royal Institution of Chartered Surveyors (RICS) using an Alternative Valuation Method. A Group subsidiary is also a limited partner in an Equity Release Investment Plan (ERIP) scheme that holds a reversionary interest in a portfolio of residential properties. These properties are individually valued every two years on a rolling basis by appointed professional advisers in accordance with RICS professional standards. In the interim period informal valuations are conducted monthly, applying the Nationwide Building Society regional index to the last available valuations. The market values of properties are then adjusted to reflect that ReAssure owns a reversionary rather than immediate interest in the property. This adjustment is calculated by estimating both the time until the transfer of the asset and the value of expected cash flows discounting to the valuation date.

DERIVATIVES

Where derivative holdings are openly traded in an active market they are valued at open market price. That price taken would be the available mid, trade or settle price for the derivative contract. Certain derivative holdings do not have open market prices to reference. Where this is the case they are valued by an alternative valuation method, which would source price information from a suitable model. The substantial majority of derivatives held at year end were valued using QMP.

HOLDINGS IN RELATED UNDERTAKINGS

Where they are not required to be fully consolidated holdings in related undertakings are valued on the adjusted equity method as required by the Solvency II regulations.

IMMATERIAL ASSET CLASSES

Those asset classes remaining such as unlisted equities, private placements and unquoted bonds are low value in proportion to the overall asset portfolio and apply Quoted Market Price for Similar Assets and/or AVM, where appropriate.

REINSURANCE RECOVERABLES

The amount of reinsurance recoverable is calculated separately and consistently with the contract boundary definition of the reinsured liability. Amounts recoverable are adjusted for the probability of default of the counterparty.

TRADE, INSURANCE AND REINSURANCE RECEIVABLES

Assets are recorded at fair value, which is their nominal amount adjusted for the probability of default of the counterparty.

PRESENT VALUE IN FORCE

Intangible assets are valued at zero unless the intangible assets can be sold separately and it can be demonstrated that there is value for the same or similar assets (i.e. that a value has been derived from quoted prices in active markets). None of the Group intangibles have been assessed as meeting this criteria and therefore these are valued at zero. For IFRS, all intangible assets are measured on the balance sheet at cost less accumulated amortisation and any impairment loss recognised to date. This results in a £562 million (2018 - £436 million) difference due to the different valuation basis used for Solvency II purposes and that used for IFRS.

DEFERRED ACQUISITION COSTS

Deferred acquisition costs reported are on the IFRS balance sheet and comprise the direct and indirect costs of obtaining and processing new insurance business, including ceding commission paid on risk transfer agreements.

Deferred acquisition costs are valued at zero for Solvency II unless they can be sold separately and it can be demonstrated that there is value for the same or similar assets (i.e. that a value has been derived from quoted prices in active markets). This does not meet the above criteria and therefore they are valued at zero.

3. MATERIAL DIFFERENCES BETWEEN SOLVENCY II AND FINANCIAL STATEMENT VALUES FOR EACH MATERIAL ASSET CLASS

For each material asset class, no significant differences exist between the bases used, methodologies adopted or assumptions applied for solvency valuation purposes and those used for the financial statements valuation either in individual company financial statements or at the Group level. In accordance with the valuation regulations intangible assets relating to the present value of future profits and deferred acquisition costs that are valued in the financial statements have been ascribed a nil value in the Solvency II balance sheet.

4. CRITERIA USED TO ASSESS WHETHER FINANCIAL MARKETS ARE INACTIVE

Listed equities, unit trusts and OIECs are assumed to be traded in active markets, unless a listing is suspended or the fund manager advises of the existence of any trading restrictions. Certain corporate bond holdings are deemed not to be actively traded. This conclusion is made following advice from the fund manager who considers array of factors including the number of investors holding the asset, frequency of trades and units in issue. Where an asset is deemed not to be traded in an active market it is priced using an appropriate pricing model. Further details of models and approaches used in pricing illiquid assets are set out in section D4.

5. HOLDINGS IN RELATED UNDERTAKINGS

Holdings in insurance entities, ancillary service undertakings and undertakings carrying out financial activities are included on a fully consolidated basis, with the Solvency II balance sheet reflecting the underlying assets and liabilities of those undertakings. The Group has a small number of other non-regulated entities. The Group investment in these is equity accounted for in line with the Solvency II valuation principles.

6. CHANGES MADE TO RECOGNITION OR VALUATION BASES IN THE PERIOD

There were no changes made to the recognition or valuation bases in the period.

D2: TECHNICAL PROVISIONS

1. VALUE OF TECHNICAL PROVISIONS

A summary of the Technical Provisions for the Group calculated as at 31 December 2019 and 31 December 2018 is shown in the tables below. The RAL Solo results include the Technical Provisions relating to the reinsurance arrangement with L&G following the acquisition of its Mature Savings business on 6 December 2017. The results for 2019 include the acquisition of OMWLA by the Group and also the impact of an intra-group reinsurance arrangement between RAL and OMWLA where RAL is reinsuring the OMWLA business that had not previously been ceded at the point of acquisition with the exception of unit-linked reserves which have not been reinsured.

The following are unaudited for Group, RAL and Ark Life: Risk Margin, Transitional on Technical Provisions, Total Technical Provisions and Technical Provisions allowing for Reinsurance Recoverable.

Technical Provisions 2019 £m	ReAssure Limited	Ark Life	OMWLA	Group Adjustments	Total
Technical Provisions calculated as a whole	19,802	1,589	9,183	-	30,574
Gross BEL	15,264	392	323	914	16,893
Risk margin	1,374	40	11	-	1,425
Transitional on Technical Provisions	(844)	-	-	-	(844)
Total Technical Provisions	**35,596**	**2,021**	**9,517**	**914**	**48,048**
Reinsurance Recoverable	(508)	(442)	(993)	(215)	(2,158)
Technical Provisions allowing for Reinsurance Recoverable	35,088	1,579	8,524	699	45,890

Technical Provisions 2018 £m	ReAssure Limited	Ark Life	Group Adjustments	Total
Technical Provisions calculated as a whole	18,409	1,534	-	19,943
Gross BEL	15,665	333	571	16,569
Risk margin	1,397	40	-	1,437
Transitional on Technical Provisions	(772)	-	-	(772)
Total Technical Provisions	**34,699**	**1,907**	**571**	**37,177**
Reinsurance Recoverable	(589)	(363)	-	(952)
Technical Provisions allowing for Reinsurance Recoverable	34,110	1,544	571	36,225

ReAssure Limited Technical Provisions split by line of business are as follows:

RAL Line of Business 2019 £m	With Profit	Unit-linked	Other Life	Health
Technical Provisions calculated as a whole	-	19,795	-	7
Gross BEL	3,073	(972)	12,975	188
Risk margin	35	144	1,179	16
Transitional on Technical Provisions	(23)	(82)	(730)	(9)
Total Technical Provisions	**3,085**	**18,885**	**13,424**	**202**
Reinsurance Recoverable	(3)	-	(502)	(3)
Technical Provisions allowing for Reinsurance Recoverable	3,082	18,885	12,922	199

RAL Line of Business 2018 £m	With Profit	Unit-linked	Other Life	Health
Technical Provisions calculated as a whole	-	18,394	-	15
Gross BEL	2,972	(971)	13,443	221
Risk margin	35	202	1,136	24
Transitional on Technical Provisions	(15)	(101)	(644)	(12)
Total Technical Provisions	**2,992**	**17,524**	**13,935**	**248**
Reinsurance Recoverable	(3)	-	(583)	(3)
Technical Provisions allowing for Reinsurance Recoverable	2,989	17,524	13,352	245

Ark Life Technical Provisions split by line of business are as follows:

ARK Line of Business 2019 £m	With Profit	Unit-linked	Other Life	Health
Technical Provisions calculated as a whole	-	1,589	-	-
Gross BEL	-	(38)	411	19
Risk margin	-	14	24	2
Transitional on Technical Provisions	-	-	-	-
Total Technical Provisions	**-**	**1,565**	**435**	**21**
Reinsurance Recoverable	-	-	(419)	(23)
Technical Provisions allowing for Reinsurance Recoverable	-	1,565	16	(2)

ARK Line of Business 2018 £m	With Profit	Unit-linked	Other Life	Health
Technical Provisions calculated as a whole	-	1,534	-	-
Gross BEL	-	(36)	353	16
Risk margin	-	14	23	3
Transitional on Technical Provisions	-	-	-	-
Total Technical Provisions	**-**	**1,512**	**376**	**19**
Reinsurance Recoverable	-	-	(340)	(23)
Technical Provisions allowing for Reinsurance Recoverable	-	1,512	36	(4)

OMWLA Technical Provisions split by line of business are as follows:

OMWLA Line of Business 2019 £m	With Profit	Unit-linked	Other Life	Health
Technical Provisions calculated as a whole	-	9,176	-	7
Gross BEL	-	(331)	661	(7)
Risk margin	-	11	-	-
Transitional on Technical Provisions	-	-	-	-
Total Technical Provisions	**-**	**8,856**	**661**	**0**
Reinsurance Recoverable	-	(344)	(658)	9
Technical Provisions allowing for Reinsurance Recoverable	-	8,512	3	9

The total Technical Provisions consist of Technical Provisions calculated as a whole, which is the value of the unit funds for all unit-linked policies, the BEL, the Risk Margin and any Transitional Measures on Technical Provisions (TMTP).

The Group has approval to apply TMTP in order to provide a smooth transition between the Technical Provisions under the previous Solvency I regulatory regime and the Technical Provisions under the Solvency II regulatory regime. The TMTP was recalculated at 31 December 2019 as required every two years from the inception of the Solvency II regime. The impact of the OMWLA acquisition is captured in this recalculation.

Contributing to the total Technical Provisions in the Group at 31 December 2019 are: the Technical Provisions for the Solo ReAssure legal entity (RAL), the Technical Provisions for the Ark Life and OMWLA Solo legal entities, and Group adjustments including some additional expense provisions that are allowed for at Group level and a consolidation adjustment to remove the OMWLA IGR in the Group presentation of Gross BEL and Reinsurance Recoverable.

There are no material adjustments to individual Technical Provisions in the calculation of the Group Technical Provisions.

2. BASES AND METHODOLOGY – BEL

OTHER LIFE AND HEALTH BUSINESS

This comprises non-linked non-profit business. The BEL corresponds to the probability-weighted average of future policyholder 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, with allowance for, where appropriate, a Matching Adjustment or Volatility Adjustment. The calculation is conducted at a per-policy level for all non-linked non-profits business.

The cash-flow projections include all the cash in- and out-flows required to settle the insurance and reinsurance obligations over the lifetime of the policy.

UNIT-LINKED BUSINESS

For unit-linked business, the value of the units is included in Technical Provisions calculated as a whole. The discounted value of future profits arising from unit-linked business is shown in the BEL (where it is negative being an asset to the Group). Future profits arise from the difference between income items such as premium margins, management charges on the internal linked funds, deductions for cost of mortality and morbidity benefits and policy fees, and outgo items such as claims in excess of unit value, expenses and cost of mortality and morbidity benefits. The calculation is conducted at a per-policy level for unit-linked business.

WITH-PROFITS BUSINESS

For with-profits business, the BEL consists of the asset share plus an allowance for the cost of options and guarantees.

The asset shares represent the underlying value of a with-profit investment and are calculated by accumulating historical premiums paid, return on assets backing asset shares and deductions made. With-profits policies may have minimum maturity or surrender value guarantees. Some policies have annuity guarantees, principally guaranteed minimum rates for conversion of maturity value to an annuity.

For the With-Profit Fund ('WPF') and the National Mutual With-Profit Fund ('NMWPF'), the cost of guarantees is modelled stochastically. The cash flow projections use an Economic Scenario Generator ('ESG'). The projections use model points representing groups of similar policies (rather than individual policy data) for practical reasons.

In the Guardian Assurance With-Profit Fund ('GAWPF') the assets are closely matched to the liabilities and that allows the liabilities, including policy options and guarantees, to be calculated on a deterministic basis.

3. DISCOUNT RATES AND INFLATION ASSUMPTIONS

Discount rates are determined by reference to basic risk-free interest rates prescribed by EIOPA. These have a term structure, so vary by time, for each currency. The basic risk-free interest rate curve may be adjusted upwards for illiquidity, via a Matching Adjustment or a Volatility Adjustment (but not both), with the result referred to as the relevant risk-free rate term structure.

A Matching Adjustment is applied to certain blocks of the Group's annuity business. The calculation of this is prescribed by EIOPA, although the result depends on the actual spreads on the Matching Portfolio of assets, and the credit quality of those assets. During 2019, additional assets and liabilities were added into the MA Fund under the terms of the existing MA approval. The resulting MA rate applied to the MA Fund at 31 December 2019 is 0.79% (2018: 1.05%).

Where a Volatility Adjustment is included in the discount rate, the rate is prescribed by EIOPA, and at 31 December 2019 is 0.15% per annum for the next 50 years reducing to 0.056% per annum over the following 100 years (2018: 0.27% per annum for the next 50 years reducing to 0.101% per annum over the following 100 years).

Ark Life and OMWLA do not apply a Matching Adjustment or a Volatility Adjustment to the discount rate used for Solvency II Technical Provisions.

An assumption is made about future rates of inflation to be applied, in particular to expenses and certain payments to policyholders that increase in line with the value of a specified index (for example, ReAssure uses an RPI assumption which is set based on information published by the Bank of England).

4. DEMOGRAPHIC AND EXPENSE ASSUMPTIONS

Best estimate demographic and persistency assumptions are generally set with regard to recent Group experience, but consideration may also be given to expert judgement, industry practice and market information.

The most material demographic assumption is the longevity basis for non-profit annuities in payment and deferred annuity liabilities. For standard lives annuities, this is expressed as a percentage of an industry-standard table of mortality rates for annuitants, together with an assumption about future improvements in mortality rates.

Policy expenses are determined with reference to Management Service Agreements in place between the legal entities included in the Group and a number of service companies (some of them external and some controlled by the

Group) to provide policy administration and support services. In addition, assumptions are made about payments to investment firms in return for the management of investments.

An assessment of the future overall expenses expected to be incurred by the Group for the administration of insurance contracts (directly or through holding the service companies) and the expense allowances made at legal entity level is carried out at the valuation date. The Group analyses the actual business costs by function in the twelve months ending 30 June prior to the year-end and assesses any additional costs expected to arise during the year following the valuation date to derive a best estimate assessment of costs both of a recurring nature and one-off in nature. These are used to establish the overall Solvency II provision for expense overrun for the lifetime of the contracts in RAL and OMWLA. This entails allocating expenses of the Group that relate to the administration of the in-force insurance business in RAL. For 31 December 2019, an extensive reassessment was undertaken of both the Group expenses and the allocation methodology to more closely reflect the structure of the Group. In respect of OMWLA, expense assumptions reflect the costs underlying the Transitional Services Agreement and a best estimate assessment of the costs after migration, allowing for both transition expenses and ongoing administration, as well as an allowance for a share of the overheads of the Group.

In determining the Group expense provisions at the valuation date a share of expenses is allocated to existing RAL policies (as either the direct costs of administering that business or a share of expenses relating to Group functions, so excluding those expenses relating either to the acquisition of future deals or to administration of the business of third parties). These are projected over the lifetime of the existing RAL policies following an appropriate pattern of run-off and discounted, with the best estimate liability at Group level set as the excess over the expense provision already held in the RAL legal entity. Costs allocated to OMWLA policies are projected in a similar way from the point of migration.

Reassessment at 31 December 2019 of the Group cost base and a higher allocation of Group expenses to in-force business led to a rise to the technical provision held for expenses. Additionally, further consideration was given to the potential impact of the Group's business model on increasing the allocation of costs to in-force business in the short term. The best estimate assessment of the Group is that it will continue to acquire new blocks of business enabling it to maintain a stable level of policies, so that the share per policy of overheads does not increase. However, acquisitions can take some time to complete, so a significant addition was made to the technical provision to allow for the strain from growth strategy costs falling on in-force business in the short term.

5. MATERIAL CHANGES IN ASSUMPTIONS

Material changes to assumptions made since the last reporting period are listed below:

- Discount rates are based on the EIOPA risk-free term structure increased by the Matching Adjustment or Volatility Adjustment for certain blocks of business. The impact of changes in these rates resulted in an increase in Technical Provisions of £1,004 million;
- Changes to demographic assumptions have decreased the Technical Provisions by £200 million. Most of this impact is due to the change in the longevity assumptions;
- The revision of the Group expenses model during 2019, as described in section 4, resulted in Technical Provisions increasing by £143 million; and
- Changes in the investment management expenses assumptions resulted in an increase in Technical Provisions of £34 million.

6. BASES AND METHODOLOGY – RISK MARGIN (UNAUDITED)

The Risk Margin represents the cost of capital that would be added to the BEL to arrive at a fair value of the liabilities i.e. the price at which a notional purchaser (the "reference undertaking") would take on the liabilities assuming a rational market. The rate used in the determination of the cost of providing that amount of eligible Own Funds (cost of capital rate) is the same for all insurance undertakings and is defined in the Solvency II regulations as 6% per annum.

7. LEVEL OF UNCERTAINTY WITHIN THE TECHNICAL PROVISIONS

The calculation of Technical Provisions involves predicting future cash flow payments (income and outgo). Some of these values are known amounts, but others have to be estimated using existing information and judgement about future conditions. There is a significant degree of uncertainty around the best estimate assumptions used to determine future cash flow payments. These assumptions contain uncertainties, such as economic performance, timing of insured events such as policyholder deaths, and other factors that cannot be known in advance. Hence the amount of cash-flows and their current values may be higher or lower than those calculated.
The assumptions that are subject to the greatest uncertainty are:

- Assumption for remaining life expectancy of annuitants – ReAssure Limited has a significant block of annuity business for which the Technical Provisions calculation requires an estimate for the length of time over which annuities will be paid, which could extend for many years into the future. Future mortality rates are inherently uncertain so actual annuity payments will differ from those assumed;
- Policyholder behaviour – Policyholders' decisions to terminate policies early are subject to a range of causes that cannot be predicted with confidence. Companies in the Group set persistency assumptions using recent years' experience of policyholder behaviour. Future developments, such as changes in regulation or economic outlook, can lead to actual persistency experience being higher or lower than that assumed; and
- Economic assumptions – There is considerable uncertainty around future economic conditions, which can lead to investment performance being materially different to that assumed.

8. COMPARISON TO VALUATION FOR FINANCIAL STATEMENTS

At 31 December 2019, the gross Technical Provisions for the Group calculated under the IFRS basis were £52,211 million (2018: £40,694 million) and the gross Technical Provisions for Solvency II were £48,048 million (2018: £37,177 million). Summary Technical Provisions are shown in the tables below.

The Total Technical Provisions line in the below tables are unaudited.

2019 £m	ReAssure Limited	Ark Life	OMWLA	Group Adjustments	Total
Technical Provisions in financial statements	39,402	2,274	9,857	678	52,211
Valuation differences	(3,806)	(253)	(340)	236	(4,163)
Total Technical Provisions	**35,596**	**2,021**	**9,517**	**914**	**48,048**

2018 £m	ReAssure Limited	Ark Life	Group Adjustments	Total
Technical Provisions in financial statements	37,981	2,065	648	40,694
Valuation differences	(3,282)	(158)	(77)	(3,517)
Total Technical Provisions	**34,699**	**1,907**	**571**	**37,177**

A breakdown of ReAssure Limited Technical Provisions by type of business is shown below.

2019 £m	With Profit	Unit Liabilities and VIF	Non Profit	ReAssure Limited Total
Technical Provisions in financial statements	3,622	19,802	15,978	39,402
Valuation differences	(537)	(943)	(2,326)	(3,806)
Total Technical Provisions	**3,085**	**18,859**	**13,652**	**35,596**

2018 £m	With Profit	Unit Liabilities and VIF	Non Profit	ReAssure Limited Total
Technical Provisions in financial statements	3,466	18,410	16,105	37,981
Valuation differences	(474)	(951)	(1,857)	(3,282)
Total Technical Provisions	**2,992**	**17,459**	**14,248**	**34,699**

The material items making up the difference of £4,163 million between the IFRS Technical Provisions and the Technical Provisions for Solvency II at 31 December 2019 are described below:

- Future distribution of the estate for the with-profit funds of £588 million is included in the IFRS Technical Provisions but excluded for Solvency II;
- Unit-linked value of in-force business (VIF) of £1,386 million is not recognised in the financial statements, but is recognised under Solvency II;
- Prudential margins of £643 million are included under IFRS but not under Solvency II;
- Solvency II Technical Provisions reduced by Transitional Measures of £844 million;
- L&G Solvency II impact of £671 million is not included under IFRS; and
- Group expenses provision under IFRS is £70 million higher than under Solvency II.

The value of the in-force business in OMWLA is part of the valuation difference between IFRS and SII at Group level, and includes £306 million which is part of the OMWLA IGR. The IGR is not included in the Group Technical Provisions as it is eliminated when RAL and OMWLA are consolidated in RGP. In the RAL Solo comparison, the value of the IGR is included in the non-profit valuation difference.

9. REINSURANCE RECOVERABLES

The legal entities within the Group have entered into a number of reinsurance arrangements. The reinsurance ceded predominately relates to annuity business in the form of longevity swaps, and quota share reinsurance, and also contains reinsurance of certain protection business. In the valuation of ceded reinsurance, the counterparty risk is considered.

10. MATCHING ADJUSTMENT

A Matching Adjustment is applied to certain blocks of the Group’s annuity business. The calculation of this is prescribed by EIOPA, although the result depends on the actual spreads on the Matching Portfolio of assets, and the credit quality of those assets. During 2019 additional assets and liabilities were added into the combined MA Fund under the terms of the existing MA approval. The resulting MA rate applied to the MA Fund at 31 December 2019 is 0.79% (2018: 1.05%).

During 2019 additional assets and liabilities were added into the MA Fund under the terms of the existing Matching Adjustment approval ('MA extension'). The reduction in the BEL and Solvency Capital Requirement (SCR) as a result of the MA extension were offset by a reduction in TMTP. The reduction in the Capital Management Buffer as a consequence of the lower SCR is not offset by a change in TMTP.

Ark Life and OMWLA do not apply any Matching Adjustment.

The table below shows the effect of the Matching Adjustment on the Group's financial position as at 31 December 2019.

The Technical Provisions and Solvency Capital Requirement lines in the below table are unaudited.

Impact of Matching Adjustment £m	With Matching Adjustment	Without Matching Adjustment	Difference
Technical Provisions	(48,048)	(49,031)	(983)
Solvency Capital Requirement	(3,175)	(4,880)	(1,705)
Minimum Capital Requirement	(756)	(1,182)	(426)
Basic Own Funds	4,824	4,002	(822)
Own Funds eligible to cover SCR	4,824	4,002	(822)
Own Funds eligible to cover MCR	3,973	3,151	(822)

The table above shows that in the scenario where the Group is not able to take credit for the Matching Adjustment, it would not have sufficient resources to cover the Solvency Capital Requirement. In this event, the Group would seek to implement the following actions in order to restore compliance:

- Restore its capital position through a capital injection from Swiss Re Group;
- Reduce its credit risk exposure through corporate bonds and other credit assets and match the liabilities with assets with a lower risk profile;
- Seek to further hedge its equity and property risk; and
- Explore the opportunity to reduce longevity risk of their blocks of annuities through reinsurance arrangements.

11. VOLATILITY ADJUSTMENT

The Volatility Adjustment is applied to certain annuities in the ReAssure Limited Non-Profit Fund and for all future policy holder-related liabilities in the NMWPF and WPF.

The table below shows the effect of the Volatility Adjustment on the Group financial position at 31 December 2019.

The Technical Provisions and Solvency Capital Requirement lines in the below table are unaudited.

Impact of Volatility Adjustment £m	With Volatility Adjustment	Without Volatility Adjustment	Difference
Technical Provisions	(48,048)	(48,093)	(45)
Solvency Capital Requirement	(3,175)	(3,182)	(7)
Minimum Capital Requirement	(756)	(758)	(2)
Basic Own Funds	4,824	4,799	(25)
Own Funds eligible to cover SCR	4,824	4,799	(25)
Own Funds eligible to cover MCR	3,973	3,948	(25)

Ark Life and OMWLA do not apply any Volatility Adjustment.

12. TRANSITIONAL MEASURES (UNAUDITED)

No Group company has applied the transitional risk-free interest rate structure allowed by regulations.

ReAssure has applied the TMTP as a deduction to Technical Provisions as allowed by Article 308d.

Ark Life and OMWLA have not applied any TMTP.

The table below shows the effect of the TMTP on the Group financial position at 31 December 2019.

Impact of Transitional Measures to Technical Provisions (TMTP) £m	With TMTP	Without TMTP	Difference
Technical Provisions	(48,048)	(48,892)	(844)
Solvency Capital Requirement	(3,175)	(3,303)	(128)
Minimum Capital Requirement	(756)	(788)	(32)
Basic Own Funds	4,824	4,133	(691)
Own Funds eligible to cover SCR	4,824	4,133	(691)
Own Funds eligible to cover MCR	3,973	3,282	(691)

ReAssure applied to recalculate the TMTP at 31 December 2018 because of gaining approval to use a PIM for the calculation of the Solvency II Risk Margin and SCR.

The TMTP was recalculated again at 31 December 2019 as required every two years from the inception of the Solvency II regime. The impact of the OMWLA IGR transaction is captured in this recalculation.

There is no adjustment at Group level to the TMTP used at ReAssure Solo level.

13. SIMPLIFICATIONS

There are no significant simplifications used in the valuation of the Technical Provisions.

D3: OTHER LIABILITIES

1. VALUATION OF OTHER LIABILITIES

Solvency II value for each material class of other liabilities for the Group as at 31 December 2019 is as follows:

Other Liabilities £m	Solvency II Value 2019	Solvency II Value 2019
Derivatives	**128**	**110**
Deferred Tax	**263**	**250**
Deposits from Reinsurers	**100**	**104**
Claims admitted but not yet paid	401	235
Unallocated policyholder receipts, commission and insurance refunds due	30	30
Insurance and intermediaries payables	**431**	**265**
Reinsurance payables	**160**	**127**
Due for investment purchases	80	159
Other trade payables	335	183
Payables (trade not insurance)	**415**	**342**
Subordinated liabilities in BOF	**1,002**	**-**
Other Liabilities	**36**	**2**
Total	**2,535**	**1,200**

Solvency II value for each material class of other liabilities for ReAssure Limited as at 31 December 2019 is as follows:

Other Liabilities £m	Solvency II Value 2019	Solvency II Value 2019
Derivatives	**43**	**12**
Deferred Tax	**348**	**239**
Deposits from Reinsurers	**100**	**103**
Claims admitted but not yet paid	229	234
Unallocated policyholder receipts, commission and insurance refunds due	30	30
Insurance and intermediaries payables	**259**	**264**
Reinsurance payables	**148**	**122**
Amounts due to Group companies	213	348
Due for investment purchases	50	159
Other trade payables	23	54
Payables (trade not insurance)	**286**	**561**
Other liabilities	**36**	**2**
Total	**1,220**	**1,303**

Other liabilities for Ark Life as at 31 December 2019 are as follows:

Other Liabilities £m	Solvency II Value 2019	Solvency II Value 2019
Debts owed to credit institutions	**11**	**6**
Claims admitted but not yet paid	33	-
Unallocated policyholder receipts, commission and insurance refunds due	-	-
Insurance and intermediaries payables	**33**	**-**
Reinsurance payables	**4**	**5**
Amounts due to Group companies	-	-
Due for investment purchases	-	-
Other trade payables	9	9
Payables (trade not insurance)	**9**	**9**
Other liabilities	**1**	**-**
Total	**58**	**20**

Other liabilities for OMWLA as at 31 December 2019 are as follows:

Other Liabilities £m	Solvency II Value 2019
Deferred Tax	**73**
Claims admitted but not yet paid	140
Unallocated policyholder receipts, commission and insurance refunds due	-
Insurance and intermediaries payables	**140**
Reinsurance payables	**103**
Amounts due to Group companies	-
Due for investment purchases	-
Other trade payables	7
Payables (trade not insurance)	**7**
Other liabilities	**-**
Total	**323**

2. VALUATION BASES, METHODOLOGIES AND MAIN ASSUMPTIONS FOR EACH MATERIAL ASSET CLASS

Other liabilities are valued at the transaction price on initial recognition. This is considered to be a fair economic value consistent with Solvency II principles. At the reporting date all amounts, with the exception of the subordinated debt, are payable within one year and liabilities are recorded at the undiscounted cash amount to be paid.

Claims amounts due are calculated based on the contractual amount payable under the policy at the date of the liability event plus any interest that is due to the policyholder for late payment. The Group holds amounts for claims due where contact with the policyholder has been lost, although considerable efforts are made to contact any policyholders to whom amounts may be due.

Collateral posted held within other liabilities represents amounts received under a contract of reinsurance. Amounts received give the Group security over amounts that are expected to be due under the contract at a future date, given current conditions and assumptions.

Amounts due for corporation tax are based on estimated calculations of amounts due until the liability has been agreed with HMRC at which point provision is made for the actual amount payable. Estimated amounts due are based on internal calculations of liability based on understanding of the current legislative framework.

On initial recognition subordinated debt was valued at the amount of consideration received. Fees and expenses connected with the raising of the debt finance were not be capitalised but were expensed immediately. At the balance sheet reporting date the debt has been revalued to fair value, taking into account interest rate changes since initial recognition. No deduction has been made from the valuation rate for own credit standing. In the IFRS financial statements the debt raising fees were capitalised resulting in a difference between the Solvency II valuation and the IFRS valuation of subordinated debt.

Other liabilities are valued in accordance with economic valuation principles and so the valuations are appropriate for Solvency II. Therefore, there are no differences between the values used in the financial statements and the valuation for solvency purposes.

3. DEFERRED TAX ASSETS AND LIABILITIES

DEFERRED TAX ASSETS AND LIABILITIES ON PROFIT CALCULATIONS

Deferred tax assets or liabilities are recognised in relation to timing differences in between the recognition of an item of profit or revenue in the Solvency II income statement account and the point at which the item of profit or loss is recognised for tax purposes.

Deferred tax assets and liabilities are also recognised for all deductible temporary differences, unrealised tax gains, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Changes to the mainstream corporation tax rate were enacted in Finance Act 2016, and therefore been reflected in Solvency II valuation tax rate assumptions. Under the Finance Act, the rate of corporation tax will fall to 17% with effect from 1 April 2020. Accordingly, deferred tax balances have been measured at 17%.

The UK Government announced its attention to withdraw the reduction in UK corporation tax to 17% and stabilise the rate at 19%. This was substantively enacted on 17 March 2020 for periods beginning on or after 1 January 2020. The change is expected to have a positive effect on the Group’s solvency position.

NON-PROFIT BUSINESS

Deferred tax liabilities and assets are calculated as follows for the non-profit business trading profits:

a) Solvency II technical provisions are compared to the corresponding IFRS amounts, to compute the deferred tax timing differences between the two bases;

b) Deferred tax assets are recognised for tax reliefs that are expected to be available in future periods, namely the ‘transitional relief’ granted following a change to the tax regime in 2013 and relief expected from expensing of the business acquisitions IFRS Value of in force;

c) Deferred tax assets are recognised in respect of the value of excess expenses, acquisition costs and capital losses that are available to reduce future life tax charges. This is justified by reference to realistic projections of future profits that predict the quantum of these assets that will be utilised against taxable profits within 15 years;

d) Deferred tax liabilities are provided in relation to unrealised chargeable gains that are expected to crystallise taxable profits in future periods.

WITH-PROFIT BUSINESS

Deferred tax in respect of trading profits for the three with-profits funds:

a) Deferred tax does not arise in relation to the trading profits of the National Mutual With Profit Fund (NMWPF) because this is a mutual fund with no shareholder surplus entitlement, so there are no differences between the Solvency II and IFRS balance sheets that could affect the shareholder profits.

b) A deferred tax liability is recognised in relation to the difference between the IFRS shareholder equity and Solvency II future shareholder funds.

c) Other deferred tax assets and liabilities in relation to items b) – d) described above for the non-profit business apply, as appropriate, to the with profit business.

DEFERRED TAX BALANCES

The Group has recognised a deferred tax liability of £263.5 million at 31 December 2019. The balance is made up of the following items:

Deferred Tax Liability	£m
Deferred tax on liability differences	(352.9)
RGP debt	4.6
Group expense provision	118.8
Transitional Adjustments	10.6
Deferred acquisition costs	13.8
Acquisition expenses	13.6
Unrealised chargeable gains	(132.0)
Ark Life	(0.3)
Other	0.2
Capital losses	25.6
Group diversification	34.5
Deferred tax liability	(263.5)

In a change to the presentation adopted for 2019, the deferred tax assets that relate to the trading profits (i.e. non-life insurance specific) are offset against the equivalent trading profits deferred tax liabilities in accordance with EIOPA guidance.

4. SOLVENCY II OTHER PROVISIONS

The Group held provisions of £27 million at the year end. The Group has made provisions of £12m for restructuring costs including £10m that will arise on the full legal transfer of L&G policies to the Group. As a result of an internal thematic review, a provision of £8m is being held in respect of charges for the attached benefits of paid-up policies. In addition the Group holds a number of other property, legal and other provisions totalling £7m.

5. EMPLOYEE BENEFITS

ReAssure Group plc is the sponsor of one defined benefit scheme, the ReAssure Re Staff Pension Scheme ('RSPS'), which is closed to future accruals. The scheme had just under 3,000 members at 31 December 2019. The Group also operates an unfunded unapproved retirement benefit scheme or private retirement trust for one deferred member.

In accordance with Solvency II regulations the company values its scheme assets and liabilities in accordance with International Accounting Standard 19. The net liability for the schemes in the Solvency II balance sheet at 31 December 2019 was £1.0 million (2018 - £13.4 million asset).

The key assumptions used in the valuation of the scheme liabilities were as follows:

Assumptions	2019	2018
Discount rate	2.0%	2.9%
Inflation rate (RPI)	3.2%	3.4%
Inflation rate (CPI)	2.2%	2.4%
Rate of increase in salaries	3.2%	3.4%
Rate of increase in pensions	3.2%	3.4%
Rate of increase in deferred benefits in deferment	2.2%	2.4%

Mortality	2019	2018
Longevity at age 60 for current pensioners		
• Men	28.4	28.6
• Women	29.8	30.1
Longevity at age 60 for future pensioners currently aged 45		
• Men	29.6	29.9
• Women	31.2	31.5

The fair value of the RSPS scheme assets is set out below:

£m	2019	2018
Equities	150	137
Bonds	128	113
Gilts	89	74
Secure income	38	38
Cash	17	22
Total assets	**422**	**384**

In addition the Group has made a contribution into an escrow account, the funds of which will be made available to the pension scheme should the scheme not achieve certain funding levels by 2025. The value in the escrow account at 31 December 2019 was £59 million. (2018: £42 million).

6. CHANGES MADE TO RECOGNITION OR VALUATION BASES IN THE PERIOD

There were no changes made to the recognition or valuation bases in the period.

7. MATERIAL DIFFERENCES BETWEEN SOLVENCY II AND FINANCIAL STATEMENT VALUES FOR EACH MATERIAL LIABILITY CLASS

Other than as described below for each material liability class, no significant differences exist between the bases used, methodologies adopted or assumptions applied for solvency valuation purposes and those used for the financial statements valuation in Group or Company financial statements.

The values for deferred tax liabilities are different for Solvency II and IFRS. As a result of the different technical provision calculations the timing of profit emergence and recognition is different under SII and IFRS. This results in different deferred tax liabilities.

D4: ALTERNATIVE METHODS FOR VALUATION

1. IDENTIFICATION OF ASSETS SUBJECT TO MARK TO MODEL VALUATION TECHNIQUES

All land and buildings held by the Group use a mark to model valuation technique. Illiquid investments such as commercial mortgages and infrastructure loans are valued using AVM. Other than properties and illiquid investments, an immaterial amount of assets, predominantly bonds, are valued using AVM. In addition, certain derivative positions are valued by alternative valuation techniques.

2. JUSTIFICATION FOR USING MARK TO MODEL TECHNIQUES FOR VALUING ASSETS

INVESTMENT PROPERTIES

Investment properties are subject to AVM due to the absence of a tradable financial market for which identical or similar properties are frequently exchanged to provide common and credible market prices. Investment properties are valued by specialists equipped with a wealth of available resources, wide-ranging expertise, access to a large array of market sensitive information and an up-to-date knowledge base. The valuers opinions of market values are primarily derived using recent and comparable market transactions on arm's length terms, where available. Properties are valued individually and not as part of a portfolio. Chartered Surveyors must comply with both the professional valuation standards prescribed by the Royal Institution of Chartered Surveyors (RICS) in addition to any relevant statutes or legal regulations.

ILLIQUID CORPORATE BONDS

The use of alternative valuation methods to price a small number of corporate bonds is justified because no actively traded market prices are available. Three different sources exist for valuing these bonds as the holdings reside within funds administered by separate groups pricing the assets. The method of pricing draws on the experience and knowledge of portfolio managers who work closely with a vast array of similar assets. The prices they provide are based on educated industry experience comparing similar assets and applying adjustment factors to arrive at a price which is deemed as accurate as can be without an available liquid market. Such valuation methodologies maintain sufficient independence from ReAssure around the pricing of these assets. Inclusion into the list is determined via advice from the fund manager. The fund manager considers an array of factors including the number of investors holding the asset, frequency of trades and units in issue.

MORTGAGES AND LOANS

The use of alternative valuation methods is necessary as these investments generally have no open market observable prices.

DERIVATIVES

Certain derivative positions held by the Group are more bespoke holdings often held to hedge very long term annuity liabilities. These may not have an active market and as a result there may be no open market price that can be used for valuation purposes. Where this is the case derivatives are valued on a mark to model basis.

3. DOCUMENTATION OF ASSUMPTIONS UNDERLYING THE MARK TO MODEL VALUATION

CHANGES IN VALUATION MODEL AND INPUTS USED

There have been no material changes during the period to valuation models or the inputs used.

INVESTMENT PROPERTIES

The Group uses property valuation experts to support the valuation of all investment property held within the property fund.

The process for valuing investment properties encompasses a degree of subjectivity in estimating the probability of realising expected future rental income and future resale values. Property valuations are broadly made using two types of assumptions;

- Property-specific assumptions (e.g. opinions of market rent); and
- Valuation assumptions (outlined in the annual valuation report, the contract and general terms of business).

Property valuation experts and surveyors adhere to the professional reference known as the RICS ‘Red Book’ when making valuation assumptions. The Red Book contains mandatory rules, best practice guidance and related commentary for all members of RICS conducting property valuations. It also offers a useful reference resource for valuation users and other stakeholders.

Valuations are based on the assumption of vacant possession and properties are subject to regular inspection. Valuation estimates reflect usual deductions in respect of purchasers’ costs, full liability for legal costs, agents’ fees and stamp duty applicable at valuation date. No provisions are made in the asset valuation for expenses of realisation, potential capital gains tax or VAT chargeable on disposal. It is assumed that there is good and marketable title and properties are free of mortgage, charge or other debt security with no deductions for such charge or debt. Properties are assumed to be in good structural condition, meeting statutory requirements and complying with planning regulation. It is assumed that properties are not, nor are likely to be, affected by land contamination and that there are no ground conditions which would affect the present or future uses of the properties. The emergence of categorical evidence regarding property contamination will be reflected in a property valuation.

CORPORATE BONDS

In pricing private placements, the Group outsources this task to its external fund managers. ReAssure’s fund managers are more adept to analysing assets at a granular level, in conjunction with industry experience of micro and macro market data, ultimately contributing to a value considered accurate and appropriate.

The fund managers’ models uses suitable gilts and bonds as a reference to derive an appropriate spread to apply. An additional spread is added to take account of any illiquidity and arrive at a suitable price. The illiquidity premium of the private placement corporate debt includes two components: market spread based on public corporate spreads having similar tenors; and an illiquidity spread determined by a reputable, market leading, vendor (based on the quality rating, average life and Treasury yields).

Accessibility to finance supported by a UK government backed sovereign guarantee is assumed for those local authority bonds with no market price modelled using alternative valuation models. The Public Works Loans body has the ability to grant loans to local authorities and therefore the main risk consideration is liquidity exposure. The multiple applied currently to the illiquidity premiums is two for calculating the spread over UK Gilts and deducing the price of the Local Authority Bond.

MORTGAGES AND LOANS

When pricing illiquid investments the Group uses suitable traded gilts and bonds as a reference to arrive at a suitable assumption for the illiquidity premium to use in the price modelling. The Group will also use fund managers with experience in these investment types to benchmark assumptions and prices against their experience of observed prices for illiquid investments where they have traded at an open market valuation.

DERIVATIVES

Where pricing models are used for derivatives, the Group uses industry standard pricing models using the derivative contract specifics. These use market observable metrics such as currency exchange rates, index values, current (and forward) interest rate curves in a given currency and, for contracts with optionality, volatilities. Typically these metrics would be sourced from external data providers and fed into valuation models.

4. ASSESSMENT OF VALUATION UNCERTAINTY SURROUNDING MARK TO MODEL TECHNIQUES USED

INVESTMENT PROPERTIES

Commercial and residential properties are traded less frequently than assets such as listed equities and therefore a lack of liquidity increases the challenge to easily assess and attribute accurate prices. Inherent uncertainties prevail in any method of valuing property. There are different types of uncertainty which include:

- Property valuations based on opinion which cannot be quantified;
- Market conditions at the time of valuation (particularly in rapidly moving markets);
- Property-specific issues (e.g. will the tenant vacate at lease expiry or renew); and
- Investment Approach

Valuation assessments are made on the basis of collation and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the respective properties. With the benefit of such transactions, valuation experts then apply these factors to individual properties, taking into account size, location, lease terms, covenant strength and other material applicable factors. Uncertainty is further reduced by harnessing multiple sources of quality information, including external benchmarks, in-house and industry-specific databases.

Other valuation uncertainties concern properties where few or no similar properties exist within close vicinity upon which to base a valuation opinion. A scarcity of comparable local properties places greater weighting on the surveyors' own opinion. While there is an element of subjectivity to a surveyor's assessment, each valuation should be reviewed and subject to sign-off. Further analysis may be undertaken by property analysts to independently review a valuation, discuss their findings with the surveyor and provide a report updating senior management or partners to secure a final decision.

CORPORATE BONDS

All models are subject to limitations and uncertainties. For private placement bonds, the spreads applied can vary within a range of approximately 200 basis points. Private placement asset holdings are relatively small, therefore the margin of error is deemed immaterial in terms of the entire portfolio.

Models subject to liquidity premiums typically feature a higher frequency of uncertainty. Where a liquidity premium is applied, this factor is highly variable on a day-to-day basis although the liquidity multiple which the bonds are marketed at is reviewed once a month to reflect the buy and hold nature of the bonds. In addition to the size of the holdings, maturity is also given consideration versus the total portfolio size. Sizes are small with an aggregate of below 1% of the portfolio. When considering these factors, they equate to an insignificant contribution in terms of duration and market value to the overall portfolio.

MORTGAGES AND LOANS

While these assets are not generally traded actively in an open market there is an active new issue market and assets are traded between willing buyers and sellers. Valuation uncertainly is reduced by taking valuation advice from fund management experts who deal frequently in these asset types, whether that is on the primary issue market or the secondary market. The residual valuation uncertainly inherent in these asset types is not considered to be material with respect to the overall size of the portfolio.

DERIVATIVES

Valuation uncertainties are reduced by using market observable data in pricing models wherever this is possible. In addition, model results are subject to price verification review as part of the standard price verification process.

5. COMPARISON OF THE VALUATIONS AGAINST EXPERIENCE

Investments valued by alternative valuation methods are generally towards the more illiquid end of the scale and in some cases, particularly infrequently traded bonds, mortgages and infrastructure loans, they will often be held to maturity. In such cases the valuations used, which reflect cash flows at an appropriate discount rate, will be a close match to actual experience.

Property assets are also infrequently traded with disposals often reflecting a particular opportunity. That opportunity might be both positive (to realise an asset premium to valuation) or negative (to dispose of a poorly performing property or one that no longer fits the strategic aim of the property portfolio). While this may mean that experience of property assets is that they can realise both a premium and a discount to valuation, overall property valuations would be supported by values realised from disposals. Over time, the Group has not experienced material detriment from the realisation of property below the valuation attributed in the balance sheet.

In the derivatives market, prices are generally set using standard derivative models and the Group would expect to be able to realise derivative assets at or close to balance sheet valuation if that was required.

D5: ANY OTHER INFORMATION

There are no material differences between valuation methods applied at a Group level and those applied at a solo level.

COVID-19 IMPACT OF GLOBAL PANDEMIC ON ASSET AND LIABILITY VALUATIONS

The widespread disruption caused by the global pandemic is causing increased uncertainty in arriving at asset and liability valuations and this uncertainty is expected to continue for the foreseeable future. The following features are currently being observed:

- extreme volatility in financial markets with rapid movements (both up and down) of quoted asset prices;
- increases in bid/offer spreads and, where relevant, decreases in the liquidity of stocks;
- increases in corporate bond interest rate spreads over gilt rates; and
- property valuers reporting valuations on the basis of there currently being ‘material valuation uncertainty’ in reported values.

Uncertainty in asset valuations will also result in there being a greater than usual uncertainty in related liability valuations. Valuations are being closely monitored with management plans in place to react as necessary. While there is a significant degree of uncertainty, the Group expects to continue to meet its solvency and capital requirements under the regulations.

SECTION E: CAPITAL MANAGEMENT

E1: OWN FUNDS

1. OBJECTIVES, POLICIES AND PROCESSES EMPLOYED FOR MANAGING OWN FUNDS

Own Funds are managed in line with the documented capital management policy of the Group. The Group targets a level of 145% Solvency Ratio on a shareholder basis, based on the PIM SCR. In line with the solvency risk appetite of the board, the Group takes or plans action to improve solvency where it may fall below 140% and takes immediate recovery action should solvency fall below 120%. Should the solvency ratio become in excess of 180%, the board will consider making additional shareholder distributions.

The following are the key principles of the capital management policy:

- At all times the Group will ensure that they maintain capital resources consistent with regulatory requirements and adopted risk appetites, including the tiering rules and other relevant provisions from EIOPA Guideline 36 on firms' capital management policies;
- At all times maintain adequate liquidity to ensure the Group's ability to discharge liabilities as and when they fall due, noting that a separate and clear liquidity policy is maintained by Treasury;
- The Group will at all times ensure that its regulated subsidiary companies will maintain capital resources and liquidity consistent with their agreed risk appetites;
- When entering into material new business transactions ensure access to adequate levels of capital and financial resources to support the underwriting of the new business transaction and the residual post transaction risk profile of the Group operating companies remains within adopted risk appetites; and
- To utilise as appropriate intra-group financial instruments to manage the transfer of risk capital and emergent profit streams between the Group and legal entities.

The Group's life insurance subsidiaries should be capitalised such that they are able to maintain at least 100% solvency following a 1 in 20 year adverse event has occurred, making allowance for a limited period of stressed surplus emergence and reasonable management actions following such an event. The methodology for converting 1 in 20 to a percentage of SCR should be defined by the sub-entity, with agreement from the Group. Additional local restrictions may also apply, for example specific individual counterparty restrictions. This should also allow for additional requirements arising from ring fenced policy holders funds under stress (i.e. with profits). Underlying entities should maintain their own capital management policies, approved by the local board with reference to this policy approved by the Board, that specify methodologies used to meet the requirement of the targets above. The dividend capacity of subsidiary insurance companies is determined with reference to a year end solvency position.

To the extent that a specific material risk event crystallises, or there is a fundamental change in the perception of the potential liability for a specific insurance risk category necessitating increased capital resources after applying a consistent risk appetite standard, the Group will seek additional financial resources. The level of resources sought would be such as to maintain capital levels in excess of capital requirements at a level consistent with those applicable before the given change in perception or actual event. The precise form of capital support will depend on the Board's preferred source of funding, taking into account the current capital and liquidity structure of Group and its subsidiaries. Support may take the form of one or more of the following:

- A drawdown on the existing Revolving Credit Facility;
- Increased paid up share capital, ordinary or preference;
- Contingent loan financing;
- Ordinary loan finance; and
- Partial or complete portfolio securitisation.

The capital position of the Group's insurance companies is formally reported to management committees at least monthly, based on a methodology approved by the Chief Actuary. Full valuations are undertaken quarterly, with monthly estimates in between. Projected positions are reported periodically as revised assessments are performed. Key drivers of the position are monitored more frequently with daily updates of the bond portfolio position. At the Board's discretion, an additional buffer may be held to ensure the solvency target capitalisation is maintained at all times. Any dividend calculation will maintain the buffer set by the Board, but it is possible that experience variations may temporarily cause resources to fall below that level. If the buffer is expected to be irrevocably breached then the same process for securing additional capital resources as noted above for a specific material risk event or change in reserving standard will apply.

The with-profit funds in the main operating entity, ReAssure Limited, are managed in accordance with the provisions of the relevant PPFM, run-off plan, and any prior Scheme of Transfer:

- For the With-Profit fund the aim is to distribute the Estate over the remaining term of the policies in the fund. The contribution from the Estate to asset shares is recalculated annually to target this. A run-off plan has been put into effect that evaluates the distributable surplus (including any capital add-ons).
- For the National Mutual With-Profit Fund, the aim is to distribute the Estate over the remaining term of the policies in the fund. The contribution from the Estate to asset shares is recalculated annually to target this. A run-off plan has been put into effect that evaluates the distributable surplus (including any capital add-ons). The run-off plan also takes into account certain principles established as part of the original demutualisation.
- For the Guardian Assurance With-Profit fund the aim is to distribute the Estate over the remaining term of the policies in the fund through additions to asset shares. A run-off plan has been put into effect that evaluates the distributable surplus as the excess over pre-transitional Solvency II liabilities allowing for Shareholders transfers but excluding Risk Margin.

Consistent with these requirements, the ability of the funds to meet their capital requirements will be assessed taking into account any additional Board approved management actions that are not already reflected in capital projections. In particular, recourse to past miscellaneous surplus to meet the SCR is permitted.

2. BUSINESS PLANNING TIME HORIZON FOR OWN FUNDS

Projections of Own Funds are made over the three year business planning period, including related stress and scenario tests. For items that are expected to cause major changes to Own Fund balances, such as acquisitions of closed blocks of business, the impact of the event on Own Funds is typically projected over the entire life of the block of business.

3. STRUCTURE, AMOUNT AND QUALITY OF OWN FUNDS FOR EACH TIER AT REPORTING END AND PREVIOUS REPORTING END DATES

As at 31 December 2019, the Group had £4,824 million (2018: £3,686 million) of capital resources on a Solvency II basis. A summary of the capital resources, at year end and at the prior year end, split by tier is shown below:

Solvency II Capital and Reserves 31 December 2019 £m	Tier 1	Tier 2	Tier 3	Total
Share capital	100	-	-	100
Reconciliation reserve	3,115	-	-	3,115
Subordinated liabilities	-	752	250	1,002
Surplus funds	607	-	-	607
Total	**3,822**	**752**	**250**	**4,824**

Solvency II Capital and Reserves 31 December 2018 £m	Tier 1	Tier 2	Tier 3	Total
Share capital	73	-	-	73
Share premium	84	-	-	84
Reconciliation reserve	2,869	-	-	2,869
Amount equal to value of deferred tax assets	-	-	104	104
Surplus funds	556	-	-	556
Total	**3,582**	**-**	**104**	**3,686**

The Group has no ancillary Own Funds. The changes in share capital and share premium arising from the changes in Group structure are described in section 4 below.

The Group has three subordinated debt instruments that were issued during the year. Details are as follows:

- On 13 June 2019 the Group issued £500 million of subordinated notes with a maturity date of 13 June 2029 at a coupon of 5.867% the terms and conditions of which would allow the instrument to be treated as tier 2 under the regulations;
- On 13 June 2019 the Group issued £250 million of subordinated notes with a maturity date of 13 June 2029 at a coupon of 5.766% until the call date of 13 June 2024 and after that the coupon resets to 5.17% plus an agreed reference rate of a UK Treasury Bill of a similar term. The terms and conditions allow the instrument to be treated as tier 2 under the regulations; and
- On 13 June 2019 the Group issued £250 million of subordinated notes with a maturity date of 13 June 2026 at a coupon of 4.016% the terms and conditions of which would allow the instrument to be treated as tier 3 under the regulations

4. ANALYSIS OF SIGNIFICANT CHANGES TO OWN FUNDS OVER THE REPORTING PERIOD

Changes in Own Funds over the period are as follows:

Own Fund Item £m	2019	2018	Change
Share capital	100	73	27
Share premium	-	84	(84)
Surplus funds	607	556	51
Reconciliation reserve	3,115	2,869	246
Amount equal to value of deferred tax assets	-	104	(104)
Subordinated liabilities	1,002	-	1,002
Total	**4,824**	**3,686**	**1,138**

The change in share capital and share premium in the year arose from the revised group structure. During 2019 a new company, ReAssure Group plc, was created which then acquired the previous Group holding company ReAssure Midco Limited. The 2019 share capital and share premium represent the capital structure of the new group holding company.

The increase in surplus funds arose from the increase in the with-profit fund surplus assets which reflects the positive environment for investment returns during the year. The key reasons for the changes in the reconciliation reserve are set out in the table below:

Change in reconciliation reserve	£m
Increase in retained earnings in year	194
With Profit fund restrictions applied	(51)
Change in deferred tax asset	104
Total movement	**247**

Aside from the regular emergence of surplus (most notably from unit linked business), the following items were the major positive contributors to retained earnings during the year:

- Income from non-linked investment income;
- Updates of assumptions for mortality; and
- Income from the risk transfer agreement in place with L&G.

These positive impacts were partly offset by the impact of an increase in the provision for future Group expenses arising from some changes in the methodology of how the expenses provision is calculated.

5. INFORMATION FOR EACH TYPE OF BASIC OWN FUND ITEM

The Group's capital items have been reviewed separately and classified in accordance with the regulations. The Group's basic Own Funds are primarily categorised as Tier 1 which consists of share capital, surplus funds and the reconciliation reserve as they meet the following criteria:

- Ranks after all other claims in the event of winding-up proceedings;
- Does not include any features which may cause the insolvency of the insurance or reinsurance undertaking or may accelerate the process of the undertaking becoming insolvent; and
- Is immediately available to absorb losses;
- Is not dated;
- Is free from encumbrances; and
- The Group has full flexibility over the distributions on the basic own-fund items.

In addition, the company has in issue the following tier 2 and tier 3 debt. Details of the issues are included in 3 above.

6. ELIGIBLE AMOUNT OF OWN FUNDS TO COVER THE MCR AND SCR CLASSIFIED BY TIERS

All of the Group's Tier 1 Own Funds are eligible to cover the MCR. The Group's tier 3 own funds are not available to meet the MCR. The Group's tier two funds are restricted so that out of the total tier 2 funds of £752 million only £151 million are available to meet the MCR.

There are no restrictions on the capital available to cover the SCR and the Group does not exceed any of the test thresholds which would require restrictions to be placed on the availability of Own Funds. The following tables summarises the available capital.

Total available Own Funds to meet the MCR/SCR	2019 £m	2018 £m
Total Own Funds	4,824	3,686
Total eligible Own Funds to meet the SCR	4,824	3,686
Restriction applied to own funds available to meet the MCR	851	104
Own Funds available to meet the MCR	3,973	3,582

7. SOLVENCY RATIO, CALCULATED AS ELIGIBLE OWN FUNDS AS A PERCENTAGE OF THE SCR (UNAUDITED)

The solvency ratio for the Group as at the year-end was 152% (2018: 129%).

8. MATERIAL DIFFERENCES BETWEEN FINANCIAL STATEMENTS EQUITY AND EXCESS ASSETS OVER LIABILITIES SOLVENCY VALUE

REASSURE GROUP

The Group publishes IFRS financial statements. The reconciliation between equity on an IFRS basis and the excess of assets over liabilities on a Solvency II basis is as follows:

Reconciliation of Solvency II excess assets to IFRS equity	Total £m
Financial statements equity	2,224
Replace IFRS reserves with Solvency II technical provisions	3,221
Unallocated divisible surplus	161
Changes in deferred tax under SII	(251)
Intangible asset with nil value under SII	(1,072)
Subordinated debt valuation	(30)
Solvency II excess of assets over liabilities	4,253

The Technical Provisions under Solvency II are lower than the Technical Provisions under IFRS. The basis for the calculation of the Solvency II Technical Provisions is set out in the Solvency II legislation and is based on the best estimate principle, with allowance for a Risk Margin. The Technical Provisions in any IFRS financial statements reflect the Solvency I regime where the Technical Provisions are calculated on a prudent basis with built in prudential margins, resulting in a higher total value than for Solvency II except for annuity technical provisions for which Solvency II valuations are used. Full details of the valuation of liabilities can be found in the valuation chapter D2.

Differences arise in the deferred tax provisions between Solvency II and IFRS due mainly to the technical provisions timing differences that arise due to the different methodologies for calculating technical provisions.

In accordance with the Solvency II legislation, the Present Value of In-Force (‘PVIF’) and Deferred Acquisition Costs (‘DAC’), which are intangible assets, would be ascribed a nil value in the Solvency II balance sheet and so form a reconciling item between the two bases.

REASSURE LIMITED (SOLO ENTITY)

ReAssure Limited publishes IFRS financial statements. The reconciliation between equity on an IFRS basis and the excess of assets over liabilities on a Solvency II basis is as follows:

Reconciliation of Solvency II excess assets to IFRS equity	Total £m
Financial statements equity	3,024
Replace IFRS reserves with Solvency II technical provisions	3,185
Unallocated divisible surplus	161
Changes in deferred tax under SII	(329)
Intangible asset with nil value under SII	(771)
Solvency II excess of assets over liabilities	5,270

Due to the different methodologies used the Technical Provisions will be lower on a Solvency II basis than on an IFRS basis. Differences arise in the deferred tax provisions between Solvency II and IFRS due mainly to the technical provisions timing differences that arise due to the different methodologies for calculating technical provisions.

In accordance with the Solvency II legislation, PVIF and DAC, which are intangible assets, would be ascribed a nil value in the Solvency II balance sheet and so form a reconciling item between the two bases.

OMWLA (SOLO ENTITY)

Reconciliation of Solvency II excess assets to IFRS equity	Total £m
Financial statements equity	305
Replace IFRS reserves with Solvency II technical provisions	(44)
Changes in deferred tax under SII	(4)
Intangible asset with nil value under SII	158
Solvency II excess of assets over liabilities	415

ARK LIFE DAC (SOLO ENTITY)

Reconciliation of Solvency II excess assets to IFRS equity	Total £m*
Financial statements equity	199
Replace IFRS reserves with Solvency II technical provisions	10
Changes in deferred tax under SII	3
Intangible asset with nil value under SII	(14)
Solvency II excess of assets over liabilities	198

9. NATURE AND AMOUNT OF EACH BASIC OWN-FUND ITEM SUBJECT TO TRANSITIONAL ARRANGEMENTS

No Own Funds items are subject to transitional arrangements.

10. ITEMS DEDUCTED FROM OWN FUNDS AND SIGNIFICANT RESTRICTIONS AFFECTING OWN FUNDS AVAILABILITY AND TRANSFERABILITY (UNAUDITED)

The Group has three ring fenced funds which contain with-profit business. Under Solvency II regulations at a company level the business must restrict the available surplus funds of a ring fenced fund to the extent that those funds are not available to fully absorb losses arising outside that ring fenced fund. As a result, a restriction of £431 million (2018: £466 million) has been applied in the reconciliation reserve to the surplus arising within the ring-fenced with-profit funds which reduces the overall company Own Funds.

The Group contains one defined benefit scheme where a restriction to own funds applies. The restriction is applied because any surplus in the pension scheme is not fungible and is not available to support other Group entities. The surplus is restricted such that it is not greater than its diversified SCR (net of LACDT). The restriction applied to own funds is £30m (2018: £23m).

In prior years the Group applied a restriction on the own funds of Ark Life dac such that those funds could only be included in the own funds of the Group to the extent that they supported the SCR of Ark Life dac. During 2019 an exercise was taken to review the fungibility of those funds and how they might be utilised to support the Group if required. As a result of the review it was concluded that those funds could be made available to the Group if required in a timely manner. As a result the restriction has been removed for the 2019 year end. This has had a positive impact of £48m on Group Own Funds at year end.

* Ark Life dac reports in euros. Values converted to sterling for Group reporting.

11. KEY ELEMENTS OF THE RECONCILIATION RESERVE

The following table shows the key items making up the reconciliation reserve as at 31 December 2019:

Restricted Own Funds due to ring fencing in the below tables are unaudited.

	2019 Total £m
Excess of assets over liabilities on the SII Balance Sheet	**4,253**
Other basic Own Fund items:	
Share capital	(100)
Surplus funds	(607)
Restricted Own Funds due to ring fencing	(431)
Reconciliation reserve	**3,115**

	2018 Total £m
Excess of assets over liabilities on the SII Balance Sheet	**4,152**
Other basic Own Fund items:	
Share capital	(73)
Share premium	(84)
Surplus funds	(556)
Deferred Tax	(104)
Restricted Own Funds due to ring fencing	(466)
Foreseeable dividend	-
Reconciliation reserve	**2,869**

The reconciliation reserve represents the excess of assets over liabilities on the Solvency II Balance Sheet, subject to the adjustments outlined above. If other basic Own Funds items are represented specifically within Own Funds they are removed from the reconciliation reserve. This is because otherwise they would be double counted in Own Funds. The items in this category are share capital, share premium and surplus funds.

The reconciliation reserve is also restricted by the value of any surplus above the capital requirements of the ring fenced funds. This restriction is applied as the surplus within the ring fenced funds is not available to support the liabilities of other funds.

12. ITEMS REDUCING THE RECONCILIATION RESERVE INCLUDING FORESEEABLE DIVIDENDS AND OWN SHARES HELD

The reconciliation reserve has not been reduced in respect of any foreseeable dividends (2018: nil). There are no own shares held by the Group.

13. TOTAL EXCESS ASSETS OVER LIABILITIES WITHIN RING-FENCED FUNDS

The Group has three ring-fenced with-profit funds. Details of the ring fenced funds are as follows:

- With-Profit fund (a 90:10 fund);
- National Mutual With-Profit fund (a 100:0 fund); and
- Guardian With-Profit fund (a 90:10 fund).

All the with-profit funds are closed to new business and are in run off with a plan to distribute all the assets of the fund over the life of the remaining policies. The summary position of the with-profit funds is as follows:

Ring Fenced Funds Assets over Liabilities £m	Excess Assets	(Unaudited) WP fund SCR
With Profit fund	21	10
National Mutual fund	29	29
Guardian With Profit fund	224	135

Assets in the ring-fenced WP funds support the liabilities and capital requirements of that fund only. Any excess of assets over liabilities and SCR cannot be used to support the SCR of the remaining part as the assets of the ring-fenced fund are not available to support that fund.

The Group has a single matching adjustment fund from which surplus can only be removed following a profit and loss attribution exercise that is completed at year end. The following table shows the assets and liabilities within the matching adjustment fund:

Matching Adjustment Assets over Liabilities £m	MA Assets	MA Liabilities
Matching Adjustment Portfolio	12,990	12,511

Surplus in the matching adjustment funds is available to cover both the MCR and the SCR.

14. EXTENT AND REASONS FOR SIGNIFICANT RESTRICTIONS, DEDUCTIONS OR ENCUMBRANCES, INCLUDING ANY RELATING TO PARTICIPATIONS

There are no significant restrictions, deductions or encumbrances relating to Own Funds items. All material participations have been consolidated and for the remaining non-material participations they are free from any restrictions, deductions or encumbrances.

15. CALCULATION OF OWN FUNDS NET OF INTRA-GROUP TRANSACTIONS

The Group balance sheet has been presented on a fully consolidated basis, with Intra-Group loans and inter-company balances eliminated on consolidation.

E2: SOLVENCY CAPITAL REQUIREMENT (SCR) AND MINIMUM CAPITAL REQUIREMENT (MCR)

1. VALUE OF SCR AND MCR

In December 2018, the Group was given approval to use a Partial Internal Model for the calculation of its Group SCR. Under the PIM, an Internal Model is used to determine the capital requirements for the majority of the business in the Group whilst a Standard Formula calculation is used to determine the capital requirements for the with-profits funds. The Standard Formula calculation is also used for the business acquired in RAL from the reinsurance transactions with L&G and OMWLA and for the OMWLA Solo SCR.

At 31 December 2019, the SCR for the Group was £3,175 million (2018: £2,851 million) and the MCR was £756 million (2018: £693 million). The SCR calculated is unaudited.

2. VALUE OF SCR SPLIT BY RISK MODULE (UNAUDITED)

The tables below show the composition of the total Group SCR at 31 December 2019 and 31 December 2018, together with the allowance for diversification and the loss absorbing capacity of deferred taxes, split by risk module and also split by that attributable to RAL solo and some additional expense provisions that are allowed for at Group level (Other).

The RAL solo SCR includes the Ark Life business on a look through basis and the economic exposure from the reinsurance transactions with L&G and OMWLA. The total Group SCR also includes other Group capital requirements (due to Group expenses, the Pension Scheme and Group diversification) and the OMWLA solo SCR (post IGR).

The total Group SCR at 31 December 2019 comprises £2,368 million from business using the Internal Model and £807 million from business using the Standard Formula basis.

Risk Module 2019 £m	RAL	Other	Total Group
Market Risk	1,952	(15)	1,937
Insurance Risk	1,841	178	2,019
Credit Risk	670	-	670
Operational Risk	274	106	380
Diversification	(1,482)	(171)	(1,653)
Loss Absorbing Capacity of Technical Provisions	-	-	-
Loss Absorbing Capacity of Deferred Tax	(349)	171	(178)
Net SCR	2,906	269	3,175

Risk Module 2018 £m	RAL	Other	Total Group
Market Risk	1,712	(13)	1,699
Life Risk	1,595	105	1,700
Health Risk	-	-	-
Default Risk	252	-	252
Migration Risk	487	-	487
Operational Risk	478	69	547
Diversification	(1,600)	(91)	(1,691)
Loss Absorbing Capacity of Technical Provisions	-	-	-
Loss Absorbing Capacity of Deferred Tax	(246)	103	(143)
Net SCR	2,678	173	2,851

The loss absorbency capacity of Technical Provisions is a deduction arising from the with-profits funds where risks are reduced by the application of management actions. The risks arising from the with-profits funds have been presented above after the application of management actions, so no explicit deduction for loss absorbency of technical provisions is shown.

The with-profits funds remain subject to Standard Formula and are not included in the SCR calculated using the Internal Model, so there is no capital diversification between these funds and the rest of the RAL solo entity. Furthermore, the PIM incorporates ring-fencing of the matching adjustment portfolio directly into its calculation of diversification so does not require an adjustment due to aggregation.

3. USE OF SIMPLIFIED CALCULATIONS (UNAUDITED)

For the parts of the business whose SCR is determined using the Standard Formula, there is no use of simplified calculations for any of the risk modules.

4. USE OF UNDERTAKING-SPECIFIC PARAMETERS (UNAUDITED)

For the parts of the business whose SCR is determined using the Standard Formula, no undertaking-specific parameters are applied in the Standard Formula calculation.

5. CAPITAL ADD-ON (UNAUDITED)

No capital add-on has been imposed by the regulator on any Group company.

6. INPUTS USED TO CALCULATE THE MCR

The Group MCR is equal to the sum of the solo MCRs for ReAssure Limited, Ark Life and OMWLA.

7. MATERIAL CHANGES TO SCR AND MCR SINCE 31 DECEMBER 2018

The Group SCR (unaudited) has increased by £324 million from £2,851 million at 31December 2018 to £3,175 million at 31 December 2019.

This change is mainly attributable to:

- £225 million increase in SCR due to increased credit and longevity risk, following a reduction in interest rates;
- £166 million increase in SCR due to increased credit and longevity risk, following a reduction in credit spreads;
- £100 million increase in SCR due to increased equity risk following a rise in equity market values;
- £143 million increase in SCR due to the reinsurance arrangement with OMWLA following its acquisition on 31 December 2019; and
- £101 million decrease in SCR following the implementation of a new equity hedge in Q4 2019.

The MCR is the sum of the solo MCRs for ReAssure Limited, Ark Life, OMWLA and any related undertakings, and has increased by £63 million from £693 million at 31 December 2018 to £756 million at 31 December 2019. The MCR has changed during 2019, mainly in line with changes in the SCRs of the two solo companies and the addition of OMWLA.

8. LOSS ABSORBING CAPACITY OF DEFERRED TAXES (LACDT)

The LACDT is calculated separately for each Solo Entity in the Group.

For RAL Solo the LACDT is calculated separately for the non-profit fund and the three with-profit funds. In the case of the NMWPF, the nil shareholder participation in that fund means that no LACDT applies. The calculation is carried out on both the trading profit calculations and an assessment of the impact of the valuation of the deferred tax assets relating to excess expenses and capital losses is computed. The LACDT is limited to the lower of the deferred tax liability for trading profits and the corporation tax rate applied to the SCR.

The LACDT includes tax relief arising from the carry back of losses to the year preceding the valuation, capped at the lower of the actual tax paid and a normalised tax amount.

9. GROUP SCR CALCULATION METHOD

The Group calculates its SCR using an accounting consolidation-based method. This method considers the Group as a single entity and allows for diversification between insurance entities (between ReAssure Ltd, Ark Life and the reinsured part of OMWLA for example) and between the service company and insurance entities.

The SCR for the Group is calculated by adding together the Internal Model and Standard Formula SCR components. Diversification between these two components is not allowed for.

The Group SCR broken down into its component parts at 31 December 2019 and 31 December 2018 is shown in the tables below (SCR components shown below are unaudited except OMWLA solo):

2019 £m	SCR	MCR
ReAssure solo (including Ark solo and OMWLA IGR for SCR)	2,906	726
Ark solo (MCR only)	-	24
OMWLA solo (post IGR)	12	6
Other Group entities	19	-
Pension scheme	152	-
Group expenses	441	-
Group diversification	(355)	-
Total ReAssure Group plc	3,175	756

2018 £m	SCR	MCR
ReAssure solo (including Ark solo for SCR)	2,678	669
Ark solo (MCR only)	-	24
Other Group entities	97	-
Pension scheme	124	-
Group expenses	197	-
Group diversification	(245)	-
Total ReAssure Group plc	2,851	693

The Group SCR floor is £756 million at 31 December 2019 (2018: £693 million).

E3: USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SCR

No legal entity in the Group uses the Standard Formula duration-based equity risk sub-module.

E4: DIFFERENCE BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

1. USE OF THE PARTIAL INTERNAL MODEL

In December 2018, the Group was given approval to use the PIM to calculate the SCR. The Group's PIM results are also widely used to support decision making, including setting the business strategy. The model is used to understand the key risks to the business and is integrated within the Risk Management framework.

As well as the calculation of the capital requirements within the financial results, other areas where output from the PIM are used include:

- Monitoring solvency capital requirements included in the Quarterly Risk and Solvency reports tabled to the Management Risk and Board Risk Committees;
- Consideration of solvency capital requirements in connection with the year-end dividend decision;
- Own Risk and Solvency Assessment (ORSA), which includes the determination of macro concentration limits used in the PIM (in addition to the calculation of those limits using the Standard Formula);
- Assessment of the capital impact on any new, updated or recaptured reinsurance arrangements;
- Investment strategy;
- Assessment of the capital impact of new acquisitions; and
- Board engagement with the PIM methodology, including challenge and review of key expert judgements.

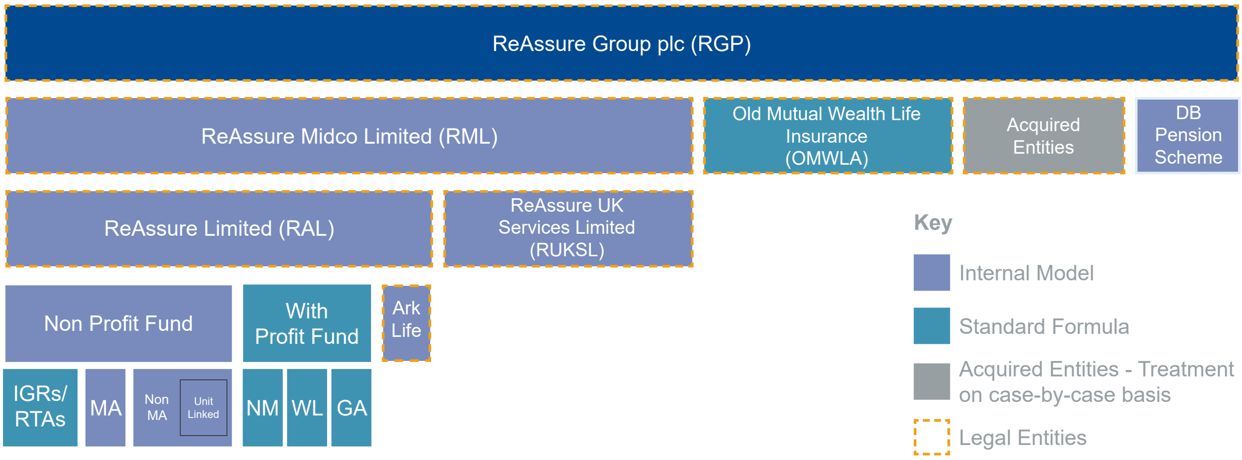
2. SCOPE OF THE INTERNAL MODEL

The material legal entities within scope of the Internal Model component of the SCR calculation are as follows:

- ReAssure MidCo Limited;
- ReAssure Limited ;
- ReAssure UK Services Ltd;
- Ark Life Assurance Company dac; and
- ReAssure Staff Pension Scheme.

ReAssure Limited has three ring-fenced with-profit funds and, within the non-profit fund, economic exposure to the business acquired from L&G in 2017 and OMWLA in 2019. The SCR requirement for these parts of the business is determined using the Standard Formula. The OMWLA solo SCR is also determined by the Standard Formula.

The scope of the Internal Model is summarised in the diagram below.



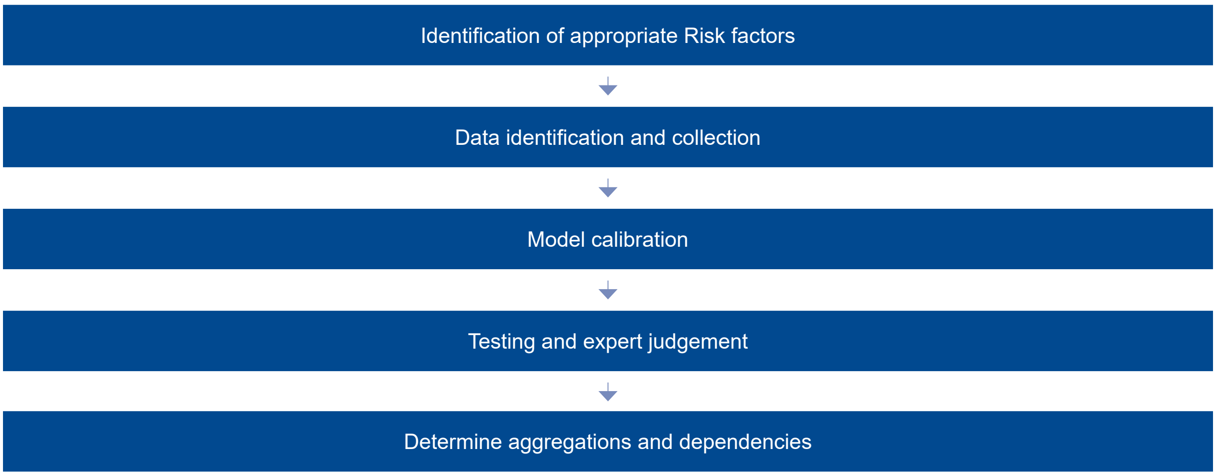
The main risk categories allowed for in the Internal Model are set out in E4.4.

The Internal Model and Standard Formula capital requirements are integrated together with no allowance for diversification in order to calculate the total SCR for the Group.

3. INTERNAL MODEL METHODOLOGY

The Internal Model generates multiple realisations of real-world scenarios over one year from the underlying risk-factor probability distributions and dependencies. The impact on the Group's basic Own Funds from each scenario is then ranked in order of magnitude to produce the full SCR distribution.

The SCR from the Internal Model uses a smoothed Value-at-Risk measure, centred around the 99.5th percentile worst impact on basic Own Funds. The calibration process used by the Group is summarised below.



The Group balances a number of considerations in the choice of risk factors for use in the internal model. The number of risk factors modelled has to be high enough to appropriately reflect the risk profile of the current business and flexible enough to adapt to changes in the future. Equally, the number of risk factors should not be so large as to result in an overly complex model that is difficult to interpret and manage operationally.

The granularity of risk factors must be supported by quality data. Data quality is assessed for the attributes of accuracy, completeness and appropriateness.

Once the most appropriate data for each risk factor has been chosen the probability distribution for each risk factor is then calibrated. This can be broken down into 3 activities:

- Determining the statistical properties that the distribution should have;
- Choosing the type of distribution that is appropriate to the properties identified; and
- Testing whether the chosen distribution is appropriate.

Expert judgement informed by data analysis is used to select the distributions for each risk factor and to set the parameters of these distributions.

As the Group is exposed to a large number of risks, individual risk factors are aggregated using a correlation structure that reflects the dependencies between them. The aggregate loss distribution is derived by summing the losses arising from each set of correlated risk realisations.

4. METHODOLOGY AND ASSUMPTION DIFFERENCES

The main differences between the Standard Formula and Internal Model are as follows:

- The Standard Formula comprises of a prescribed set of risk components, stresses and correlations, whereas under the Internal Model component of the PIM, the Group identifies and selects risk factors that reflect the specific risks that it is materially exposed to, subject to the Solvency II Internal Model requirements;
- Under the Standard Formula, the capital required for each risk is determined formulaically, whereas, under the Internal Model, many thousands of simulations of the underlying risk factors are performed and aggregated to form a loss distribution that represents the change in the Group's basic Own Funds across all simulations; and
- The Internal Model includes additional risk components that are not present under Standard Formula (e.g. inflation risk).

5. INTERNAL MODEL DATA

The key data used in the Internal Model comprises the following types:

- Financial market data – the calibration of financial market risk factors uses external data (e.g. MSCI equity indices, Merrill Lynch corporate bond indices, etc.);
- Historic policy claims experience data – comprises a number of years of historic actual claims recorded on the Group's in-force book of business;
- Historic lapse experience data – comprises a number of years of historic lapse experience split into a number of types of policy;
- Internal asset data;
- Liability and policy data;
- Operational risk data; and
- Other data that does not fall into the categories above (e.g. national mortality tables that describe general population mortality experience and internal loss experience data used to inform the calibrations for the operational risk module).

E5: NON-COMPLIANCE WITH THE MCR AND THE NON-COMPLIANCE WITH THE SCR

The Group complied with the Solvency Capital Requirement and the Minimum Capital Requirement throughout 2019.

E6: ANY OTHER INFORMATION

COVID-19

Monitoring the impact of the COVID-19 pandemic on the Group's capital and solvency position is a key Group priority. The Group has in place a monitoring and forecasting regime which updates the estimated solvency position of the Group due to market movements on a regular (at least monthly) basis. In response to the pandemic the frequency of Solvency monitoring has been changed from monthly to weekly and the weekly updates also track other business critical Key Performance Indicators such as liquidity and customer service levels. While other impacts (for example mortality experience) require further information before they can be fully assessed the updated estimated solvency positions provide sufficient information to allow management to monitor the solvency position and management actions to be taken if required. In addition the Group runs a suite of stress and scenario tests which allows it to review the impact of a range of changes in circumstances and understand their potential impact. This allows management to understand rapidly how changes might have impacted the solvency position, enabling it to respond promptly if required, and also see where future changes could place stress on the Group solvency position.

The Group has updated its solvency estimates for the end of April 2020. These show a slight improvement in the Group solvency position since year end and a result comfortably inside the current Board threshold range of 140% - 180%. The Group currently has no requirement to consider raising new capital or the need to consider changes in the capital structure. The Group will continue to closely monitor its current and projected solvency position allowing it to take pre-emptive action should that be required.

SECTION F: OTHER INFORMATION

F1: GLOSSARY

A glossary of terms used throughout the document is provided below for reference:

Acronym	Meaning
ALM	Asset Liability Modelling
API	Annual Performance Incentive
Ark Life	Ark Life Assurance Company dac
AVM	Alternative Valuation Method
BEL	Best Estimate Liability
CBI	Central Bank of Ireland
ERIP	Equity Release Investment Plan
FA 2016	Finance Act 2016
FCA	Financial Conduct Authority
GAO	Guaranteed Annuity Option
GIA	Group Internal Audit
GAWPF	Guardian Assurance With-Profit Fund (a 90:10 with-profit fund of ReAssure Limited)
FCA	Financial Conduct Authority
GAL	Guardian Assurance Limited
GAO TUR	Guaranteed Annuity Option Take-Up Rate
GIA	Group Internal Audit
GAWPF	Guardian Assurance With-Profit Fund (a 90:10 with-profit fund of ReAssure Limited)
ICA	Individual Capital Assessment
ICAS	Individual Capital Adequacy Standards
IGRs	Intra Group Reinsurance
IFRS	International Financial Reporting Standards
LACDT	Loss Absorbing Capacity of Deferred Tax
LP	Liquidity Premium
LPP	Leadership Performance Plan
MA	Matching Adjustment
MCR	Minimum Capital Requirement
NMWPF	National Mutual Fund (a 100:0 with-profit fund of ReAssure Limited)
OIEC	Open Ended Investment Company
OMWLA	Old Mutual Wealth Life Assurance Limited
PIM	Partial Internal Model
PPFM	Policy and Practice of Financial Management
PRA	Prudential Regulation Authority
PVIF	Present Value of In-Force
QMP	Quoted Market Price
QRT	Quantitative Reporting Template
RGP	The Solvency II Group headed by ReAssure Group plc

Acronym	Meaning
RAL	ReAssure Limited
RFF	Ring Fenced Fund
RLL	ReAssure Life Limited (Note Guardian Assurance was renamed ReAssure Life Limited before subsequently being renamed back to Guardian Assurance)
RSU	Restricted Share Units
RGA	RGA Global Reinsurance Company Limited
SCR	Solvency Capital Requirement
SI	Solvency I
SII	Solvency II
TP	Technical Provisions
UDS	Unallocated Divisible Surplus
UL	Unit-Linked
VA	Volatility Adjustment
VAI	Value Alignment Incentive
WP	With-Profit
WPF	With-Profit Fund (a 90:10 with-profit fund of ReAssure Limited)
the Group	The Solvency II Group headed by ReAssure Group plc

F2: SFCR QRT TEMPLATES

(GROUP - REASSURE GROUP PLC, SOLO – REASSURE LIMITED AND OLD MUTUAL WEALTH LIFE ASSURANCE LIMITED)

REASSURE GROUP PLC
Balance sheet (S.02.01.02)

		£000s
		Solvency II value
Assets		C0010
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	662
Property, plant & equipment held for own use	R0060	12,887
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	20,286,692
Property (other than for own use)	R0080	277,176
Holdings in related undertakings, including participations	R0090	4,848
Equities	R0100	485,657
Equities - listed	R0110	485,657
Equities - unlisted	R0120	0
Bonds	R0130	17,493,488
Government Bonds	R0140	4,754,970
Corporate Bonds	R0150	12,665,358
Structured notes	R0160	59,024
Collateralised securities	R0170	14,136
Collective Investments Undertakings	R0180	1,947,778
Derivatives	R0190	47,681
Deposits other than cash equivalents	R0200	30,064
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	29,979,897
Loans and mortgages	R0230	1,500,823
Loans on policies	R0240	3,590
Loans and mortgages to individuals	R0250	193
Other loans and mortgages	R0260	1,497,040
Reinsurance recoverables from:	R0270	2,158,447
Non-life and health similar to non-life	R0280	0
Non-life excluding health	R0290	0
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	1,513,258
Health similar to life	R0320	18,658
Life excluding health and index-linked and unit-linked	R0330	1,494,600
Life index-linked and unit-linked	R0340	645,189
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	118,461
Reinsurance receivables	R0370	175,142
Receivables (trade, not insurance)	R0380	254,641
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	282,544
Any other assets, not elsewhere shown	R0420	108,052
Total assets	R0500	54,878,249

REASSURE GROUP PLC
Balance sheet (S.02.01.02)

		£000s
		Solvency II value
Liabilities		C0010
Technical provisions – non-life	R0510	0
Technical provisions – non-life (excluding health)	R0520	0
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	0
Risk margin	R0550	0
Technical provisions - health (similar to non-life)	R0560	0
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	0
Risk margin	R0590	0
Technical provisions - life (excluding index-linked and unit-linked)	R0600	18,061,508
Technical provisions - health (similar to life)	R0610	229,124
Technical provisions calculated as a whole	R0620	14,341
Best Estimate	R0630	204,730
Risk margin	R0640	10,053
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	17,832,384
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	17,339,025
Risk margin	R0680	493,358
Technical provisions – index-linked and unit-linked	R0690	29,986,553
Technical provisions calculated as a whole	R0700	30,559,239
Best Estimate	R0710	(659,065)
Risk margin	R0720	86,379
Other technical provisions	R0730	
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	27,002
Pension benefit obligations	R0760	2,029
Deposits from reinsurers	R0770	99,941
Deferred tax liabilities	R0780	263,269
Derivatives	R0790	128,382
Debts owed to credit institutions	R0800	12,083
Financial liabilities other than debts owed to credit institutions	R0810	1,026
Insurance & intermediaries payables	R0820	431,324
Reinsurance payables	R0830	160,480
Payables (trade, not insurance)	R0840	413,168
Subordinated liabilities	R0850	1,002,182
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	1,002,182
Any other liabilities, not elsewhere shown	R0880	36,481
Total liabilities	R0900	**50,625,428**
Excess of assets over liabilities	R1000	**4,252,821**

REASSURE GROUP PLC

Premiums, claims and expenses by line of business (S.05.01.02) (Life business only as no non-life)

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health Insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Gross	R1410	34,082	5,042	409,550	323,718	0	0	35	981	773,406
Reinsurrers' share	R1420	1,088	0	125	393,274	0	0	0	0	394,487
Net	R1500	32,994	5,042	409,424	(69,556)	0	0	35	981	378,919
Premiums earned										
Gross	R1510	34,082	5,042	409,550	323,718	0	0	35	981	773,406
Reinsurrers' share	R1520	1,088	0	125	393,274	0	0	0	0	394,487
Net	R1600	32,994	5,042	409,424	(69,556)	0	0	35	981	378,919
Claims incurred										
Gross	R1610	70,714	260,372	1,837,776	1,251,283	0	0	78	5,544	3,425,767
Reinsurrers' share	R1620	5,955	0	13	431,722	0	0	0	0	437,689
Net	R1700	64,759	260,372	1,837,763	819,562	0	0	78	5,544	2,988,077
Changes in other technical provisions										
Gross	R1710	0	0	0	0	0	0	0	0	0
Reinsurrers' share	R1720	0	0	0	0	0	0	0	0	0
Net	R1800	0	0	0	0	0	0	0	0	0
Expenses occured	R1900	4,381	6,663	37,666	61,984	0	0	0	0	110,694
Other expenses	R2500									108,814
Total Expenses	R2600									219,508

REASSURE GROUP PLC

Premiums, claims and expenses by country (S.05.02.01) (Life business only as no non-life)

		Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - life obligations				
	R1400			(IE) Ireland				
		C0220	C0280	C0230	C0230	C0230	C0230	C0230
Premiums written		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Gross	R1410	690,174	773,406	83,232				
Reinsurers' share	R1420	357,415	394,487	37,072				
Net	R1500	332,759	378,919	46,160				
Premiums earned								
Gross	R1510	690,174	773,406	83,232				
Reinsurers' share	R1520	357,415	394,487	37,072				
Net	R1600	332,759	378,919	46,160				
Claims incurred								
Gross	R1610	3,238,622	3,425,767	187,144				
Reinsurers' share	R1620	406,587	437,689	31,102				
Net	R1700	2,832,035	2,988,077	156,042				
Changes in other technical provisions								
Gross	R1710	0	0					
Reinsurers' share	R1720	0	0					
Net	R1800	0	0	0				
Expenses incurred	R1900	96,870	110,694	13,824				
Other expenses	R2500		108,814					
Total expenses	R2600		219,508					

REASSURE GROUP PLC
Impact of long term guarantees and transitional measures (S.22.01.22)

		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
		£000s	£000s	£000s	£000s	£000s
Technical provisions	R0100	48,048,061	844,150	0	44,854	983,483
Basic own funds	R0110	4,824,492	(690,858)	0	(24,999)	(822,520)
Eligible own funds to meet Solvency Capital Requirement	R0120	4,824,492	(690,858)	0	(24,999)	(822,520)
Solvency Capital Requirement	R0210	3,175,364	127,672	0	7,193	1,704,814

REASSURE GROUP PLC
Own funds (S.23.01.22)

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector		C0010	C0020	C0030	C0040	C0050
		£000s	£000s	£000s	£000s	£000s
Ordinary share capital (gross of own shares)	R0010	100,000	100,000			
Non-available called but not paid in ordinary share capital at group level	R0020					
Share premium account related to ordinary share capital	R0030					
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Non-available subordinated mutual member accounts at group level	R0060					
Surplus funds	R0070	606,938	606,938			
Non-available surplus funds at group level	R0080					
Preference shares	R0090					
Non-available preference shares at group level	R0100					
Share premium account related to preference shares	R0110					
Non-available share premium account related to preference shares at group level	R0120					
Reconciliation reserve	R0130	3,115,372	3,115,372			
Subordinated liabilities	R0140	1,002,182			751,704	250,478
Non-available subordinated liabilities at group level	R0150					
An amount equal to the value of net deferred tax assets	R0160					
The amount equal to the value of net deferred tax assets not available at the group level	R0170					
Other items approved by supervisory authority as basic own funds not specified above	R0180					
Non available own funds related to other own funds items approved by supervisory authority	R0190					
Minority interests (if not reported as part of a specific own fund item)	R0200					
Non-available minority interests at group level	R0210					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230					
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240					
Deductions for participations where there is non-availability of information (Article 229)	R0250					
Deduction for participations included by using D&A when a combination of methods is used	R0260					
Total of non-available own fund items	R0270					
Total deductions	R0280					
Total basic own funds after deductions	R0290	4,824,492	3,822,310	0	751,704	250,478

REASSURE GROUP PLC
Own funds (S.23.01.22)

Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Non available ancillary own funds at group level	R0380					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Own funds of other financial sectors						
Reconciliation reserve	R0410					
Institutions for occupational retirement provision	R0420					
Non regulated entities carrying out financial activities	R0430					
Total own funds of other financial sectors	R0440					
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	R0450					
Own funds aggregated when using the D&A and combination of method net of IGT	R0460					
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)	R0520	4,824,492	3,822,310	0	751,704	250,478
Total available own funds to meet the minimum consolidated group SCR	R0530	4,574,014	3,822,310	0	751,704	
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)	R0560	4,824,492	3,822,310	0	751,704	250,478
Total eligible own funds to meet the minimum consolidated group SCR	R0570	3,973,502	3,822,310	0	151,192	
Minimum consolidated Group SCR	R0610	755,960				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	525.62%				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	R0660	4,824,492	3,822,310	0	751,704	250,478
Group SCR	R0680	3,175,364				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	151.94%				

REASSURE GROUP PLC
Own funds (S.23.01.22)

Reconciliation reserve		
Excess of assets over liabilities	R0700	4,252,821
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	0
Other basic own fund items	R0730	706,938
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	430,511
Other non available own funds	R0750	0
Reconciliation reserve before deduction for participations in other financial sector	R0760	3,115,372
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	1,284,168
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	0
Total Expected profits included in future premiums (EPIFP)	R0790	1,284,168

REASSURE GROUP PLC

Solvency Capital Requirement - for undertakings using the standard formula and partial internal model (S25.02.22)

Unique number of component	Components description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0070	C0080	C0090
10200I	Interest Rate Risk - Up	34,854	0		
10310P	Interest Rate Risk - Rates Down Biting	136,887	136,887		
10320I	Interest Rate Risk - Rates Up Biting	997,472	997,472		
10400I	Equity Risk	1,059,835	298,238		
10400P	Equity Risk	69,709	69,709		
10600I	Property Risk	90,974	9,981		
10700I	Spread Risk	242,697	0		
10710I	Spread Risk - Bonds	2,490,997	2,490,997		
10710P	Spread Risk - Bonds	20,784	20,784		
10720I	Migration Risk - Bonds	495,689	495,689		
10730I	Default Risk - Bonds	217,452	217,452		
1075AI	Spread Risk - Loans	350,187	350,187		
1075BI	Migration Risk - Loans	25,326	25,326		
1075CI	Default Risk - Loans	29,577	29,577		
10760I	Liability change due to matching adjustment	(1,720,875)	(1,720,875)		
10799I	Diversification within Spread Risk	(37,640)	(37,640)		
10800I	Concentration Risk	537	0		
10900I	Currency Risk	259,609	119,030		
10900P	Currency Risk	27,777	27,777		
11000I	Inflation Risk	198,420	198,420		
11000P	Inflation Risk	95,118	95,118		
19900I	Diversification within market risk	(1,619,559)	(1,431,493)		
20100I	Type 1 Counterparty Risk	30,840	6,705		
30100I	Mortality Risk	89,383	46,366		
30200I	Longevity Risk	42,559	0		
30210I	Longevity Risk - Base Parameter	389,676	389,676		
30210P	Longevity Risk - Base Parameter	9,661	9,661		
30220I	Longevity Risk - Trend	1,124,294	1,124,294		
30220P	Longevity Risk - Trend	77,477	77,477		
30250I	Longevity Risk - Proportion Married	106,808	106,808		
30299I	Diversification within Longevity Risk	(327,080)	(327,080)		
30299P	Diversification within Longevity Risk	(6,744)	(6,744)		
30300I	Disability-Morbidity Risk	29,753	23,593		
30400I	Mass Lapse Risk	722,629	345,475		
30510I	Other lapse risk - lapse parameter	225,806	225,806		
30599I	Diversification within lapse risk	(165,978)	(165,978)		
30600I	Expense Risk	358,291	306,485		
30800I	Life Catastrophe Risk	7,210	0		
39920I	Diversification within life underwriting risk	(487,768)	(413,169)		
40300I	Health Disability - Morbidity Risk	15,683	15,683		
70100I	Operational Risk	383,259	344,520		
80200I	Loss-absorbing capacity of technical provisions	(604,116)	0		
80300I	Loss-absorbing capacity of deferred tax	(177,443)	(171,066)		

REASSURE GROUP PLC

Solvency Capital Requirement - for undertakings using the standard formula and partial internal model (S25.02.22)

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	R0110	5,310,024
Diversification	R0060	(2,730,157)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement, excluding capital add-on	R0200	3,175,364
Capital add-ons already set	R0210	0
Solvency capital requirement for undertakings under consolidated method	R0220	3,175,364
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	(604,116)
Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	R0310	(177,443)
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	1,428,032
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	174,059
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	1,573,273
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0
Minimum consolidated group solvency capital requirement	R0470	755,960
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	0
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	0
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	0
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non-regulated entities carrying out financial activities	R0530	0
Capital requirement for non-controlled participation requirements	R0540	0
Capital requirement for residual undertakings	R0550	0
Overall SCR		
SCR for undertakings included via D and A	R0560	0
Solvency Capital Requirement	R0570	3,175,364

REASSURE GROUP PLC
Undertakings in the scope of the group (S.32.01.22)

							Criteria of Influence			Criteria of influence			Inclusion in the scope of group supervision		Group solvency calculation
Country	Identification code 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	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
(GB) United Kingdom	LEI/213800288SWHO9SYPM36	G Financial Services Ltd	(99) Other	Limited by shares	(2) Non-mutual		100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/2138003URY7NYBK77767	G Trustees Limited	(99) Other	Limited by shares	(2) Non-mutual		100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/2138006XCBKUGVOLOT84	ReAssure Trustees Ltd	(99) Other	Limited by shares	(2) Non-mutual		100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/2138008XWGP2LK6Z9532	ReAssure Pension Trustees Limited	(99) Other	Limited by shares	(2) Non-mutual		100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/2138009JDIENFDLD9M78	Namulas Pension Trustees Limited	(99) Other	Limited by shares	(2) Non-mutual	Financial Conduct Authority (FCA)	100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/2138009SCXYSOTLSXH75	NM Life Trustees Limited	(99) Other	Limited by shares	(2) Non-mutual		100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/213800BOL8WLP4I7SA44	ReAssure Nominees Limited	(99) Other	Limited by shares	(2) Non-mutual		100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/213800G9IQ6CXE31Y637	ReAssure FS Limited	(99) Other	Limited by shares	(2) Non-mutual		100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/213800GYRULRXGODMH68	ReAssure UK Life Assurance Company Limited	(99) Other	Limited by shares	(2) Non-mutual		100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/213800JRB5W4GNWQU717	ReAssure Midco Limited	(6) Mixed-activity insurance holding company as defined in Article 212(1) (g) of Directive 2009/138/EC	Limited by shares	(2) Non-mutual		100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800JSKEG8KHZF9G80	BL Telford Limited	(99) Other	Limited by shares	(2) Non-mutual		100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/213800L9MD2TYUF2M658	G Assurance & Pensions Services Ltd	(99) Other	Limited by shares	(2) Non-mutual		100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/213800LU36TP1TUUMI19	G Life H Limited	(99) Other	Limited by shares	(2) Non-mutual		100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/213800MTFCWA4G695463	NM Pensions Limited	(99) Other	Limited by shares	(2) Non-mutual		100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/213800RKSNN1SLFPXO64	ERIP Limited Partnership	(99) Other	Limited by partnership	(2) Non-mutual		100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(1) Method 1: Full consolidation

REASSURE GROUP PLC

Undertakings in the scope of the group (S.32.01.22)

							Criteria of Influence			Criteria of influence			Inclusion in the scope of group supervision		Group solvency calculation
Country	Identification code 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	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
(GB) United Kingdom	LEI/213800TVW97G2S3WAH16	ReAssure Life Limited	(99) Other	Limited by shares	(2) Non-mutual		100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/213800URB5NH1X13VR38	Old Mutual Wealth Pensions Trustee Limited	(99) Other	Limited by shares	(2) Non-mutual		100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/213800UW8CON9XG6EY13	ReAssure FSH UK Limited	(5) Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/ EC	Limited by shares	(2) Non-mutual		100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800UZNVRPALQEDZ61	ReAssure PM Limited	(99) Other	Limited by shares	(2) Non-mutual		100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/213800V2138XI4IYEZ47	ReAssure UK Services Limited	(10) Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Limited by Shares	(2) Non-mutual	Financial Conduct Authority (FCA)	100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800WOC9UMRNV45O46	ReAssure Companies Service Limited	(10) Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Limited by shares	(2) Non-mutual		100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/213800WYM9VABFBW4H22	ReAssure LL Limited	(99) Other	Limited by shares	(2) Non-mutual		100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/213800ZFL26XQ7UIFU39	Gresham Life Assurance Soci-ety Limited	(99) Other	Limited by shares	(2) Non-mutual		100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/5493004S4OGUNITLEY46	ERIP General Partner Limited	(99) Other	Limited by shares	(2) Non-mutual		80%	100%	80%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(3) Method 1: Adjusted equity method
(GB) United Kingdom	LEI/5493005LF51QP7R4SS09	Old Mutual Wealth Life Assurance Limited	(1) Life insurance undertaking	Limited by Shares	(2) Non-mutual	Prudential regulation authority (PRA)	100%	100%	100%	Centalised risk management	(1) Dominant	100%	(1) Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/549300890XJXTPM3FM60	ReAssure Group Plc	(6) Mixed-activity insurance holding company as defined in Article 212(1) (g) of Directive 2009/138/EC	Limited by shares	(2) Non-mutual								(1) Included in the scope		(1) Method 1: Full consolidation
(GB) United Kingdom	LEI/BQYCTFWOEM1JRDE6F109	ReAssure Limited	(1) Life insurance undertaking	Limited by Shares	(2) Non-mutual	Prudential regulation authority (PRA)	100%	100%	100%	None	(1) Dominant	100%	(1) Included in the scope		(1) Method 1: Full consolidation
(IE) Ireland	LEI/Q88N5RCPNGIJG1ZE0765	Ark Life Assurance Company dac* (Ireland)	(1) Life insurance undertaking	Limited by shares	(2) Non-mu-tual	Central Bank of Ireland (CBI)	100%	100%	100%	Centalised risk management	(1) Domi-nant	100%	(1) Included in the scope		(1) Method 1: Full consolidation

SOLO - REASSURE LIMITED
Balance Sheet (S.02.01.02)

		£000s
		Solvency II value
Assets		C0010
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	3,900
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	19,809,868
Property (other than for own use)	R0080	171,252
Holdings in related undertakings, including participations	R0090	459,924
Equities	R0100	485,657
Equities - listed	R0110	485,657
Equities - unlisted	R0120	0
Bonds	R0130	17,002,291
Government Bonds	R0140	4,263,773
Corporate Bonds	R0150	12,665,358
Structured notes	R0160	59,024
Collateralised securities	R0170	14,136
Collective Investments Undertakings	R0180	1,655,512
Derivatives	R0190	35,232
Deposits other than cash equivalents	R0200	0
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	19,872,984
Loans and mortgages	R0230	1,500,823
Loans on policies	R0240	3,590
Loans and mortgages to individuals	R0250	193
Other loans and mortgages	R0260	1,497,040
Reinsurance recoverables from:	R0270	508,248
Non-life and health similar to non-life	R0280	0
Non-life excluding health	R0290	0
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	508,248
Health similar to life	R0320	3,000
Life excluding health and index-linked and unit-linked	R0330	505,248
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	180,343
Reinsurance receivables	R0370	120,491
Receivables (trade, not insurance)	R0380	181,001
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	96,525
Any other assets, not elsewhere shown	R0420	78,706
Total assets	R0500	42,352,890

SOLO - REASSURE LIMITED
Balance Sheet (S.02.01.02)

		£000s
		Solvency II value
Liabilities		C0010
Technical provisions – non-life	R0510	0
Technical provisions – non-life (excluding health)	R0520	0
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	0
Risk margin	R0550	0
Technical provisions - health (similar to non-life)	R0560	0
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	0
Risk margin	R0590	0
Technical provisions - life (excluding index-linked and unit-linked)	R0600	16,710,939
Technical provisions - health (similar to life)	R0610	202,438
Technical provisions calculated as a whole	R0620	7,085
Best Estimate	R0630	188,088
Risk margin	R0640	7,265
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	16,508,501
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	16,039,273
Risk margin	R0680	469,227
Technical provisions – index-linked and unit-linked	R0690	18,885,181
Technical provisions calculated as a whole	R0700	19,794,813
Best Estimate	R0710	(971,987)
Risk margin	R0720	62,355
Other technical provisions	R0730	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	11,741
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	99,941
Deferred tax liabilities	R0780	347,546
Derivatives	R0790	42,552
Debts owed to credit institutions	R0800	12,587
Financial liabilities other than debts owed to credit institutions	R0810	242,939
Insurance & intermediaries payables	R0820	258,643
Reinsurance payables	R0830	147,668
Payables (trade, not insurance)	R0840	287,270
Subordinated liabilities	R0850	0
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	35,682
Total liabilities	R0900	37,082,689
Excess of assets over liabilities	R1000	5,270,201

SOLO - REASSURE LIMITED
Premiums, claims and expenses by line of business (LIFE ONLY (S.05.01.02)

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Premiums written										
Gross	R1410	27,142	5,042	375,490	281,143	0	0	35	95,481	784,333
Reinsurers' share	R1420	0	0	0	357,189	0	0	0	0	357,189
Net	R1500	27,142	5,042	375,490	(76,046)	0	0	35	95,481	427,143
Premiums earned										
Gross	R1510	27,142	5,042	375,490	281,143	0	0	35	95,481	784,333
Reinsurers' share	R1520	0	0	0	357,189	0	0	0	0	357,189
Net	R1600	27,142	5,042	375,490	(76,046)	0	0	35	95,481	427,143
Claims incurred										
Gross	R1610	64,539	260,372	1,683,237	1,224,467	0	0	78	5,544	3,238,237
Reinsurers' share	R1620	427	0	0	405,783	0	0	0	0	406,210
Net	R1700	64,112	260,372	1,683,237	818,684	0	0	78	5,544	2,832,027
Changes in other technical provisions										
Gross	R1710	0	0	0	0	0	0	0	0	0
Reinsurers' share	R1720	0	0	0	0	0	0	0	0	0
Net	R1800	0	0	0	0	0	0	0	0	0
Expenses incurred	R1900	3,430	6,663	30,712	56,061	0	0	0	0	96,866
Other expenses	R2500									93,680
Total expenses	R2600									190,546

SOLO - REASSURE LIMITED
Premiums, claims and expenses by country (LIFE ONLY) (S.05.02.01)

		Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - life obligations				
		£000s	£000s					
	R1400							
		C0220	C0280	C0230	C0230	C0230	C0230	C0230
Premiums written								
Gross	R1410	784,333	784,333					
Reinsurers' share	R1420	357,189	357,189					
Net	R1500	427,143	427,143					
Premiums earned								
Gross	R1510	784,333	784,333					
Reinsurers' share	R1520	357,189	357,189					
Net	R1600	427,143	427,143					
Claims incurred								
Gross	R1610	3,238,237	3,238,237					
Reinsurers' share	R1620	406,210	406,210					
Net	R1700	2,832,027	2,832,027					
Changes in other technical provisions								
Gross	R1710	0	0					
Reinsurers' share	R1720	0	0					
Net	R1800	0	0					
Expenses incurred	R1900	96,866	96,866					
Other expenses	R2500		93,680					
Total expenses	R2600		190,546					

SOLO - REASSURE LIMITED
Life and Health SLT Technical Provisions (S12.01.02)

		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010	0	19,750,853			0			0	43,960	19,794,813	7,085			0	0	7,085
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	0	0			0			0	0	0	0			0	0	0
Technical provisions calculated as a sum of BE and RM																	
Gross Best Estimate	R0030	3,034,738		(984,882)	12,895		13,122,932	739,354	0	(848,610)	15,076,427		187,776	0	0	312	188,088
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	2,914		0	0		503,182	0	0	(847)	505,248		3,000	0	0	0	3,000
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	3,031,825		(984,882)	12,895		12,619,750	739,354	0	(847,763)	14,571,179		184,776	0	0	312	185,088
Risk margin	R0100	35,267	143,684			987,981			0	190,849	1,357,781	16,076			0	0	16,076
Amount of the transitional on Technical Provisions																	
Technical provisions calculated as a whole	R0110	0	0			0			0	0	0	0			0	0	0
Best Estimate	R0120	(8,229)		0	0		(822)	(33)	0	(57)	(9,141)		0	0	0	0	0
Risk margin	R0130	(14,834)	(81,329)			(729,932)			0	(103)	(826,199)	(8,811)			0	0	(8,811)
Technical provisions - total	R0200	3,046,943	18,841,221			14,119,480			0	(613,962)	35,393,682	202,126			0	312	202,438

SOLO - REASSURE LIMITED
Impact of long term guarantees and transitional measures (S22.01.21)

		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
		£000s	£000s	£000s	£000s	£000s
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	35,596,120	844,150	0	44,854	983,483
Basic own funds	R0020	4,869,961	(690,858)	0	(24,999)	(822,520)
Eligible own funds to meet Solvency Capital Requirement	R0050	4,869,961	(690,858)	0	(24,999)	(822,520)
Solvency Capital Requirement	R0090	2,906,069	127,672	0	7,193	1,704,814
Eligible own funds to meet Minimum Capital Requirement	R0100	4,869,961	(690,858)	0	(24,999)	(822,520)
Minimum Capital Requirement	R0110	726,517	31,918	0	1,798	426,204

SOLO - REASSURE LIMITED
Own funds (S.23.01.01)

		Total £000s	Tier 1 - unrestricted £000s	Tier 1 - restricted £000s	Tier 2 £000s	Tier 3 £000s
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35		C0010	C0020	C0030	C0040	C0050
Ordinary share capital (gross of own shares)	R0010	386,977	386,977			
Share premium account related to ordinary share capital	R0030	133,966	133,966			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0	0			
Subordinated mutual member accounts	R0050					
Surplus funds	R0070	606,938	606,938			
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	3,742,080	3,742,080			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230	0				
Total basic own funds after deductions	R0290	4,869,961	4,869,961	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					

SOLO - REASSURE LIMITED
Own funds (S.23.01.01)

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		£000s	£000s	£000s	£000s	£000s
		C0010	C0020	C0030	C0040	C0050
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	4,869,961	4,869,961	0	0	0
Total available own funds to meet the MCR	R0510	4,869,961	4,869,961	0	0	
Total eligible own funds to meet the SCR	R0540	4,869,961	4,869,961	0	0	0
Total eligible own funds to meet the MCR	R0550	4,869,961	4,869,961	0	0	
SCR	R0580	2,906,069				
MCR	R0600	726,517				
Ratio of Eligible own funds to SCR	R0620	167.5790%				
Ratio of Eligible own funds to MCR	R0640	670.3160%				

Reconciliation reserve		
Excess of assets over liabilities	R0700	5,270,201
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	0
Other basic own fund items	R0730	1,127,881
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	400,240
Reconciliation reserve	R0760	3,742,080
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	1,453,202
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	0
Total EPIFP	R0790	1,453,202

SOLO - REASSURE LIMITED

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity (S.28.01.01)

Linear formula component for non-life insurance and reinsurance obligations

		£000s
		C0010
MCRNL Result	R0010	0

		£000s	£000s
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	0	0
General liability insurance and proportional reinsurance	R0090	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	0
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	385,431

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	1,377,629	
Obligations with profit participation - future discretionary benefits	R0220	1,684,079	
Index-linked and unit-linked insurance obligations	R0230	18,822,826	
Other life (re)insurance and health (re)insurance obligations	R0240	13,550,422	
Total capital at risk for all life (re)insurance obligations	R0250		8,159,826

Overall MCR calculation

		C0070
Linear MCR	R0300	385,431
SCR	R0310	2,906,069
MCR cap	R0320	1,307,731
MCR floor	R0330	726,517
Combined MCR	R0340	726,517
Absolute floor of the MCR	R0350	3,187

Minimum Capital Requirement	R0400	726,517

SOLO - REASSURE LIMITED

Solvency Capital Requirement - for undertakings using the standard formula and partial internal model (S25.02.21.01)

Unique number of component	Components description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0070	C0080	C0090
10200I	Interest Rate Risk - Up	34,854	0		
10320I	Interest Rate Risk - Rates Up Biting	866,207	866,207		
10400I	Equity Risk	1,059,835	298,238		
10600I	Property Risk	90,974	9,981		
10700I	Spread Risk	242,697	0		
10710I	Spread Risk - Bonds	2,490,997	2,490,997		
10720I	Migration Risk - Bonds	495,689	495,689		
10730I	Default Risk - Bonds	217,452	217,452		
1075AI	Spread Risk - Loans	350,187	350,187		
1075BI	Migration Risk - Loans	25,326	25,326		
1075CI	Default Risk - Loans	29,577	29,577		
10760I	Liability change due to matching adjustment	(1,721,863)	(1,721,863)		
10799I	Diversification within Spread Risk	(36,652)	(36,652)		
10800I	Concentration Risk	537	0		
10900I	Currency Risk	259,609	119,030		
11000I	Inflation Risk	93,099	93,099		
19900I	Diversification within market risk	(1,282,470)	(1,094,404)		
20100I	Type 1 Counterparty Risk	30,840	6,705		
30100I	Mortality Risk	89,383	46,366		
30200I	Longevity Risk	42,559	0		
30210I	Longevity Risk - Base Parameter	389,676	389,676		
30220I	Longevity Risk - Trend	1,124,294	1,124,294		
30250I	Longevity Risk - Proportion Married	106,808	106,808		
30299I	Diversification within Longevity Risk	(327,080)	(327,080)		
30300I	Disability-Morbidity Risk	29,753	23,593		
30400I	Mass Lapse Risk	722,629	345,475		
30510I	Other lapse risk - lapse parameter	225,806	225,806		
30599I	Diversification within lapse risk	(165,978)	(165,978)		
30600I	Expense Risk	70,337	18,531		
30800I	Life Catastrophe Risk	7,210	0		
39920I	Diversification within life underwriting risk	(487,768)	(413,169)		
40300I	Health Disability - Morbidity Risk	15,683	15,683		
70100I	Operational Risk	273,543	234,804		
80200I	Loss-absorbing capacity of technical provisions	(604,116)	0		
80300I	Loss-absorbing capacity of deferred tax	(348,525)	(342,148)		

SOLO - REASSURE LIMITED
Solvency Capital Requirement - for undertakings using the standard formula and partial internal model (S25.02.21.02)

		C0100
Calculation of Solvency Capital Requirement		
Total undiversified components	R0110	4,376,253
Diversification	R0060	(1,543,120)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement, excluding capital add-on	R0200	2,906,069
Capital add-ons already set	R0210	0
Solvency Capital Requirement	R0220	2,906,069
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	(604,116)
Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	R0310	(348,525)
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	1,158,737
Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))	R0420	174,059
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	1,573,273
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

SOLO - OLD MUTUAL WEALTH LIFE ASSURANCE LIMITED
Balance Sheet (S.02.01.02)

		£000s
		Solvency II value
Assets		C0010
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	1,026
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	368,822
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	7
Equities	R0100	0
Equities - listed	R0110	0
Equities - unlisted	R0120	0
Bonds	R0130	131,747
Government Bonds	R0140	131,747
Corporate Bonds	R0150	0
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	207,003
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	30,064
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	8,515,225
Loans and mortgages	R0230	290,000
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	290,000
Reinsurance recoverables from:	R0270	992,762
Non-life and health similar to non-life	R0280	0
Non-life excluding health	R0290	0
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	649,127
Health similar to life	R0320	-8,908
Life excluding health and index-linked and unit-linked	R0330	658,035
Life index-linked and unit-linked	R0340	343,635
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	32,616
Reinsurance receivables	R0370	30,668
Receivables (trade, not insurance)	R0380	9,200
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	15,695
Any other assets, not elsewhere shown	R0420	0
Total assets	R0500	10,256,015

SOLO - OLD MUTUAL WEALTH LIFE ASSURANCE LIMITED
Balance Sheet (S.02.01.02)

		£000s
		Solvency II value
Liabilities		C0010
Technical provisions – non-life	R0510	0
Technical provisions – non-life (excluding health)	R0520	0
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	0
Risk margin	R0550	0
Technical provisions - health (similar to non-life)	R0560	0
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	0
Risk margin	R0590	0
Technical provisions - life (excluding index-linked and unit-linked)	R0600	661,666
Technical provisions - health (similar to life)	R0610	343
Technical provisions calculated as a whole	R0620	7,256
Best Estimate	R0630	(7,292)
Risk margin	R0640	379
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	661,323
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	661,323
Risk margin	R0680	0
Technical provisions – index-linked and unit-linked	R0690	8,855,646
Technical provisions calculated as a whole	R0700	9,175,855
Best Estimate	R0710	(330,592)
Risk margin	R0720	10,384
Other technical provisions	R0730	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	73,000
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	1,026
Insurance & intermediaries payables	R0820	140,097
Reinsurance payables	R0830	102,906
Payables (trade, not insurance)	R0840	6,375
Subordinated liabilities	R0850	0
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	0
Total liabilities	R0900	9,840,716
Excess of assets over liabilities	R1000	415,299

SOLO - OLD MUTUAL WEALTH LIFE ASSURANCE LIMITED
Life and Health SLT Technical Provisions (S12.01.02)

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts with-out options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010	0	9,175,855			0			0	0	9,175,855	7,256			0	0	7,256
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	0	729,423			0			0	0	729,423	0			0	0	0
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate		0		3,136	(333,728)		1,604	659,719	0	0	330,731		0	(7,292)	0	0	(7,292)
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		0		3,116	(388,905)		1,604	656,431	0	0	272,247		0	(8,908)	0	0	(8,908)
Best estimate minus recover-ables from reinsurance/SPV and Finite Re - total		0		20	55,176		0	3,288	0	0	58,484		0	1,616	0	0	1,616
Risk margin		0	10,384			0			0	0	10,384	379			0	0	379
Amount of the transitional on Technical Provisions																	
Technical provisions calculated as a whole	R0110	0	0			0			0	0	0	0			0	0	0
Best Estimate	R0120	0		0	0		0	0	0	0	0		0	0	0	0	0
Risk margin	R0130	0	0			0			0	0	0	0			0	0	0
Technical provisions - total	R0200	0	8,855,646			661,323			0	0	9,516,969	343			0	0	343

SOLO - OLD MUTUAL WEALTH LIFE ASSURANCE LIMITED
Own funds (S.23.01.01)

		£000s	£000s	£000s	£000s	£000s
		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35		C0010	C0020	C0030	C0040	C0050
Ordinary share capital (gross of own shares)	R0010	64,456	64,456			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	350,843	350,843			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230	0				
Total basic own funds after deductions	R0290	415,299	415,299			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	415,299	415,299			
Total available own funds to meet the MCR	R0510	415,299	415,299			
Total eligible own funds to meet the SCR	R0540	415,299	415,299			
Total eligible own funds to meet the MCR	R0550	415,299	415,299			
SCR	R0580	12,555				
MCR	R0600	5,650				
Ratio of Eligible own funds to SCR	R0620	3307.8564%				
Ratio of Eligible own funds to MCR	R0640	7350.7925%				
Reconciliation reserve						
Excess of assets over liabilities	R0700	415,299				
Own shares (held directly and indirectly)	R0710					
Foreseeable dividends, distributions and charges	R0720					
Other basic own fund items	R0730	64,456				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740					
Reconciliation reserve	R0760	350,843				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	R0770	125,913				
Expected profits included in future premiums (EPIFP) - Non-life business	R0780					
Total EPIFP	R0790	125,913				

SOLO - OLD MUTUAL WEALTH LIFE ASSURANCE LIMITED
Solvency Capital Requirement - for undertakings on Standard Formula (S25.01.21)

£000s

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	2,927		
Counterparty default risk	R0020	3,986		
Life underwriting risk	R0030	0		
Health underwriting risk	R0040	0		
Non-life underwriting risk	R0050	0		
Diversification	R0060	(1,410)		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	5,504		

Calculation of Solvency Capital Requirement		
Operational risk	R0130	14,130
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	(7,079)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement, excluding capital add-on	R0200	12,555
Capital add-ons already set	R0210	0
Solvency Capital Requirement	R0220	12,555
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

SOLO - OLD MUTUAL WEALTH LIFE ASSURANCE LIMITED
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity (S.28.01.01)

Linear formula component for non-life insurance and reinsurance obligations

		£000s
		C0010
MCRNL Result	R0010	0

		£000s	£000s
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	0	0
General liability insurance and proportional reinsurance	R0090	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	0
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	59,767

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0	
Obligations with profit participation - future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	8,501,627	
Other life (re)insurance and health (re)insurance obligations	R0240	12,160	
Total capital at risk for all life (re)insurance obligations	R0250		0

Overall MCR calculation		C0070
Linear MCR	R0300	59,767
SCR	R0310	12,555
MCR cap	R0320	5,650
MCR floor	R0330	3,139
Combined MCR	R0340	5,650
Absolute floor of the MCR	R0350	3,187

Minimum Capital Requirement	R0400	5,650

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