

UBS Asset Management Life Ltd

Solvency and Financial Condition Report

As at 31 December 2020



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Glossary of Terms

Acronym	Name
AM UK	Throughout this document, AM UK refers to UBS Asset Management Holding (No. 2) Ltd and its regulated subsidiaries which are as follows: <ul style="list-style-type: none"> • UBS Asset Management (UK) Ltd • UBS Asset Management Funds Ltd • UBS Asset Management Life Ltd
AuM	Assets Under Management
BCMP	Business Continuity Management Plan
BEL	Best Estimate Liability
BRM	Business Risk Management
BSCR	Basic Solvency Capital Ratio
COVID-19	Coronavirus
C&ORC	Compliance and Operational Risk Control
DISO	Divisional Information Security Officer
The Code	The Code of Conduct and Ethics
EIOPA	European Insurance and Occupational Pensions Authority
FCA	Financial Conduct Authority
FRN	Firm Reference Number
FRS	Financial Reporting Standards
GIA	Group Internal Audit
Group	Refers to UBS Group
JPM LMA	JP Morgan Liquidity Management Account
IGM	Investment Guideline Monitoring
IPM	Investment Performance Measurement
KFH	Key Function Holder
KPCI	Key Procedural Central Incidence
LGPS	Local Government Pension Scheme
Life Ltd	UBS Asset Management Life Ltd
LACDT	Loss Absorbing Capacity of Deferred Tax
LMA	Liquidity Management Account
MCR	Minimum Capital Requirement
MRM	Management Responsibility Map
NAV	Net Asset Value
ORSA	Own Risk and Solvency Assessment
PCOC	Product and Customer Outcomes Committee
PRA	Prudential Regulation Authority
RSR	Regular Supervisory Report
SCR	Solvency Capital Requirement
SM&CR	Senior Managers & Certification Regime

SFCR	Solvency and Financial Condition Report
UBS AG	UBS AG is the parent company of the UBS Group. It is a company incorporated under the laws of Switzerland with the principal place of business registered in Zurich.

Summary

This report has been created in line with Chapter 3 of the Reporting Part of the PRA Rulebook for Solvency II Firms. The structure of the report follows Annex XX of the Delegated Regulation (EU) 2015/35.

Business and Performance

UBS Asset Management Life Ltd ('Life Ltd') is an insurance company subject to the Solvency II prudential regime. Life Ltd's sole purpose is to provide long-term unit-linked insurance benefits to institutional pension funds in the UK. Life Ltd has a range of unit-linked investment funds across a broad range of investment capabilities.

Life Ltd forms part of the group of entities referred to as UBS Asset Management UK ('AM UK'), which is the regional subset of the global UBS Asset Management business. Life Ltd is authorized by the Financial and Conduct Authority ('FCA') and dual regulated by the FCA and the Prudential Regulation Authority ('PRA'). Life Ltd has a highly outsourced business model and as a result, has no employees.

Life Ltd's revenue is earned as a management fee, based upon a percentage of Assets under Management ('AuM'), with the majority of expenses being directly linked to the fees earned. Life Ltd does not take investment risk on behalf of policyholders or shareholders, nor does Life Ltd pursue any investment strategy with the intention of providing support to its own funds. The investment performance therefore, has no direct impact on Life Ltd's performance.

Life Ltd does not actively invest surplus shareholder funds, holding them instead in cash or cash equivalents and in short dated Gilt. These cash and cash equivalents generate interest income which is recognised in the profit and loss account as earned. There are no investments in securitized assets.

Life Ltd provides unit linked insurance services to UK registered pension funds only, consequently there is no direct impact from Brexit as the funds in the structure have their assets managed by a UBS Asset Management (UK) Ltd.

The spread of the novel coronavirus COVID-19 is being treated as a natural disaster. As such, Life Ltd has considered the accounting requirements when addressing the possible financial effects this may have on the company. Life Ltd has now had 12 months experience operating in this environment and has demonstrated that Life Ltd can operate as normal from both an internal perspective and an external business view with regards its interaction with clients. Though Life Ltd's Asset under Management ("AuM") decreased by 28% to £15.4bn (2019: £21.3bn), this fall is primarily driven by a major client's decision to move its investment into segregated mandate with another UBS AM group company, which is considered to be a one-off event. There has been an unrealized loss of £1.8bn (2019: £0.4bn loss), which is broadly driven by fall in European Equity indices and this is indirectly due to COVID-19 and other market considerations. There has been no impact on liquidity, with the amount of liquid assets held being £32.2m (2019: £30.7m).

Life Ltd currently holds a regulatory capital ratio of 839% of the solvency capital requirement and Life Ltd is also well capitalised to support any adverse shocks with over £34.5m in share capital, of which £32m is invested in short dated Gilts and kept as cash or cash equivalents. Life Ltd has performed an assessment of the impact of these events of market stress due to COVID-19 pandemic and it concluded that Life Ltd has adequate resources to continue in operational existence at least for the period up to 31 December 2023. Life Ltd has a robust process to ensure it captures the impact of various stress scenarios including operational risk events on its revenue, cost and solvency capital requirement for next 3 years for those scenarios. Those entire stress scenarios are documented in Own Risk and Solvency Assessment ("ORSA") document. Based on the result of various stress scenarios and reverse stress tests, Life Ltd can conclude that even on the worst case scenario the company is well capitalised and have sufficient liquidity to meet its obligation at least for the period up to 31 December 2023.

COVID-19 Payment of a final dividend is not recommended by the Board for 2020 (2019 – nil) however this is not consequential to COVID-19.

Details are given in section A.

System of Governance

Life Ltd is committed to having a strong control environment, consistent with the UBS Group-wide policy to maintain high standards of control and compliance, which encompasses all elements of the ownership and governance environment, from the owners, UBS AG, the senior management through to the Board of Directors.

As a response to the extension of the Senior Managers & Certification Regime ('SM&CR') to insurance firms in December 2018 the Board ran a thorough review of Life Ltd's system of governance to comply with the new requirements under SM&CR. The thorough review and the drawn up Management Responsibility Map provide comfort to the Board on the adequacy of the governance set-up with regards to the nature, size and complexity of Life Ltd.

Details are given in section B.

Risk profile

Life Ltd employs a robust process for identifying and managing its key risks. Risks are managed and monitored to a risk appetite defined and approved by the Board on an annual basis. The main risks that arise are shown in the table below and are derived from the Standard Formula for Solvency and Capital Requirement.

Risk Type £ '000	Solvency II	Percentage of SCR
Underwriting Risk	1,909	50.6%
Market Risk	1,765	46.8%
Counterparty Default Risk	458	12.1%
Diversification Benefit	(1,051)	(27.8)%
Operational Risk	928	24.6%
Loss Absorbing Capacity of Deferred Tax ('LACDT')	(235)	(6.2)%
Solvency Capital Requirement	3,774	

The risk profile is reviewed in section C.

Valuation of Technical provisions for solvency purposes

The technical provisions calculations adopts a cash flow projection methodology over the lifetime of the business (with an assumed management action to wind-up the company when it ceases to be viable) and is consistent with PRA guidance dated 1 December 2016 and 13 July 2018 on the interpretation of Article 18 of the Delegated Acts.

The table below shows the capital position of Life Ltd as at 31 December 2020 under the Solvency II revised model.

Category £ '000	2020	2019
Technical provisions as a whole¹	15,360,914	21,267,473
Best Estimate²	(135)	(3,954)
BEL	15,360,779	21,263,519

Capital management

¹ Sum of the face value of the units.

² Present value of the excess of fees over expenses.

Category £ '000	2020	2019
Own Funds	31,645	33,520
Solvency Capital Requirement	3,774	10,304
Minimum Capital Requirement	3,338	4,637

The above assessment as at 31 December 2020 indicates that Life Ltd's SCR is £3.8m (2019: £10.3m). Life Ltd has regulatory capital available at 31 December 2020 of £31,645k (2019: £33,520k), which represents a surplus of £28,307k (2019: £28,883k) over the minimum capital requirement reflected above and a surplus of £27,870k (2019: £23,216k) over the solvency capital requirement.

At all times, the Board of Life Ltd seeks to ensure it holds sufficient capital to meet prevailing regulatory requirements. The approach to capital management is outlined in section E.

External audit

Life Ltd qualifies as a "small firm for external audit purposes" and Life Ltd's SFCR is exempt from external audit in line with the amendment of the External Audit Part of the PRA Rulebook for Solvency II firms on 17 October 2018 (PS 25/18: Solvency II: External Audit of the Public Disclosure). However, Life Ltd decided to voluntarily comply with Rule 2.1 of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms and engaged EY to audit and report on sections D and E for the year ended 31 December 2020.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the SFCR in accordance with the Prudential Regulation Authority (PRA) rules and Solvency II Regulations.

The PRA Rulebook for Solvency II firms in Rule 6.1(2) and Rule 6.2(1) of the Reporting Part requires that Life Ltd must have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that Life Ltd must ensure that its SFCR is subject to approval by the Directors.

Each of the Directors, whose names and functions are listed in section B System and Governance , confirms that to the best of their knowledge:

- 1) Throughout the financial year in question, Life Ltd has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable; and
- 2) It is reasonable to believe that, at the date of the publication of the SFCR, Life Ltd continues to comply, and will continue to comply in future.

By Order of the Board

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Director
UBS Asset Management Life Ltd
06 April 2021

Auditor's Report and Opinion

Report of the independent external auditor to the Directors of UBS Asset Management Life Ltd ('the Company') pursuant to Rule 4.1(2) of the External Audit Part ("Part") of the PRA Rulebook applicable to Solvency II firms and the Company's voluntary compliance with Rule 2.1 of that Part.

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

Opinion

We are engaged by the Company to perform an audit of the nature prescribed by Rule 4.1(1) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms, in all respects as though that Part applied to the Company notwithstanding its status as a small firm for external audit purposes.

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

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2020, (**'the Narrative Disclosures subject to audit'**); and
- Company templates S02.01.02, S12.01.02, S23.01.01, S25.01.21, S28.01.01 (**'the Templates subject to audit'**).

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

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

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S05.01.02, S05.02.01; and
- the written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report (**'Statement of Directors' Responsibilities'**).

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including 'ISA (UK) 800 (Revised) Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks' and 'ISA (UK) 805 (Revised) Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement'. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the relevant elements of the Solvency and Financial Condition Report, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- ▶ confirming our understanding of the Directors' going concern assessment process and obtaining the Directors' going concern assessment covering the period up to 31 December 2023. This includes the Company's profitability, liquidity and solvency positions;
- ▶ evaluating the appropriateness of assumptions and methodology used in the Company's financial forecast which forms the basis for the Directors' going concern assessment and determining whether the forecast provides an appropriate basis for the Directors to assess the Company's going concern basis of accounting;
- ▶ assessing the accuracy of the going concern analysis by checking the inputs and the clerical accuracy of the financial forecast used
- ▶ evaluating the assumptions used in Directors' stress testing, including reverse stress test, and assessing the conclusions reached;
- ▶ enquiring of management and those charged with governance as to the impact of COVID-19 on the business and reviewing board minutes and key regulatory documents for risks, events or contrary evidence that may impact the Company's ability to continue as a going concern; and
- ▶ assessing the appropriateness of the Company's going concern disclosures by evaluating the consistency with the Directors' assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period up to 31 December 2023 from when the relevant elements of the Group Solvency and Financial Condition Report are authorised for issue.

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

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

This report is made solely to the Directors of the Company in accordance with our letter of engagement dated 29 March 2021. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose.

Our opinion is not modified in respect of these matters.

Other Information

The Directors are responsible for the Other Information contained within the Solvency and Financial Condition Report.

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

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

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations on which they are based.

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

In preparing the Solvency and Financial Condition Report, the Directors are responsible for assessing the Company's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the Directors either intend to cease to operate the Company, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

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

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the direct laws and regulations related to elements of Company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We obtained a general understanding of how the Company is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board, and the Audit Committee; and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework and the Board's review of the Company's risk management framework and internal control processes.
- We assessed the susceptibility of the Company's Solvency and Financial Condition Report to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. In addition, we considered the impact of Covid-19 on the Company, including an assessment of the consistency of operations and entity level controls in place as they transitioned to operating remotely for a significant proportion of 2020.
- We designed our audit procedures to identify non-compliance with both direct and other laws and regulations. Our procedures involved making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the Company's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with the FCA and the PRA.
- The Company operates in the insurance industry which is a highly regulated environment. As such consideration has been given to the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's Report on the Solvency and Financial Condition Report.

Report on Other Legal and Regulatory Requirements

In accordance with our letter of engagement dated 29 March 2021 we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of UBS Asset Management Life Ltd 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.

DocuSigned by:

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Ernst & Young LLP
 London
 06 April 2021

A Business and performance

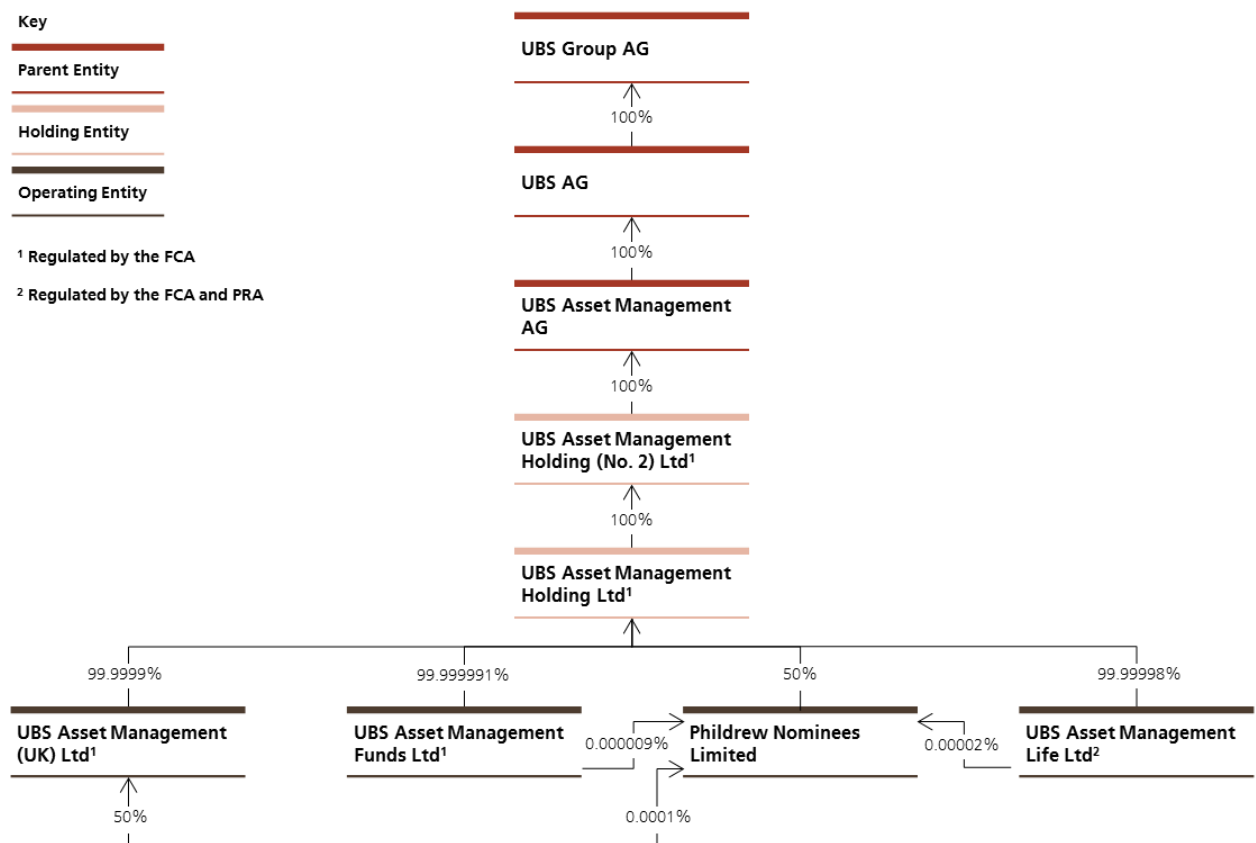
A.1. Business & Operating Model

Life Ltd is an insurance company subject to the Solvency II prudential regime that performs an Own Risk and Solvency Assessment ('ORSA'), produces a Regular Supervision Report ('RSR') which is submitted to the PRA and publishes the Solvency and Financial Condition Report ('SFCR') on its website, all on an annual basis.

The principal activity is to provide long-term unit-linked insurance benefits to institutional pension funds in the UK. Life Ltd has a range of unit-linked investment funds across a broad range of investment capabilities.

Life Ltd is one of the three main regulated legal entities of AM UK. The other entities are UBS Asset Management (UK) Ltd and UBS Asset Management Funds Ltd. Both UBS Asset Management Funds Ltd (in relation to its UCITS funds only) and Life Ltd contract with UBS Asset Management (UK) Ltd for the performance of the investment management function. Under this agreement, UBS Asset Management (UK) Ltd is responsible for the vast majority of the operational activity that takes place day-to-day and for the operational risks that arise under those agreements.

UBS AM UK – Legal ownership structure



Life Ltd was launched in 1998 when it was integral to Phillips & Drew Fund Management's strategy for entering the Defined Contribution ('DC') pension market. Subsequently the approach changed and UBS no longer offers DC products. The book of DC business was wound up in 2007. In comparison to mutual fund structures unit-linked funds offer an administratively simpler and more cost effective way of providing pooling arrangements. In addition life funds benefit from Withholding Tax treatment that other funds do not. The tax and administrative effectiveness for the pension market enables UBS to offer a competitive product on the market and compete with other major passive fund providers.

All Life Ltd's policies (contracts) are with institutional investors, either UK approved pension schemes or insurance companies. The policy is a contract between the insurer and the pension scheme. Life Ltd maintains unit-linked

funds which operate in a similar manner to mutual funds. The number of units issued to an investor is a factor of unit price and amount invested. The value of an investor's policy return is the value attributed to units issued in the unit-linked fund. The contracts give Life Ltd the unilateral right at any time to terminate the contract subject to giving three months' notice.

As at 31 December 2020, the Life Funds comprise 55 clients. The top five clients represent 43% of AuM as at 31 December 2020 compared to 45% of AuM as at 31 December 2019. No single client represents more than 15%. The figures are calculated to exclude the impact of cross holding effect, i.e. where one Life Fund holds units in another Life Fund, to avoid the double counting of AuM. Life Ltd does not engage in reinsurance and the sub-funds do not invest in external Life funds, however, external Life funds can invest into Life Ltd's sub-funds.

As a result of its highly outsourced business model, Life Ltd has no employees. Other entities are responsible for the vast majority of the day-to-day operational activity that occurs and for the costs of the operational risks that arise under those agreements. The Product function is retained in-house. Life Ltd has appointed JP Morgan as fund administrator and custodian, Northern Trust as transfer agent and Willis Towers Watson as Actuary. Details about outsourcing agreements Life Ltd has entered into are described in section B.6.

The cost for the Asset Management division is expensed through UBS Asset Management Holding Ltd. A fixed monthly charge is allocated from UBS Asset Management Holding Ltd to Life Ltd.

Any legally distributable profits of Life Ltd will be paid as dividends to the parent entity in line with Group Policy. The distribution of available earnings by UBS subsidiaries is subject to local minimum legal reserves and local regulatory capital requirements and will only be payable upon approval by the Board of Directors.

Strategy

Life Ltd's strategy has not changed and remains to offer an administratively simple and cost effective way of providing pooling arrangements and to benefit from Withholding Tax treatment that other funds do not. During the last four years, the consolidation of Local Government Pension Schemes opened up opportunities for Life Ltd to leverage good existing passive capabilities which enabled an increase in AuM by more than £10bn, underpinning the strategy.

Given the nature of the framework agreement, this introduces an element of client concentration risk. However, this is in part mitigated by the long-term nature of the contract, with the initial term being 10 years. The growth in AuM of our passive Life Funds provides critical mass in a number of funds, thereby further increasing our ability to compete for future business.

A.1.1 Registered office and mailing address

UBS Asset Management Life Ltd
5 Broadgate
London
EC2M 2QS

A.1.2 Supervisory authority responsible for financial supervision

Life Ltd is currently authorised by the PRA and dual regulated by the FCA and the PRA (FRN: 186527).

Prudential Regulation Authority Bank of England Threadneedle Street London EC2R 8AH	Financial Conduct Authority 12 Endeavour Square London E20 1JN
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Life Ltd is regulated as a solo insurance entity and is the only entity in the AM UK group that undertakes insurance activities.

A.1.3 External auditor of the undertaking

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY

A.2. Business Performance over the reported period

A.2.1 Underwriting Performance

Life Ltd's only business activity is to provide unit-linked life policies, the primary costs and rewards of which are passed on to pension scheme members. The assets and liabilities of Life Ltd are therefore closely matched. Life Ltd earns a management fee based upon the level of assets under management with the majority of expenses being directly linked to the fees earned. The financial performance of Life Ltd is detailed below.

£'000	2020 Financials	2019 Financials
Revenue	6,072	8,553
Custody Fees	(1,209)	(1,286)
Net Revenue	4,863	7,267
Investment Management Fees	(2,309)	(3,436)
Other Direct Costs	(1,287)	(1,120)
Profit before tax	1,267	2,711
Tax	(236)	(507)
Profit after tax	1,031	2,204

Unit-linked Assets as at 31 December £bn	2020	2019
Passive Assets	15.4	20.7
Active Assets	0.0	0.6
Total AuM	15.4	21.3

There was a 28% decrease in unit linked assets under management (AuM) during 2020 and a similar decrease in revenue of £2,481k and decrease in associated investment management fees of £1,127k compared with 2019. Custody charges have decreased relative to the previous year by 6%. The decrease in custody fees was lower than the decrease in AuM, as the major client redeemed its funds of £4.1bn in the second half of 2020, by which time the majority of fees had been incurred. Other direct costs increased in 2020 by £167k due to some one-off cost items, particularly in relation to withholding tax claims which were not there in 2019. This all led to a 53% year on year decrease in profit before tax of £1,444k.

A.2.2 Investment Performance

Life Ltd does not take investment risk on behalf of policyholders or shareholders. As Life Ltd's business solely comprises unit-linked policies, policyholders bear the investment risk in relation to linked assets. Life Ltd is not a Pension fund itself and therefore is unable to invest in its own unit linked funds. The investment performance, therefore, has no direct impact on Life Ltd's performance.

However, Investment performance of the unit linked funds impacts Life Ltd's revenue, its fees being a percentage of assets under management.

Life Ltd does not actively invest surplus shareholder funds, holding them instead in cash or cash equivalents (a liquidity fund) and in a Gilt. These cash and cash equivalents generate interest income which is recognized in the profit and loss account as earned income. There are no investments in securitized assets. Investment income

relates to interest earned on Gilt as well as cash at bank totalled £59.64k (2019 - £170k). Interest is reported net of premium amortisation.

A.3. Any other information

A.3.1 Brexit

Life Ltd provides unit linked insurance services to UK registered pension funds only, consequently there is no direct impact from Brexit as the funds in the structure have their assets managed by a UBS Asset Management (UK) Ltd.

A.3.2 COVID-19

Since the outbreak of novel coronavirus (COVID-19) was confirmed, Life Ltd has been closely monitoring the situation as it develops. The measures Life Ltd implemented are aligned with the recommendations of the World Health Organization (WHO), local government and relevant health authorities as well as being appropriate to UBS's position.

Maintaining business continuity and safeguarding the health and wellbeing of Life Ltd's clients, employees and communities is of paramount importance. Accordingly, Life Ltd continues to monitor the situation and extends measures as appropriate.

To put some of these efforts into further context, Life Ltd has a comprehensive Business Continuity Management (BCM) and Crisis Management framework in place designed to prevent a wide variety of events from impacting critical operations. Its governance is maintained at the senior global management level through a pandemic steering committee reporting to the Group Executive Board of UBS AG and regional working groups to implement and maintain precautionary actions. Preparations include employee communications, facilities management, travel measures, human resources, medical measures and BCM.

The spread of the novel coronavirus COVID-19 is being treated as a natural disaster. As such, Life Ltd has considered the accounting requirements when addressing the possible financial effects this may have on the company. Life Ltd has now had 12 months experience operating in this environment and has demonstrated that Life Ltd can operate as normal from both an internal perspective and an external business view with regards its interaction with clients. Though Life Ltd's Asset under Management ("AuM") decreased by 28% to £15.4bn (2019: £21.3bn), this fall is primarily driven by a major client's decision to move its investment into segregated mandate with another UBS AM group company, which is considered to be a one-off event. There has been an unrealized loss of £1.8bn (2019: £0.4bn loss), which is broadly driven by fall in European Equity indices and this is indirectly due to COVID-19 and other market considerations. There has been no impact on liquidity, with the amount of liquid assets held being £32.2m (2019: £30.7m).

Life Ltd currently holds a regulatory capital ratio of 839% of the solvency capital requirement and Life Ltd is also well capitalised to support any adverse shocks with over £34.5m in share capital, of which £32m is invested in short dated Gilts and kept as cash or cash equivalents. Life Ltd has performed an assessment of the impact of these events of market stress due to COVID-19 pandemic and it concluded that Life Ltd has adequate resources to continue in operational existence at least for the period up to 31 December 2023. Life Ltd has a robust process to ensure it captures the impact of various stress scenarios including operational risk events on its revenue, cost and solvency capital requirement for next 3 years for those scenarios. Those entire stress scenarios are documented in Own Risk and Solvency Assessment ("ORSA") document. Based on the result of various stress scenarios and reverse stress tests, Life Ltd can conclude that even on the worst case scenario the company is well capitalised and have sufficient liquidity to meet its obligation at least for the period up to 31 December 2023.

COVID-19 Payment of a final dividend is not recommended by the Board for 2020 (2019 – nil) however this is not consequential to COVID-19.

There is no other material information regarding Life Ltd's business and performance.

B System of Governance

B.1. General Information on the System of Governance

Governance framework

Life Ltd is committed to having a strong control environment, consistent with the UBS Group-wide policy to maintain high standards of control and compliance, which encompasses all elements of the ownership and governance environment, from the shareholders, the senior management through to its Board of Directors.

AM UK has well-defined management structures, which are supported by a number of committees, each of which operates with agreed terms of reference. Throughout the organization there is a proper definition of management and staff responsibilities, with respective reporting lines supported by defined documented procedures necessary for the efficient day-to-day operation. These procedures are reviewed and updated periodically and where appropriate, are subject to approval by the independent control functions.

AM UK draws on the expertise within the Asset Management business division and the wider UBS Group. Where the topics or concerns are of particular interest to the UK or if there is a statutory or regulatory requirement, a UK specific committee will be established, in some instances, AM UK will leverage a global committee to report updates, issues and concerns to the relevant UK Board or Committee.

Role of the Board & Non-Executive Directors

The Board are collectively responsible for the long term success of the company and for providing leadership of the company within a framework of prudent and effective controls. They oversee the implementation of the strategy for Life Ltd (in light of the strategy set by the wider UBS Group and approved by the AM Executive Committee).

In order to ensure the effectiveness of the Board, an appropriate mix of individuals with relevant knowledge, independence, competence, industry experience and diversity of perspectives to generate effective challenge, discussion and objective decision-making is key. The Non-Executive Directors (NEDs) are independent from the business and provide objective oversight, scrutiny and expertise on issues including, but not limited to, strategy, performance, resources, standards of conduct and the management of conflict of interests.

The Board must complete a self-assessment at least annually to review its own performance, as well as the performance of each of the Committees. Such a review seeks to determine whether the Board and the Committees function effectively and efficiently and whether the terms of reference need to be updated. In light of this review, the Board must determine whether the appropriate diversity of qualifications, knowledge and relevant experience of Board members when assessing the fitness and propriety of the Board is present and set out possible actions that are likely to promote greater diversity in the future if necessary.

The responsibilities of the Life Board include:

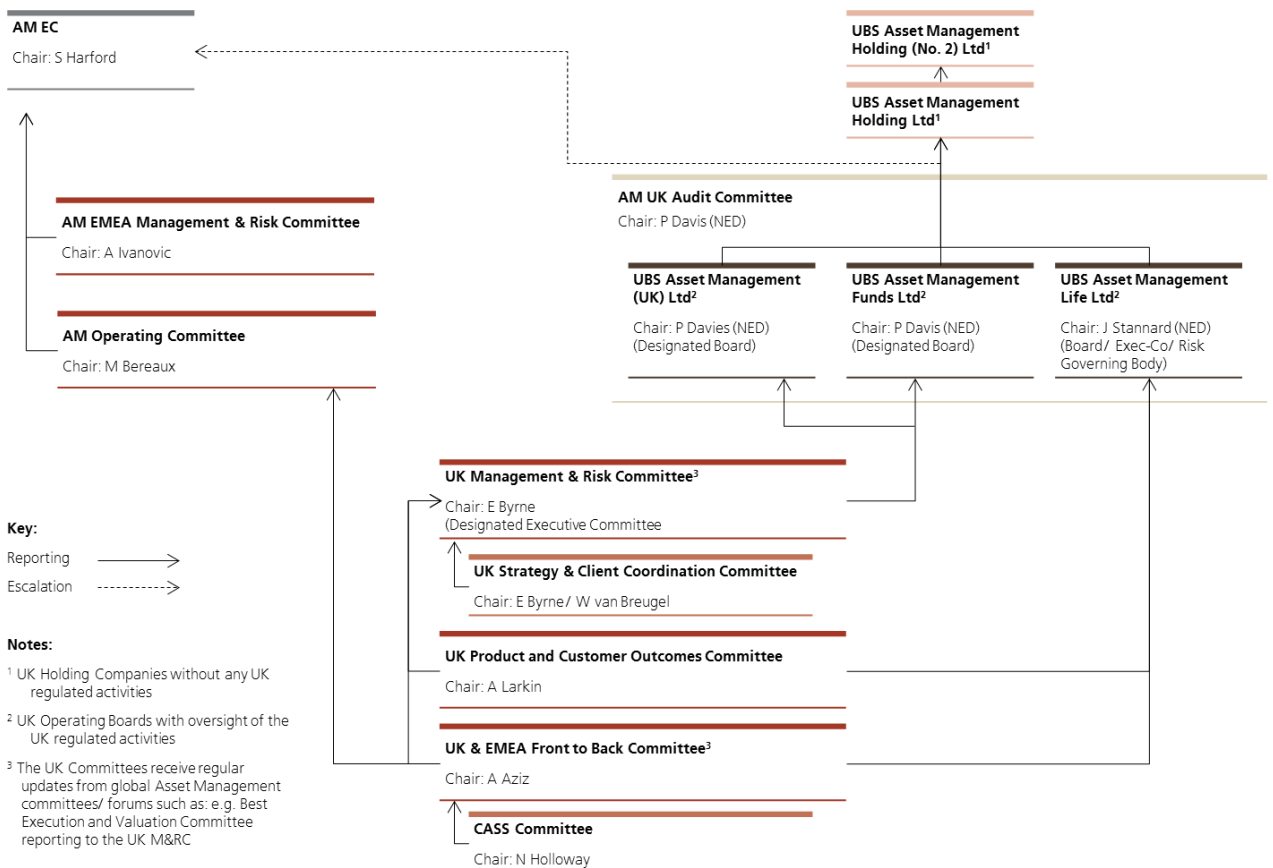
- Actively engage in the affairs of Life Ltd and keep abreast of **material changes in Life Ltd's business and the external environment**, as well as act in a timely manner to protect the long-term interests of Life Ltd;
- Oversee the development of and approve Life Ltd's **business plan and objectives and strategy**, and monitor their implementation;
- Play a lead role in establishing and overseeing Life Ltd's corporate **culture, conduct and values**;
- Oversee implementation of Life Ltd's **governance framework** and periodically review it to ensure that it remains appropriate in light of material changes to Life Ltd's size, complexity, geographical footprint, business strategy, markets and regulatory requirements;
- Approve Life Ltd's **risk appetite** and monitor exposure versus appetite on at least a quarterly basis;
- Oversee Life Ltd's adherence to risk policy and risk limits and ensure effective risk management;

- Approve the approach and oversee the implementation of key policies pertaining to Life Ltd’s **capital** and **liquidity** plans, **compliance policies** and obligations, and the **internal control** system;
- Require that Life Ltd maintain a robust finance function responsible for accounting and financial data, which includes the:
- Approval of the annual **financial statements, ORSA, SFCR** and require a periodic independent review of critical areas;
- Approval of the methodology and assumptions used to value liabilities; and
- Approval of the policy for valuing assets.
- Oversee the **selection** and **performance**, of the Life Ltd CEO, key members of **senior management** and heads of the control functions, (including oversight of the plans for succession);
- Ensure compliance with the **Senior Managers and Certification Regime** regulation especially taking ownership of the Governance Map and assigning appropriate prescribed responsibilities to the Senior Insurance Management Functions;
- Oversight of **outsourced functions**, ensuring that the terms of the outsourced engagements and ongoing service levels with outsourced providers for funds administration, custody services, securities lending and transfer agency are appropriate for the services delivered.

Overview of governance & committee structure

The UK governance framework supports the Boards of the three main regulated entities, as well as the AM divisional governance bodies.

AM UK Governance & Committee Structure



UK & EMEA Front-to-Back Committee

The committee represents the UK Management Committee and the Boards of UBS Asset Management Life Ltd and UBS Asset Management Funds Ltd to manage the operating activities of AM UK including, but not limited to, the front-to-back control framework and management of business and operational risk issues across key processes as the first line of defence.

UK Product and Customer Outcomes Committee ('PCOC')

The committee ensures that all products that are manufactured and/or distributed in the UK are designed appropriately for the identified target market and they continue to meet the expectations of their target market throughout the life-cycle of the product. The PCOC will also be responsible for ensuring that AM UK fulfils its Treat-Customers-Fairly obligations effectively and efficiently.

UK Audit Committee

The committee ensures independent oversight of all regulated UK Asset Management entities including Life Ltd. It provides an independent review of the Board and the business as a whole and comprises Group Internal Audit ('GIA'), UK Risk Control, C&ORC and the independent Non-Executive Directors.

Changes and adequacy in systems of governance in the period

As a response to the extension of the Senior Managers & Certification Regime ('SM&CR') to insurance firms in December 2018 the Board ran a thorough review of Life Ltd's system of governance to comply with new requirements under SM&CR. The Governance Map was converted into a Management Responsibility Map ('MRM') which describes the system of governance in more detail and is available on request. The thorough review and the drawn up MRM provide comfort to the Board on the adequacy of the set-up with regards to the nature, size and complexity of the business.

Details remuneration

All staffs are either employed by UBS AG or UBS Business Solutions, UK branch, but the cost for the Asset Management division is expensed through UBS Asset Management Holding Ltd. A monthly charge is allocated from UBS Asset Management Holding Ltd to Life Ltd.

Directors' emoluments are payable by another Group company and are not separately recharged to Life Ltd.

B.2. Fit and Proper Requirements

The aim of SM&CR is to reduce harm to consumers and to strengthen market integrity by creating a system that enables firms and regulators to hold people to account and therefore ensures greater clarity about those individuals who have responsibility for managing the business. Life Ltd is required to identify their most senior manager functions which are of specific importance to the sound and prudent management of the firm. SM&CR requires Life Ltd to also identify functions which need certification that are not senior management functions, but can have a significant impact on customers, firm and/or market integrity. Individuals in both the senior manager and certification functions need to be "fit and proper" for their respective roles.

In accordance with the requirement to assess fitness and propriety, all individuals performing a PRA and/or FCA senior manager function are required to be assessed as fit and proper to perform the function applied for, prior to the submission of an application. The same fit and proper assessment process applies to individuals in a certification function but these individuals will not be registered with the regulator. In assessing fitness and propriety, UBS have regard to an individual's honesty, integrity and reputation, competence and capability and financial soundness, and have policies and procedures in place to identify, assess and review fitness and propriety on an annual basis.

Senior Management Functions

The individuals listed below have each been allocated Senior Management Functions ('SMFs')

Name	Role Title	Senior Management Function	Description of a Senior Management Function	Effective Date
Eric Byrne	UK Chief Executive Officer / Director	SMF1*	Chief Executive function	10.12.2018
		SMF3**	Executive Director	10.12.2018
Malcolm Gordon	Head of UK Institutional Client Coverage / Director	SMF1	Chief Executive function	Application not submitted as of date
		SMF3	Executive Director	10.12.2018
Daniel Beadel	Chief Financial Officer	SMF2	Chief Finance	10.12.2018
Ruth Beechey	UK Chief of Staff / Director	SMF3	Executive Director	10.12.2018
Farooq Gulzar	Chief Risk Officer	SMF4	Chief Risk	To be approved by FCA
Keith Haywood	Head of Asset Management Group Internal Audit	SMF5	Head of Internal Audit	10.12.2018
John Stannard	Non-Executive Director - Chair of the Board	SMF9	Chair	10.12.2018
Pete Davis	Non-Executive Director	SMF14	Senior Independent Director	10.12.2018
William Bell	Head of EMEA Compliance	SMF16	Compliance Oversight	10.12.2018
James Mortimer	Head of Financial Crime Prevention AM	SMF17	Money Laundering Reporting	10.12.2018
Neil Chapman	Chief Actuary	SMF20	Chief Actuary	10.12.2018
Adam Aziz	EMEA Operating Officer	SMF24	Chief Operations	18.03.2019
Nora Holloway	Head Registered Fund Product Control	SMF24	Chief Operations	18.03.2019

* E. Byrne will remain the SMF1 until approval of Malcolm Gordon as SMF1

The PRA and FCA have set out a number of key responsibilities and functions that must be allocated amongst those individuals at Life Ltd approved to carry out a SMF role. The PRA and the FCA have set out a combined list of Prescribed Responsibilities which must be allocated to an SMF within Life Ltd. The Board carries out an ongoing assessment of the appropriateness and completeness of its allocation of PRA and FCA Prescribed Responsibilities.

B.3. Risk Management System including the Own Risk and Solvency Assessment

B.3.1 Risk management system

Sound risk management and control is an integral part of creating a sustainable business and delivering ongoing value for stakeholders. Failure to establish and sustain an effective firm-wide risk culture, and to adequately manage and control risks, leads to financial loss and damage to our reputation and to the trust of our stakeholders. The Board are ultimately responsible for adequate risk management and establishing an integrated and institution-wide risk culture.

Life Ltd is subject to the UBS Risk Management and Control Principles, which apply to the UBS Group, and are designed to support optimal risk-return decisions. Holistic governance together with aligned risk, compliance and finance processes are designed to help protect Life Ltd from unacceptable damage to its financial strength, performance and reputation. Also, the risk management and control processes of Life Ltd help to ensure that risk and return objectives are appropriately balanced in order to achieve sustainable earnings growth within the risk appetite established by the Life Ltd Board.

In order to form an adequate risk culture, respective policies such as the Code of Conduct are established relevant for all employees. Risk management is an integral topic of all committees and management expects every employee to act appropriately within the allowed risk appetite.

AM UK operates a Training and Competence Regime for all staff. Training is given a high priority, and staffs receive appropriate training which is considered regularly by managers in order to maintain competence. All new joiners are required to complete a suite of computer based training modules. Completion records and performance is tracked and non-compliance or late completion is reported to senior management. Most computer-based training modules contain a test which employees must pass before the training is complete. All staffs are required to complete refresher training on a periodic basis.

For a number of staff involved in conducting regulated activities, additional training and competence requirements apply. These requirements relate to assessment and supervision of employees until deemed competent, appropriate examinations, training needs and maintaining competence.

AM UK has also developed and delivered bespoke training where there are specific requirements which are not covered by other existing training. This includes the innovative and engaging, drama-led, Conduct & Behaviours training which was mandatory for all AM UK and aligned staff. This involved a group of actors playing out a series of scenarios which provoked debate and discussion amongst the audience on a host of conduct related issues, such as: gifts & entertainment, inappropriate behaviour, insider dealing, and how to challenge effectively.

The Board and senior management has also received training throughout 2020 on relevant regulatory topics including:

- Senior Managers & Certification Regime
- Conduct Risk
- Section 172 of UK Companies Act 2006
- Operational Risk Model
- Tax
- Regulatory Change Oversight (e.g. LIBOR, Derivatives Reform, UCITS, IGM Sentinel Training, and others)

B.3.2 Own Risk and Solvency Assessment

A formal ORSA assessment should be performed at least once each calendar year. The Board considers this appropriate, taking into account the nature, scale and complexity of the business written by Life Ltd. The assessment will be timed to ensure that the calculation of SCR and the ORSA are based on a comparable risk profile, consistent data points, assumptions, parameters and methods, as well as to support the business planning and capital management process. In 2016, it was agreed by the Board in discussion with the PRA that the ORSA should be performed in conjunction with the Regular Supervisory Report (RSR) and the Solvency and Financial Condition Report (SFCR). This allowed the ORSA, RSR and SFCR to be performed concurrently in future years.

The ORSA shall also be performed within the calendar year if Life Ltd experiences a change in the risk, or solvency profile that may materially affect the ORSA. The financial position is monitored, along with the risk profile, including the internal and external events occurring. This will inform the Board as to whether an ad-hoc ORSA process may be appropriate.

The assessment is made for Life Ltd as a stand-alone entity but having regard to its position within UBS Group.

The ORSA is an integrated element of Life Ltd's risk management framework. The ORSA documents the risks faced by Life Ltd and the capital required to assist in mitigating the risk exposures identified. This process is used by the Board of Life Ltd as part of its decision making process. The Chief Risk Officer is responsible for planning and initiating the annual ORSA cycle and for ensuring that all relevant stakeholders are aware of their roles and responsibilities in the process.

The ORSA process includes:

- Risk identification, review and assessment;
- Evaluation of the SCR and own solvency needs;
- Assessment of the appropriateness of using the Standard Formula for the calculation of the SCR;
- Business and capital planning;
- Stress and scenario testing;
- Reverse stress testing;
- Ongoing capital adequacy monitoring;
- ORSA documentation including sign-off by the Board owner of each section.

The ORSA Report is subject to multiple stages of challenge including:

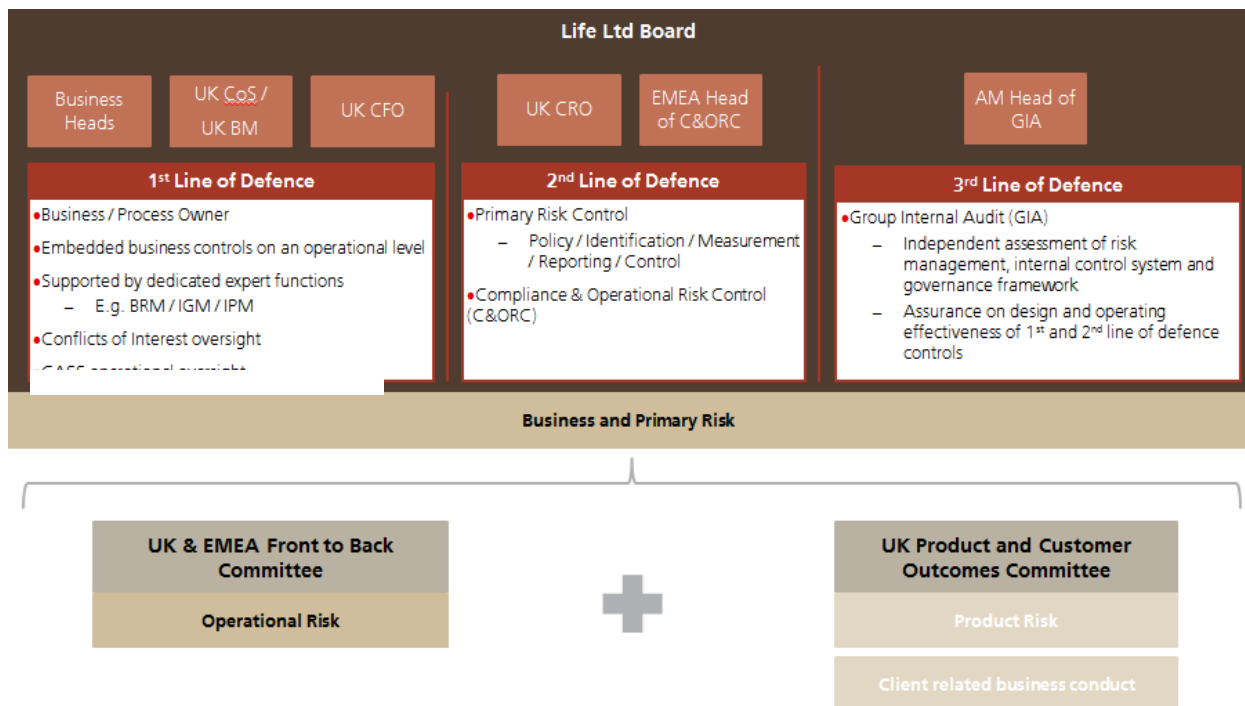
- Actuarial Function and risk owners;
- Senior management of AM UK involved with Life Ltd; and
- Life Ltd Board including the Independent Non-executive Directors.

The ORSA was last approved by the Board on 6th April 2020. The ORSA report for 2020 is expected to be approved with the SFCR on 1 April 2021.

B.4. Internal Control System

UBS takes a 'three lines of defence' approach to risk and control.

AM UK Three Lines of Defence Model



The objective of the control functions in all lines of defence is to support the Board in implementing a comprehensive and sound risk management and risk control framework and to continuously improve it. The control functions within the three lines of defence act independently from each other with the mission to monitor adherence to policies and procedures as well as compliance with laws and regulations. To ensure the independence and continuity of the control functions, the respective units have access to all relevant data and information. Results and conclusions of their activities are frequently reported to the Board as well as to all relevant committees. For the same reason of independence, a strict segregation of duties applies meaning that the tasks of the control functions are controlled by the next level of defence respectively and the staffs does not form of part or depend hierarchically upon functions controlled by them. In addition, they are subject to a remuneration policy which aims at avoiding any conflict of interest by being independent from the business performance of the Group.

B.4.1 1st Line of Defence (1LOD) —Business

The 1st line of defence is responsible for proper risk management and culture within their daily business activities, and they are supported by various dedicated expert functions that are in permanent exchange with the 2nd line of defence.

The members of the Board own all the risks assumed throughout the business units, including outsourced activities and processes, and are responsible for the continuous and active management of all risk exposures to ensure that risk and return are balanced. They are accountable not only for the risks actively taken in order to generate returns, but also for the risks arising from their activities. Senior management have an over-riding priority to protect Life Ltd's long-term interests and not simply to maximise short-term profits.

Dedicated Expert Functions

Business Risk Management ('BRM') performs control processes, including effective supervision, to appropriately manage risks and remediate risk control issues identified. Furthermore, they proactively monitor, investigate and escalate incidents and loss events to the 2nd line of defence. An integral part of BRM is the Divisional Information Security Officer ('SISO') who covers all information processes, physical and electronic, regardless whether they involve people and technology or relationships with external partners, customers and third parties. Information security addresses information protection, confidentiality, availability and integrity throughout the life cycle of the information and its use within the organisation.

Conflicts of Interest Oversight

Fostering a risk culture is also central to identifying and managing conflicts of interest. Life Ltd maintains a conflicts of interest inventory for which each conflict is allocated a significant influence function owner. The significant influence function owner is responsible for ensuring that the relevant committee is confident that the conflict has been mitigated. Discussion of conflicts of interest are scheduled at Boards and Committees so that each conflict is reviewed on an annual basis.

B.4.2 2nd Line of Defence (2LOD)—Independent Risk Management & Control

The UK CRO and Head of EMEA Compliance are both permanent guests of the Board, are independent from the 1st line of defence, and are mandated with monitoring and challenging the effectiveness of the management of risk by the business.

Risk Control

Risk Control is mandated with providing independent monitoring of the effectiveness of primary risk management and oversight of investment risk-taking activities. Risk Control is an independent risk function with a separate reporting line from the UBS AM business and portfolio management functions. The AM UK CRO reports to the AM CRO who reports to the Group Chief Risk Officer.

The AM UK CRO has responsibility for providing an independent check on AM UK's primary risk taking activities as part of the AM UK CRO's responsibility for the implementation and enforcement of the UBS Risk Management and Control Principles. The AM UK CRO is supported by AM aligned control functions.

Risk Control is responsible for ensuring the Primary Risk Framework is in place to permit the risk actions described below:

- Risk Identification—Supporting business management in developing and implementing adequate primary risk identification controls and processes. Risk Control must approve any transactions that do not fit into approved systems/processes, or which demand special approval because of their large size or non-standard nature, as defined in the transactions requiring pre-approval policy
- Risk Measurement—Risk Control is responsible for risk measurement and valuation methodologies, with specific emphasis on the validation of the models used to value and risk manage complex instruments. The Business is expected to develop and submit to Risk Control for approval any developments or changes to risk measurement and valuation methodologies
- Risk Policy—Risk Control is responsible for developing AM risk policies ensuring they are continually consistent with evolving business requirements, industry and regulatory best practice, and are accurately adapted from UBS Group Policies
- Risk Reporting—Risk Control is responsible for developing the risk reporting and risk limit framework and ensuring the timely and accurate production of comprehensive risk reports to the AM UK Risk Committee
- Risk Limits—Risk Control is responsible for enforcing adherence to all risk limits, policies, and regulatory requirements, and if deemed appropriate, initiating penalties for staff/businesses that breach risk policies and limits
- Stress Testing—Stress tests play a key role in the Risk Management and Control framework. Stress tests are quantitative scenarios that can be expressed in terms of mathematical shocks to various factors in the business plan and are used to assess the overall resilience of the capital plan to negative events.

Compliance & Operational Risk Control ('C&ORC')

C&ORC is responsible for providing independent oversight and control over the consequential risks arising from UBS's business activities at a global, regional, divisional and entity level, in order to ensure compliance, conduct and operational risks are understood, owned and managed within risk appetite. This includes establishing and implementing a comprehensive and efficient control framework covering key risks owned within C&ORC and partnering with the AM Business Division to ensure all risks are duly considered and that remediation remains a focus and priority across the firm. In summary, C&ORC AM is responsible for:

- Independently assessing and reporting all material compliance and operational risks relevant to AM.
- Escalating and reporting C&ORC risks and issues and agreeing appropriate mitigation for AM.
- Maintaining a global understanding of relevant systems, controls and processes used to manage C&ORC risks for AM.
- Managing C&ORC relationships with AM Business Heads, including ensuring appropriate engagement exists between C&ORC and AM at all organization levels.
- Ensuring allocation of C&ORC AM resources to AM is effective and efficient.
- Implementing appropriate governance structures.

The EMEA Head of C&ORC provides a written regulatory report to the Board on a quarterly basis.

B.4.3 3rd Line of Defence (3LOD) —Group Internal Audit function

Audit coverage for the entire UBS Group is provided by GIA. GIA is an independent and objective function that supports the business in achieving its defined strategic, operational, and financial and compliance objectives, and the Board of Directors and its committees, namely the Risk Committee and the Audit Committee in discharging their governance responsibilities by systematically assessing:

- The effectiveness of processes to define strategy and risk appetite, as well as the overall adherence to the approved strategy
- The effectiveness of governance processes
- The effectiveness of risk management, including whether risks are appropriately identified and managed
- The effectiveness of internal controls, and whether they are commensurate with the risks taken
- The soundness of the risk and control culture
- The effectiveness and sustainability of remediation activities
- The reliability and integrity of financial and operational information, i.e. whether activities are properly, accurately and completely recorded, and the quality of underlying data and models
- The effectiveness of processes to comply with legal, regulatory and statutory requirements, internal policies and contracts

Further, GIA assesses the adherence to approved strategy as well as the processes for strategy development, setting risk appetite and business planning. All reports with key issues are provided to the Group CEO, the Group Executive Board ('GEB') members responsible for the business divisions and other responsible management. In addition, the Chairman of the Board of Directors, the Risk Committee and the Audit Committee are regularly informed about relevant findings in reports issued that apply to UBS AM. GIA closely cooperates with internal and external legal advisors and risk control units on investigations into major control issues.

Effective risk management, control and governance processes are the responsibility of the respective management and control functions. GIA independently assess design and operating effectiveness of governance at Group, divisional and regional levels. It also evaluates the independence of risk control functions.

Remediating issues is the responsibility of management. GIA ensures that management has sustainably addressed relevant issues raised from all sources (i.e. issues rated 3 as moderate and above from GIA, external audit,

regulators, or self-identified by management). The existence of internal audit does not relieve management of its responsibility regarding the risk management and control process.

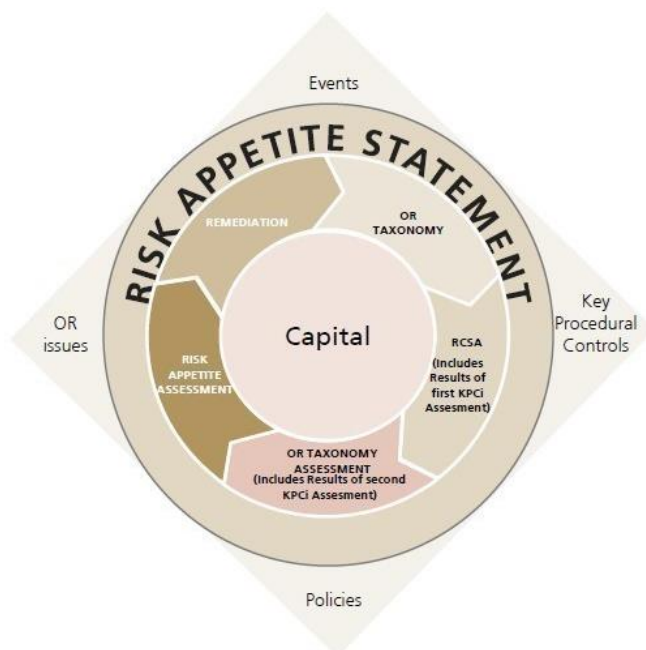
Group Internal Audit are permanent guests at the Board meetings and at the AM UK Audit Committee and present the findings from audits where they are relevant to the UK. The audit plan will also be presented to the Boards and AM UK Audit Committee on an annual basis.

B.4.4 Risk Frameworks

For each risk category, dedicated Risk Frameworks in form of policies do exist, the most important from the perspective of AM UK is the Operational Risk Framework.

Overview of the UBS Operational Risk Framework

Operational Risk Framework



- Operational Risk Taxonomy—defines the universe of material compliance, conduct and operational risks, which can arise as consequences of our business activities and through external factors. The operational risk taxonomy provides a clear and logical classification, across all business divisions, of the universe of UBS's inherent operational risk to allow analysis of risk exposure and concentrations. The taxonomy is established thematically at level 1, level 2 and level 3, with each level providing the foundations of the framework. Ownership of the taxonomy categories resides with C&ORC, categories are reviewed annually by taxonomy owners and approved by C&ORC management and may evolve over time to reflect changes in the business model or regulatory landscape
- Key Procedural Controls ('KPCs')—key internal controls determined by UBS Divisions, Group Functions and UBS entities as sufficient to mitigate key compliance, conduct and operational risks to an acceptable level, recorded in central Standard Operational Risk Tool (SORT)
- Key Procedural Control Incidence ('KPCI') assessment—self assessment of the design and operating effectiveness of key controls, identifying control deficiencies. Owned and performed by control owners in both first line and second line of defence on a semi-annual basis. The KPCI assessment is an important input into the overall front-to-back assessment of the control framework completed as part of the Risk Control Self-Assessment ('RCSA')
- Operational Risk Issues—an internal control deficiency as identified (by KPCI Assessment, RCSA, Operational Risk Event, etc.) before or after the risk crystallises where a control is (i) missing, (ii) not adequately designed to mitigate a risk (design deficiency), or (iii) is not operating effectively to sustainably mitigate the risk (operating deficiency). UBS Divisions, Group Functions and UBS entity management are responsible for the accuracy and completeness of internal control deficiencies recorded, and the adequacy of the remediation of control deficiencies
- Operational Risk Appetite—represents the level of compliance, conduct and operational risk that the firm is willing to accept in pursuit of its strategic objectives. It represents a clear point of intervention, which allows the firm to respond promptly and effectively to operational risk appetite breaches and supports the optimised allocation of limited risk management resources to prioritised issues. Operational risk appetite objectives are defined by divisions, Group functions and UBS entities in operational risk appetite statements.

Risk Assessment

Risk Assessments are performed annually within the firm and are designed to evaluate the inherent risk, the strength of the control environment and the resulting residual risk across the following five impact factors: Reputational & Media, Regulatory, Financial, Market Impact and Client.

The key risk assessments are:

- Risk Control Self-Assessment ('RCSA')—conducted by the first line of defence on an annual basis, it is an assessment of the residual risk for top inherent operational risks for each business division (as identified and documented in the risk appetite statements). The RCSA includes a front-to-back integrated view of assessment of control environment and is designed to produce transparent and actionable outcomes. Owned by the 1LOD with 2LOD oversight
- Operational Risk Taxonomy Assessment—is conducted by the second line of defence, C&ORC, on an annual basis. The assessment is designed to consolidate the divisional results at group level and is a direct challenge of the RCSA results. The Operational Risk taxonomy assessment allows the firm to assess residual risk across the firm, and to consider the impact of aggregate 'immaterial' risks which do not have a high direct impact to one specific business division

Compliance and Operational Risk Events

The consistent reporting and assessment of compliance, conduct and operational risk events is essential for the management of compliance, conduct and operational risk to which UBS is exposed to through daily business activities. Timely reporting of events provides the firm with opportunity to analyse and learn, while taking required action to protect the firm against further occurrences.

- Compliance and Operational Risk Events— are logged in the Operational Risk Event Database, a root-cause analysis is completed and remediation actions defined. Where control weaknesses are identified management remediation action is taken. Events are discussed in the Weekly Event Forum meetings and material losses are additionally reviewed in the 'Event Review Panel' ('ERP') meetings.

B.4.5 Risk Reporting

Risks must be reported for internal control purposes at a frequency and to a level of detail commensurate with the extent and variability of the risk and needs of senior management. It is the responsibility of the business units creating and managing the risk to ensure that control functions are provided with appropriate data to sufficient level of granularity to compile reports. AM UK's risk management framework contains a regular and comprehensive reporting landscape to ensure monitoring of adequate liquidity, capital and risk exposure levels. The internal reporting is used for the escalation of risk indicators and the initiation of appropriate mitigating actions.

B.5. Actuarial Function

The actuarial function is performed externally by Willis Towers Watson as a 3rd party service provider and the Chief Actuary is employed by a letter of engagement between Willis Towers Watson and Life Ltd. This engagement letter allows UBS AG to perform the same annual vetting process for the Chief Actuary as for all other Life Ltd's SMFs. The Chief Actuary is responsible for the Actuarial Function under the PRA's SM&CR and is subject to its requirements of that function.

Key responsibilities include:

- coordinating the calculation of technical provisions;
- ensuring the appropriateness of methodologies and assumptions used to calculate technical provisions;
- assessing the sufficiency and quality of the data used;
- providing opinions on the overall underwriting policy and the adequacy of the reinsurance arrangements; and
- contributing to the effective implementation of the risk management system.

The Chief Actuary attends all Life Ltd Board meetings and receives all relevant management information and Life Ltd Board papers. In order to ensure appropriate oversight, the role of Chief Actuary has a reporting line to the CEO of AM UK.

All actuarial work must comply with the appropriate Technical Actuarial Standards published by the Financial Reporting Council and be subject to the Actuarial Profession's peer review requirements. Actuarial Profession standards also require the Chief Actuary to ensure that the Life Ltd Board be kept aware at all times of the Chief Actuary's interpretation of its obligations to treat customers fairly and satisfy policyholders' reasonable expectations.

B.6. Outsourcing

The UK & EMEA Front to Back Committee is responsible for oversight of all outsourced functions whether that is to an internal Group company or an external vendor, and the Chair of the UK & EMEA Front to Back Committee has been identified as the Key Function Holder for Outsourcing and reports to the AM UK Chief Executive Officer. The Board retains ultimate responsibility for all decisions made within the UK & EMEA Front to Back Committee.

The following functions are outsourced by Life Ltd:

- Life Ltd has outsourced investment management of the unit-linked funds via an Investment Management Agreement intra-entity to UBS Asset Management (UK) Ltd. In return for the provision of investment management services UBS Asset Management (UK) Ltd receives 4/5ths of the fees from the active funds and 2/5ths of the management fees from the passive funds. As a result, the majority of Life Ltd's cost base is variable and directly linked to the revenues earned;
- Life Ltd has also outsourced distribution activities intra-entity to UBS Asset Management (UK) Ltd;
- Life Ltd has outsourced funds administration to JP Morgan. Custody Services and Securities Lending are performed externally by JP Morgan as a 3rd party service provider;
- The control of release of assets by Life Ltd's custodian is governed by a Directed Lending Agreement with JP Morgan as custodian and as a security lender. Life Ltd determines the collateral requirements for stock lending and these are implemented by JP Morgan as Life Ltd's agent;
- Transfer Agency is outsourced to Northern Trust;
- UBS Business Solutions AG provides shared services such as Finance, Legal, C&ORC (including Anti Money Laundering) and Risk Management via an inter-entity Master Service Agreement, with designated staff accountable for AM UK delegated back to the AM UK entities. Human Resources, Communications & Branding, Group Technology, Group Operations, Group Corporate Services and Group Sourcing are also part of UBS Business Solutions but are not key functions for Life Ltd;
- The actuarial function is performed externally by Willis Towers Watson as a 3rd party service provider; and
- Internal Audit services are delegated intra group to the Group Internal Audit function.

The outsourcing agreements in respect of Life Ltd (the outsourcer) are on commercial terms typical for such agreements whereby the outsource providers assume responsibility for negligence, wilful default, or fraud in the performance of the outsourcing services, subject to any specific limits within the individual agreements. In the event that a loss exceeds the specified limit, Life Ltd would have recourse to claim under the professional indemnity insurance policy in place for UBS subsidiaries.

The Board has a clear strategy on outsourcing based on factors including impacts on clients, increase in profitability in a sustainable way and differentiating UBS from competitors over the long-term by buying skills, services and processes from the right suppliers, whilst retaining appropriate oversight responsibility. The Board will not outsource on the basis of a lower cost option only and has implemented a robust approval framework which must be followed at the on-boarding phase and throughout the life-cycle of the outsourced activity.

UBS Asset Management Life Ltd adheres to the UK AM Outsourcing Policy which is the local implementation of the Group Outsourcing Policy and ensures compliance with the Requirements of Chapter 7 Outsourcing of Conditions Governing Business of the PRA Rule Book and Article 274 of the associated Commission Delegated Regulation (EU) 2015/35 of 10 October 2014.

B.7. Any other Information

There is no other material information regarding Life Ltd's System of Governance.

C Risk Profile

Life Ltd employs a robust process for identifying and managing its key risks. Risks are managed and monitored to a risk appetite defined and approved by the Board on an annual basis. The table below contains a breakdown of SCR by risk category. The below risk profile does not include any adjustment related to recent COVID-19 pandemic. Please refer to section A for details.

Risk Type	Solvency II	Percentage of SCR
£'000		
Underwriting Risk	1,909	50.6%
Lapse	1,425	37.8%
Expense	744	19.7%
Diversification Benefit	(260)	-6.9%
Market Risk	1,765	46.8%
Interest rate risk	(32)	-0.8%
Equity risk	1,396	37.0%
Spread risk	-	0.0%
Currency risk	791	21.0%
Diversification	(390)	-10.3%
Counterparty Default Risk	458	12.1%
Diversification Benefit	(1,051)	-27.8%
Operational Risk	928	24.6%
Loss Absorbing Capacity of Deferred Tax ('LACDT')	(235)	-6.2%
Solvency Capital Requirement	3,774	

C.1. Underwriting Risk

The vast majority of the assets on Life Ltd's balance sheet are held in respect of unit-linked contracts under which policyholders select the unit-linked fund in which to invest. The investments of unit-linked funds are selected to be in the best interests of policyholders, taking into account disclosed fund investment objectives and constraints related to unit-linked contracts including liquidity constraints.

Life Ltd complies with appropriate Conduct of Business rules contained in FCA and PRA sourcebooks including:

- Having clear investment guidelines for each unit-linked fund that include its strategy and objective;
- Only allowing permitted assets to be included in unit-linked funds; and
- Ensuring that marketing material accurately reflects investment strategies, objectives and risk.

Where Life Ltd does have investment discretion, i.e. assets not forming part of unit-linked funds, it invests in secure and highly liquid assets.

Solvency II defines underwriting risk as "the risk of loss or adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions". The only underwriting risks that Life Ltd is exposed to are lapse risk and expense risk. The short projection term resulting from Life Ltd's unilateral right to terminate contracts (see sections D.2 and E.2) reduces the impact of a significant lapse of business. Lapse risk is a material component of the SCR, representing 37.8% of the SCR. Expense risk represents 19.7% of the SCR. It is mitigated by the right to terminate contracts and because the majority of Life Ltd's expenses are directly related to the fees earned.

C.2. Market Risk

Solvency II defines market risk as "the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments".

Under Solvency II's standard formula, the market risk which Life Ltd is exposed to consists of the following sub-risks:

- Interest rate risk – market risk from changes in the term structure of interest rates, or in the volatility of interest rates;
- Equity risk – market risk from changes in the level or in the volatility of market prices of equities;
- Spread risk – market risk from changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure;
- Currency risk – market risk from changes in the level or in the volatility of currency exchange rates; and
- Concentration risk – market risk from either the lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issuers.

Due to the nature of the unit-linked business, all policyholder assets and liabilities are linked. Market risk exposure arises through the variability of the fees that the entity receives. This is because fees are a proportion of the underlying unit-linked assets which fluctuate in value based on market risks, in particular due to equity risk as most of the underlying investments are currently in equities. Market risk accounts for 46.8% of the SCR. The market risks and returns relating to the unit-linked assets are incurred by the policy holders.

The Board notes that certain risk mitigation measures are in place. Firstly, market risk is limited by expenses being predominantly directly related to the fees earned. Secondly, the unit-linked policies can be terminated with 3 months' notice. Thirdly, the Board makes use of stress testing in the ORSA and uses the results to assist in managing Life Ltd. These measures overall limit the ultimate risk exposure of Life Ltd.

Shareholder assets are invested into Gilts and held as cash. This gives rise to interest rate risk. Life Ltd does not use its capital to seed new funds and does not otherwise have direct exposure to the risks listed above.

Currency risk arises from invested assets being held in a different currency to fees (i.e. different to GBP). An extremely conservative assessment has been carried out, under the assumption that all invested assets are in foreign currencies, in deriving the SCR due to currency risk.

Life Ltd is not materially exposed to spread risk or concentration risk as the range of unit-linked products are mainly equity focused and are not significantly concentrated in any one issuer, sector or country. Life Ltd seeks to mitigate concentration risk wherever possible by offering a diverse range of products.

C.3. Counterparty Default Risk

Solvency II defines counterparty default risk as "losses due to unexpected default, or deterioration in the credit standing, of the counterparties and debtors". Life Ltd does not take proprietary trading positions outside that taken by the unit-linked fund holders.

The direct counterparty default risks faced by Life Ltd arise from the legal entity needing to hold a certain amount of cash to cover its business needs. Life Ltd maintains a lien over the assets of the funds to enable any fees owed to be recovered from the unit-linked assets apportioned to the policyholder of the client. As a result, Life Ltd's only counterparty default risk exposure is in respect of its excess assets, i.e. its own funds. Life Ltd's cash balance of £4.6m (2019: £4.7m) deposited in a JP Morgan Interest bearing deposit account. A further £5.9m (2019: £4.7m) is held in a Barclays account. Both positions give rise to counterparty default risk through the exposure Life Ltd has to those counterparties. However, this is managed in accordance with UBS Group and Asset Management's divisional risk management framework and policy.

The Board manages counterparty default risk by carefully selecting the counterparties with whom it places

company assets. The exposures outlined above constitute 12.1% (2019: 3.7%) of the SCR.

C.4. Liquidity Risk

Solvency II defines liquidity risk as "the risk that insurance and reinsurance undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due".

Liquidity of traded asset unit-linked products is considered to be satisfactory and is assessed on a regular basis through analysis of liquidation capacity and the cost of liquidation. The analysis is carried out by the Risk Control function independently of portfolio managers and reviewed by the Product and Customer Outcome Committee on a monthly basis.

The unit-linked funds are managed in accordance with the investment policy and a risk management process which is rigorously monitored internally. Investors choosing to redeem, receive back the current value of their units. In exceptional circumstances, the funds can borrow up to 10% of their Net Asset Value ('NAV') for the purpose of managing redemptions.

Settlement of unit activity with the clients/funds is performed on a gross basis, meaning that cash will flow out of the fund for redemptions and independently flow into the funds for client subscriptions. Due to the structure of the unit-linked funds (as funds of funds), failure to settle from a subscribing client may generate a loss due to overdraft charge to the funds or, in the worst case of a client delaying settlement of subscription over 10% AUM, the funds will not be able to settle trades. Mitigation of the risk is achieved through a manual oversight process with the transfer agent and the custodian to ensure orderly settlement is maintained.

The company's own capital is significantly larger than the minimum required to be held in Gilts and cash spread across a number of accounts, with sufficient cash available at short notice to meet all liquidity needs.

The expected profit included in future premiums as the difference between the best estimate liabilities calculated with and without future premiums is zero because Life Ltd's contracts have no such premium payment requirement.

C.5. Operational Risk

Solvency II defines operational risk as "the risk of loss arising from inadequate or failed internal processes, personnel or systems or from external events".

UBS defines operational risk as:

"The risk resulting from inadequate or failed internal processes, people and systems, or from external causes (deliberate, accidental or natural) which have an impact (either financial or non-financial) to UBS, its clients or the markets in which it operates. Events may be direct financial losses or indirect in the form of revenue forgone as a result of business suspension. They may also result in damage to our reputation and to our franchise, which have longer term financial consequences".

The approach taken to assessing Life Ltd's operational risk capital is based on the standard formula, as per Article 204 of Delegated Acts on Solvency II, and is calculated as 25% of the previous year's expenses. For Life Ltd these expenses mainly comprise of fees paid to other UBS entities as well as custody fees and other fixed fees. Life Ltd continues to use the same approach as in last year's assessment which is in line with EIOPA's guidance on Solvency II assessment.

Mitigation of operational risks is achieved through a strong and robust framework for controlling risks. UBS Group's operational risk framework involves significant reporting and analysis of risks, including review by the AM UK Front-to-Back Committee. The exposures outlined above constitute 24.6% of the SCR.

A key underlying risk driver for Life Ltd is the overall risk culture, which comprises aspects such as staff behavior and mindset, accountability, resourcing, delineation of roles and responsibilities as well as supervision. This includes Conduct Risk, which is the risk that the conduct of the firm or its individuals unfairly impacts clients or counterparties, undermines the integrity of the financial system, or impairs effective competition to the detriment of consumers. Because risk culture and conduct risk are firm-wide considerations, touching every function and each of our management and control frameworks, these risks are incorporated into our Operational Risk Framework.

As a result of the outsourcing agreements which Life Ltd has entered into, the nature of the operational risks to which Life Ltd is exposed primarily relate to the oversight of those duties which have been outsourced to third parties (both UBS Group and non-UBS Group entities). Therefore, COVID-19 had no impact on the operational risk level of Life Ltd. However, Life Ltd closely monitors those outsourced activities which neither have been impacted by COVID-19.

C.6. Other Material Risks

There are no other material risks that Life Ltd believes need to be considered as part of the SCR.

C.7. Any other Information

C.7.1 Business Risk

Like any business, Life Ltd faces the risk of making poor business decisions, the risk of poor execution of those decisions, and the risk of inadequate resource allocation or resource constraints.

C.7.2 Group Risk

Life Ltd is reliant on UBS Group for various services including day-to-day management of Life Ltd. Life Ltd do not directly employ any staff, with staff seconded from either UBS AG or UBS Business Solutions AG. As a result of the dependency for provision of services, any change in the business model of UBS Group could have a direct impact on Life Ltd and its ability to conduct business. Any failure of UBS Group is regarded as an extremely remote event below the 1-in-200 probability level regarded as relevant for inclusion in the SCR calculations.

C.7.3 Financial Risks from Climate Change

For the purposes of proportionality, Life Ltd is not a complex insurance company. Life Ltd only provides Life Funds to institutional investors, either UK approved pension schemes or insurance companies acting for such pension schemes. The policy is a contract between the Life Ltd and the pension scheme (or other insurance company). Life Ltd maintains 31 Life Funds as of 31 December 2020, including 2 Climate Aware funds, which, for practical purpose, operate in a similar manner to mutual funds. The number of units issued to an investor is a factor of unit price and amount invested. The value of an investor's policy return is the value attributed to units issued in the Life Fund at the time of redemption. The contracts give Life Ltd the unilateral right, at any time, to terminate the contract subject to giving three months' notice.

Although the assets relating to the policies are held on Life Ltd's balance sheet, any investment or financial risk (including Climate Change Risk) arising from the performance of these assets is borne solely by the life policy holders because it is wholly passed through to the value of their units. As such, Life Ltd is not directly subject to financial risks from climate change. (This is very different to, say, a general insurance company which may: i) experience increased claims arising from physical loss due to climate events; and ii) may hold assets on its own balance sheet to meet these claims whose value may be affected over time by Climate Change Risks).

Overtime, Life Ltd's business is dependent on being able to sell Life policies that meet its investor pensions funds' demands. Pension fund trustees are increasingly being required to take Climate Change Risks into account in their own investment policies. In this context, as well as in the context of the development of wider EU rules which will require investment managers to take sustainability into account in their investment and other processes (where

relevant to the product), it is appropriate for Life Ltd to consider to what extent, and how, it takes Climate Change Risks into account in its investment and other processes both now and how this may develop over time.

It should also be noted that Life Ltd does not have unfettered discretion as to the assets it invests in (as, say, a general insurance company may have) because the investments are dictated by clients and the Life Funds strategy they demand. As such, the integration of Climate Change Risk for Life Ltd into its investment process is not wholly within its control and is a complex process including client interaction.

Life Ltd invests its own funds in low risk investment such as cash and UK gilts, where Climate Change Risks are less relevant at the moment.

C.7.4 Stock Lending

As part of the investment management strategies adopted for some of the unit-linked funds, securities lending is undertaken. The securities lending activities carried out on behalf of Life Ltd are performed by JP Morgan. This activity is undertaken to enhance the returns for policyholders and does not impact the balance sheet of Life Ltd.

There are a number of risks mitigating measures relating to the stock lending activities that the Life Ltd Board use to manage the inherent risks this activity presents. These are:

- Indemnity of lender in respect of securities;
- A list of eligible borrowers is maintained based on pre-agreed criteria;
- Collateral posted must be of predetermined type and quality;
- Collateral haircuts are set separately for Fixed Income and Equities; and
- Collateral received must comply with diversification criteria.

Specifically, with regards to Indemnity of lender in respect of securities, JP Morgan offers an indemnity to the lender in the case of borrower default. This means that Life Ltd does not have exposures from borrowers not returning the assets lent since JP Morgan will make good on any assets not returned. The risks arising from stock lending are therefore considered to be minimal.

C.7.5 Stress Testing

We carry out stress tests for the major sources of risk to Life Ltd. The impact of extreme yet plausible events is measured by stressing the business plan, in order to assess the ability of the firm to withstand such events and to calculate the impact on own funds. The vulnerabilities of the business are identified in risk identification workshops, both for AM UK as a whole and for Life Ltd specifically, and these are used to inform the stress test construction. We also stress test the Life Ltd business plan to failure under the Reverse Stress Testing framework.

Stress test results showing potential vulnerabilities with respect to revenue or business viability are used as early warning signs and can trigger preventative actions to ensure improved readiness for the negative effects of a given scenario in the future. The Board discusses the results of the stress testing and determines whether specific management actions are necessary, given what the stress tests highlight. In doing so, the Board take into account the severity of the scenario and the likelihood of occurrence.

C.7.6 Stress Tests Scenarios

Stress tests are extreme yet plausible scenarios that can be expressed in terms of shocks to various factors in the business plan and are used to assess the overall resilience of the plan to negative events.

Typical scenarios are:

- Redemption by the largest revenue-generating clients;
- Departure of the largest revenue-generating clients and reduced fee margin for all other existing clients;
- Mass lapse, including market fall;

- Sudden asset growth without capital injection, including the combination with a significant market rise;
- Operational Risk stress test;
- Liquidity / Counterparty failure; and
- Financial impacts of climate change

The stress tests are applied to Life Ltd's business plan and the effect on the business plan assessed. Whilst the impact is significant in some cases the results demonstrate that the business is still adequately capitalized.

C.7.7 Reverse Stress Testing/Qualitative Scenarios

Reverse stress is a process that is intended to complement the quantitative stress tests by assuming 'what if' outcomes that could extend beyond the range normally probed, and thereby potentially challenge assumptions regarding severity and plausibility. Reverse stress tests push the business to the point where it is no longer viable and are used by the Board of Directors to understand key vulnerabilities.

D Valuation for Solvency Purposes

D.1. Assets

D.1.1 Summary of asset valuation

The table below sets out the valuation of Life Ltd's Solvency II assets as at 31 December 2020. There were no changes made to the recognition and valuation bases used or to estimates of assets during the reporting period.

Total Assets £'000	31 December 2020	31 December 2019
Debt and other fixed income securities	21,813	21,610
Assets held to cover linked liabilities	15,360,914	21,267,473
Cash at bank and in hand	10,533	9,385
Debtors	704	1,678
Other Receivables	42	762
Total Assets	15,394,006	21,300,908

The Solvency II balance sheet is valued using the valuation principles set out in the Directive 2009/138/EC, Delegated Regulation (EU) 2015/35, Solvency 2 Technical Standards and Guidelines. The assets in SII balance sheet are valued at market consistent value in accordance with Article 75 of the Solvency II Directive and Article 10 of the Solvency II Delegated Regulation.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 ("FRS 101") for all periods presented. FRS 101 sets out a reduced disclosure framework which addresses the financial reporting requirements and disclosure exemptions for the Company that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ("IFRS").

Effective from 1 January 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers. Under IFRS 15, a Company shall recognize as an asset the incremental costs of obtaining a contract if the following criteria are met:

- Costs are incurred to obtain a contract with a customer;
- These costs are incremental;
- The Company expect to recover these costs; and
- The amortization period of the asset is more than one year.

Under Solvency II, such costs are treated as fully expensed in the year they are incurred. The impact on Total Assets for the year ending 31 December 2020 was a reduction of £1,446k (2019: £1,720k) in other receivable compared to the financial statements.

Under Solvency II amounts which are not past due for payment will not be included as debtor but will be taken into account in cash flow projections in the calculation of Solvency II technical provisions. This led to a reduction of £857k in debtors related to accrued for management fees compared to the financial statements. This was relatively immaterial in 2019, which has not been reclassified to the technical provisions.

There are no other differences in asset valuation between Solvency II and the financial statements.

D.1.2 Debt and other fixed income securities

Debt and other fixed income securities represent investments in UK government bonds. These are valued at amortized costs on the basis that there are no material differences when compared to their fair value under Solvency II (use of quoted, unadjusted, prices in active markets for identical assets). For Solvency II reporting, interest accrued and due are included in valuation of Debt and other fixed income securities.

D.1.3 Assets held to cover linked liabilities

Assets held to cover linked liabilities represent the market value of assets held in unit-linked funds, and are fair valued as noted below. This is consistent with the IFRS fair value hierarchy and with Solvency II valuation requirements in Article 10 of the Solvency II Delegated Regulation.

Quoted market prices in active markets - (Level 1)

Valuation technique: Quoted (unadjusted) prices in active markets for identical assets or liabilities. These are investments whose fair value is determined using observable, unadjusted quoted prices in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an ongoing basis. Listed debt instruments, equities securities and derivatives in active markets, as well as quoted unit trusts in active markets would typically be classified within Level 1 of the fair value hierarchy.

Internal models with significant observable market parameters - (Level 2)

Valuation technique: Other techniques for which the lowest level inputs that is significant to the fair value measurement are observable, either directly or indirectly. All level 2 products in the Company are primarily Forward FX contracts which are valued using the FX spot rate adjusted for forward pricing points observed from standard market-based sources. Inputs to the option valuation models include spot FX rates, FX forward points, and FX volatilities. The markets for both FX spot and FX forward pricing points are actively traded and observable and therefore such FX contracts are classified as Level 2.

Apart from FX forwards, unlisted collective investment vehicles are classified within Level 2 of the fair value hierarchy.

Internal models with significant unobservable market parameters - (Level 3)

Valuation technique: Valuation techniques for which the lowest level input which is significant to the fair value measurement is unobservable. This includes certain less liquid debt and equity instruments, certain exchange-traded derivatives and all derivatives transacted in the Over-The-Counter (OTC) market. UBS uses widely recognized valuation techniques for determining the fair value of financial and non-financial instruments that are not actively traded and quoted.

Level 3 inputs include the following:

Securities for which no indication or comparable prices are available and financial information such as P&L, Balance sheet, cash flows and other ratios are used to calculate the valuation, would typically be classified within Level 3 of the fair value hierarchy. The most frequently applied valuation techniques include discounted value of expected cash flows and relative value. Discounted value of expected cash flows is a valuation technique that measures fair value using estimated expected future cash flows from assets or liabilities and then discounts these cash flows using a discount rate or discount margin that reflects the credit and/or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a present value. Relative value models measure fair value based on the market prices of equivalent or comparable assets or liabilities, making adjustments for differences between the characteristics of the observed instrument and the instrument being valued.

The table details the breakdown of assets held to cover linked liabilities by fair value hierarchy excluding a balance of £153m (2019: £139m) relating to cash and £7m (2019: £216m) relating to net other receivables/payables which are measured at amortised cost. This is considered materially equivalent to the value required under Solvency II.

Unit-linked liabilities drives their value from the underlying Asset held to cover linked liabilities and is reported as Level 2.

2020	Level 1	Level 2	Level 3	Total
Assets held to cover linked liabilities	£'000	£'000	£'000	£'000
Fixed maturity securities	3,119,665	-	-	3,119,665
Equity securities	11,853,710	-	1,232	11,854,942
Other investments (including derivatives)	152,566	74,100	-	226,666
Total	15,125,941	74,100	1,232	15,201,273
2019	Level 1	Level 2	Level 3	Total
Assets held to cover linked liabilities	£'000	£'000	£'000	£'000
Fixed maturity securities	3,832,718	-	-	3,832,718
Equity securities	16,818,004	-	753	16,818,757
Other investments (including derivatives)	172,302	88,569	-	260,871
Total	20,823,024	88,569	753	20,912,346

D.1.4 Cash at bank and in hand

Cash balances are held in JP Morgan and Barclays (current account).

The current account held with Barclays and JPM provides immediate access to liquidity. Sufficient cash is maintained in the current account at all times to ensure Life Ltd is able to meet its immediate obligations without having to access the Gilts. These obligations have low volatility.

D.1.5 Debtors, Other receivables

Debtors represent revenue from management fees and therefore have not been included within the Investment valuation under Solvency II. Other receivables includes amount due from other UBS subsidiaries and does not include costs incurred in obtaining contracts of £1,446k (2019: £1,720k). These costs were fully expensed during the year compared to being capitalized and subsequently amortised in the financial statements.

D.1.6 Leasing arrangements

There were no leasing arrangements in place during the reporting period.

D.2. Technical Provisions

Life Ltd exclusively writes single premium unit-linked business with the unit liabilities matched by backing unit-linked fund assets and the majority of Life Ltd's expenses are directly linked to the fees it earns. The technical provisions calculations adopt a cash flow projection methodology over the lifetime of the business (with an assumed management action to wind-up the company when it ceases to be viable) and is consistent with PRA guidance dated 1 December 2016 and 13 July 2018 on the interpretation of Article 18 of the Delegated Acts. The main sources of uncertainty in the calculation of the technical provisions relate to the assumed surrender rates and management action and are not considered to have a material impact on the technical provisions. There are no changes in the relevant assumptions made in the calculation of technical provisions compared to the previous reporting period.

Being a large unit linked fund, the level of Technical Provision is close to the bid value of units £15.36bn (2019: £21.3bn). The bid value of units is known and effectively market listed, so not something that is affected by forward looking assumptions. Best Estimate (PVFP) is approx. 0.001% (2019: 0.02%) of total technical provision.

Risk Margin is approx. 0.005% (2019: 0.01%) of total technical provision, so in terms of technical provisions, changing the future assumptions like surrender values and future closure costs, only affects the Best Estimate (PVFP) and Risk Margin as a whole which leads to immaterial impact in Technical provision for Solvency II.

The technical provisions are the sum of Technical provisions as a whole, including the best estimate and risk margin as shown below.

Technical provisions in £'000	31 December 2020	31 December 2019
Technical provisions as a whole ¹	15,360,914	21,267,473
Best estimate ²	(135)	(3,954)
Risk margin	770	2,278
Technical provisions - Solvency II	15,361,549	21,265,797
Technical provisions - financial statements	15,360,914	21,267,473
Difference	635	(1,676)

¹ Sum of the face value of the units

² Present value of the excess of fees over expenses

Life Ltd has one Solvency II line of business which is single premium unit-linked business with the unit liabilities matched by backing unit-linked fund assets. The variance between Solvency II technical provisions and technical provisions per the financial statements relates to the risk margin less the Best estimate.

The following methodology is used to calculate the Technical provisions under Solvency II:

- a) All policies have been modelled as a single risk group reflecting the homogenous nature of the risks underlying the single line of business written by Life Ltd;
- b) The Technical provisions under Solvency II are calculated as the sum of the face value of the units, Best estimate and Risk margin.
- c) Best estimate is present value of the excess of fees over expenses. A cash flow projection over the lifetime of the business (subject to the management action described below) is performed to derive the present value of the excess of fees over expenses, which allows for expected decrements and expenses and assumes no future/ new premiums in line with PRA guidance on the interpretation of Article 18 of the Delegated Acts;
- d) Given the type of business of Life Ltd, which relates to investment only policies taken out by the trustees of pension schemes and are not related to individual members, the only decrements allowed for are surrenders. There are no contractual maturity dates and members' deaths do not trigger payments under the policies;
- e) The expenses incurred by the company in servicing policies are included in the projection and reflect the extent to which these expenses are variable or fixed. The projection of future fund values reflect the annual management charges that the company is entitled to deduct and the future expected investment returns implied by the PRA GBP risk free curve. An expense inflation assumption is used to escalate fixed expenses in the future; this is based on a long term view of inflation rates; and
- f) A management action is assumed, reflecting the circumstances when the company might cease to be viable and therefore be wound-up to avoid incurring ongoing and increasing losses by exercising the company's unilateral right to terminate all policies after having given three months' notice. A closure cost of £1.09m is assumed to be incurred at the time of closure; this has been set using management's judgement.

In calculating the risk margin, the projection of future SCR for each future year over the life time of the business was considered. The prescribed 6% cost of capital was applied to the projected SCRs with the resulting amounts discounted back using PRA's GBP risk free curve (previously EIOPA's GBP risk free curve). This utilises the PRA recommended approach which allows an approximate approach to be used to project the required future SCR amounts (and does not require supervisory approval). The future SCR amounts for lapse, expense and counterparty default risk are calculated by applying the proportion that the SCR capital amounts are to the unit-linked funds at the outset to projected future unit-linked funds. In 2020, there is no change in overall guidance

except the transition from EIOPA prescribed technical information to PRA prescribed technical information. The table below provides a breakdown of how the risk margin is determined.

Risk Margin £'000	31 December 2020	31 December 2019
Counterparty Default Risk	458	379
Life Risk	1,909	6,559
Market Risk	1,765	4,480
Diversification benefit	(1,051)	(2,473)
BSCR for risk margin	3,081	8,946
Operational Risk	928	1,358
SCR for risk margin	4,009	10,304
Tax adjustment (LACDT)	(235)	-
SCR after LACDT adjustment	3,774	10,304
Cost of Capital	6%	6%
Risk Margin	770	2,278

The material differences between the bases, methods and main assumptions used in the calculation of the technical provisions for solvency purposes compared to those used in financial statements are:

- The valuation in the financial statements does not include the present value of future net fee income, i.e. the difference in value between future management fees and future expenses;
- The valuation in the financial statements does not include the Risk Margin.
- Insurance receivables amounts which are not past due

There are no material approximations and Life Ltd does not follow any simplified approaches in the calculation of the best estimate liabilities or risk margin. A reconciliation of the financial statements and Solvency II technical provisions as at 31 December 2020 is shown at the beginning of this section.

D.2.1 Use of matching adjustment

No matching adjustment has been applied.

D.2.2 Use of volatility adjustment

The volatility adjustment is not used by Life Ltd.

D.2.3 Application of the transitional risk-free interest rate-term structure

In calculating the BEL and risk margin investment returns and discount rates will be as per the GBP risk-free interest rate term structure prescribed and provided by PRA and so by definition the transitional arrangement for the risk-free interest rate-term structure is not being used.

D.2.4 Application of transitional deduction

The transitional deduction has not been applied.

D.2.5 Description of recoverable from reinsurance contracts and special purpose vehicles; and any material

changes in the relevant assumptions made in the calculation of technical provisions compared to the previous reporting period.

Life Ltd has no reinsurance arrangements and no Special Purpose Vehicles.

D.3. Other Liabilities

Details on other liabilities are contained in the table below; these are Solvency II values and are consistent with the financial statement values with the exception of deferred tax liabilities as explained below. There are no other changes to the recognition and valuation basis in the reporting period:

Other Liabilities £'000	31 December 2020	31 December 2019
Deferred tax liabilities	-	-
Creditors	503	1,026
Accruals and deferred income	309	564
Other Liabilities	812	1,590

D.3.1 Deferred tax liabilities

Deferred tax liabilities ("DTL") are recognised for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their amounts as measured for tax purposes, which will result in taxable amounts in future periods.

The company has a DTL of £38K (2019: £51K) in the FRS101 balance sheet. In 2020, the company had a reduction in assets between IFRS and Solvency II of £2,302k (2019: £1,720k), of which the material element relates to costs incurred to obtain a contract which were capitalized under IFRS 15 in the financial statements. The reduction in assets creates a deductible temporary difference and results in a potential deferred tax asset under Solvency II. In 2020, the company also had an increase of £635k (2019: a decrease of £1,675k) in technical provisions calculated for Solvency II purposes. This results in a further potential DTA in 2020 (2019: DTL). The Company is entitled to offset these DTAs and DTLs. In 2020, a portion of the potential DTA as calculated for Solvency II purposes has been recognised against the DTL as calculated for those purposes, resulting in a nil balance, and the remaining DTA has not been recognised following the prudence approach. In 2019, the corresponding process resulted in a net deferred tax liability position on the SII balance sheet which was not recognised due to the value being immaterial.

Following an announcement made by the UK Government on 3 March 2021, it is expected that the rate of UK corporation tax will further increase from 19% to 25% with effect from 1 April 2023. It is anticipated that the reversal of the company's temporary differences will occur before 1 April 2023 and so there should not be any deferred tax impact when the future corporation tax rate of 25% is substantively enacted.

D.3.2 Creditors

Creditors comprise corporation tax payable and amounts owed to other UBS Group undertakings.

D.3.3 Accruals and deferred income

Accruals and deferred income include mainly accrued custody charges and professional fees. Life Ltd did not have any contingent liabilities as at 31 December 2020.

D.4. Alternative Methods for Valuations

Valuation techniques applied to investments classified as Level 3 in the financial statements are considered

consistent with Article 10(5) – 10(7) of SII Delegated Regulation (Alternative Valuation Techniques). As Life Ltd exclusively writes single premium unit-linked business with the unit liabilities matched by backing unit-linked fund assets, the valuation techniques for liabilities are no different to assets as per IFRS balance sheet. Please refer to section D.1.3.

D.5. Any other Information

There is no other material information regarding the valuation of assets and liabilities.

E Capital Management

E.1. Own Funds

At all times, the Board of Life Ltd seeks to ensure it holds sufficient capital to meet prevailing regulatory requirements. Life Ltd has historically been, and continues to be, profitable. The nature of the cost base for Life Ltd is variable and directly linked to the revenues earned. Revenues tend to be predictable on a 12 month prospective view and any material fund launches and / or material net new money flows are typically known in advance and incorporated into the capital forecast accordingly. As a result of outsourcing its activities, including investment management which is outsourced to AM UK, Life Ltd has no employees.

Life Ltd's regulatory capital excess is disclosed in the Board reports presented by the Head of Finance. Daily forecasting is considered unnecessary unless a significant event were to arise, as in the normal course of business the revenue and costs are predictable. Life Ltd's capital risk appetite is currently set as the ratio of eligible own funds over the SCR not falling below 200%.

Life Ltd's own funds are made up of only Tier 1 basic own funds including £15,000k (2019: £15,000k) ordinary share capital and £16,645k (2019: £18,520k) reconciliation reserve. The reconciliation reserve is not materially volatile for Life Ltd as it is only limited to the revenue earned from the pooled fund assets and own non linked assets. There are no availability or eligibility restrictions on basic own funds for Life Ltd. A summary of the own funds, SCR and MCR are shown in the table below.

Summary £'000	31 December 2020	31 December 2019
Ordinary share capital	15,000	15,000
Reconciliation reserve	16,645	18,520
Own Funds - Tier 1 unrestricted	31,645	33,520
Solvency capital requirement	3,774	10,304
Minimum capital requirement	3,338	4,637
Ratio of eligible own funds over the SCR	839%	325%
Ratio of eligible own funds over the MCR	948%	723%

The table below sets out changes in reconciliation reserve during the year:

Reconciliation Reserve	£'000
At 1 January 2020	18,520
Profit for the financial year	1,031
2020 solvency II adjustment for PV of future profits and risk margin	(635)
2019 solvency II adjustment for PV of future profits and risk margin	(1,675)
2020 deferred tax adjustment under Solvency II	38
2019 deferred tax adjustment under Solvency II	(51)
Transition cost amortisation included in financial statement P&L	274
Fees accrued in IFRS balance sheet reclassified to Solvency II technical provision	(857)
At 31 December 2020	16,645

The decrease in own funds is primarily driven by Best Estimate at £135k in 2020 (2019: £3,954k). Year on Year reduction in Best Estimate is driven by reduction in overall profitability of the company in 2020 as compared to 2019 due to client activities.

In 2020 MCR is based on absolute floor of EUR 3.7m converted the latest EUR/GBP exchange rate published by BoE. In 2019 MCR is based on 45% of the SCR. Further details on how the MCR is calculated are provided in section E.2.

The decrease in SCR is primarily due to the decrease in asset under management in 2020, which is a result of clients redeeming their investment.

As explained in Section D.1, effective from 1 January 2018 the Company adopted IFRS 15, Revenue from Contracts with Customers. Under IFRS 15, a Company shall recognize as an asset the incremental costs of obtaining a contract if the following criteria are met:

- Costs are incurred to obtain a contract with a customer;
- These costs are incremental;
- The Company expect to recover these costs; and
- The amortization period of the asset is more than one year.

Under Solvency II, such costs are treated as fully expensed in the year they are incurred. The impact on Total Assets for the year ending 31 December 2020 was reduction of £1,446k (2019: £1,720k) compared to the financial statements.

Under Solvency II amounts which are not past due for payment will not be included as debtor but will be taken into account in cash flow projections in the calculation of Solvency II technical provisions. This led to a reduction of £857k (2019: Nil) in debtors related to accrued for management fees compared to the financial statements.

Deferred tax liabilities ("DTL") are recognised for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. A portion of the aggregated DTA has been recognised against the DTL arising on the FRS101 balance sheet £38k (2019: £51k) and the remaining not recognised following the prudence approach. Refer section D.3.1 for different treatment between IFRS and Solvency II for deferred tax.

A reconciliation of deferred tax is provided below:

DTL Calculation	31 December 2020	31 December 2019
<i>£'000</i>		
DTL as per IFRS Balance Sheet	(38)	(51)
Best estimate	(135)	(3,954)
Risk Margin	770	2,279
Different treatment of IFRS and Solvency II BS	2,302	1,720
Total difference between Solvency II and IFRS BS	2,937	45
Calculated DTA/ (DTL) as per Solvency II (19%)	558	8
Net DTA/ (DTL)	520	(43)
Recognised in Solvency II	-	-

Summary of Item impacting the Shareholder's funds per financial statements and Available capital resources per Solvency II

£'000	31 December 2020	31 December 2019
Shareholder's funds per financial statements	34,545	33,514
Solvency II adjustment for best estimate liability and risk margin	(635)	1,675
Costs capitalized under IFRS 15 in the financial statements	(1,446)	(1,720)
Deferred Tax adjustment under Solvency II	38	51
Fees accrued in IFRS balance sheet reclassified to Solvency II technical provision	(857)	-
Available capital resources per Solvency II	31,645	33,520

E.2. Solvency Capital Requirement and Minimum Capital Requirement

Under Solvency II, firms are required to maintain a minimum level of capital, which is the greater of the MCR and the SCR.

The MCR has been calculated using the approach specified in Article 251 of the Solvency II Delegated Regulation, subject to a cap of 45% of the SCR, a floor of 25% of the SCR and an absolute floor of €3,700k. The latter absolute floor results in a MCR of £3,337k as at 31 December 2020 using the prescribed exchange rates. For 2020 the MCR is based on the absolute floor of £3,337k, whereas in 2019 it was based on 45% of the SCR amounting to £4,637k. The biting capital requirement for 31 December 2020 is the SCR, as it was as at 31 December 2019. In 2020 use of a shorter projection term results in a lower present value of the excess of fees over expenses (and therefore Higher BEL), which in turn results in SCR stresses that reduce funds under management (and therefore future fees) having smaller effect and resulting in a lower SCR capital amount. Life Ltd has excess of own funds over the SCR of £27,870k (2019: £23,216k) as at 31 December 2020.

The SCR has been calculated in accordance with the methodology specified under the Standard Formula, which involves applying a series of prescribed stress tests. There are no specific underlying parameters used. Life Ltd does not use any simplified calculations for the SCR.

A breakdown of the SCR into contributing components is in the table below.

Solvency capital requirement (SCR) £'000	31 December 2020	31 December 2019
Market Risk	1,765	4,480
Counterparty Default Risk	458	379
Life Risk	1,909	6,559
Diversification benefit	(1,051)	(2,473)
Basic Solvency Capital Ratio (BSCR)	3,081	8,946
Operational Risk	928	1,358
Total SCR	4,009	10,304
Tax adjustment (LACDT) arising from above DTL	(235)	-
SCR after LACDT adjustment	3,774	10,304

The solvency capital requirement (SCR) has decreased by 63.4% during 2020 from £10,304k to £3,774k, which is driven by the decrease in AuM and future expected profitability experienced during 2020. One of the key drivers of SCR is present value of future profit and as this profit decreases it shortens the projection period, as the entity would remain operative for a shorter period and ultimately have "Less to lose" in a stressed scenario.

The decrease in the SCR with respect to market risks compared to the previous period is due to the decrease in Best Estimate (PVFP) over the year, which in turn decreases the potential loss arising from this reducing in adverse market scenarios.

Similar to market risk, the decrease in fund values has decreased the SCR in respect of Life risk. In particular, the impact of a lapse and a fall in equity are in many ways equivalent in terms of impact on the business (a significant loss of unit values).

The LACDT amount of £235k that is included within the SCR calculation and which has arisen in the shock loss scenario, has been recognised by way of the potential loss carry back claim that can be made against profits of the previous twelve months.

Diversification between risk capital requirements is calculated using the correlation coefficients detailed in Articles 136 (life risks) and 164 and 168 (market risk) of the Delegated Acts. The overall diversification among all risks is based on the Annex IV to Directive 2009/138/EC.

E.3. Use of the Duration Based Equity Risk Sub Module in the calculation of the SCR

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

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

Life Ltd does not use an internal model and hence this section is not applicable.

E.5. Non-compliance with the MCR requirement and non-compliance with the SCR

There were no instances of non-compliance with either the Minimum Capital Requirement or Solvency Capital Requirement during the reporting period.

E.6. Any other Information

There is no other material information regarding the capital management of the Company.

Solvency II Quantitative Reporting templates

The following quantitative reporting templates are included in this document in accordance with the regulations:

Template	Description
S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses by line of business
S.12.01.02	Life and Health SLT Technical Provisions
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement for undertakings on Standard Formula
S.28.01.01	Minimum Capital Requirement – Only Life or only non-life insurance or reinsurance activity

The templates are provided in £'000s. Template S.05.02.01 is not included as information regarding the home country represents 90% or more of the total gross written premiums.

Annex I
S.02.01.02
Balance sheet

		Solvency II value	Statutory accounts value
		C0010	C0020
Assets			
Goodwill	R0010		
Deferred acquisition costs	R0020		
Intangible assets	R0030		
Deferred tax assets	R0040		
Pension benefit surplus	R0050		
Property, plant & equipment held for own use	R0060		
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	21,813	21,668
Property (other than for own use)	R0080		
Holdings in related undertakings, including participations	R0090		
Equities	R0100		
Equities - listed	R0110		
Equities - unlisted	R0120		
Bonds	R0130	21,813	21,668
Government Bonds	R0140	21,813	21,668
Corporate Bonds	R0150		
Structured notes	R0160		
Collateralised securities	R0170		
Collective Investments Undertakings	R0180		
Derivatives	R0190		
Deposits other than cash equivalents	R0200		
Other investments	R0210		
Assets held for index-linked and unit-linked contracts	R0220	15,360,914	15,360,914
Loans and mortgages	R0230		
Loans on policies	R0240		
Loans and mortgages to individuals	R0250		
Other loans and mortgages	R0260		
Reinsurance recoverables from:	R0270		
Non-life and health similar to non-life	R0280		
Non-life excluding health	R0290		
Health similar to non-life	R0300		
Life and health similar to life, excluding health and index-linked and unit-linked	R0310		
Health similar to life	R0320		
Life excluding health and index-linked and unit-linked	R0330		
Life index-linked and unit-linked	R0340		
Deposits to cedants	R0350		
Insurance and intermediaries receivables	R0360	704	1,561
Reinsurance receivables	R0370		
Receivables (trade, not insurance)	R0380	42	1,633
Own shares (held directly)	R0390		
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400		
Cash and cash equivalents	R0410	10,533	10,533
Any other assets, not elsewhere shown	R0420		
Total assets	R0500	15,394,006	15,396,308

		Solvency II value	Statutory accounts value
		C0010	C0020
Liabilities			
Technical provisions – non-life	R0510		
Technical provisions – non-life (excluding health)	R0520		
Technical provisions calculated as a whole	R0530		
Best Estimate	R0540		
Risk margin	R0550		
Technical provisions - health (similar to non-life)	R0560		
Technical provisions calculated as a whole	R0570		
Best Estimate	R0580		
Risk margin	R0590		
Technical provisions - life (excluding index-linked and unit-linked)	R0600		
Technical provisions - health (similar to life)	R0610		
Technical provisions calculated as a whole	R0620		
Best Estimate	R0630		
Risk margin	R0640		
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650		
Technical provisions calculated as a whole	R0660		
Best Estimate	R0670		
Risk margin	R0680		
Technical provisions – index-linked and unit-linked	R0690	15,361,549	15,360,914
Technical provisions calculated as a whole	R0700	15,360,914	
Best Estimate	R0710	(135)	
Risk margin	R0720	770	
Other technical provisions	R0730		
Contingent liabilities	R0740		
Provisions other than technical provisions	R0750		
Pension benefit obligations	R0760		
Deposits from reinsurers	R0770		
Deferred tax liabilities	R0780	-	38
Derivatives	R0790		
Debts owed to credit institutions	R0800		
Financial liabilities other than debts owed to credit institutions	R0810		
Insurance & intermediaries payables	R0820		
Reinsurance payables	R0830		
Payables (trade, not insurance)	R0840	503	503
Subordinated liabilities	R0850		
Subordinated liabilities not in Basic Own Funds	R0860		
Subordinated liabilities in Basic Own Funds	R0870		
Any other liabilities, not elsewhere shown	R0880	309	309
Total liabilities	R0900	15,362,361	15,361,763
Excess of assets over liabilities	R1000	31,645	34,545

Annex I

S.05.01.02

Premiums, claims and expenses by line of business

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				Total
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	
Premiums written																	
Gross - Direct Business	R0110																
Gross - Proportional reinsurance accepted	R0120																
Gross - Non-proportional reinsurance accepted	R0130																
Reinsurers' share	R0140																
Net	R0200																
Premiums earned																	
Gross - Direct Business	R0210																
Gross - Proportional reinsurance accepted	R0220																
Gross - Non-proportional reinsurance accepted	R0230																
Reinsurers' share	R0240																
Net	R0300																
Claims incurred																	
Gross - Direct Business	R0310																
Gross - Proportional reinsurance accepted	R0320																
Gross - Non-proportional reinsurance accepted	R0330																
Reinsurers' share	R0340																
Net	R0400																
Changes in other technical provisions																	
Gross - Direct Business	R0410																
Gross - Proportional reinsurance accepted	R0420																
Gross - Non- proportional reinsurance accepted	R0430																
Reinsurers' share	R0440																
Net	R0500																
Expenses incurred	R0550																
Other expenses	R1200																
Total expenses	R1300																

	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	
Premiums written									
Gross	R1410		4,236,748					4,236,748	
Reinsurers' share	R1420							-	
Net	R1500		4,236,748					4,236,748	
Premiums earned								-	
Gross	R1510		4,241,275					4,241,275	
Reinsurers' share	R1520							-	
Net	R1600		4,241,275					4,241,275	
Claims incurred								-	
Gross	R1610		11,210,891					11,210,891	
Reinsurers' share	R1620							-	
Net	R1700		11,210,891					11,210,891	
Changes in other technical provisions								-	
Gross	R1710		(5,906,559)					(5,906,559)	
Reinsurers' share	R1720							-	
Net	R1800		(5,906,559)					(5,906,559)	
Expenses incurred	R1900		3,260					3,260	
Other expenses	R2500		62					62	
Total expenses	R2600		3,322					3,322	

Annex I

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct)			Annuities stemming from non-life insurance contracts and relating to health	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		15,360,914								15,360,914						
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																
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	R0030			-135							-135						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080																
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090			-135							-135						
Risk Margin	R0100		770								770						
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	R0110																
Best estimate	R0120																
Risk margin	R0130																
Technical provisions - total	R0200		15,361,549								15,361,549						

Annex I
S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	15,000	15,000			
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	16,645	16,645			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	31,645	31,645			
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	31,645	31,645	0		
Total available own funds to meet the MCR	R0510	31,645	31,645			
Total eligible own funds to meet the SCR	R0540	31,645	31,645	0		
Total eligible own funds to meet the MCR	R0550	31,645	31,645			
SCR	R0580	3,774				
MCR	R0600	3,338				
Ratio of Eligible own funds to SCR	R0620	839%				
Ratio of Eligible own funds to MCR	R0640	948%				
		C0060				
Reconciliation reserve						
Excess of assets over liabilities	R0700	31,645				
Own shares (held directly and indirectly)	R0710	-				
Foreseeable dividends, distributions and charges	R0720	0				
Other basic own fund items	R0730	15,000				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-				
Reconciliation reserve	R0760	16,645				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	R0770					
Expected profits included in future premiums (EPIFP) - Non- life business	R0780					
Total Expected profits included in future premiums (EPIFP)	R0790					

Annex I

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	1,765		
Counterparty default risk	R0020	458		
Life underwriting risk	R0030	1,909		
Health underwriting risk	R0040			
Non-life underwriting risk	R0050			
Diversification	R0060	-1,051		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	3,081		
Calculation of Solvency Capital Requirement		C0100		
Operational risk	R0130	928		
Loss-absorbing capacity of technical provisions	R0140			
Loss-absorbing capacity of deferred taxes	R0150	-235		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160			
Solvency capital requirement excluding capital add-on	R0200	3,774		
Capital add-on already set	R0210			
Solvency capital requirement	R0220	3,774		
Other information on SCR				
Capital requirement for duration-based equity risk sub-module	R0400			
Total amount of Notional Solvency Capital Requirement for remaining part	R0410			
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420			
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430			
Diversification effects due to RFF nSCR aggregation for article 304	R0440			
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450			
Net future discretionary benefits	R0460			
Approach to tax rate		C0109		
Approach based on average tax rate	R0590	2 - No		
Calculation of loss absorbing capacity of deferred taxes		Before the shock	After the shock	LAC DT
		C0110	C0120	C0130
DTA	R0600			
DTA carry forward	R0610			
DTA due to deductible temporary differences	R0620			
DTL	R0630			
LAC DT	R0640			-235
LAC DT justified by reversion of deferred tax liabilities	R0650			
LAC DT justified by reference to probable future taxable economic profit	R0660			
LAC DT justified by carry back, current year	R0670			-235
LAC DT justified by carry back, future years	R0680			
Maximum LAC DT	R0690			

Annex I

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

MCR _{NL} Result	C0010			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	R0010				
				C0020	C0030
Medical expense insurance and proportional reinsurance			R0020		
Income protection insurance and proportional reinsurance			R0030		
Workers' compensation insurance and proportional reinsurance			R0040		
Motor vehicle liability insurance and proportional reinsurance			R0050		
Other motor insurance and proportional reinsurance			R0060		
Marine, aviation and transport insurance and proportional reinsurance			R0070		
Fire and other damage to property insurance and proportional reinsurance			R0080		
General liability insurance and proportional reinsurance			R0090		
Credit and suretyship insurance and proportional reinsurance			R0100		
Legal expenses insurance and proportional reinsurance			R0110		
Assistance and proportional reinsurance			R0120		
Miscellaneous financial loss insurance and proportional reinsurance			R0130		
Non-proportional health reinsurance			R0140		
Non-proportional casualty reinsurance			R0150		
Non-proportional marine, aviation and transport reinsurance			R0160		
Non-proportional property reinsurance			R0170		

Linear formula component for life insurance and reinsurance obligations

MCR _L Result	C0040			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
	R0200	107,526			
				C0050	C0060
Obligations with profit participation - guaranteed benefits			R0210		
Obligations with profit participation - future discretionary benefits			R0220		
Index-linked and unit-linked insurance obligations			R0230	15,360,779	
Other life (re)insurance and health (re)insurance obligations			R0240		
Total capital at risk for all life (re)insurance obligations			R0250		135

Overall MCR calculation

	C0070	
Linear MCR	R0300	107,526
SCR	R0310	3,774
MCR cap	R0320	1,698
MCR floor	R0330	943
Combined MCR	R0340	1,698
Absolute floor of the MCR	R0350	3,338
		C0070
Minimum Capital Requirement	R0400	3,338

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