

Equitable Life Assurance Society

SOLVENCY AND FINANCIAL CONDITION REPORT 2020



Registered in England No: 00037038

Walton Street, Aylesbury,
Buckinghamshire, HP21 7QW

www.utmost.co.uk

SOLVENCY AND FINANCIAL CONDITION REPORT 2020

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SOLVENCY AND FINANCIAL CONDITION REPORT 2020

EXECUTIVE SUMMARY

INTRODUCTION

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

The Equitable Life Assurance Society is a mutual company owned by its Member. The Society ceased writing new business in December 2000.

The Society's business model seeks to continue to provide a safe home for its policyholders through efficient capital and operational management.

The SFCR provides details of the Society's business and its performance, Systems of Governance, risk profile, and valuation for solvency purposes and capital management for the financial year ended 31 December 2020.

BUSINESS AND PERFORMANCE

Scheme of Arrangement and Part VII Transfer

On 1 January 2020 the majority of policies were transferred to Utmost Life and Pensions Limited ("ULP"), who became the sole Member of the Society on the same date. German and Irish business remained within the Society.

This was the culmination of a Scheme of Arrangement ("the Scheme") and Part VII Transfer plan announced in June 2018, whereby:

- the Society's available assets would be distributed to eligible with-profits policyholders by removing investment guarantees, uplifting policy values and converting with-profits policies to unit-linked; and immediately afterwards
- Execute a Part VII Transfer to transfer its business to ULP (formerly Reliance Life).

Following approval from the High Court in December 2019, the Scheme took effect on 1 January 2020 with eligible with-profits policyholders receiving an uplift in excess of 75% of their policy value compared to the existing uplift of 35%. Following the uplift, with-profits policies, other than German policies, were converted to unit-linked policies with no investment guarantees. Immediately after this, the Part VII transfer took place, moving business to ULP.

The Society has retained the German and Irish business. Following a change to the Articles, ULP became the sole Member of the Society. On 1 January 2020, all employees were transferred under TUPE legislation into Utmost Life and Pensions Services Limited (ULPS).

The members of the Board who served throughout 2019 resigned at the end of that year. Lord Daniel W Finkelstein was reappointed to the Board, alongside new Board Directors, consisting of members from the ULP Board, on 1 January 2020, as detailed in the Report of the Directors.

Business performance

The Society's Solvency Coverage Ratio at 31 December 2019 was 133% prior to the transfer of the Equitable Life business on 1 January 2020. Following the transfer to ULP, a new capital policy was introduced, effective from 1 January 2020, which includes reference to capital based on the Minimum Capital Requirement ("MCR"). Going forwards, the Society will aim to have capital in excess of the greater of 150% of the estimated Solvency Capital Requirement (SCR), and 125% of the MCR.

To help support the capital base of the Society, ULP injected £650,000 in the form of a Tier 2 qualifying loan into the Society in April 2020. Throughout 2020, the Society has maintained a strong Solvency position in excess of this minimum, ending the year with a coverage of the Solvency Capital Requirement of 199% (162% of MCR).

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

A large proportion of ELAS's business is unit-linked, and the Society is not significantly exposed to volatility within the investment markets. We do have exposure to a small number of products with guarantees and have sought to manage these risks through reinsurance agreements or close matching of assets to minimise the impact on our solvency. Therefore, the Society has continued to operate with a strong Balance Sheet throughout 2020 and maintained its capital position comfortably well above required capital levels. The Society remains in a strong and resilient position and able to meet its capital requirements.

Group Reorganisation and Structure

On 1 January 2020, ULP became the sole Member of the Society. ULP, formed in 2017, is part of the Utmost Group, a specialist life insurance group founded in 2013, with circa. £36.6 billion assets under administration and more than 510,000 customers. ULP is a wholly owned subsidiary of Utmost Life and Pension Holdings Limited ("ULPH"), whose other subsidiaries include ULPS. ULPS employs all staff for the ULPH group of companies. All our business and corporate teams operate from Aylesbury.

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

Investment Management

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

Fund Accounting and Custodian

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

Capital position

Following the transfer to ULP, a new capital policy was introduced, effective from 1 January 2020, which includes reference to capital based on the Minimum Capital Requirement (MCR). The Society aims to have capital in excess of the greater of 150% of the Solvency Capital Requirement (SCR) and 125% of the MCR. Due to its size, the capital requirements for the Society is defined by the minimum MCR of €3.7m.

The Society maintained capital sufficient to meet the MCR throughout the period. As at 31 December 2020, the Society had a Coverage Ratio of 162% of the MCR; being the percentage value of its eligible Own Funds compared to the MCR (see section D).

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

SII Pillar 1 Solvency (£ millions)	2020	2019	Change
Own Funds	5.4	646.5	(641.1)
Eligible Own Funds	5.4	646.5	(641.1)
SCR	(2.7)	(485.1)	(482.4)
Excess Available Capital	2.7	161.4	(158.7)
Solvency Coverage Ratio	199%	133%	29%
MCR	(3.3)	(126.5)	(123.2)
MCR coverage ratio	162%	511%	(349%)

Customers

Customer interests are at the forefront of the Society's business model. We do this by focusing on meeting their needs, delivering on the commitments made to them and enhancing, with sound financial management and capital security, benefits to them, where possible.

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

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

Risk and governance framework

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

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

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

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

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

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

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

Risks following execution of the strategy

Having delivered the strategy on 1 January 2020, the German and Irish business remains in the Society. The main risks facing the Society at the present time are as follows:

(i) Market Risk

The Society receives annual management charges on the unit-linked and with-profits business that are deducted from policies to meet the expenses of the Society. The level of these charges depends on the funds under management and is sensitive to changes in the market value of assets. Unit linked policyholders can choose to invest in overseas funds. The values and hence AMCs on these funds are also exposed to currency risk.

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

(ii) Expense risk

The expenses of the Society include administration costs and investment management costs. Administration costs, £0.1m, are managed through an agreement with ULP and ULPS. The agreements with ULP and ULPS provide for a fixed cost per policy for administration in order to manage expense risk, and are sensitive to future inflation rates. Investment management costs are calculated on a basis point charge.

Expenses are met from charges made against policy values, which give rise to exposure to market risk, being the sensitivity to changes in the market value of unit-linked and with-profits assets.

(iii) Lapse risk

The risk of an immediate withdrawal of a significant proportion of the Society's in-force business. The Society is also exposed to the risk that the Society's best estimate assumptions for the level of Guaranteed Annuity Options ("GAO") (or Guaranteed Annuity Rate ("GAR")) take-up are too low relative to actual experience.

(iv) Credit risk

The risk of default by the largest reinsurer Scottish Widows, remains the key credit risk faced by the Society. The credit rating of Scottish Widows is monitored closely.

(v) Operational risk

Operational resilience is the ability of a firm, and the financial services sector as a whole, to prevent, respond to, recover and learn from operational disruptions.

The Society's minimum standards for the assessment, measurement, monitoring, reporting and management of operational risk are set out in the Operational Risk policy. This, together with supporting policies, frameworks, processes and controls, all of which are subject to regular review, are designed to mitigate operational risk, ensuring that the Society has appropriate levels of operational resilience, in line with its risk appetite for operational risks. Operational risk is managed through ULP.

The operational impact of the UK's exit from the EU on the Society has been minimal and is expected to remain so, although this is continually monitored given that the Society has policies sold in the EU. The Society is in regular dialogue with the relevant EU and UK regulations to ensure that the operational impact on customers remains minimal.

(vi) Regulatory risk

Regulatory change applicable to business remaining in the Society, announced or implemented in the future, will require management attention and appropriate resources. Changes in regulation as a result of Brexit may be one such example.

Regulatory risks are monitored through active scanning of the regulatory change environment and proactive engagement with Regulators and industry bodies. In doing so, the Society should be able, as far as possible, to adopt a proportionate approach to regulatory requirements and to agree with the Regulators the most appropriate way in which to respond to their requests.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors' Statement

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

We certify that:

1. The Solvency and Financial Condition Report (SFCR) has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations; and

2. We are satisfied that:
 - a. Throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable; and

 - b. It is reasonable to believe that, at the date of the publication of the SFCR, the Company has continued so to comply, and will continue so to comply in future.

On behalf of the Board of Utmost Life and Pensions Limited



By order of the Board

Stephen Shone
Chief Executive Officer
8 April 2021

SOLVENCY AND FINANCIAL CONDITION REPORT 2020

A. BUSINESS AND PERFORMANCE

A.1 Business

The Equitable Life Assurance Society is a mutual company owned by its Member. The Society ceased writing new business in December 2000. The Society's business model seeks to continue to provide a safe home for its policyholders through efficient capital and operational management.

The majority of business was transferred to ULP through a Part VII Transfer on 1 January 2020. The remaining business, is German and Irish policies comprising a mixture of with-profit, non-profit and unit-linked contracts. At 31 December 2020, the Society managed c£77m of assets on behalf of approximately 3,000 policyholders. Due to its size, the solvency capital is defined by the minimum MCR of €3.7m.

A.1.1 Legal form

The Equitable Life Assurance Society is a mutual society registered in England No. 00037038. Registered office and administrative Office: Walton Street, Aylesbury, Buckinghamshire, HP21 7QW. From 1 January 2020, The Society, containing just the German and Irish business, became a subsidiary of ULP, who is the sole Member.

The Society is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority. The Society complies with all relevant requirements of the PRA and FCA, as set out in their respective Rulebook and Handbook.

A.1.2 Supervisory authorities and external Auditors

Supervisory Authority	External Auditors
Prudential Regulation Authority Bank of England 20 Moorgate London EC2R 8AH	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT The Society's SFCR 2020 was not subject to external audit.
Financial Conduct Authority 12 Endeavour Square London E20 1JN	N/A

A.1.3 Group structure

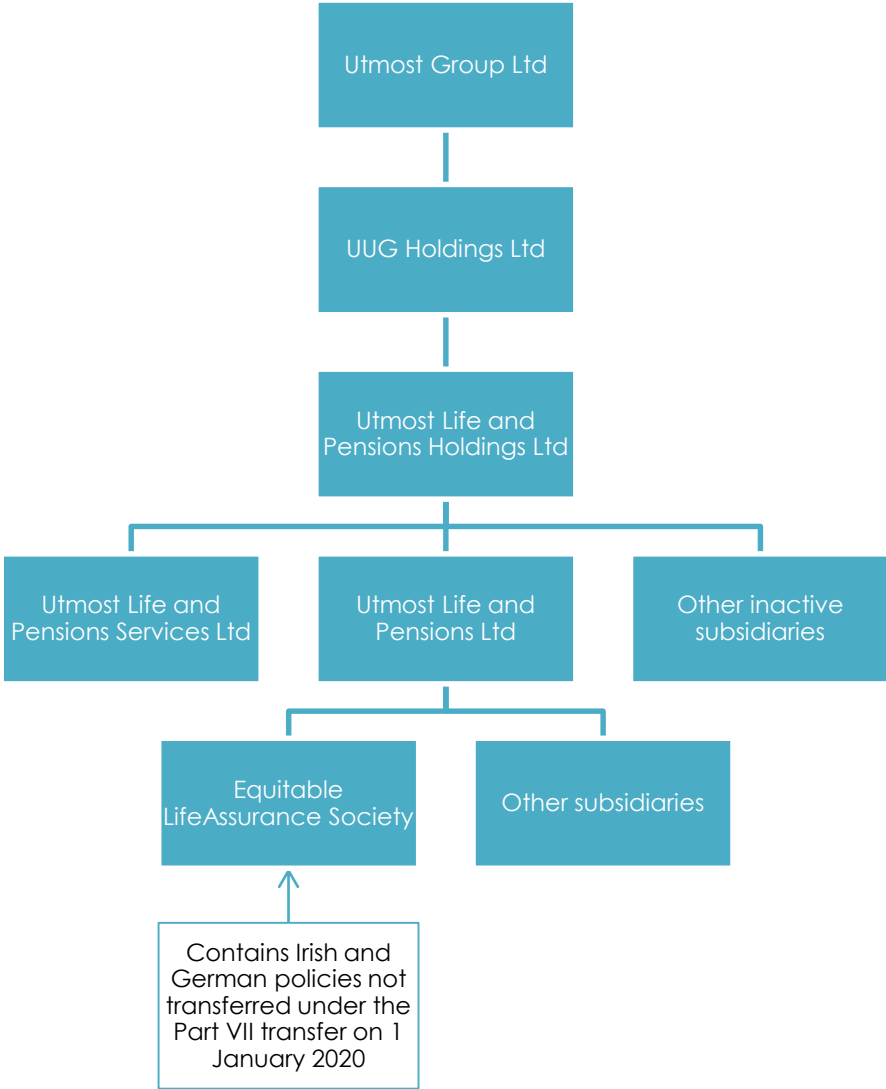
From 1 January 2020, the Society became a subsidiary of ULP. ULP, formed in 2017, is part of the Utmost Group, a specialist life insurance group founded in 2013, with circa. £36.6 billion assets under administration and more than 510,000 customers. ULP is a wholly owned subsidiary of ULPH, whose other subsidiaries include ULPS. ULPS employs all staff for the ULPH group of companies. All our business and corporate teams operate from Aylesbury.

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

The Society has one nil value subsidiary company:

- Lydiard Fields Management Company ("LFMC") holds the Society's residual freehold interest in common areas of an office and industrial development in Swindon. LFMC is held at nil value.

The structure below sets out the principal companies with a material relationship with the Society:



A.1.4 Lines of business

The principal activity of the Society during 2020 was the transaction of life assurance and pension business in the form of guaranteed, participating and unit-linked contract for Irish and German business. The Society closed to new business on 8 December 2000.

At 31 December 2020, the Society managed c£77m of assets on behalf of approximately 2,800 policyholders via the administration of c1,900 Irish individual policies, c330 members of Irish company pension schemes and c570 German individual policies.

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

Line of Business	Contract Type	Product(s)	% of Technical Provisions
Unit-Linked and Index-Linked Insurance	Unit-Linked	Life and Pensions Savings	73.4%
Other Life Insurance	Non-Linked	Annuities	1.3%
Insurance with profit participation	With-Profits	Life and Pensions Savings, Term Assurance and other	25.4%

German policies

The Society considered that, under German law, there was a significant risk that the Scheme of Arrangement, as detailed in Section A1.6, would not be recognised in Germany. German with-profits policies were therefore not included in the Scheme of Arrangement and continue to be with-profits policies, retaining their investment guarantees and participating in a with-profits sub-fund of the Society.

There are two types of German with-profits policies:

- UK-style German with-profits policies:** these policies received an increase to their policy values equivalent to the uplift available to other with-profits policies under the Scheme of Arrangement and maintained their guarantees. This enabled these policies to benefit from the Scheme of Arrangement, although they couldn't be included in it.
- German-style German with-profits policies:** these policies did not receive an uplift. The Society established a German Branch selling policies in Germany from 1993. This was prior to the 3rd Life Directive in 1994 which freed up the insurance market across Europe, so the business needed specific approval by the German Regulator; in particular it is governed by the German Business Plan. The style and structure of these products had to comply with the expectations of the German regulator, and are referred to as the German-style policies.

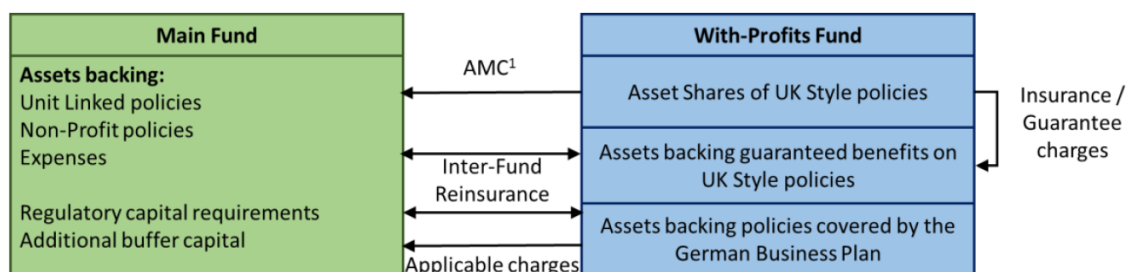
Irish policies

Irish with-profits policies were included in the Scheme of Arrangement, as detailed in Section A1.6. They received the uplift to their policy values and their investment guarantees were removed on 1 January 2020. They were converted to unit-linked policies and remain within the Society. The business is managed in the same way as other unit-linked policies.

Other German and Irish policies, unit-linked and non-profit, were not included in the Scheme of Arrangement and remain with the Society.

A.1.5 Fund Structure

The diagram below shows the fund structure of the Society and their main interactions. The With-Profits Fund is a sub-fund of the main fund.



¹ The “AMC” is the annual charge in respect of expenses.

Main Fund

The Irish business is allocated to the Main fund (the Main fund is maintained separately from the with-profits fund).

The Main fund also contains all other German non-profit and unit-linked policies and also statutory solvency capital.

With Profits Fund

All of the German with-profits policies remain in the separate With-Profits Fund.

The operation of the UK Style benefits in this fund is governed by the PPFM which is published on the Society’s website.

The UK Style with-profits policies are held within the With Profits Fund and the assets are notionally ring-fenced. This is because policyholders are entitled to the assets specifically backing their policies but not the general surplus within ELAS. They are not exposed to any of the liabilities and risks outside that fund.

Similarly, the assets backing Guaranteed Annuity Rates (“GARs”), investment guarantees and the German-style with-profits policies are also held in the With-Profits fund.

The Main fund bears the risks associated with expenses and guarantees on these liabilities via an inter-fund reinsurance arrangement. All guarantees are funded via the Main fund.

A.1.6 Significant events

A.1.6.1 Scheme of Arrangement and Part VII Transfer

From 1 January 2020, following delivery of the strategy as explained below, the majority of policies transferred to Utmost Life and Pensions Ltd (ULP). German and Irish business remains within the Society which has become a subsidiary of ULP. From this date, ULP is the sole Member of the Society.

In June 2018, the Society announced that it proposed to:

- Implement a Scheme of Arrangement to distribute the Society’s available assets to eligible with-profits policyholders by removing investment guarantees, uplifting policy values and converting with-profits policies to unit-linked; and immediately afterwards
- Execute a Part VII Transfer and to transfer the business to Utmost Life and Pensions Ltd (formerly Reliance Life) (ULP).

Throughout 2019, the Society progressed the execution of the strategy. Following approval from the High Court in December 2019, implementation took place on 1 January 2020, after the balance sheet reporting date. The Scheme was made effective with eligible with-profits policyholders receiving an uplift in excess of 75% of their policy value compared to the existing uplift of 35%. Following the uplift, with-profits policies, other than German policies, were converted to unit-linked policies with no investment guarantees. Immediately after this, the Part VII transfer took place, moving business to ULP.

One change to the original proposal announced in June 2018 was that the German and Irish business would be kept in the Society. Therefore, the Society retains the German and Irish business and has become a subsidiary of ULP, with, following a change to the Articles, ULP becoming the sole Member of the Society. On 1 January 2020, all employees were transferred under TUPE legislation into Utmost Life and Pensions Services Ltd (ULPS).

The members of the Board who served throughout 2019 resigned at the end of the year. A new Board of Directors consisting of members from the ULP Board is now in place, as detailed in section B1.

A.1.6.2 Investment Management

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

A.1.6.3 Fund Accounting and Custodian

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

A.1.7 Business and Performance

The Financial Statements as at 31 December 2020 have been prepared on the assumption that the Society remains in run-off. The Financial Statements are therefore comparable with the prior year.

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

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

- Actuarial liabilities are calculated on a best estimate basis for Solvency II and a prudent basis for UK GAAP; and
- Tier 2 debt capital is treated as a liability for UK GAAP reporting.

The Society's Solvency Coverage Ratio at 31 December 2020 was 162%, which was successfully ahead of the Board's stated aims to have capital in excess of the greater of 150% of the SCR, and 125% of the MCR. The table below analyses solvency coverage of the Society and the NPF.

SII Pillar 1 Solvency (£ millions)	2020	2019
Own Funds (Unrestricted)	5.4	646.5
Restriction on Own Funds	-	-
Own Funds	5.4	646.5
SCR (after loss absorbency)	(2.7)	(485.1)
Sub-fund capital support	-	-
Excess Available Capital (after capital support)	2.7	161.4
Solvency Coverage Ratio	199%	133%
Minimum Capital Requirement ("MCR") ¹	(3.3)	(126.5)
MCR Coverage Ratio	162%	511%

A.2 Underwriting Performance

The Society closed to new business in December 2000. Therefore underwriting performance is no longer considered of material relevance to the Society. The values of premium and claims, as per the Society's financial statements are shown in the following table.

£m	2020	2019
Gross premiums written	0.6	10.1
Other outward reinsurance premiums	(0.2)	(4.2)
Earned premiums, net of reinsurance	0.4	5.9
Claims paid – gross amount	4.6	131.1
Reinsurers' share	(0.3)	(20.7)
Claims incurred, net of reinsurance	4.3	110.4

A.3 Investment Performance

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

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

Unrealised gains and losses on investments represent the difference between the valuation at the date of the Statement of financial position and their purchase price or, if they have been previously valued, their valuation at the date of the last Statement of financial position. The movement in unrealised gains and losses recognised in the year also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

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

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

Year End 2020:

	Debt Securities	Equity securities	Assets backing linked liabilities	Other Financial Investments	Total
	£m	£m	£m	£m	£m
Dividends	-	-	0.4	-	0.4
Interest	0.2	-	-	-	0.2
Net realised (losses) / gains	3.0	(1.5)	324.7	(0.4)	325.8
Net unrealised (losses)	(2.8)	1.1	(318.6)	(0.1)	(320.4)
	0.4	(0.4)	6.1	(0.5)	6.0
Investment expenses and charges					(0.4)
					5.6

Year End 2019:

	Debt Securities	Equity securities	Assets backing linked liabilities	Other Financial Investments	Total
	£m	£m	£m	£m	£m
Dividends	-	-	44.9	(53.6)	(8.8)
Interest	69.0	-	-	11.7	80.7
Net realised (losses) / gains	378.5	(14.0)	22.5	(124.7)	262.3
Net unrealised (losses)	(193.4)	11.3	185.3	82.6	86.0
	254.1	(2.7)	252.7	(83.9)	420.2
Investment expenses and charges					(4.7)
					415.5

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

A.4 Performance of Other Activities

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

A.5 Any Other Material Activities

A.5.1 Scheme of Arrangement and Part VII Transfer

The following table compares the statutory Balance Sheet with the 1 January 2020 position, to show the assets and liabilities that remain in the Society.

£m	31 December 2019	1 January 2020
Assets		
Invested assets ¹	4,204.0	201
Assets held to back linked liabilities ²	1,760.5	47.7
Reinsurance recoverables		
Non-profit	369.6	9.4
Heritage unit-linked	7.4	-
Current assets	26.5	1.9
Total assets	6,368.0	79.1
Liabilities		
Technical provisions		
Non-profit	373.1	9.8
Heritage with-profits	3,192.3	17.5
Converted unit-linked ³	-	31.1
Heritage unit-linked	1,763.4	16.6
Other long-term liabilities ⁴	193.3	-
Excess assets	807.1	-
Total technical provisions	6,329.2	75.0
Current liabilities	38.8	0.7
Member funds	-	3.4
Total liabilities	6,368.0	79.1

Notes as at 1 January 2020

1. Includes assets backing non-profit and German with-profits business
2. Assets backing heritage and newly converted unit-linked business
3. Irish with-profits policies in the Scheme converted to unit-linked
4. Future expenses of the German and Irish business will be covered by charges deducted from policies

A.5.2 External Factors

Brexit

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

further review in 2021. We are in regular dialogue with the regulators in Ireland, Germany and the UK to ensure we can continue to service our customers now that the Brexit transition period has ended. The Society believes that it has adequate mitigating controls and procedures in place to address these risk areas.

COVID-19 Pandemic

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

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

The Society has a reinsurance agreement with a large UK regulated insurance counterparty and this is the Society's largest exposure to downgrades. The COVID-19 outbreak has not caused any interruption to the operation of this reinsurance and we continue to monitor the financial strength of all our reinsurers.

The Society entered 2021 with a strong Balance Sheet and with a Solvency II coverage ratio in excess of 150% as outlined above. As at the date of approving the SFCR, the Solvency II Coverage Ratio remains above the required capital levels and we remain in a strong and resilient position and able to meet our capital requirements.

B. SYSTEM OF GOVERNANCE

B.1 General Information

The main board is responsible for the day-to-day management and conduct of Utmost Life and Pensions and any subsidiaries including Equitable Life. The Boards meet a minimum of four times a year. Other meetings are convened as required. The minimum quorum necessary for meetings is two members for the Society's Board. The Board comprises the Chair (an Independent Non-Executive member), four other Independent Non-Executive members, two Group Non-Executive Directors and two Executive Directors.

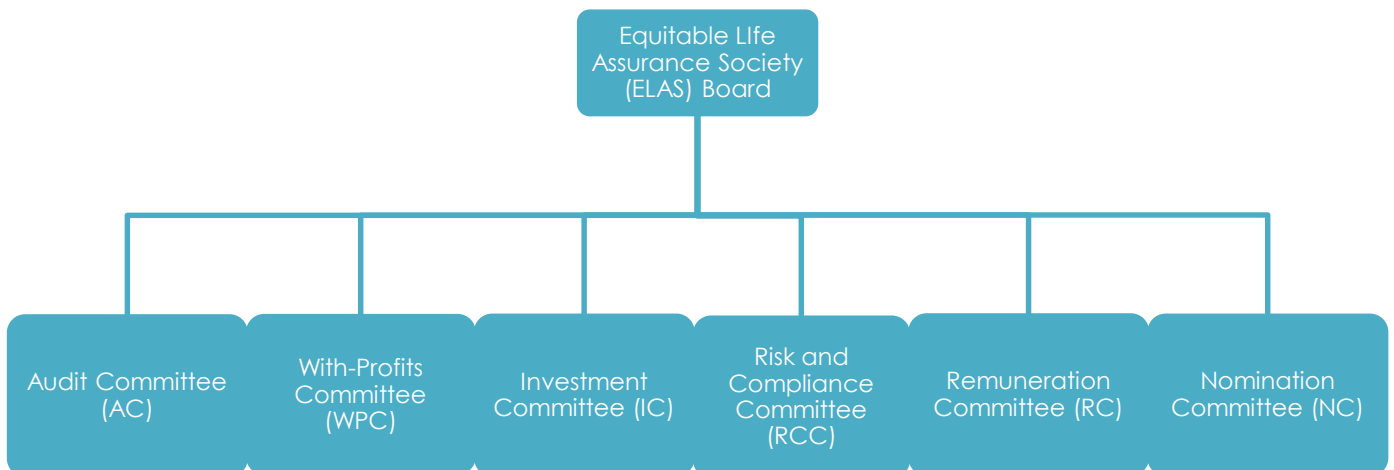
Directors	Name
Chairman	Michael J Merrick
Chief Executive	Stephen Shone
Chief Financial Officer	Jeremy S Deeks
Independent Non-Executive Directors	Duncan A Finch
	Susan P Kean
	Lord Daniel W Finkelstein
Group Non-Executive Directors	Feilim Mackle
	A Paul Thompson
	Ian G Maidens

The Board's role is to:

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

The Board has delegated certain responsibilities to the ULP Board sub committees to undertake necessary business for the Society and report to the ELAS Board accordingly. However, the Board always remains accountable and cannot delegate this ultimate accountability.

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



Audit Committee

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

The Members of the Committee are appointed by the ULP Board following consultation with the Committee Chairman. The Committee will be composed of at least three members at all times, and must be composed only of non-executive Directors. At least one member of the Committee must have

competence in accounting and/or auditing, and the remaining members should at a minimum have experience of dealing with financial and accounting matters.

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

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

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

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

Risk and Compliance Committee

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

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

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

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

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

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

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

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

With-Profits Committee

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

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

The Committee Chairman and other members of the Committee are appointed by the ULP Board in consultation with the Chairman. The majority of the members of the Committee are independent of the Society, its parent company, ULP, and its group of companies.

At least one member of the With-Profits Committee has recent and relevant financial experience and, preferably, holds a professional qualification from the professional actuarial body.

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

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

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

Investment Committee

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

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

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

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

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

Furthermore, the Chief Financial Officer, the Chief Risk Officer and the Head of Investments shall have direct access to the Committee as appropriate.

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

Nominations Committee

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

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

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

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

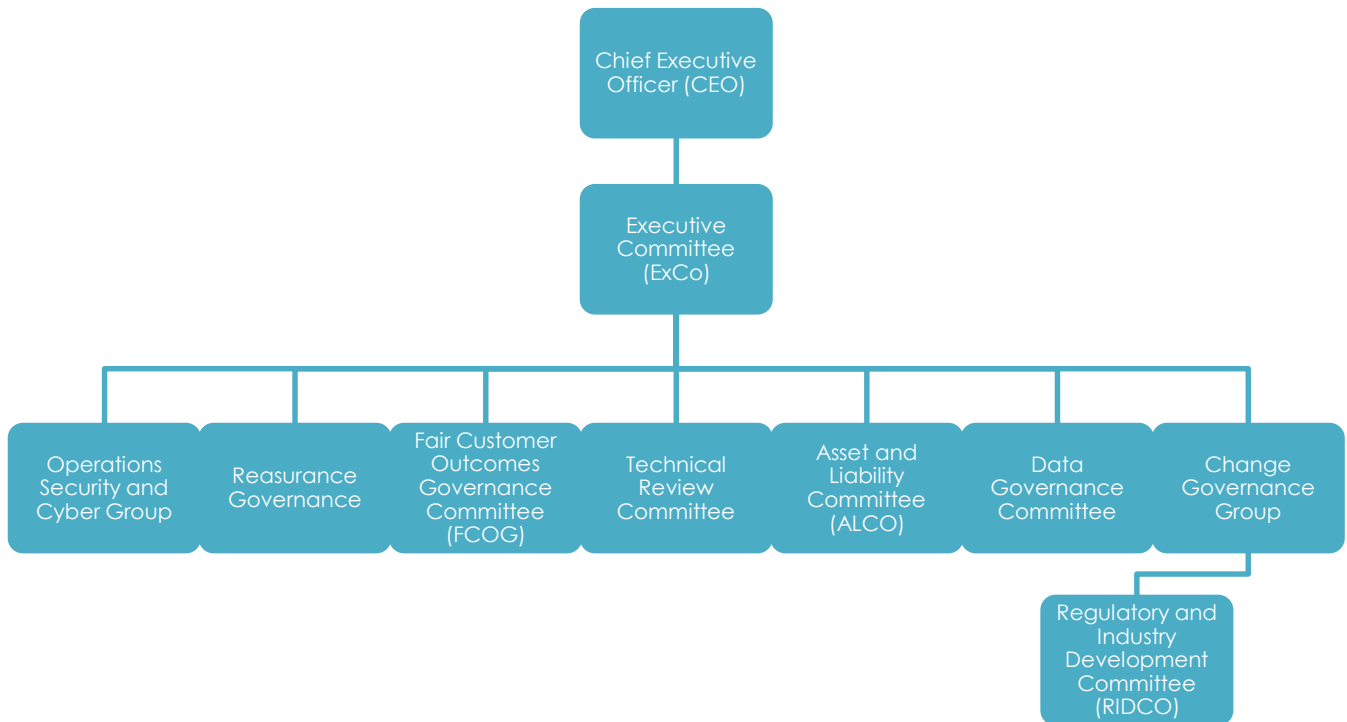
The membership and chairmanship of the Committee will be reviewed each year by the Board in consultation with the Chairman to ensure that an appropriate balance is maintained between experience and independence. Changes as required will be recommended to the Board thereafter. The appointment of members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

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

Executive Sub-Committees

In addition to the above Board committees, a range of Executive sub-committees are in place to support the Chief Executive Officer in his decision making. These committees are responsible for the day-to-day management and conduct of Utmost Life and Pensions and any subsidiaries including Equitable Life. These committees have no delegated authority (with the exception of the Asset and Liability Committee ("ALCO")), as outlined below) but make recommendations to the Chief Executive Officer. The Executive sub-committees provide support for decision making with regards to Society's business and are aligned to those operative in the parent, Utmost Life and Pensions.

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



Executive Committee

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

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

Asset and Liability Committee

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

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

The committee comprises the Chief Financial Officer; Chief Actuary; Chief Risk Officer; Investment Oversight Manager; Finance Manager & Head of Unit Linked; ALM Actuary; With Profits Actuary and Unit Linked Specialist, and meets at least monthly and more frequently as needed.

Fair Customer Outcomes Governance Committee

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

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

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

Data Governance Committee

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

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

The committee meets at least four times a year.

Operations Security and Cyber Group

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

Reassurance Governance Group

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

Technical Review Committee

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

Integration and Change Governance Group

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

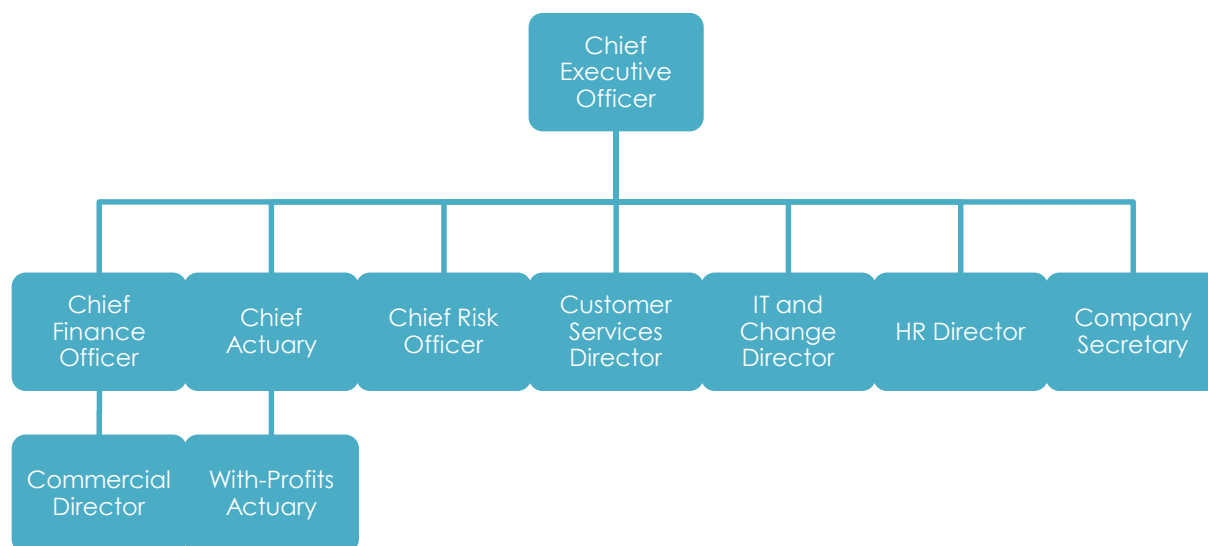
Regulatory and Industry Development Committee

The Regulatory and Industry Development Committee ("RIDCo") is an important element of the Society's systems and controls, and is responsible for ensuring that regulatory or industry-wide changes relevant to the Society are identified in order to enable the business to respond appropriately. It reports into the CGG

with any change programmes as a result of regulatory or industry developments. Moving forwards, RIDCo will be reporting directly to ExCo.

Individual Responsibilities

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



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

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

Integration of all governance

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

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

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

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

Remuneration Policy and practices

The Society has no employees, and all services are undertaken by employees seconded to ULP and the Society by ULPS under a Secondment Agreement. All remuneration decisions are taken by ULP and ULPS.

B.2 Fit and Proper Requirements

The Society has a Fit and Proper Policy in place that sets out the way in which the Society complies with the PRA's and the FCA's Fit and Proper requirements, with particular emphasis on the SM&CR. The Fit and Proper Policy adopted by Equitable Life is aligned to the operative policy in the parent, Utmost Life and Pensions.

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

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

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

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

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

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

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

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

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

Whilst having previous infringements may not necessarily result in the person being assessed as not fit for the role being considered, HR will ensure that there is a judgement based on the widest information available concerning such offences. HR will co-ordinate the documentation of the assessments of

competence, fitness and propriety before an application is submitted for approval to the regulatory authorities.

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

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

B.3 Risk Management System

The Risk Management function is principally responsible for the ongoing implementation of the Society's RMF: the framework in place to identify and effectively manage the risks of the Society and support the achievement of the Society's corporate objectives. The Society has aligned its management to the RMF that is operative for ULP. The key components, that are applicable to ULP and the Society, have been developed and adopted throughout 2020.

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

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

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

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

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

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

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

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

B.4 Own Risk and Solvency Assessment

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

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

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

ORSA Process		
Work Stream	Activity	Description
Design	Process & Document Design	Review of existing ORSA process and documentation to ensure the ORSA remains fit for purpose and compliant with current guidelines.
Reporting & Documentation	Regular ORSA Update	A regular update on the risk appetites, risk profile of the Society, and an update on any investigations or actions.
	ORSA Policy	Update of the existing ORSA policy to ensure it reflects the purpose, scope, process and aims of the Society's ORSA.
	Annual ORSA Report	A full reforecast of the solvency position and risk profile of the Society, under base and alternative scenario conditions, including an assessment of the risks faced in implementing the strategy and business plan under a variety of scenarios.
	Submission	Submission of the completed ORSA Report to the Prudential Regulatory Authority (PRA)
Standard Formula Testing	Standard Formula Appropriateness Exercise	Analysis of the standard formula SCR relative to the Society's current and emerging risk profile, to ensure it remains appropriate.
Scenario Development	Scenario Design & Definition	Development of the alternative scenarios which will be assessed within the Society's ORSA framework.
Model Development & Inputs	ORSA Basis	Basis setting exercise to define the parameters and assumptions to use in the ORSA balance sheet projections.
	ORSA Model Development	Further development of the existing ORSA projection models.
	ORSA Data	Exercise to gather, check and validate the data feeding into the Society's ORSA process.
Projections	ORSA Projection Runs	Projection of the Society's balance sheet and risk profile under base and alternative scenarios, before and after management actions.
	ORSA Control & Validation	Control and validation process applied to the ORSA projection runs to ensure they are free from error.
Use	Strategy & Business Plan	Insight from the ORSA informs the Society's strategic direction and business planning.
	Risk Appetite & Limits Review	ORSA forecasts used to assess the Society's alignment with risk appetite and the individual risk limits. The ORSA is also used to review the appropriateness of the current limits.
	Investigation	ORSA analysis used to identify areas for further investigation, typically carried out by either the risk or actuarial functions.
	Decision Making	The ORSA is a key management tool in the decision-making processes of the Society.

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

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

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

B.5 Internal Control System

The Internal Controls adopted by Equitable Life are aligned to those operative in the parent, Utmost Life and Pensions. The Society maintains an Internal Control Framework to ensure that internal control practices are established, implemented and maintained in line with the objectives, strategy, risk appetite and long-term interests of the Society as a whole. The framework describes the controls and procedures in place to ensure:

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

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

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

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

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

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

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

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

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

- Line 1 has the responsibility for the management of controls across the organisation and comprises executive committees, management and staff;

- Line 2 is responsible for the provision of oversight to ensure that the first line is managing controls within the internal control system and associated policies. This is performed by the Risk function, Compliance the Risk and Compliance Committee;

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

B.6 Internal Audit Function

The Society's Internal Audit function provides assurance over the operation of governance, risk management and the system of internal control for the Society and its parent, Utmost Life and Pensions.

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

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

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

Internal Audit governs via the Society's Internal Audit methodology. This methodology is aligned with the Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of auditing and for evaluating the effectiveness of the audit activity's performance. Given the delicate and important nature of the assurance role carried out within the business, all Internal Audit staff must have specific fit and proper requirements, as requested by the Society's Fit and Proper Policy.

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

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

The Internal Audit Function spans across all of the Utmost group entities. There is a Group Head of IA and local Heads of IA. To prevent potential conflicts of interest from arising, the Group Head of the Internal

Audit Function shall allocate tasks and set goals within the function in promoting rotation of duties and responsibilities within the team.

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

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

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

B.7 Actuarial Function

The Actuarial function consists of employees seconded to the Society's parent company by Utmost Life and Pensions Services Limited ("ULPS"), supplemented by external consultants to provide additional resource when needed. The Chief Actuary has overall responsibility for the output from the Actuarial function for the Society and its parent, Utmost Life and Pensions. The Chief Actuary is a Fellow of the Institute and Faculty of Actuaries and holds a Chief Actuary (Life) Practising Certificate. He is also the approved person for the senior managers function Chief Actuary. The current responsibilities of the Actuarial function are detailed in the following table.

Balance Sheet Valuation	Carry out annual and quarterly valuations of the Society's assets and other liabilities, Technical Provisions, and capital requirements consistent with Solvency II.
Balance Sheet Forecasting	Carry out a forecast of the Society's projected solvency position over its business planning period under central best estimate and alternative scenario assumptions for consideration within the ORSA framework.
Solvency Monitoring	Estimate the Solvency II balance sheet on a monthly basis to monitor the Society's solvency position.
Data Quality	Assess the sufficiency and quality of the data used in the calculation of the Society's technical provisions.
Experience Analysis	Analyse the Society's recent historic demographic experience (for example, mortality and persistency) to inform assumption setting.
Assumption Setting	Recommend the demographic, expense and economic assumptions to be used in the Society's balance sheet valuation and forecasting based on internal experience analysis and reference to relevant external market or industry variables.
Model Development	Maintain and develop the model required to value the Society's policyholder liabilities under central best estimate assumptions and the Solvency II Standard Formula stress tests.
Bonus Setting	Recommend the regular and terminal bonuses to be paid to the Society's with-profits policyholders.

Run-Off Planning	Prepare the recommended run-off plans for the Society's with-profits funds including, for each fund, a description of the governance of the fund, details of how the Society intends to manage the risk profile and funding position, and a projection of the fund's expected financial position.
Reinsurance and Underwriting	Provide an opinion to the Board on the adequacy of the Society's reinsurance arrangements and underwriting policy.

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

B.8 Assessment of Governance

Outsourcing and Contracts Policy

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

The key elements of the policy cover requirements for:

- Decision making;
- Negotiation;
- Outsourcing procedures;
- Re-evaluation;
- Contractual arrangements;
- Transition planning;
- Supplier management and monitoring (see below); and
- Policy breaches.

Supplier management and monitoring

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

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

Key outsourced functions

During 2019, one new outsourcing activity was agreed by the Society. In preparation for the acquisition of Equitable Life, the Board approved a new agreement with Atos Consulting to provide outsourced IT services in regards for the combined organisation going forward through a migration in 2020. Similarly,

the Internal Audit outsourcing service provider, Deloitte LLP. resigned during the third quarter of 2019 and was replaced by an in-house specialist team on 1 January 2020.

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

- The Society's parent company, ULP, ran a tender process to rationalise the two existing providers of fund accounting and custody services following the acquisition of Equitable Life. HSBC were chosen as the provider across the combined organisation and a project was initiated to deliver the transition. The project completed successfully in late November 2020.
- In January 2020, all assets previously managed by the Society's main Investment manager were transferred to The Society's strategic investment manager partners – JPMAM for Unit-Linked and Goldman Sachs Asset Management (GSAM) for Non-Linked Assets. In addition, the existing Equitable Life Unit-Linked funds will be transferred to JPMAM in 2022.

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

Assessment of Governance

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

B.9 Other Information

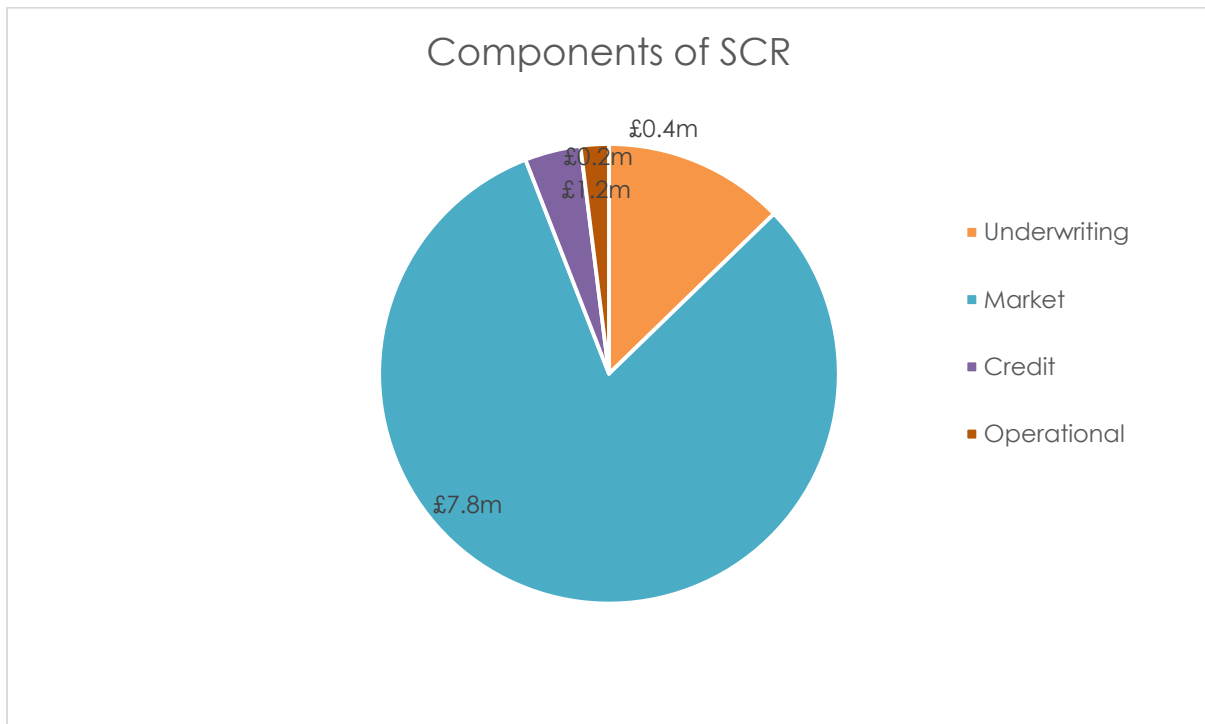
COVID-19

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

C. RISK PROFILE

The Society manages risk and risk exposures through the Society's well-defined RMF, as detailed in Section B.

The chart below shows the component risks which make up the Society's pre-diversified SCR as at 31 December 2020. However, it should be noted that due to its size, the solvency capital for the Society is defined by the minimum MCR of €3.7m.



The largest capital item is Market risk. The primary source of the current risk exposure relates to unit-linked business. The Society collects Annual Management Charges (AMCs) as a percentage of unit linked funds. Unit linked policyholders can choose to invest in overseas funds. The values of these funds are exposed to currency risk. The unit linked funds typically have high equity exposures, making the AMCs also dependent on equity markets.

Underwriting risk is the second largest capital item on the current book. There is the risk that early terminations reduce income from AMCs. The Society is also exposed to an increase in the take up rate for policies with Guaranteed Annuity Rates ("GARs") which leads to a potential increased liability. Underwriting risk also includes the Society's exposure to longevity risks in the annuity portfolio and expense risk.

Credit risk is the risk arising from corporate bonds within the unit-linked funds making the AMCs dependent on spread movements. The largest exposure to counterparty default risk is to a non-collateralised reinsurance treaty with Scottish Widows (ultimate parent Lloyds Banking Group).

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

C.1 Underwriting Risk

C.1.1 Risk exposures

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

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

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

An increase in the take up rate for GARs leads to a potential increased liability. Combined with low interest rates the impact is greater. German-style German with-profits policies, with their 3.5% guaranteed growth rates, are more onerous at times of low interest rates.

The second largest underwriting risk is Expense risk. The Society is exposed to the risk that expenses are higher than allowed for in the best estimate assumptions. The main sources of risks are:

- Future costs do not reduce in line with that predicted
- Future inflation is higher than anticipated

Expense risk would be a material risk to Equitable Life given its relatively small size. In order to manage this risk, Equitable Life has entered into an Expense Agreement with Utmost Life and Pensions, to charge only a fixed per policy cost, which will mitigate the fund's exposure to expense risk, other than exposure to inflation of expenses.

Equitable Life also has c760 non-profit policies, primarily term assurance. These are largely reinsured and, as a result, the mortality risk for Equitable Life is minimal, although this in turn creates counterparty risk (see Section C3).

Equitable Life also has exposure to longevity risk, which arises primarily in relation to policies which include an underlying GARs. No annuity policies have been offered by the Society for several years. The financial obligation of the Society is to pay a sufficient amount to a third party at retirement date to purchase the required annuity amount.

Of the German and Irish business that has stayed much of this has been reinsured or subsequently transferred:

- In 2015 a portfolio of in force annuitants were transferred to Canada Life through a Part VII Scheme.
- Part of the longevity portfolio (from Irish business) is reinsured with LBG. This includes principally historic deferred annuities and a small number of immediate annuities.

The only residual annuity in payment exposure relates to c20 German annuities (less than £1m of liability).

C.1.2 Risk measures

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

Measurement Tool	Measure
Stress Testing	Impact on the Society's Own Funds of a 99.5th percentile one-year level change in the risk variable(s) corresponding to each underwriting risk (carried out using the Solvency II Standard Formula calibration).
Reverse Stress Testing	Severity of risk event/deterioration in experience in respect of a particular underwriting risk exposure that would be required to breach the Society's point(s) of non-viability or other limits.
Scenario Testing	Potential effect on the Society's solvency position and risk profile of alternative scenarios involving short- or long-term changes to one or more of the Society's underwriting risk variables.
Sensitivity Testing	Impact on the Society's solvency position of changes in the risk variable(s) corresponding to each underwriting risk.
Experience Analysis	Comparison of recent demographic and expense experience with historic internal experience, wider industry experience, and current best estimate assumptions.
Experience Monitoring	Quarterly/monthly review of recent experience.
Budget Analysis	Comparison of recent experience with budgeted or forecast amounts.

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

C.1.3 Risk concentrations

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

In particular, the Society does not believe that the current in-force book contains any material concentrations of policyholders by location, health, lifestyle or socio-economic group. To the extent that

the current in-force book is sufficiently large and well diversified, it should be protected by short-term variations in experience.

C.1.4 Risk management and mitigation

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

Risk Mitigation	Description
Risk Appetite	Statements covering the Society's approach towards underwriting risk.
Economic Capital	Economic Capital held on the Society's regulatory balance sheet in respect of each of its material underwriting risk exposures (derived using the Solvency II Standard Formula approach).
Reinsurance	Full or partial transfer of underwriting risk to reinsurance counterparties, including the use of longevity-swap arrangements on the Society's in-payment annuities.
Assumption Setting	Annual assumption-setting exercise to ensure that the assumptions used to determine the Society's Technical Provisions appropriately reflect the current best estimate of future underwriting experience.
Claims Underwriting	Underwriting to determine the initial or ongoing validity of claims relating to exclusion clauses, non-disclosure, fraud, etc.
Budget Reforecasting	Regular updates to the Society's business plan and expense budget to ensure that forecasts continue to reflect expected experience.
Cost Control	Cost control activity to ensure that expenditure remains within plan.
Risk Monitoring	Regular senior management and Board level review of the risk measures discussed in section C.1.2.
Expense Agreement	Equitable Life has an Expense Agreement with Utmost Life and Pensions, to charge only a fixed per policy cost, which mitigates practically all the fund's exposure to expense risk, other than exposure to inflation on expenses.

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

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

C.2 Market Risk

C.2.1 Risk exposures

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

Risk Category	Risk Description
Equity Prices	Risk of adverse changes (i.e. falls) in the level of equity prices, which reduces the value of the Society assets or increases the value of its liabilities.
Currency Movements	Risk of loss or of adverse change in the Society's financial situation (for example, decreasing the value of the Society's assets or increasing the value of its liabilities) resulting, directly or indirectly, from fluctuations in the level and in the volatility of foreign exchange rates.
Interest Rates	Risk of unexpected changes in the level and/or shape of the term structure of UK risk-free interest rates which adversely affects the value of the Society's assets, liabilities, capital requirements and/or cash flows.
Gilt – Swap Spread	Risk that the spreads between gilt rates and swap rates (based on the EIOPA curve) widens, increasing the level of volatility on the Society's balance sheet. Risk of inconsistent movements in UK gilt yields and swap rates (based on the EIOPA curve), leading to inconsistent movements in the value of the Society's assets and Technical Provisions.

The largest Market risk exposure is Currency risk. The primary source of the current risk exposure relates to unit-linked business. The Society collects AMC's as a percentage of unit linked funds and with-profits business. Unit linked policyholders can choose to invest in non-euro based funds. The values and hence on these funds are exposed to currency risk.

Capital and assets matching (non-unit/with-profit fund) liabilities are held in Euros. While Equitable Life would not invest in a derivative asset as a speculative investment, it would consider using an asset such as a currency hedge where it offered a cost-effective means of managing currency risk. This risk is accepted by Equitable Life.

The second largest exposure is to Equity risk. The underlying funds typically have high equity exposures, making the AMC's dependent on equity markets.

Despite having a relatively low level of capital impact under the Solvency II Standard Formula stress tests, interest rate risk is one of the Society's most material market related risk (excluding spread widening [see section C.3.1 below]). The Society's assets and Best Estimate Liabilities ("BELs") are well matched, which means that that movements in interest rates have a similar impact on the assets and liabilities and so the net impact on the balance sheet is small. However, the presence of the Risk Margin within the Technical Provisions introduces significant balance sheet sensitivity to changes in interest rates.

In addition, movements in interest rates, by increasing or decreasing the value of assets and liabilities, will increase or decrease the size of the balance sheet. This will have a secondary impacts on other SCR capital requirements by applying the SCR stresses to a larger or smaller balance sheet. As the solvency capital is defined by the minimum MCR of €3.7m (c£3.3m), this only impacts the solvency coverage ratio via the value of the Risk Margin through changes in the SCR of non-hedgeable risks.

C.2.2 Risk measures

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

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

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

C.2.3 Risk concentrations

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

C.2.4 Risk management and mitigation

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

Risk Mitigation	Description
Risk Appetite	Statements covering the Society's approach towards market risk.
Economic Capital	Economic Capital held on the Society's regulatory balance sheet in respect of each of its material market risk exposures (derived using the Solvency II Standard Formula approach).
Asset Liability Management	The Society actively pursues an asset liability matching strategy.
Investment Guidelines – Limit Structures	The Investment Guidelines for each of the Society's investment portfolio set out limit structures for the assets permitted within each portfolio. Market risk is an important factor in the choice of available assets.
Risk Monitoring	Regular senior management and Board level review of the risk measures discussed in section C.2.2.

Risk management and mitigation

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

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

C.3 Credit Risk

C.3.1 Risk exposures

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

Risk Category	Risk Description
Credit Spreads	Risk that the value of future cash flows is exposed to fluctuations in spreads on corporate bonds, resulting in changes in the value of corporate bond holdings.
Counterparty Default (Fixed-interest and other money market instruments, cash deposits)	Risk of default on interest or capital repayments on corporate debt and other bond instruments, and cash deposits.
Counterparty Downgrade	Risk of negative impacts on the Society's solvency position as a result of asset downgrades. Increased exposure to credit spread widening and counterparty default if any downgrade reflects a genuine increase in the riskiness of the counterparty.
Concentration (Fixed-interest and other money market instruments, cash deposits)	Additional risk to the Society stemming either from lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issuers.
Reinsurance Counterparty Default	Risk that one (or more) of the Society's reinsurance counterparties is unable to meet its financial obligations to the Society.

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

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

Assessed in terms of undiversified risk capital, spread risk is the most material credit risk to which the Society is currently exposed. Spread risks primarily arise due to corporate bond holdings in the unit-linked funds which make the value of AMCs dependent on spread movements.

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

reinsurance contracts that transfer the risks and rewards in respect of the reinsured business are with Swiss Re, LBG and Gen Re.

C.3.2 Risk measures

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

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

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

C.3.3 Risk concentrations

Financial instruments

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

Reinsurance counterparties

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

Reinsurance Counterparties

The Society's largest counterparty exposure is to a non-collateralised reinsurance treaty with Scottish Widows (ultimate parent Lloyds banking Group) with a value of c£9.4m at 31 December 2020.

The Society is exploring options that are available to reduce the concentration of risk with this counterparty. Three potential options include:

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

Any changes where the risk is borne by the Society, may lead to an increase in SCR capital requirements. However, this is not expected to impact the solvency coverage ratio which is currently defined by MCR due to the size of the subsidiary.

Reinsurer	Net exposure 2020 (£m)	
	Base	Longevity Stress (20% stress on mortality rates)
Scottish Widows	9.4	9.5

The Society does not consider the level of exposure to any of the other particular reinsurer to be excessive or to represent a concentration of risk.

Risk management and mitigation

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

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

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

C.4 Operational Risk

C.4.1 Risk exposures

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

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

C.4.2 Risk measures

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

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

C.4.3 Risk concentration

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

C.4.4 Risk management and mitigation

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

Risk Mitigation	Description
Risk Appetite	Statements covering the Society's approach towards operational risk.
Individual controls	Individual controls applied to specific operational activities.
Control Processes	Operational controls in place to manage operational risks.
Control Policies	Record of the objectives, processes, responsibilities and reporting procedures in respect of the Society's operational controls.
Management and Monitoring	Review of operational risk reporting and management information, including regular senior management and Board level review of the risk measures discussed in section C.4.2.
Compliance Monitoring	Compliance reviews of operational processes.
Root Cause Analysis	The Society investigates business incidents and upheld complaints, to ensure that the root causes have been identified and that mitigating actions are implemented.
Assurance	Reviews of operational areas by Internal Audit.
Economic Capital	Economic Capital held on the Society's regulatory balance sheet in respect of the Society's overall exposure to operational risk (derived using the Solvency II Standard Formula approach).

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

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

C.5 Liquidity Risk

C.5.1 Risk exposure

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

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

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

- The liabilities are matched by assets held in internal linked funds; and
- All linked assets are readily marketable

C.5.2 Risk measures

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

C.5.3 Risk management and mitigation

The approach adopted by Equitable Life in regard to managing liquidity risk is in line with the approach taken by Utmost Life and Pensions. The Society has an active liquidity risk management process. The table below sets out the specific risk management and risk mitigation approaches the Society uses in respect of its exposure to liquidity risk.

Risk Mitigation	Description
Risk Appetite	Statements covering the Society's approach towards liquidity risk.
Close Asset Liability Matching	The Society has a process in place to ensure that its asset holdings are appropriate to the nature, term, currency and liquidity of its liabilities.
Investment Guidelines: Limit Structures	The Investment Guidelines for each portfolio set out limit structures for the assets permitted within the portfolio. Liquidity risk is an important factor in the choice of available assets.

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

C.5.4 Expected Profit in Future Premiums

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

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

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

As at 31 December 2020, the value of the Society's total EPIFP was £83k; the vast majority of which was from unit-linked business.

C.6 Stress and Scenario Testing Results

Stress testing

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

As described earlier, the largest risks that the Society is exposed to are lapse, equity, expense, spread, longevity and counterparty. The 1 in 200 year event assumptions and percentage change in Own Funds is set out in the following table.

Sensitivity Testing

Risk	Calibration	% change in own funds
Lapse	The more onerous of: i) a permanent 50% increase in lapse rates, ii) a permanent 50% decrease in lapse rates; and iii) a mass lapse of 40%.	(13.2%)
Longevity	Instantaneous permanent decrease of 20% in mortality rates	(2.9%)
Equity	Instantaneous decrease in equity prices of 39% for Type 1 equities and 49% for Type 2 equities. These stresses are increased or decreased by up to 10% by the addition of a symmetric adjustment. This is based on the difference between the ELOPA equity index at the valuation date and its average value over the preceding 3 years.	(57.5%)
Currency	Instantaneous 25% stress between pairs of currencies and is used in whichever direction is more onerous	(72.6%)
Spread	An instantaneous relative decrease in the value of each bond varying between 0% and -70% (by credit quality and duration).	(6.7%)
Expense	Instantaneous permanent: i) increase of 10% to future expenses; and ii) increase of 1% point to the expense inflation rate.	(5.1%)
Counterparty Default	The Counterparty default risk for reinsured business, bank deposits and other debtors is calculated using methodology specified by ELOPA.	(6.8%)

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

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

Risk Class	Risk	Calibration	% Change in Own Funds	% Change in SCR
Life Underwriting	Surrender/Lapse*	Instantaneous and permanent 50% increase in non-contractual surrender/lapse rates	0.6%	(4.5%)
Market	Interest rate (Down)	25 basis points ("bps") downward parallel shift to risk-free yield curve.	(1.4%)	0.9%
	Inflation Up	100 bps increase in inflation	(2.6%)	(0.9%)
	Equity	Instantaneous 40% decrease in equity prices.	(7.7%)	(15.4%)

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

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

C.7 Any Other Material Information

C.7.1 COVID-19

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

Underwriting Risk

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

Market Risk

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

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

These changes are monitored regularly.

Credit Risk

The Society has a reinsurance agreement with Lloyds Banking Group and this is the Society's largest exposure to downgrades. The COVID-19 outbreak has not caused any interruption to the operation of this reinsurance and the Society continues to monitor the financial strength of all its reinsurers. The Society continues to monitor all credit risk exposures.

Operational Risk

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

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

Liquidity Risk

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

C.7.2 Brexit

From 31 December 2020, the Brexit transition period ended and EU law no longer applies in the UK. The Society, like many financial services businesses, has had to make some changes to adjust to the new regulatory requirements. ULP has contacted all relevant policyholders where required. Although Brexit is not expected to have a significant impact on the Society's operational activity, the uncertainty of ongoing discussion between the UK and EU regarding financial services, leads to a lack of clarity on how the EU and UK will interact, and the impact on financial services. It also could lead to volatility in financial markets, which can increase certain risks. ULP has in place controls to minimise the impact of any volatility. The Society is also considering the longer term impact of Brexit on the Society, which may require further review in 2021.

The Society believes that it has adequate mitigating controls and procedures in place to address these risk areas.

C.7.3 Regulatory Risk

Following on from Brexit, there is a risk that changes in regulation could have a negative impact on the Society and its solvency. This could be from any subsequent changes to the Solvency II regulations or the MCR amount.

As above, this risk is being managed through monitoring of regulatory change. Scanning of the regulatory change environment and proactive engagement with FCA, PRA, BaFin and CBI are key to managing these risks. In doing so, The Society is able, as far as possible, to adopt a proportionate approach (given the size of the book of business) to regulatory requirements.

C.7.4 Prudent Person Principle: investments

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

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

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

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

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

D. VALUATION FOR SOLVENCY PURPOSES

D.1 Assets Valuation Basis, Methods and Main Assumptions

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

£ million	Statutory Reporting	Reallocati on Of Assets	Reversal of UK GAAP Technical provisions	Solvency II Technical Provisions	Solvency II
Assets					
Investments (other than assets held for index-linked and unit-linked contracts)	20.7	0.1			20.8
Bonds	8.7	0.1			8.8
Collective investment undertakings	12.0				12.0
Assets held for index-linked and unit-linked contracts	45.8	(0.1)			45.7
Reinsurance recoverable	9.8		(9.8)	9.4	9.4
Receivables (trade, not insurance)	0.2	(0.1)			0.1
Cash	1.2				1.2
Total Assets	77.7	(0.1)	(9.8)	9.4	77.2

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

The Society's investments comprise government bonds, collective investment undertakings and investments held for unit-linked contracts.

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

All of the Company's investments are measured at fair value based on quoted market information or observable active market data, with the exception of Participation in related undertakings, for which an

alternative valuation method is used (refer to D4). This has an aggregate £nil value and is not material to the Society's balance sheet. Accordingly, it is valued at net asset value.

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

- Reinsurance recoveries, which are treated as an asset.

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

D.1.2 Credit ratings

Credit ratings are used in the relevant modules of the Standard Formula SCR calculations.

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

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

D.1.3 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits with banks aggregating £1.2m (2019: £14.5m), where they have maturity dates of three months or less from date of acquisition.

D.1.4 Prepayments and accrued income

On a UK GAAP basis, accrued income aggregating £0.1m (2019:£4.5m) is disclosed under 'Prepayments and accrued income'. Under Solvency II, accrued income is required to be included under the relevant investments category and has been reclassified under government bonds and corporate bonds.

D.1.5 Reinsurance recoverable and receivables

Reinsurance recoverable related to insurance Technical Provisions are calculated in accordance with Solvency II valuation principles. The amounts recoverable from reinsurers is based on gross provision, having due regard to collectability. As at 31 December 2020, the value of the Society's reinsurance recoverable based upon UK GAAP was £9.8m.

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

Consistent with Solvency II requirements, the Society treats the value of these reinsurance arrangements as an asset, where the valuation is based on the projected liabilities associated with the reinsurance on a gross of reinsurance basis. On a Solvency II valuation basis there was a liability value of £9.4m (2019: £372m), which has been reported in the table shown in section D.1 as a negative asset to be consistent with the Solvency II reporting within Quantitative Reporting Template ("QRT") S.02.01.02.

D.1.6 Receivables (trade, not insurance)

Cost is used as an approximation of fair value for current cash settled receivables and payables, having due regard to collectability. The amount at year end was £0.1m (2019: £5.1m).

Insurance and intermediary receivables

As at 31 December 2020, insurance receivables for premiums and recovery of pension relief at source were valued at £nil (2019: £2.3m) for UK GAAP and Solvency II purposes.

D.2 Technical Provisions

Liabilities	Solvency II	Statutory Reporting
Technical Provisions – life (excluding index-linked and unit-linked)	(25.6)	(21.2)
Technical Provisions – health (similar to life)	-	-
Technical Provisions calculated as a whole	-	-
Best Estimate	-	-
Technical Provisions – life (excluding health and index-linked and unit-linked)	(25.6)	(21.2)
Best Estimate	(24.7)	-
Risk Margin	(0.9)	-
Technical Provisions – index-linked and unit-linked	(44.8)	(45.7)
Technical Provisions calculated as a whole	(45.7)	-
Best Estimate	0.9	-
Risk Margin	(0.0)	-
Other Technical Provisions – Reinsurance	-	-
Provisions other than Technical Provisions	(0.1)	(0.1)
Deposits from reinsurers	-	-
Deferred tax liabilities	(0.1)	(0.1)
Insurance and intermediaries payables	(0.7)	(0.7)
Reinsurance payables	-	-
Payables (trade, not insurance)	(0.5)	(0.7)
Any other liabilities, not elsewhere shown	-	(4.9)
Total liabilities	(71.8)	(73.4)
Excess of assets over liabilities*	5.4	4.3

*Excess of assets over liabilities represents Funds for Future Appropriation (FFA) due to the Member. This is included in FFA on the UK GAAP Balance Sheet.

D.2.1 Material lines of business

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

Technical Provisions are measured using a twofold 'building block' approach:

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

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

Category	Description
Life With-Profits Participation	All products falling within this category are German policies within the WP fund.
Linked Life	This includes unit-linked business.
Other Life Insurance	This includes all other business.

The table below sets out the Technical Provisions as at 31 December 2020 for each line of business:

Technical Provisions £m			
Sub-Fund	BEL	Risk Margin	Technical Provisions
Life With-Profits Participation	15.3	0.2	15.5
Linked Life	44.8	0.0	44.8
Other Life Insurance	9.4	0.7	10.1
Total Society	69.5	0.9	70.4

Comparison with Financial Statements

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

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

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

D.2.2 Valuation methodology

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

£ millions	Technical Provision Differences				
	Statutory Accounts FRS102	Reallocation	Recognition of Discretionary Elements	Accounting Policy Differences	Solvency II Value
Unit-linked Technical Provisions					
-BEL	45.7	0.3		(1.2)	44.8
Life and Health Technical Provisions					
-BEL	21.2	(0.3)	4.4	(0.7)	24.7
Risk Margin				0.9	0.9
Gross Technical Provisions	66.9	-	4.4	(1.0)	70.4
Reinsurance					
-BEL	(9.8)			0.4	(9.4)
Net Technical Provisions	57.2	-	4.4	(0.6)	61.0

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

Level of uncertainty in the technical provisions

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

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

- Life underwriting risk, which includes mortality experience, longevity experience, and policyholder behaviour in respect of exercising guarantees and options;
- Market conditions, including change in credit spreads, long-term interest rates and equities; and

Best estimate liabilities

The BEL correspond to the probability-weighted average of future cash flows, including policyholders' benefit payments, expenses, taxes, premiums related to existing insurance and reinsurance contracts, taking into account the time value of money (i.e. by discounting these future cash flows to present value).

The calculation of the BEL is based upon up-to-date reliable information and realistic assumptions. The cash flow projection model used in the calculation includes all the cash in- and out-flows required to settle the insurance and reinsurance obligations over their lifetime. The BEL is recognised on a gross of reinsurance basis, without deduction of amounts recoverable from reinsurance contracts

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

The model discounts these monthly cash flows using the Solvency II basic risk-free term structure of interest rates applying at the valuation date, prescribed by EIOPA, to calculate the BEL. The same model is used to project the reinsurance premiums and claim cash flows, which are then discounted in the same way to determine the value of the reinsurance asset.

Expenses

Expenses include administrative, investment management, claims management and acquisition expenses which relate to recognised insurance and reinsurance obligations. Expense risk could be a material risk to the Equitable Life given its relatively small size. In order to manage this risk, Equitable Life has an Expense Agreement with Utmost Life and Pensions, to charge only a fixed per policy cost, which mitigates practically all the fund's exposure to expense risk, other than inflation on expenses. Investment management charges are based on the level of assets backing Technical Provisions.

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

Future discretionary benefits (FDBs)

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

Manual reserves

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

Allowance for deferred tax asset

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

Risk Margin

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

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

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

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

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

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

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

D.2.3 Matching Adjustment

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

D.2.4 Volatility Adjustment

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

D.2.5 Transitional measures (Unaudited)

Transitional risk-free interest rate term: structure

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

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

The Society no longer has approval to use Transitional Measure on Technical Provisions ("TMTP") following the Part VII transfer of the majority of the business to ULP.

D.3 Other Liabilities

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

D.3.1 Insurance and intermediaries payables

This balance of £0.7m (2019: £23.1m) comprises claims outstanding relating to insurance and participating investment contracts. Death claims, maturities, annuity payments due and surrenders are recognised when due or at the earlier of the date when paid or when policy ceases to be included in the Technical Provisions (including for linked contracts).

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

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

These payables of £0.5m (2019: £7.2m) comprise amounts which fall due within 12 months from the balance sheet date and are considered to be held at fair value. These payables are due to employees, suppliers, and public entities.

D.3.3 Provisions other than Technical Provisions

The balance at 31 December 2020 for Provisions other than Technical Provisions was £0.1m (2019: £2.5m).

D.3.4 Deferred taxation Liability

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

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

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

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

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

D.3.5 Valuation and Recognition of liabilities

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

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

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

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

D.4 Alternative Methods for Valuation

D.4.1 Participation in related undertakings

Participation in related undertakings aggregate £nil and are not material to the Society's balance sheet and accordingly, are valued at net asset value.

D.4.2 Intercompany loans

Intercompany loans are valued for UK GAAP at amortised cost of £0.7m (2019: £nil), and this is not considered to be materially different to their fair value for Solvency II purposes.

D.5 Any Other Information

The coronavirus outbreak has resulted in a fall in asset values in 2020. The COVID-19 outbreak has not had a material impact on liabilities. The Society remains well above its Solvency II Capital Coverage Targets.

E. CAPITAL MANAGEMENT

E.1 Own Funds

Capital is determined and monitored for the Society on the regulatory basis, as stipulated in the PRA Rulebook. This primarily focused upon the Total Available Own Funds ("TAOF") and the SCR") of the Society. The SCR was determined on a monthly basis and impact of market volatility monitored daily, ensuring that adequate capital requirements are met. The Society's capital position was formally reviewed and approved on a quarterly basis by delegated authority from the Board to the management. The Total Available Own Funds for year end 31 December 2020 were £5.4m. The Society had an MCR of £3.3m at year end 2020, with a Solvency Coverage Ratio of 162%.

The Total Available Own Funds for year end 31 December 2019 were £647m. The Society had an SCR of £485m at year end 2019, with a Solvency Coverage Ratio of 133%.

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

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

E.1.1 Description of Own Funds

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

Own Funds (£m)	Tier	31 December 2020	31 December 2019
Paid in ordinary share capital	1	-	-
Surplus funds	1	0.2	-
Reconciliation reserve	1	4.6	646.5
Tier II capital	2	0.7	-
Total Available Own Funds		5.4	646.5
SCR Eligibility restrictions on Tier II capital		-	-
Eligible Own Funds to meet the SCR		5.4	646.5
Additional MCR Eligibility restrictions on Tier II capital		-	-
Eligible Own Funds to meet the MCR		5.4	646.5

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

Ordinary share capital

The Society's has nil paid ordinary share capital.

Surplus Funds

The PRA has set out a mandatory calculation of Surplus Funds for UK Solvency II firms to ensure consistency across the industry¹. For these funds, Surplus Funds should be calculated as the difference between the assets in a with-profits fund (except those meeting liabilities in respect of non-profit insurance) and the value of with-profit liabilities (including the value of any other liabilities properly attributable to that with-profits fund).

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

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

Subordinate liabilities

If the Society was to fall below its Capital Policy, Equitable Life can seek support from Utmost Life and Pensions to provide capital to meet the Capital Policy. This happened in 2020 when market volatility increased due to the Covid-19 pandemic. The Society's immediate parent granted a Tier 2 loan of £650k on 21 April 2020. Interest at 7% is payable twice yearly provided the Society has a Solvency Capital Ratio of at least 150% immediately after payment. The loan is redeemable on 21 April 2031.

E.1.2 Reconciliation reserve

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

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

SII Pillar 1 Solvency (£ millions)	2020	2019	Change
Eligible Own Funds	5.4	646.5	(641.1)
SCR	(2.7)	(485.1)	(482.4)
Excess Available Capital	2.7	161.4	(158.7)
Solvency Ratio	199%	133%	29%
MCR	(3.3)	(126.5)	(123.2)
MCR Coverage Ratio	162%	511%	(349%)

Further details on the components of the capital requirements and potential volatility can be found in section E.2 and in respect of asset liability matching in C2.2.

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

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

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

SII Pillar 1 Solvency (£ millions)	2020	2019	Change
UK GAAP Equity	4.3	646.5	(642.2)
Own Funds (Unrestricted)	5.4	646.5	(641.1)

SII Pillar 1 Solvency (£ millions)	UK GAAP Statutory	Solvency II	Change
Valuation of Assets	77.7	77.2	0.6
Valuation of Technical Provisions	(66.9)	(70.4)	3.4
Subordinated Loan	(0.7)	-	(0.7)
Funds for future appropriations	(4.3)	-	(4.3)
Valuation of other liabilities	(1.4)	(1.4)	-
Total Own Funds (unrestricted)	4.3	5.4	(1.1)
Fund Restriction		-	-
Loan Restriction		-	-
Own Funds	4.3	5.4	(1.1)

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 SCR calculation and results

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

The SCR amount for the Society at 31 December 2020 has been calculated to be £2.7m.

SCR as at 31 December 2020 – (£m)		
SCR Module	31/12/2019	31/12/2020
Life Underwriting	425.9	1.0
Market	104.8	6.1
Counterparty Default	22.5	0.4
Base SCR: Diversification	(82.9)	(0.8)
Base SCR	470.3	6.6
Operational	18.6	0.2
Loss Absorbency Adjustment	(3.8)	(4.1)
Total SCR	485.1	2.7

E.2.2 Simplifications used in the calculation of the SCR

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

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

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

E.2.3 MCR calculation and results

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

The MCR amount for the Society as at 31 December 2019 has been calculated to be £3.3m. The table below sets out the components of the MCR. The amounts include reinsurance recoverable and liabilities.

Component	Value (£m)	
	31 December 2019	31 December 2020
Technical Provision (Life, 1)	3,220.4	10.8
Technical Provision (Life, 2)	119.3	4.4
Technical Provision (Life, 3)	1,791.4	44.8
Technical Provision (Life, 4)	41.7	0.12
Capital at Risk	248.0	2.7
SCR	485.1	2.71
MCR	126.5	3.3

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

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

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

An internal model is not used by the Society.

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

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

E.6 Any Other Information

The Society continues to monitor the market movements relating to COVID-19 and their impact on the Society. A key factor that will affect future equity performance will be the effectiveness of the global recovery to the Covid-19 pandemic. With the recent development of vaccines to prevent COVID-19, the path that the pandemic will take is expected to be better than what has been seen over most of 2020. However, the long term impacts on financial markets and companies are expected to remain for some time. We will continue to monitor the impacts as the COVID-19 pandemic develops. Given the inherent uncertainties, it is not practicable to determine the impact of COVID-19 on the Society's future Solvency Ratio.

The Society entered 2021 with a strong Balance Sheet and with a Solvency II coverage ratio in excess of 162% as outlined in E.1 and continues to do so.

Appendix A: Valuation Basis

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

INTEREST RATE TERM STRUCTURE

The Society uses the unadjusted EIOPA term structure for the UK for all lines of business.

INFLATION

Inflation is a significant assumption for the Society because it impacts the value of the projected expenses. The inflation assumption used by the Society at year end 2020 was Bank of England GLC inflation curve. Appropriate allowance is also made to reflect the difference between earnings and price inflation (a margin of 0.5%).

MORTALITY

Assurances

Different percentages of TC00 tables are used for Temporary Assurance, 52.5% for male and 55% for female.

TC00 tables are used for Permanent Assurance, 75% for male and 90% for female.

Annuities

All mortality tables use the gender-specific PL00 tables for males and females.

Different percentages of standard tables, 92.5% for male and 100% for female.

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

The minimum long term improvement rates are 1.5% for males and 1.25% for females.

EXPENSES

The table below shows the unit cost assumptions. These assumptions are determined by the cost agreement with Utmost Life & Pensions.

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

OPTIONS AND GUARANTEES

The Society has a number of with-profits pension contracts where the unit fund may be converted to an annuity on guaranteed terms. The Society assumes a take-up rate of 20%.

LAPSE ASSUMPTIONS

The Society's lapse assumptions are set using historic experience, with the lapse rates rounded to the nearest 0.5%. The rates vary by product, ranging from 0% to 6.8% (year end 2019: 0% to 5.7%).

Appendix B: Quantitative Reporting Templates

The following pages contain QRTs for the Society.

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

The following QRTs are provided:

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

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	20,833
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	0
R0120	<i>Equities - unlisted</i>	0
R0130	<i>Bonds</i>	8,820
R0140	<i>Government Bonds</i>	8,820
R0150	<i>Corporate Bonds</i>	0
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	12,013
R0190	<i>Derivatives</i>	0
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	45,699
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	0
R0260	<i>Other loans and mortgages</i>	0
R0270	Reinsurance recoverables from:	9,350
R0280	<i>Non-life and health similar to non-life</i>	0
R0290	<i>Non-life excluding health</i>	0
R0300	<i>Health similar to non-life</i>	0
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	9,350
R0320	<i>Health similar to life</i>	0
R0330	<i>Life excluding health and index-linked and unit-linked</i>	9,350
R0340	<i>Life index-linked and unit-linked</i>	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	32
R0370	Reinsurance receivables	10
R0380	Receivables (trade, not insurance)	72
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	1,158
R0420	Any other assets, not elsewhere shown	0
R0500	Total assets	77,154

S.02.01.02
Balance sheet

		Solvency II value
		C0010
Liabilities		
R0510	Technical provisions - non-life	0
R0520	<i>Technical provisions - non-life (excluding health)</i>	0
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	0
R0550	<i>Risk margin</i>	0
R0560	<i>Technical provisions - health (similar to non-life)</i>	0
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	0
R0590	<i>Risk margin</i>	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	25,595
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	0
R0630	<i>Best Estimate</i>	0
R0640	<i>Risk margin</i>	0
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	25,595
R0660	<i>TP calculated as a whole</i>	0
R0670	<i>Best Estimate</i>	24,735
R0680	<i>Risk margin</i>	860
R0690	Technical provisions - index-linked and unit-linked	44,782
R0700	<i>TP calculated as a whole</i>	45,699
R0710	<i>Best Estimate</i>	-924
R0720	<i>Risk margin</i>	7
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	50
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	687
R0830	Reinsurance payables	5
R0840	Payables (trade, not insurance)	636
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	0
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	Total liabilities	71,755
R1000	Excess of assets over liabilities	5,399

5.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations					Life reinsurance obligations		Total	
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance		Life reinsurance
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums: written										
R1410	Gross		244	202	236				0	682
R1420	Reinsurers' share		1	11	154				0	166
R1500	Net		243	191	81				0	515
Premiums: earned										
R1510	Gross		244	202	236				0	682
R1520	Reinsurers' share		1	11	154				0	166
R1600	Net		243	191	81				0	515
Claims incurred										
R1610	Gross		2,086	6,605	287				0	8,978
R1620	Reinsurers' share		0	0	263				0	263
R1700	Net		2,085	6,605	24				0	8,714
Changes in other technical provisions										
R1710	Gross		0	0	0				0	0
R1720	Reinsurers' share		0	0	0				0	0
R1800	Net		0	0	0				0	0
R1900	Expenses incurred		62	367	51				0	481
R2500	Other expenses									0
R2600	Total expenses									481

5.05.02.01

Premiums, claims and expenses by country

Life

R1400	Home Country	C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations			Total Top 5 and home country
		DE	IE					
	C0220	C0230	C0240	C0250	C0260	C0270	C0280	
Premiums written								
R1410	Gross	0	396	286				682
R1420	Reinsurers' share	0	11	156				166
R1500	Net	0	385	130				515
Premiums earned								
R1510	Gross	0	396	286				682
R1520	Reinsurers' share	0	11	156				166
R1600	Net	0	385	130				515
Claims incurred								
R1610	Gross	0	2,722	6,256				8,978
R1620	Reinsurers' share	0	2	261				263
R1700	Net	0	2,720	5,994				8,714
Changes in other technical provisions								
R1710	Gross	0	0	0				0
R1720	Reinsurers' share	0	0	0				0
R1800	Net	0	0	0				0
R1900	Expenses incurred	0	242	239				481
R2500	Other expenses							0
R2600	Total expenses							481

S.12.01.02
Life and Health SLT Technical Provisions

	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)	
	Insurance with profit participation	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	Contracts without options and guarantees	Contracts with options or guarantees				
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010 Technical provisions calculated as a whole	0	45,699			0				0	45,699						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	0	0			0				0	0						
R0020																
Technical provisions calculated as a sum of BE and RM																
Best estimate																
R0030 Gross Best Estimate	15,263		0	-924		6,550	2,922		0	23,812						
R0080 Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0		0	0		6,266	3,085		0	9,350						
R0090 Best estimate minus recoverables from reinsurance/SPV and Finite Re	15,263		0	-924		284	-162		0	14,461						
R0100 Risk margin	186	7			674				0	867						
Amount of the transitional on Technical Provisions																
R0110 Technical Provisions calculated as a whole	0	0			0				0	0						
R0120 Best estimate	0		0	0		0	0		0	0						
R0130 Risk margin	0	0			0				0	0						
R0200 Technical provisions - total	15,449	44,782			10,146				0	70,377						

5.23.01.01
Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds
R0230	Deductions for participations in financial and credit institutions
R0290	Total basic own funds after deductions
	Ancillary own funds
R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	Total ancillary own funds
	Available and eligible own funds
R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR
R0580	SCR
R0600	MCR
R0620	Ratio of Eligible own funds to SCR
R0640	Ratio of Eligible own funds to MCR
	Reconciliation reserve
R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	Reconciliation reserve
	Expected profits
R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non-life business
R0790	Total Expected profits included in future premiums (EPIFP)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
0	0		0	
0				
0	0		0	
0		0		0
186	186			
0		0	0	0
0		0	0	0
4,564	4,564			
0		0	0	0
0				
650	0	0	650	0
0				
0	0	0	0	0
5,399	4,749	0	650	0
0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
5,399	4,749	0	650	0
5,399	4,749	0	650	
5,399	4,749	0	650	0
5,399	4,749	0	650	
2,709				
3,338				
199.30%				
161.77%				
	C0060			
5,399				
0				
0				
836				
0				
4,564				
83				
0				
83				

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	CO110	CO090	CO120
R0010 Market risk	6,197		
R0020 Counterparty default risk	369		
R0030 Life underwriting risk	994		
R0040 Health underwriting risk	0		
R0050 Non-life underwriting risk	0		
R0060 Diversification	-932		
R0070 Intangible asset risk	0		
R0100 Basic Solvency Capital Requirement	6,628		
Calculation of Solvency Capital Requirement			
R0130 Operational risk	192		
R0140 Loss-absorbing capacity of technical provisions	-4,110		
R0150 Loss-absorbing capacity of deferred taxes			
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
R0200 Solvency Capital Requirement excluding capital add-on	2,709		
R0210 Capital add-ons already set	0		
R0220 Solvency capital requirement	2,709		
Other information on SCR			
R0400 Capital requirement for duration-based equity risk sub-module	0		
R0410 Total amount of Notional Solvency Capital Requirements for remaining part	2,640		
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds	69		
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440 Diversification effects due to RFF nSCR aggregation for article 304	0		
Approach to tax rate			
R0590 Approach based on average tax rate	0		
Calculation of loss absorbing capacity of deferred taxes			
R0640 LAC DT			
R0650 LAC DT justified by reversion of deferred tax liabilities	0		
R0660 LAC DT justified by reference to probable future taxable economic profit	0		
R0670 LAC DT justified by carry back, current year	0		
R0680 LAC DT justified by carry back, future years	0		
R0690 Maximum LAC DT	0		

USP Key

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

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

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

GLOSSARY OF TERMS

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

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