FIL Life Insurance Limited

Solvency and Financial Condition Report as at 30 June 2018

Fidelity INTERNATIONAL

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Introduction

This Solvency and Financial Condition Report (SFCR) is intended to provide essential information about the solvency and financial position of FIL Life Insurance Limited (referred to hereafter as “FIL Life” or “the Company”) as at 30 June 2018.

It is made in accordance with the Prudential Regulation Authority’s (PRA) Rulebook, ‘Solvency II Firms: Reporting Instrument 2015 (PRA 2015/23)’, which incorporates the requirements set out in Article 51, paragraph 1 of the Directive 2009/138/EC and all applicable EU Regulations adopted in accordance with this Directive, collectively the “Solvency II Regulations”. The structure and contents of this report follow these requirements.

The content of this report is prescribed by the Solvency II Regulations. The following sections of this report provide the required information relating to:

- FIL Life’s business and financial performance over the past year
- FIL Life’s governance structure and procedures
- The risks to FIL Life’s business
- The valuation of FIL Life’s assets and liabilities under the Solvency II Regulations
- The capital management of FIL Life under the Solvency II Regulations
- A statement by the Directors and Auditors’ Report

This report has been reviewed and approved by the FIL Life Board, prior to publication on 19 October 2018. The directors do not consider that there have been any material changes to the previous report, other than those noted above.

FIL Life does not use an internal model and therefore internal model comparisons are not applicable. FIL Life has not received, nor applied for, any waiver not to disclose any information as required by the regulations.

Summary

FIL Life is a provider of unit-linked pension products which enable members of company pension schemes to save for their retirement by investing in life funds, which invest in underlying funds managed by the wider Fidelity Group and other selected fund managers and insurers. FIL Life is a subsidiary of FIL Limited, a company registered in Bermuda, and is part of the international FIL Limited group of companies. FIL Pensions Management (FPM) provides administration services to FIL Life.

During the year ended 30 June 2018, the Company's Assets under Administration (AUA) have increased from £27.1bn to £29.5bn and statutory net shareholder assets on a Solvency II basis increased from £41.1m to £44.5m, reflecting the retained profits for the year.

The FIL Life Board of Directors has ultimate responsibility for the company's strategy and business activities. It is supported by management groups and committees to run the business day-to-day and oversee performance. During the period, the Board has enhanced the governance structure by establishing an Audit Committee, which met for the first time on 20 September 2018 chaired by an independent non-executive director, and a Nominations Committee.

FIL Life is not directly exposed to many of the risks commonly faced by other life insurers. The Company has identified its material risks, which largely relate to counterparty exposures and risks to its clients and its reputation from FPM's service provision, with an additional low risk exposure to market and life insurance/underwriting risk. The reason for this risk profile is that most processes required to execute FIL Life's business are outsourced to FPM, with FPM indemnifying FIL Life against any losses. The Company oversees the performance of FPM and it monitors FPM's financial position and its ability to withstand severe scenarios as considered in that company's own capital assessment.

The largest component of credit risk relates to the risk of default by key business counterparties, namely fund providers for reinsured policies contracted prior to 1 July 2008, for which there is some uncertainty as to who bears the credit risk on default. During the year, FIL Life's largest counterparty, BlackRock, launched Authorised Contractual Schemes (ACSs) as an alternative to the reinsurance life fund structure. Following consultation with pensions providers such as FIL Life, it was agreed that ACSs would provide an overall better outcome for scheme members, so approximately 70% of the assets in BlackRock life funds were transferred during the year. Scheme members who invest into the ACSs rather than the existing life funds have no direct exposure to the BlackRock life company's balance sheet as in the reinsurance model. This is because the assets are no longer held on Blackrock's life company balance sheet, but are instead held in legal entities separate to the fund provider with independent governance and custodians. This reduction in counterparty exposure has also reduced the Company's capital requirements.

The Company's capital position and solvency capital ratio are shown in the table below.

	2018 £'m	2017 £'m
Capital available for own funds	**44.5**	**41.1**
Less: solvency capital requirement	(19.4)	(27.6)
Excess over capital requirements	**25.1**	**13.5**
Solvency capital ratio	229%	149%

The solvency capital requirement calculated in accordance with regulations exceeds the minimum capital requirement of £8.7m. All the own funds are considered as Tier 1 capital in accordance with the guidelines on loss absorption and repayment of capital and dividends.

As reported in prior years, during post-implementation reviews of the significant changes introduced by pension freedoms in 2015, the Company identified some discrepancies in how scheme-specific lump sum protection, otherwise known as Protected Tax-Free Cash, was being calculated in certain pension administration records. These records are maintained by FPM, which has undertaken a programme of work to identify the impact on clients, contact those affected and remediate where necessary. FIL Life has overseen this programme, which is expected to complete within the timeline discussed with the Financial Conduct Authority (FCA). Under the terms of the administration service agreement with FPM, FPM indemnifies the Company for any losses arising from the services it provides and will therefore meet the costs of this exercise and any remediation, although the costs are expected to be recovered under its insurance arrangements.

Following the vote to leave the European Union (EU) on 23 June 2016, the Company and wider Fidelity Group have been considering the implications and taking action as necessary. While the ultimate outcome is still uncertain as negotiations continue between the EU and UK government, Fidelity is considering the key risks to the business and its clients and has formulated response plans as necessary. The impact on FIL Life is not expected to be material, as its business and the other Fidelity Group companies that provide supporting services are in the UK.

Section A: Business and Performance

A.1 Business

A.1.1 Background

FIL Life was founded in 1998 to provide a selection of unit-linked Defined Contribution (DC) pension products to members of UK company pension schemes. As at 30 June 2018, FIL Life provided pension solutions for a total of 413 schemes, 512,365 members and £29.5bn of AUA.

There are two main product groups:

1. Investment Only – Trustees of UK pension schemes can access FIL Life's investment platform to offer a range of investment opportunities to their plan members. The platform links to the trustees' chosen plan administrator, usually a specialist Third Party Administrator.

2. Full Service – FIL Life offers administration and record keeping services to employers and trustees alongside the investment capability.

FIL Life operates an open architecture investment platform where its life funds are invested in a range of underlying funds managed by Fidelity companies and other fund managers and insurers. This provides trustees and employers with the ability to construct an investment solution which meets their needs and the needs of the plan members. Trustees or employers often engage the services of an investment adviser to help with investment strategy and design.

FIL Life's insurance business is simple, mainly comprising unit-linked pensions business, with a small legacy annuity book.

Supervisory Authority:

Prudential Regulation Authority (PRA)

Bank of England
20 Moorgate,
London,
EC2R 6DA

External Auditors:

PricewaterhouseCoopers LLP

7 More London Riverside
London
SE1 2RT

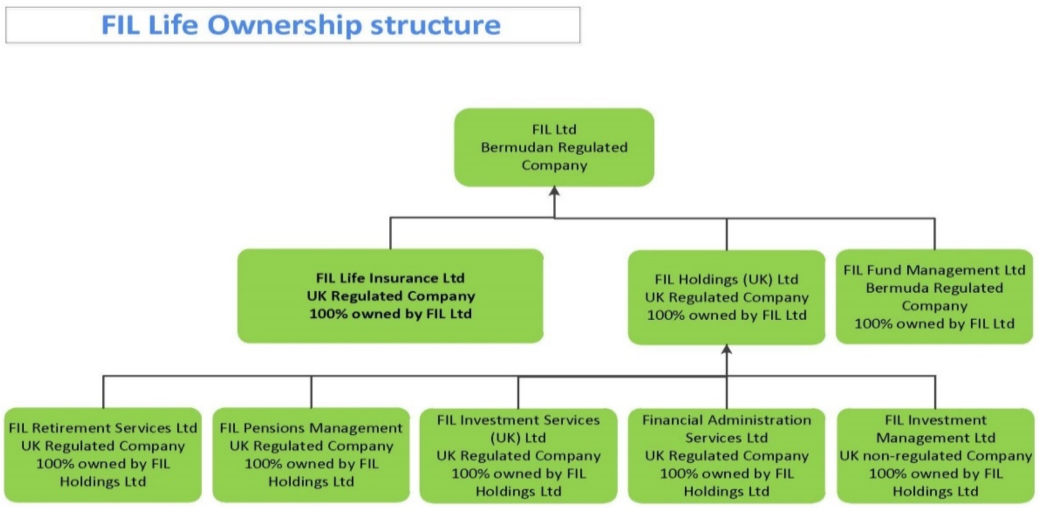
A.1.2 Ownership

FIL Life is 100% owned by FIL Limited (FIL Ltd), a company incorporated in Bermuda. FIL Life has £20m authorised share capital, and £12m of ordinary share capital which is fully paid up, as well as distributable reserves.

A.1.3 Group Structure

FIL Life is part of the wider FIL Ltd group, as shown in Chart A.1 below. FIL Life is not part of an Insurance Group under the definition of Solvency II.

Chart A.1: Simplified Group Structure Chart



The group structure is as follows:

- FIL Ltd is the parent company of FIL Life. FIL Ltd is regulated by the Bermuda Monetary Authority (BMA).
- FIL Ltd is also the parent of the FIL Holdings (UK) Ltd Group (FHL). FHL is regulated on a consolidated basis by the Financial Conduct Authority (FCA), making it an "FCA consolidation group" under the EU Capital Requirements Regulation.
- FIL Life outsources its operational activities to FIL Pensions Management (FPM) under an Insurance Agency & Services Agreement (IASA). FPM is an FCA regulated subsidiary of FHL.
- FIL Retirement Services Limited (FRS) provides pre- and at-retirement guidance and advice for FIL Life's pension scheme members. FRS is an FCA regulated subsidiary of FHL.

- FIL Investment Services (UK) Limited (FISL) is the Authorised Corporate Director for Fidelity's UK fund range. FIL Life selects a number of these funds for inclusion on its pension platform. FISL is an FCA regulated subsidiary of FHL.

- FIL Fund Management Limited (FFML) is the investment manager for Fidelity's Luxembourg fund range. FIL Life selects a number of these funds for inclusion on its pension platform. FFML, a limited liability company, is a BMA regulated subsidiary of FIL Ltd.

- FIL Life uses FIL Investment Management Limited (FIML) as payroll and paying agent. FIML is a non-regulated subsidiary of FHL.

- FIL Life uses Financial Administration Services Limited (FASL) as settlement agent for the buying and selling of third party funds. FASL is an FCA regulated subsidiary of FHL.

FIL Life has no direct ownership connection with any other company in the FIL Group, other than its parent.

A.1.4 Material Lines of Business

FIL Life offers a selection of unit-linked savings products, written as life insurance contracts, to employers and the trustees of UK pension schemes. Specific products are:

- **Individual pensions,** including Group Personal Pension Plan, Stakeholder Pension, and Buy-out plans. These pension products are not marketed to individuals; FIL Life distributes these products via employers and other plan sponsors

- **Trust-based pension plans,** both Group Money Purchase Plans and Additional Voluntary Contribution plans, including member record keeping

- **Investment services** for trust-based plans without associated plan administration

- **Master Trust Scheme** which acts as a multi-employer occupational pension scheme

- FIL Life also has a small, legacy **annuity book**, but has not written annuities since July 2010

FIL Life does not operate in any geographical area other than the UK and does not write 'with profits' business. Master Trust supervision has come under the Pensions Regulator. FIL Life will be applying to that regulator for authorisation to continue to operate a Master Trust during 2018/19.

A.1.5 Significant Events over the Period

The Company's largest counterparty, BlackRock, has launched a number of ACSs, in to which FIL Life's clients can now invest. Members holding these ACSs have no direct exposure to the BlackRock life company's balance sheet, as they did in the previous reinsurance model. During the first half of 2018, £9.5bn (representing approximately 70%) of assets were transferred from BlackRock's life funds to the new ACS structure, as it was determined that it was in their best interests to do so.

A.2 Underwriting Performance

A.2.1 Overview

FIL Life has a small portfolio of GBP denominated single and joint life annuity policies, all of which are currently in-payment. These consist of 1,031 policies, with an average annual payment of approximately £467 and a current average age of approximately 69 years. No new FIL Life annuities have been written since July 2010. At 30 June 2018, the best estimate liability in respect of these contracts, before allowing for reinsurance, amounted to £11.8m (2017: £12.6m). This annuity book is fully reinsured thereby removing any mortality risks from FIL Life. Consequently, FIL Life's business does not involve accepting any material insurance risk and therefore, no traditional underwriting is required. Given that FIL Life does not undertake any traditional underwriting, there is no quantitative information on the performance to report.

A.2.2 Underwriting Performance

With regards to the unit-linked pensions business, the primary costs and rewards of investing are passed on to pension scheme members. The assets and liabilities of the Company are therefore closely matched. FIL Life earns a management fee based upon the level of AUA.

A.3 Investment Performance

A.3.1 Overview

FIL Life funds are fully invested in funds managed by Fidelity companies and other fund managers and insurers. The investment performance has no direct impact on FIL Life’s performance, other than through the small amount of seed capital that FIL Life places into new funds. Market risk exists on this capital as the units seeded are owned by the shareholders. Investment performance indirectly impacts the business through the effect it has on annual management charges (AMCs).

The Company does not actively invest surplus shareholder funds, holding them instead in cash or cash equivalents i.e. liquidity funds. These cash and cash equivalents generate interest income which is recognised in the profit and loss account as earned. The income from these holdings in the reporting period was £86,000 (2017: £78,000), reflecting a slight increase in interest-earning assets. There are no investments in securitisation.

A.3.2 Investment Performance

FIL Life’s funds are all unit-linked and so the costs and rewards of investing are directly attributable to the members. The performance of the funds only impacts FIL Life in so far as the Company earns a management charge on the AUA. Performance information on underlying funds is presented to the Board on a quarterly basis.

A.4 Performance of Other Activities

FIL Life's income is the AMC from Fidelity funds or those managed by fund partners together with record keeping fees, which amounted to £49.3m in the reporting period (2017: £43.6m).

Over the reporting period, FIL Life paid to FPM £44.4m under the IASA, compared to £37.8m over the same period last year. Other significant expenses incurred by FIL Life included regulatory, audit and actuarial fees of £1.3m, £106,000 and £141,000 respectively.

FIL Life's financial profile is expected to remain the same over the planning period, although income, and the expected payments made to FPM under IASA, will rise in line with assets. The change in structure of BlackRock funds from reinsurance life funds to ACSs, as described in Section A1.5 is not expected to have an impact on results.

There are no leasing arrangements.

A.5 Other Material Information

As reported in prior years, during post-implementation reviews of the significant changes introduced by pension freedoms in 2015, the Company identified some discrepancies in how scheme-specific lump sum protection, otherwise known as Protected Tax-Free Cash, was being calculated in certain pension administration records. These records are maintained by FPM, which has undertaken a programme of work to identify the impact on clients and remediate where necessary. FIL Life has overseen this and has been liaising closely with the regulators, the FCA and PRA, on the matter, including the timeline for completion of the remediation process and the additional control measures implemented. Under the terms of the IASA, FPM indemnifies the Company for any losses arising from the services it provides and will therefore meet the costs of this exercise and any remediation, although the costs are expected to be recovered under its insurance arrangements.

Following the vote to leave the European Union (EU) on 23 June 2016, the Company and wider Fidelity Group have been considering the implications and taking action as necessary. While the ultimate outcome is still uncertain as negotiations continue between the EU and UK government, Fidelity is considering the key risks to the business and its clients and has formulated response plans as necessary. The impact on FIL Life is not expected to be material.

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

Section B: System of Governance

B.1 General Information on the System of Governance

B.1.1 Overview

The FIL Life Board of Directors (the “Board”) is collectively responsible for the effective stewardship of the Company and has the overall responsibility for business decisions and for compliance with the regulatory system. The main responsibilities of the Board include:

- Setting the Company’s strategic aims and objectives
- Ensuring the Company has an effective system of governance
- Establishing the risk appetite of the business and ensuring that there is an appropriate risk management framework and control environment
- Approval of the annual financial statements and key actuarial assumptions.
- Approval of changes to the Company’s capital structure or regulatory capital.
- Providing oversight of the outsourced service providers, including FPM

During the year, the incumbent Senior Independent Director became Chairman of the Board. An additional Independent Non-Executive Director was appointed to the Board and assumed the role of Senior Independent Director and Chair of the Audit Committee.

The following were members of the Board at the balance sheet date and at the date of approval of this document:

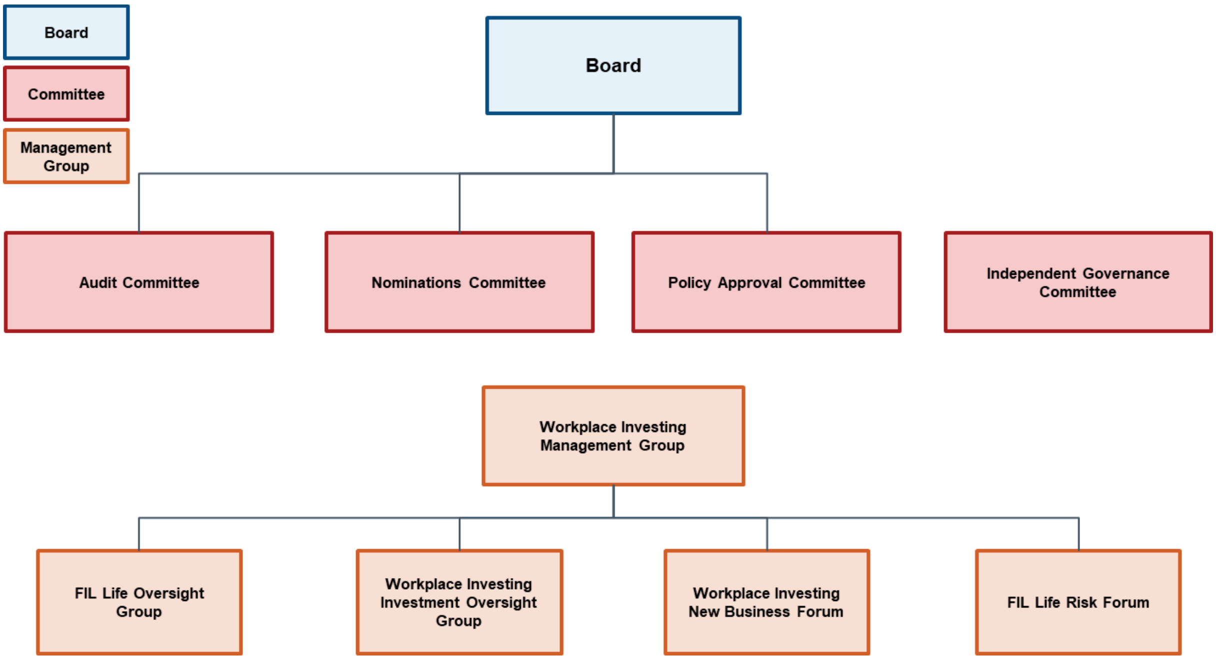
Individual	Position
David Huntley	Chair and Independent Non-Executive Director
Julian Webb	Executive Director and Chief Executive
Kristina Isherwood	Group Non-Executive Director
Marianne Jaekel	Executive Director
Carolyn Jones	Executive Director
Tony Lanser	Executive Director
Stephen Maher	Executive Director
Wendy Mayall	Senior Independent Director and Chair of the Audit Committee

FIL Life has procedures in place to ensure that the Board’s management of conflicts of interest and its powers for authorising certain conflicts are operating effectively. Each director is required to notify the Board of any actual or potential situational or transactional conflicts of interest and to update the Board with any changes to the facts and circumstances surrounding such conflicts.

The Board is supported by key control functions such as Risk, Internal Audit, Compliance and the Actuarial Function. In addition, functions such as Finance, Technology and the Money Laundering Reporting Officer (MLRO) have vital roles to play in the sound and prudent management of the business.

The Board reports and escalates matters to the FIL Ltd Board. The FIL Life Governance structure is illustrated in Chart B.1, showing the Board and sub-committees, as well as the management groups that support the Chief Executive Officer in the performance of his duties.

Chart B.1:



B.1.2 Delegation of Responsibilities

The **Independent Governance Committee (IGC)** has the primary role of assessing the value for money of the Company's Group Personal and Stakeholder pension plans. The majority of committee members are independent non-executives and IGC reports are publicly-available.

The **Audit Committee** was established in 2018 with an objective of overseeing the integrity of the financial reporting process, including the audit of the financial statements., The Audit Committee also oversees the effectiveness of the Company's internal quality control and risk management systems, including internal audit. The Committee is responsible for the selection and appointment of the external auditors and approves non-audit services provided by the external auditors. The Audit Committee met for the first time on 20 September 2018.

The **Nominations Committee** was established in June 2017 to manage the ongoing composition of the Board. It is chaired by David Huntley.

The **Policy Approvals Committee** was established in 2017 to review the Company policies on behalf of the Board and to ensure business strategy, policies and regulatory requirements are all aligned.

FIL Life has outsourced Actuarial services to the **Actuarial Function** in Willis Towers Watson. FIL Life's Finance team and other functions have responsibility for the oversight of this delegation. The **Actuarial Function** is described in more detail in section B.6.

FIL Life benefits from the support of certain **centralised governance functions** within the FIL Group:

- Section B.3 gives an overview of the Risk Function.
- Section B.4 describes the responsibilities of the Compliance Function and Money Laundering Reporting Officer.
- Section B.5 describes the responsibilities of the Internal Audit Function.

B.1.3 Changes in/Adequacy of Systems of Governance

FIL Life's governance is reviewed regularly to ensure it meets best practice standards and external expectations. The Audit Committee, chaired by Wendy Mayall, was established in June 2018 to provide enhanced oversight of the financial reporting process and internal and external audit activities.

During 2017 a **Workplace Investing New Business Forum** was established and is responsible for reviewing and approving new non-standard business and significant changes to existing schemes prior to entering contractual obligations.

B.1.4 Details of Remuneration

FIL Life has no employees other than Directors with all operational services being provided by FPM. Executive salaries for Directors are set outside of the Company. For these reasons FIL Life does not have a separate Remuneration Committee.

The FIL Group has a remuneration policy which includes the relevant principles governing how the FIL Group remunerates its members of staff.

As outlined in the FIL Group Remuneration Policy, the remuneration arrangements have been designed in a manner that (i) is consistent with and promotes sound and effective risk management, (ii) does not encourage risk-taking that is inconsistent with the risk profile of the Company, and (iii) does not impair compliance with the Company's duty to act in the best interests of the policyholders.

Remuneration Policy – Application

FIL applies its remuneration policy and practices in a way and to the extent that is proportionate to its size, its internal organisation and the nature, scope and complexity of its activities.

Remuneration Policy – Approach

The approach to remuneration has always been designed to support the long-term business interests of the FIL shareholders, which in turn are based on delivering value to our customers over the long-term, to reflect the asset management risk model and to deliver long-term sustainability. This model is consistently applied locally to each subsidiary entity in the Group. Our Remuneration Policy is:

- globally consistent, underpinned by a common philosophy and guiding principles which is overseen and supervised by the FIL Remuneration Committee
- consistent with and promotes effective risk management
- consistent with the interests of both our clients and our shareholders
- in line with business results

Performance and Variable Remuneration Entitlements

At an individual level, employees are formally assessed at least once a year. The performance assessment of all employees includes both qualitative and quantitative elements where appropriate, and is conducted in time to allow formal performance ratings to feed into the recommendations for fixed and variable awards. The variable pay structure for rewarding high performers is fully discretionary and is determined by individual performance and overall company affordability. Those who recommend/approve awards for employees are apprised of any risk and compliance issues, breaches or failure that may be relevant for those decisions and can make such adjustments as deemed appropriate to reflect those issues.

Fees for the Non-Executive Directors are set at an appropriate level to reflect the time commitment required to fulfil the role, the responsibilities and duties of the positions, and typical practice amongst other financial institutions.

Retirement Arrangements

The Group provides a DC pension plan for its employees. Pensions and other core benefits, such as medical insurance, permanent health insurance and holidays, are intended to be competitive in the local markets in which they are awarded.

Remuneration Governance

Remuneration Policy at FIL is set at a Group-level, in keeping with Group policy and practices. Subsidiary company Boards have no formal responsibility for setting local remuneration policy, except where explicitly required by local legal or regulatory requirements, or for reviewing the compensation of locally employed staff. The Board has reviewed the Group Remuneration Policy to ensure that it is appropriate and aligned with the Company’s regulatory responsibilities.

The Remuneration Policy Statement is prepared by the Fidelity Group compensation team in conjunction with compliance, and approved by, the FIL Remuneration Committee and noted by the FIL Life Board.

Annual Review

On an annual basis the FIL Remuneration Committee will review the terms of the Remuneration Policy and assess whether its overall remuneration system operates as intended and is compliant with the obligations on remuneration as set out within the relevant and applicable directive.

B.1.5 Details of Material Transactions

There were no material transactions related to FIL Life shareholders during the reporting period.

B.2 Fit and Proper Requirements

B.2.1 Expertise Required

Key Function holders need to have the necessary authority, resources and operational independence to carry out their tasks. The specific requirements concerning skills, knowledge and expertise for the key function holder are that a person:

- has the personal characteristics, including being of good repute and integrity
- possesses the level of competence, knowledge and experience
- has the qualifications and
- has undergone or is undergoing all training to enable them to perform his or her key function effectively and in accordance with any relevant regulatory requirements, including those under the regulatory system, and to enable sound and prudent management of the Company.

B.2.2 Individuals responsible for key functions as at 30 June 2018

FIL Life had a number of control functions and approved function holders in place at 30 June 2018, as listed below:

Function	PRA Senior Insurance Management Function (SIMF) or FCA Approved Function	Responsibility
Chief Executive	SIMF1	Board Director & Head of Business, responsible for the day-to-day running of the business and staff conduct.

Function	PRA Senior Insurance Management Function (SIMF) or FCA Approved Function	Responsibility
UK Chief Finance Officer	SIMF2	Responsibility for the management of financial resources, and the production and reporting of financial statements.
Chief Risk Function	SIMF4	Responsibility for the overall management of the risk management system and risk culture.
Head of Internal Audit	SIMF5	Responsibility for the management of the internal audit function.
Chairman	SIMF9	Independent Non-Executive Director & Chairman, responsible for chairing, and overseeing the performance of the role of the governing body of the Company.
Chairman of the Audit Committee	SIMF 11	Independent Non-Executive Director, responsible for chairing the Audit Committee which, inter alia, oversees the integrity of the financial reporting process and the audit of the financial statements.
Senior Independent Director	SIMF14	Independent Non-Executive Director, responsible for independent oversight of the business and for leading the assessment of performance of the person performing the Chairman function.
Chief Actuary	SIMF20	Willis Towers Watson, responsible for the performance of the actuarial function.
Director & Head of Pension Policy	CF1	Board Director, responsible for developing and promoting Fidelity's position on key policy issues affecting its pension and retirement customers and their employers and advisers.
Director & Head of UK Business Legal	CF1	Board Director responsible for the UK business legal function.
Director	CF1	Board Director
Chief Operating Officer	CF1	Board Director, responsible for the oversight of the operational activities outsourced to FPM.
Business Compliance Director	CF10	Responsibility for compliance advisory and assurance, and the management of relationships with regulators.
Money Laundering Reporting Officer	CF11	Responsibility for the overall management and reporting of financial crime matters.
Chief Technology and Operations Officer	CF29	Responsibility for the overall provision of services and WI Operations and Client Services in the UK.
Head of UK Marketing	CF29	Responsibility for marketing activity of the UK business.
Non-Executive Director	N/A	Board Director

B.2.3 Processes for Verifying Fit and Proper Requirements

As a regulated Life insurance firm, FIL Life is required to ensure all individuals who carry out SIMR responsibilities, key functions or are approved persons are fit and proper and adhere to the regulatory requirements in order to discharge the responsibilities allocated to them. As UK regulators have extended the SMCR regime to insurers, there is a project in place to ensure compliance by 10 December 2018.

The fit and proper process applies to all the individuals subject to the SIMR regime and to all key function holders who are not members of the FIL Life Board, whether they are authorised by the PRA or the FCA. The implementation of the Fit and Proper process is subject to periodic monitoring by Business Compliance.

As part of the fit and proper assessment, the following steps are carried out, except for the SIMF 20 Chief Actuary Function, a function outsourced to Willis Towers Watson, as FIL Life agrees that Willis Towers Watson's internal procedures meet the necessary requirements:

- Identification of the candidate through a clear job specification and a rigorous interview and selection process is carried out to ensure only prospective employees who are able to meet, or meet with appropriate development, the competence levels (in terms of experience and formal qualifications, where appropriate) are recruited. Interviews are documented.
- References and background checks are carried out. Referral is made to the Financial Services Register and detailed independent reference and background checks are performed.
- The line manager manages an induction process and each appointee signs a Scope of Responsibility.
- All newly appointed SIMF holders, key function holders and approved persons are provided training by Compliance to ensure the individual understands their legal and regulatory responsibilities. All new Directors are provided Director Training according to their needs.
- The line manager assesses the skills gap of the individual and ensures appropriate training is arranged.
- Board members/other key function holders are expected to maintain and update their knowledge particularly with regards to legal, regulatory, information technology, market and financial developments that could affect the future performance and development of FIL Life.
- SIMF and Approved Persons are required to confirm on an annual basis their requirement to remain fit and proper and to meet the expectations of the SIMR regime and/or the FCA approved persons regime.
- Ongoing independent checks are carried out to ensure individuals remain fit and proper.
- When an individual who performs either a SIMF/key function leaves FIL Life, and/or transfers to a new role within Fidelity, he/she should be de-briefed by HR/other relevant parties to confirm the reasons for their departure and to gather information about their experience of performing their role.

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

B.3.1 Overview

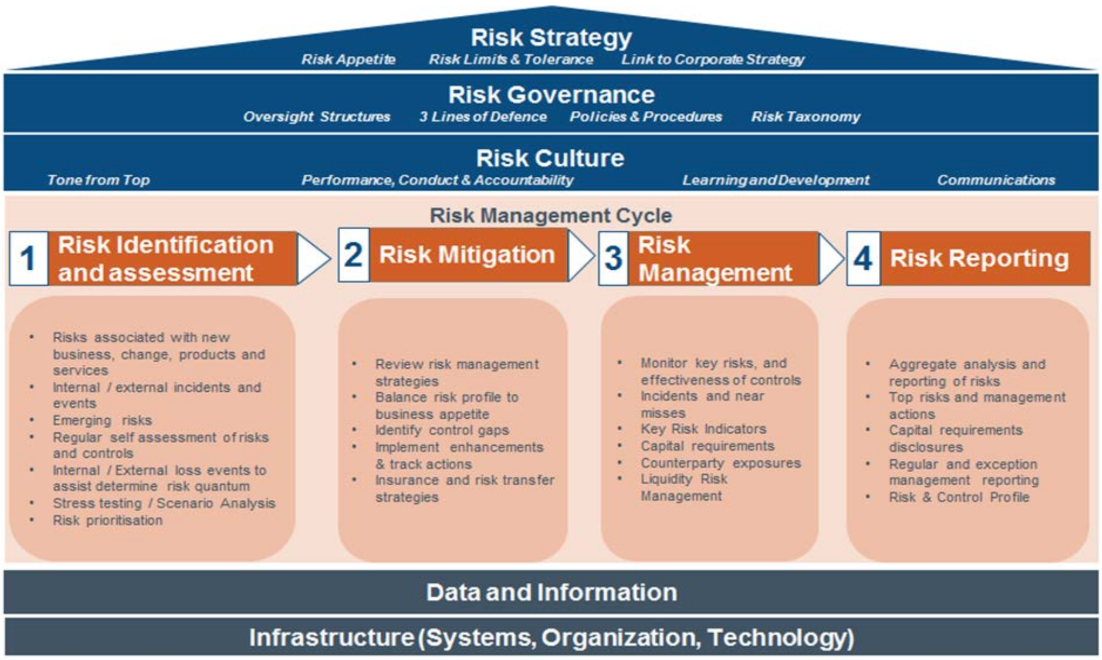
The robust management of risk plays a central role in the execution of FIL Life's strategy and is a key focus area for the Board, its directors and all contributing business areas. Risk management activities are designed to protect FIL Life's clients, policyholders and assets. FIL Life aims to identify and manage its risks in line with an agreed risk management framework derived from industry practice.

FIL Life is part of the FIL Group and has, therefore, adopted the group-wide risk management and policy framework, supported by individual policies specific to FIL Life. The holistic management of risk is defined by the Enterprise Risk Management (ERM) Framework, which is designed to support the effective identification of risks, events and trends that may significantly affect FIL Life's ability to achieve its strategic goals or maintain its operations. The ERM Framework includes the following core foundations:

- application of a common enterprise-wide risk management framework, activities and processes across the organisation
- clear assignment of roles, responsibilities and accountabilities for risk management
- the effective use of appropriate risk identification, mitigating and management strategies
- the integration of relevant, reliable and timely risk management information into reporting and decision-making processes
- the identification and assessment of existing and uncertain future events that may influence the achievement of business plans and strategic objectives.

The diagram below reflects how core elements of the ERM Framework applied across Operational, Strategic, Financial and Investment risks-types align to support FIL Life's Risk Strategy.

Risk Management Framework



FIL Life carries out an Own Risk & Solvency Assessment (ORSA) to determine its overall solvency and risk needs and ensure that it maintains sufficient financial resources at all times. This is performed in line with the Company's approved ORSA Policy.

B.3.2 Risk Management Strategies, Processes and Reporting Procedures

Risk Strategy

FIL Life's risk strategy is to ensure that effective risk management is embedded in all core operating and decision-making processes across the Company, and that existing and emerging risks are identified and managed within acceptable risk limits for financial risk and within agreed risk tolerances for non-financial risks.

FIL Life's overall approach recognises that risk-taking is an essential part of doing business and, therefore, cannot always be eliminated. FIL Life's risk management strategy aims to achieve the following:

- Operate in a legal and ethical manner to safeguard clients, members and assets, whilst allowing sufficient operating freedom to secure a satisfactory return

- Risks must be fully understood and adequately measured to ensure that the risk exposure is appropriate for the returns anticipated
- Operate a governance structure that ensures that risk-taking is controlled in an appropriate manner
- Take proactive actions to address issues, negative risk trends or control weaknesses, or changes in the external or internal business environment

The Risk Strategy is supplemented by a risk appetite framework which includes risk appetite statements and related metrics which reflect the aggregated level of risk that the Company is willing to assume or tolerate to achieve its business objectives. It is an essential part of the framework that ensures that the business is carried out safely and within pre-defined boundaries.

The Board reviews and approves the risk appetite statement annually.

Risk Governance

The FIL Life Board has ultimate responsibility for risk management within the organisation. Its risk responsibilities include:

- promoting an effective risk culture within the organisation by setting the tone from the top
- adopting group-wide Risk Management policies, and approving the FIL Life Risk Appetite statements and policies
- ensuring clear accountability for risk management
- seeking regular assurance that the risk management system is functioning effectively and that significant risks are being managed in line with policy

The Risk Function is an independent function which assists FIL Life in the identification, evaluation and management of risks. It provides oversight and challenge of FIL Life's risk profile and produces independent risk reports for the FIL Life Board.

FIL Life operates a 'three lines of defence' model, as summarised below:

	1st Line of Defence	2nd Line of Defence	3rd Line of Defence
Functions	• Business Line Management and Employees • Management Groups (as defined in Chart B.1)	• Oversight and specialist functions such as Legal, Compliance and Risk	• Internal Audit
Role	Responsible for day-to-day operations, for adhering to relevant policies and maintaining an effective and efficient system of risk management and internal control	Provides policies, standards and objectives, and independent oversight of performance and risk management within FIL Life	Provides independent assurance on the effectiveness of the systems and controls in FIL Life, including financial, operational, compliance and risk management

Risk Aware Culture

A strong risk aware culture is critical to reinforce and support FIL Life's ERM Framework and processes. A risk aware culture is defined as the aspect of the organisation's culture and behaviour which determines its ability and willingness to identify, understand and action risk in a timely and effective manner.

FIL Life has adopted an approach to promote, embed and measure a strong risk aware culture across the organisation, including reinforcing individual behaviours and capabilities that are aligned to FIL Life's core values and beliefs. This approach also includes the consideration of risk accountability and the right risk behaviours in the compensation and performance management decisions

The risk-led framework aims to establish oversight, provide thematic analysis and indicate where conduct issues require escalation 'Good conduct' is defined primarily in terms of customer treatment by the firm, which in turn is supported by the integrity and risk-awareness of individual employees in pursuit of the following objectives:

- Customer treatment by the firm: demonstrate value-for-money, good outcomes and no detriment to the customer
- Integrity of employees: demonstrate employees act with integrity and impartiality, and consistently put the client interests before their own
- Risk awareness of employees: demonstrate proactive identification and timely escalation of risks and issues, and proper ownership in remediation.

Risk Identification and Assessment

Identification

The Risk Taxonomy, reviewed and updated at least annually, provides a consistent approach for the classification, identification and definition of risk and covers all relevant risks across the organisation. Risk Owners are responsible for the ongoing and timely risk identification, in alignment with the Risk Taxonomy, considering multiple sources of internal and external emerging risk.

All staff are responsible for identifying and escalating risk events. Each risk event is assessed for its severity according to a pre-defined impact matrix. Significant events are escalated to a pre-agreed distribution list within 48 hours of becoming apparent. Internal and external risk events are used to inform risk assessment and scenario analysis activities.

Assessment

As part of the risk management cycle, risk self-assessments are conducted regularly by 1st line teams to confirm risk levels and impacts. Defined processes and principles are followed to establish risk materiality, identify root causes, drivers, themes and impacts of individual and aggregated risks. Mitigation actions are determined for risks outside of appetite.

A new risk assessment methodology has been rolled out in 2017/8. All planned risk assessments have been successfully implemented, analysed and stored on the BWise system. The UK Chief Risk Officer reviews and challenges the aggregated risks identified and assessed by the risk owners.

To gain a complete view of the risk profile and a view of idiosyncratic risks, risk assessments are supplemented by scenario analysis activity. Scenario analysis is used to assess the impact of extreme but plausible risks. The scenarios assess the exposures that could significantly affect FIL Life's financial performance or reputation and are an important component of the risk framework. Scenario analysis and stress testing is carried out annually as part of the ORSA process or on an ad-hoc basis if triggered by a significant change in risk profile.

Risk Mitigation

Risk mitigation strategies at FIL Life are crucial for ensuring levels of residual risk are managed within risk appetite and include a defined control environment, action management processes (remediation); strategic de-risking processes; risk transfer (insurance); or reduction of exposure.

A risk profile view is currently obtained on a quarterly basis by assessing all available information for each material risk. Risks are compared against risk appetite thresholds and mitigation actions are recommended to the Board, where appropriate.

FIL Life and its service provider FPM have established risk and control self-assessments which include the identification and documentation of key controls.

Risk Management

All risk exposures are aggregated and reported, where appropriate. Key risk concentrations are identified and analysed. Root cause themes are assessed across the population of risk events to drive prioritisation and management action. Top risks are identified and assessed against risk appetite prior to evaluation by the Board. Top risks are also benchmarked against the Risk Taxonomy, internal and external information.

All material risks are underpinned by Key Risk Indicators (KRIs) used to monitor and track changes to risk exposures over time.

Actions are identified from various risk management activities, for example risk assessments, risk events, thematic reviews and scenario analysis activity. These are prioritised by management on a regular basis and monitored to completion. The FIL Life Board receives regular updates on the status of material actions.

Risk Reporting

Monthly risk reports are produced in the 1st line of defence and discussed with accountable business heads. These detail the relevant risk profile and activity, material operational losses and other key risk matters to enable Management of the businesses to form an ongoing view on the overall effectiveness of the internal control environment and risk management framework.

Quarterly reporting is provided by the 2nd line of defence to the FIL Life Board. Enhancements to risk reports and other papers have been made to ensure that they are structured and considered, resulting in greater insight for decision-making purposes. It is expected that risk reporting will continue to evolve as more information becomes available.

FIL Life has adopted a centralised risk and data repository system, BWise, which is used to capture, aggregate and report risk data including risk events, risk assessments, controls and evidence of escalation, review and challenge.

B.3.3 Integration of Risk and Capital Management

Risk and capital management are embedded within FIL Life's business and decision-making process as follows:

- Strategic business decisions are risk-assessed by the business and evaluated for their capital impact prior to being finalised. The Risk team evaluates and challenges the assessment.
- The annual planning and strategy cycle considers all information.
    - The business submits its plan based on the evaluation of macroeconomic scenarios, internal risk assessments, and in consideration of stress conditions and capital

implications.

- The Risk team assesses and challenges the business submission.
- The Board reviews risk appetite thresholds and limits for appropriateness.

- The risk profile is monitored by the FIL Life Risk Forum, which escalates matters as appropriate, including assessment of changes in the internal and external risk environments and consideration of risk events, including near misses. Consideration of risk and capital implications of the FIL Life strategy, new products and other material business initiatives prior to launch. The Company's pricing policy ensures minimum payback periods and profitability are achieved.

- Proactive liaison to ensure FIL Life's capital implications and ORSA requirements are considered for any developments, for example, ensuring FPM is sufficiently capitalised to provide the necessary level of service to FIL Life.

B.3.4 Completion of the ORSA

FIL Life undertakes a full ORSA annually, with the aim of it being completed within six months of the accounting year end. An ORSA may be completed more frequently if significant changes to the risk profile of the business occur. FIL Life's Board is ultimately responsible for the ORSA and performs an active role in the process, including reviewing and approving the ORSA report.

The overall ORSA process requires risks to be identified that FIL Life might face during its strategic planning period. These risks are assessed to derive an overall picture of the risks in quantitative (capital figures) and qualitative (management actions) terms. Stress tests are performed to simulate severe circumstances which might impact FIL Life's current and future capital requirements and reverse stress testing to assess potential scenarios that would result in the failure of the Company's business model.

The ORSA process includes stress and scenario testing for each capital bearing risk. It considers the risk profile related to the standard formula assumptions and identifies scenarios and stress tests that deviate from the standard formula and explains this rationale.

In line with this approach, the ORSA forms a key input into the strategic planning process of FIL Life. Material risks and risk limits are considered in relation to business planning, decision-making and capital management. Commensurate with its size, capital is considered at entity level and not allocated further. Explicit budgets and targets are agreed at business level, taking into account risk and capital outcomes.

B.3.5 Fulfilment of Prudent Person Principle

FIL Life fulfils the obligations of the prudent person principle as set out in Article 132 of the Solvency II Level 1 Directive. The business is almost exclusively long-term unit-linked business, with policyholders selecting their own investments, often with the assistance of pension consultants, under the rules and criteria permitted by FIL Life, and the Permitted Links Regulations. As a result, there is no need for asset liability management.

To ensure that FIL Life retains a capital surplus, the Capital Policy sets out the maintenance of a buffer over and above the Solvency Capital Requirement (SCR). FIL Life invests its surplus assets in low risk investments, typically cash and liquidity funds.

Neither policyholders nor FIL Life hold complex instruments, such as securitisations, and “non-routine” investments and there are no plans to do so.

B.4 Internal Control System

B.4.1 Overview

FIL Life is a UK company, authorised by the PRA and regulated by the FCA and PRA.

The Internal Audit function, compliance function, risk management function, actuarial function, oversight groups and Board of Directors constitute the Company’s Internal Control Framework as outlined in the FIL Life Governance section of this document. The FIL Life Board has ultimate responsibility for FIL Life’s system of internal control.

A key part of the internal control environment is the three lines of defence as described in Section B.3.2.

Material outsourcing agreements and the role of the FIL Life Oversight Group are described in section B.7.

B.4.2 Implementation of Compliance Function

Ultimately responsibility for compliance with applicable laws, regulations, business standards, rules of conduct and established industry practices rests with the FIL Life Board and the Executive Management. Management is responsible for identifying the full range of risks faced in their areas of responsibility and for ensuring that those risks are appropriately and effectively managed.

The Business Compliance team is an independent function. It provides oversight and challenge over the business in performing their responsibilities with respect to compliance with regulatory requirements. Business Compliance is comprised of Business Advisory Compliance and Compliance Monitoring. The function assists FIL Life in the identification, evaluation and management of compliance risks. It produces independent compliance reports for the FIL Life Board. The Business Compliance function will manage any regulatory inspections.

- Business Advisory Compliance provides support and technical guidance to the business on compliance matters and assists FIL Life to meet its regulatory obligations.
- Compliance Monitoring performs ongoing monitoring of compliance with rules and any other relevant regulations. They work with other oversight functions and the business to establish and maintain a focused, risk-based and comprehensive monitoring programme.

The Group Money Laundering Reporting Officer (MLRO) is responsible for maintaining a governance framework of policies and assurance. The Group MLRO team provides interpretation of the policy across the Group and provides support and guidance to local MLROs, including the UK MLRO who is responsible for FIL Life. The UK MLRO is responsible for providing technical support to FIL Life in implementing the Group Anti-Money Laundering policy and championing best practice to ensure FIL Life is not subject to money laundering or terrorist financing and adheres to all applicable laws and regulations.

B.5 Internal Audit Function

B.5.1 Overview

FIL Life has implemented an Internal Audit function since inception which ensures that the system of governance of FIL Life is subject to regular internal review and remains proportionate to the nature, scale and complexity of FIL Life's operations.

The Internal Audit function is objective, independent and influence-free from both the operational functions and the Board of Directors of FIL Life. It examines and evaluates the functioning of FIL Life's internal controls and other elements of FIL Life's system of governance, as well as the adequacy of, and compliance with, regulatory obligations, internal strategies, policies, processes and reporting procedures.

Internal Audit, reporting to the Board, provide independent assurance on the effectiveness of the systems and controls in place in FIL Life, including operational, compliance and risk management.

As the Internal Audit function is centralised within the FIL group, it is completely independent and as a result, may perform its functions and report its findings to the Board without impairment.

An annual FIL Group internal audit plan is drafted by the Internal Audit team, which includes an audit plan for business areas supporting FIL Life as well as a regular audit of FIL Life itself. The annual FIL Life audit plan is presented to the Board for their review.

B.6 Actuarial Function

The Actuarial Function, along with the role of Chief Actuary, is currently outsourced to Willis Towers Watson under a formal Statement of Work agreed with FIL Life. The Financial SIMF 2 role holder provides the internal oversight of the Actuarial Function.

At a high-level, the regulatory role of the Actuarial Function is to provide FIL Life's management with a measure of quality assurance through technical actuarial advice. The specific regulatory responsibilities of the Actuarial Function in FIL Life requires assessment of the following:

- Coordination of the technical provisions
- The sufficiency and quality of the data used in the valuation
- Monitoring of experience
- The reliability and adequacy of the technical provisions
- Underwriting policy and reinsurance arrangements

For FIL Life, the Actuarial Function also provides advice and opinion on the following items:

- The current and prospective solvency position
- Stress and scenario testing of technical provisions
- Own Risk and Solvency Assessment processes, implementation and reporting
- Internal and external regulatory reporting
- Asset-liability management
- Other forms of risk transfer or risk mitigation techniques for insurance risks
- Any other matters of an actuarial nature requested by FIL Life

Furthermore, for FIL Life, the Actuarial Function is directly responsible for proposing the assumptions and methodologies used to value the annuity liabilities, and for performing the valuation. Proportionate processes are in-place to ensure the independence of the Actuarial Function's advice and opinions from the performance of the valuation.

The Chief Actuary reports to the FIL Life Board at least annually on the prescribed and additional responsibilities of the Actuarial Function. The Actuarial Function is further required to promptly report to FIL Life management any issues arising, either from the information provided or through the work undertaken, that may have a material impact on the financial position of FIL Life. The Actuarial Function also provides input to FIL Life's Risk Management Function on risks to the business, in so far as they may impact on FIL Life's ability to meet policyholder obligations and on the capital needed to support the business.

B.7 Outsourcing

FIL Ltd has an Outsourcing and Supplier Management Policy which applies to material suppliers. The Policy has been adopted by FIL Life with an addendum that provides a framework for compliance with the FCA Outsourcing Requirements (Handbook Sysc 8). Outsourced services are monitored by the FIL Life Oversight Group. The Oversight Group, which meets monthly, is responsible for overseeing outsourced activities on behalf of the Board. It monitors outsourced service providers, using a balanced scorecard comprised of key performance indicators.

FIL Life has three key outsource relationships for critical or important operational functions or activities:

FIL Pensions Management (UK based jurisdiction)	• Provider of insurance agency and service activities • Indemnifies FIL Life for operational loss costs • Mitigates operational risk in FIL Life
Hannover Rück SE (EU based jurisdiction with a UK branch)	• Reinsurer for FIL Life's annuity book • Administration of FIL Life's annuity book
Willis Towers Watson (UK based jurisdiction)	▪ Provider of Chief Actuary's services

Section C: Risk Profile

Overview

FIL Life employs a robust process for identifying and managing its key risks. Risks are managed and monitored to a risk appetite defined in the risk appetite statement and approved by the Board on an annual basis. As at 30 June 2018 the key risks were:

Insurance/Underwriting Risk	Insurance Risk is the risk to the Company posed by total potential exposure to insurance contract commitments. Potential for deviations stem from the frequency of losses, severity of losses and the correlation of losses between contracts.
Market Risk	Market risk is the potential for adverse changes in the value of FIL Life's assets and liabilities resulting from changes in market variables such as interest rates, foreign exchange rates, equity, commodity and real estate prices and their implied volatilities, correlations and credit spreads, etc.
Counterparty Credit Risk	Counterparty / credit risk is the risk of loss due to counterparties failing to meet all or part of their obligations.
Liquidity Risk	Liquidity is the availability of cash or near cash assets or credit that can be utilised to support continuing business operations. Liquidity risk relates to an entity's ability to meet its liabilities / obligations as they become due, whether such liabilities can be reasonably foreseen or otherwise stem from a risk event or series of such events.
Operational Risk	Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal risk but excludes strategic and reputational risk.
Capital and Funding Risk	The risk of FIL Life not having sufficient regulatory capital to meet relevant minimum regulatory requirements, with a reasonable margin of safety.
Concentration Risk	Risk concentration refers to an exposure with the potential to produce losses large enough to threaten FIL Life's health or ability to maintain its core operations.
Conduct Risk	The risk that actions (or failures to act) by FIL Life and its employees have a detrimental impact on customer outcomes, or undermine the integrity of (and public confidence in) financial markets or the financial services industry.
Strategic Risk	Strategic risk is the risk associated with an inappropriate or non-performing strategy.

C.1 Underwriting Risks

C.1.1 Overview

Solvency II defines[1] underwriting risk as "*the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions*". The risk can be further divided between life underwriting risks and non-life underwriting risks.

FIL Life is only exposed to life underwriting risks. This exposure is not material. Since the annuity portfolio is fully reinsured and serviced by Hanover Rück SE, this exposure is treated as a counterparty risk and considered under the Credit Risk Policy. For the unit-linked liabilities, risks associated with the volatility of future charges and expenses are mitigated by both the IASA and by FIL Life's ability to unilaterally terminate policies subject to a short notice period. Beyond this, FIL Life does not have any exposure to traditional underwriting risk. Consequently, FIL Life has no Chief Underwriting Officer. The terms of the IASA also limits FIL Life's exposure to pricing underwriting risk. FIL Life's pricing framework and model is based upon the strategic plan and takes a cost-plus approach to pricing. Pricing is bespoke to each client and is dependent upon the profile of the plan at take on and projected into the future.

The Underwriting Pricing Policy includes the terms on which new business is written. The Actuarial Function advises on the impact on the technical provisions and the SCR of any material changes in the terms on which FIL Life writes new business, including the introduction of any new products.

Underwriting Risks

Life underwriting risk, or Insurance Risk, is the risk to FIL Life of a change in demographic or other non-financial experience e.g. greater deaths or greater expenses than originally expected. The following describes the life underwriting risks that are (or might ordinarily be expected to be) relevant to an insurer such as FIL Life.

- **Longevity risk** – FIL Life's small legacy annuity portfolio is exposed to the risk of policyholders living longer than originally expected. Since the portfolio is fully reinsured with Hannover Rück SE, this risk is almost entirely negated. An amount of less than £0.1m (before diversification benefit) has been included within the overall capital requirements for this risk.

- **Persistency risk** – this is the risk resulting from changes in the level or timing of schemes or members leaving FIL Life, whether through retirements, scheme terminations, failure to renew or surrenders. Since under Solvency II rules, FIL Life is required to take credit for future profits (and expenses) on the unit-linked contracts, so FIL Life is exposed to schemes and/or members leaving earlier than expected and those profits being less than expected, although the nature of the IASA agreement with FPM means that profits will always exceed expenses. An amount of £1.7m (before diversification benefit) has been allowed for in the overall capital requirements.

- **Expense risk** – this is the risk that expenses are greater than expected. For FIL Life, expense risk is entirely eliminated by the terms of the IASA with FPM.

[1] Article 13 paragraph 30 of the Level 1 Directive.

C.2 Market Risk

C.2.1 Overview

Solvency II defines[1] Market risk as '*the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments*;'

Under Solvency II's standard formula, market risk can be divided between the following sub-risks:

- **Interest rate risk –** market risk from changes in the term structure of interest rates, or in the volatility of interest rates - FIL Life's main exposure to interest rate risk relates to interest bearing assets in the form of deposits and cash held with FIL Life's banks or other approved institutions. A very small interest rate risk exists in relation to the annuity technical provisions net of reinsurance with Hannover Rück SE, with the exposure being a fall in interest rates. The interest rate risk is not actively managed by FIL Life as it is not material. An inflation stress test has been applied to the closure reserve and compared to the interest rate stress with the conclusion that no additional capital was required due to the diversification between these scenarios.

- **Property risk -** market risk from changes in the level or in the volatility of market prices of real estate - FIL Life has no direct exposure to property risk.

- **Equity risk** – market risk from changes in the level or in the volatility of market prices of equities - There are no guarantees of investment performance. FIL Life holds no derivatives. An amount of £0.7m (before diversification benefit) has been included within the SCR for equity market risk in relation to future charges falling, plus a further £0.4m (before diversification benefit) for equity risk on the seed capital. £0.1m (before diversification benefit) has been included within the SCR market risk for interest rate movements. The effect of market movements on the value of the AUA are monitored and reported to senior management. The management group will review the risk and determine if additional monitoring or escalation to the Board is required.

- **Spread risk** – market risk from changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure. FIL Life has no direct exposure to spread risk from investments.

- **Currency risk –** market risk from changes in the level or in the volatility of currency exchange rates - FIL Life is not directly exposed to currency rate risk and as at 30 June 2018, all cash and holdings in investments are denominated in Pound Sterling.

- **Concentration risk** – market risk from either the lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issuers

Except for the annuity business, which is fully reinsured, all policyholder assets and liabilities are linked. Shareholder assets are invested mainly in a liquidity fund but may also provide seed capital for new funds.

[1] Article 13 paragraph 30 of the Level 1 Directive.

FIL Life has direct exposure to market risk from the provision of seed capital and the investment of shareholders' funds in a liquidity fund. FIL Life also has indirect market risk exposure through the AMC on unit-linked funds.

- FIL Life places seed capital into new funds. Market risk exists on this capital as the units seeded are owned by the shareholders and the risk is not passed over to the policyholders.
- All direct market risk on linked assets lies with policyholders, except for the seed capital referred to above.
- FIL Life has an indirect exposure to market risk on linked assets through the credit taken for future administration fees. FIL Life earns AMCs based on a fixed percentage of AUA, and so movements in the value of these assets will affect the AMCs. As future profits are only projected up to the point when FIL Life is able to unilaterally terminate the liabilities, which is within twelve months for most policies, the exposure is not significant.
- FIL Life is exposed to counterparty risk through its cash holdings, its receivable balances and its investment in the Fidelity Institutional Liquidity Fund plc (ILF).

Seed Capital Management

The market risk appetite is linked to the seed capital, where all seed capital exposures must consider the impact on capital and thresholds trigger remedial action. The Board has set a limit for the total value of seed capital, which constitutes the aggregate risk appetite against which total seeding will be monitored. This limit is agreed on an annual basis by the Board.

C.3 Credit Risk

C.3.1 Overview

Solvency II defines[1] credit risk as '*the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which insurance and reinsurance undertakings are exposed, in the form of counterparty default risk, or spread risk, or market risk concentrations*;'

Consequently, credit risk is assumed whenever FIL Life is exposed to loss from another party failing to honour its financial obligations to FIL Life, including failing to perform them in a timely manner. A Credit Risk Policy and related controls are in place to manage this risk.

FIL Life has no direct exposure to spread/basis risk from investments.

The main credit risk exposure for FIL Life is therefore Counterparty default risk. Counterparty Risk, a subset of credit risk, is the risk of loss in the value of FIL Life's assets due to counterparties not meeting all or part of their obligations.

[1] Article 13 paragraph 30 of the Level 1 Directive.

The four principle counterparties to which FIL Life is exposed are:

C3.1.1. Fund Partners (reinsurers and others)

Fund partners, including reinsurers, present a credit risk if they fail to fulfil a financial obligation to pay FIL Life upon submission of a valid claim. The risk of default is borne by the policyholders; however, in the case of pre-July 2008 policies where the burden of risk is uncertain, the risk is assessed on a regular basis and monitored by the Board. Exposures also arise during scheme transitions, where funds are moved from one fund provider to another. These can be sizeable, resulting in short-term increases in exposure.

C3.1.2. Hannover Rück SE

The risk of default, which would leave FIL Life liable to meet the annuity payments until another provider could be sourced, has been considered. Business volumes are actively managed and monitored by FIL Life and there have been no new annuities since July 2010. The service performance and credit rating of Hannover Rück SE is also monitored regularly.

C3.1.3. Banks and Liquidity Funds

FIL Life may be exposed to the default of FIL Life's banking and Liquidity Fund counterparties where there are corporate cash balances held.

C3.1.4. Fidelity Group Companies

FIL Life is reliant upon FPM for the provision of services and the management of credit risks in respect of management fee collection. FRS performs specific services for FIL Life in relation to pension cash withdrawals.

C.3.2 Risk Management

Counterparty creditworthiness is monitored on a regular basis and, where appropriate, additional mitigants, such as charges over assets and assurance of segregation of funds, are applied.

Counterparty and credit risk are managed against agreed financial limits in accordance with the FIL Life Credit Risk Policy, and are monitored and reported to senior management and the Board of Directors on a quarterly basis.

FIL Life performs an assessment of the risk profile of a counterparty prior to taking on a credit exposure. The factors to be considered will vary according to both the type of credit and the counterparty being considered. Only approved counterparties may be dealt with.

External credit ratings are monitored. An approved counterparty is one that is assigned an external rating of BBB+ or higher or a Dun & Bradstreet risk indicator of 3 or better. Cash balances or deposits are only placed with approved relationship banks or liquidity funds. FIL Life undertakes ongoing monitoring of the credit quality of the counterparty and an assessment of the claims payment ability where the counterparty is a reinsurer.

In the event of any other counterparty achieving a credit rating below investment grade or a banking partner no longer being on the FIL approved list, the FIL Life business will convene a meeting with representatives from Risk, Business Finance, Corporate Treasury and Legal. The attendees will assess an exception to policy, or, in the event of a banking partner, Treasury will suspend deposit placements immediately pending further analysis and guidance from senior management. Decisions are subject to approval by the FIL Life CEO, who will notify the Board. For fund partners the WIIOG is responsible for determining what, if any, actions should be undertaken where a fund partner is rated below the policy minimum.

A credit risk exposure report is produced monthly for the FIL Life Oversight Group and submitted to the FIL Life Board quarterly which provides information regarding FIL Life's counterparties, their credit ratings, size of the exposures, limit values and any changes to counterparty credit ratings during the period under review.

An amount of £4.2m (before diversification benefit) has been included within the SCR counterparty risk for type 1 exposures (banks and reinsurance counterparties) and £3.1m (before diversification benefits) has been included for type 2 exposures. The full SCR is set out in Section E.2 below, together with the prior year's requirement.

C.4 Liquidity Risk

C.4.1 Overview

Solvency II defines[1] liquidity risk as '*the risk that insurance and reinsurance undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due.'*

Liquidity risk for FIL Life is that it will encounter difficulties obtaining funds to meet commitments associated with financial and other liabilities. All policyholder assets can be readily liquidated. The liquidity risk relating to the redemption of policyholder assets is minimal, as the proceeds will be provided by sale of the underlying assets. Any deferment of sale proceeds can be matched by deferring payment to policyholders as per the policy contracts. Detailed investment and disinvestment policies and guidelines are in place and updated periodically.

The majority of FIL Life's capital is held within the ILF. This investment has a rating of Aaa-mf (Moody's) and AAAm (S&P), and is liquid and readily realisable, with same day settlement for sterling instructions placed prior to 1.30 pm London time.

C.4.2 Risk Management

FIL Life has a risk appetite to maintain a surplus of liquid resources sufficient at all times to meet any requirements prudently foreseeable.

[1] Article 13 paragraph 30 of the Level 1 Directive.

Liquidity Risk is continually monitored and is reported to senior management in Finance and WI management monthly. Forecast of significant liquidity positions are distributed to senior management and the wider business on a weekly basis. Reports are provided regularly to FIL Life senior management and to the Board of Directors on a quarterly basis.

C.4.3 Total Amount of Expected Profit included in Future Premiums

FIL Life has no contractual premiums, so there is zero expected profit in future premiums.

C.5 Operational Risk

C.5.1 Overview

Solvency II defines[1] operational risk as '*the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events*;' Operational risk is FIL Life's largest risk for which regulatory capital is held.

For FIL Life, operational risk arises in FPM as service provider from the people, systems and processes through which that Company operates. The IASA agreement indemnifies FIL Life against any errors attributable to FPM, and as a result, this removes the majority of the operational risk to which an insurer like FIL Life might otherwise be exposed.

Operational risk includes risks related to operational delivery, business process disruption, information security and cyber-resilience, legal risk, regulatory compliance, financial crime, record and data management and financial reporting.

Operational risk also includes Duties to Customer risks. These relate to a wide range of risks, including pricing and costs, disclosures, complaint handling, marketing, and product design and management. They are underpinned by good conduct, which, when embedded throughout the business, results in a number of benefits, including:

- Strengthening of customer trust and loyalty through decision-making that has customer interests at heart
- Products that meet customers' needs and provide simple and transparent pricing structures
- Good behaviour and integrity in market conduct reinforces confidence in the financial system
- Fewer issues, events and complaints, leading to improved customer experience and operational efficiencies
- Positive impact on shareholder value and effectiveness of the organisation

Conduct touches every aspect of the FIL Life business and all other Fidelity Group companies. By its nature, it is behavioural and therefore relies on a culture that ensures that everyone does the right thing at all times.

Fidelity, including FIL Life, continually looks for opportunities to strengthen its culture and focus on client outcomes and has always managed conduct risk as an integral part of the business. Conduct risk forms an important element of any assessment of new products and initiatives. The Board receives regular risk updates on the topic and monitors the performance of FIL Life and its service providers. Risk Appetite metrics have been developed as part of the group-wide Risk Management Framework.

C.5.2 Risk Management

FIL Life's outsourcing arrangement with FPM is covered under the IASA as highlighted in section A.1 of this report. The IASA indemnifies FIL Life against operational risks except for fraudulent activity or breach of duty of care/negligence by FIL Life Directors and/or FIL Life Approved persons, or due to those with delegated authority. These risks are managed by the Board on an ongoing basis.

The FIL Life Risk forum assesses and monitors risks monthly, including operational risks arising from service provisions. A holistic view of FIL Life's financial and non-financial risks, including operational risks, is discussed at Board level on a quarterly basis.

In addition, risk tolerances are set for operational risk based on a residual financial impact level. Prior to breaching any of the levels defined, remedial actions will be triggered.

An amount of £11.6m has been included within the SCR operational risk.

C.6 Other Material Risks

C.6.1 Capital and Funding Risk

Capital and Funding risk is defined as the risk of FIL Life not having sufficient regulatory capital to meet relevant regulatory requirements, with a reasonable margin of safety.

The Company has adopted a Capital Management Policy, which includes a discretionary buffer above the greater of the SCR and Own Risk and Solvency Assessment requirements. The Board is responsible for determining the size of the buffer as appropriate to the circumstances of the Company at the time and any changes anticipated in the future. The discretionary buffer is subject to a quarterly review by the UK Chief Financial Officer (CFO) and an annual review by the Board.

The SCR and the solvency ratio are estimated daily and presented to senior management monthly. A new SCR is calculated quarterly and presented to the Board.

For most of its reinsurance counterparties FIL Life is reliant on their solvency capital ratios as they are not independently rated. There is therefore a capital risk if one of these counterparties were to have a lower solvency capital ratio than had been previously advised.

C.6.2 Risk Concentrations

Concentration risk can be defined as the overall spread of a company's assets and outstanding accounts over the number or variety of debtors. The financial and counterparty risks are largely mitigated through legal agreements and are considered above. The main risk from concentration risk is the impact, in terms of resource effort and reputation, should a large fund partner default. There is also a risk from the service provision by FPM.

FIL Life's assets can be split into the following categories:

- Balances with credit institutions
- Other debtors

Under Solvency II assets are admissible but appropriate reserves need to be maintained. As noted under counterparty risk, the counterparty exposure is monitored daily and forms part of the daily estimate of the SCR and free assets

The concentration risk for each reinsurer is reported monthly to senior management and quarterly to the Board.

The Board accepts that there is some concentration risk with BlackRock Life. This is an accepted business strategy and is reflected in the Company's standard formula counterparty default risk capital requirements. The solvency ratio of BlackRock Life, together with a strong focus on the level of AUA forms part of a suite of key risk indicators which are regularly assessed and shared with the Board.

FIL Life mitigates risks through Hannover Rück SE annuity reinsurance and the IASA outsourcing agreement with FPM, as mentioned previously. No derivatives are used as risk mitigation techniques. The reinsurance treaty with Hannover Rück SE is not considered material as the Gross Best Estimate Liabilities (BEL) for this business is only £11.8m. The rating of the counterparty is monitored regularly.

Reinsurance is allowed for in the SCR calculation since it mitigates FIL Life's longevity risk. There is no material allowance for any financial mitigation techniques or future management actions in the SCR calculation.

The reinsurance treaties with the fund partners are not traditional reinsurance treaties in that these are investment contracts only chosen by the policyholder and are used as an investment vehicle. In most respects there is no difference between these investments and any similar investment into for example an OEIC (Open-ended Investment Company). The investment risk remains at all times with the policyholder and not the Company. Except for a small part of the book, the counterparty risk also lies with the policyholder. For those policies where it is not certain, a reserve is included within the SCR and calculated according to the Delegated Act.

C.6.3 Strategic Risk

Strategic Risk is defined as the risk of the Company not meeting its strategic business objectives which could affect its long-term positioning and performance.

FIL Life manages a range of strategic risks, including risks relating to clients, pricing, distribution, competition, regulation and infrastructure. It uses risk management tools such as scenario analysis, stress testing and wind-down analysis to understand the scale and impact of each risk and to test implementation plans in place.

The strategy for FIL Life is defined based on a 5-year time horizon. It is underpinned by clearly articulated objectives and supported by qualitative and quantitative measures. Strategic Risk is directly managed by the Board and the CEO of FIL Life. The Board has overall responsibility for issues of strategy and business risk management pertaining to the business activities of FIL Life. The Board approves the strategy and/or material changes in the same and will receive such information to monitor performance against the strategic goals of the business.

A strategy day is held every year with the Board and relevant business stakeholders to assess client needs and experience, the competitive environment as well as threats from internal and external market events and how these may impact the current strategy and financial position as assessed through the ORSA process.

C.7 Any Other Information

C.7.1 Stress and Scenario Testing

The outcome of stress testing and sensitivity analysis for material events is completed as part of the ORSA and business planning process that was discussed in Section B.3.4. Full details of the stress and scenario testing are given below:

- **Scenario analysis** - The appropriate level of capital is calculated based on the risk profile of each scenario. For each capital-bearing risk identified in a dedicated workshop with key individuals from the business and supporting functions, a loss scenario will be derived from business and market data. The capital requirement is aggregated assuming no diversification and compared to capital resources.

- **Stress tests** - Stress tests on the forecast result for the next financial year are determined by senior stakeholders and subject matter experts. A loss scenario is developed on the possible outcomes of those risks with a financial impact after controls and mitigations have been considered. The loss scenario will be consistent with the standard formula calculation, unless the Board consider that this would not result in the most realistic outcome.

Stress testing assesses the impact on the net revenue and capital surplus. It compares the expected net revenue forecast for the next financial year against a revised forecast based on the various stresses, and calculates a full SCR and risk margin using the stress test assumptions and related outcomes, which are compared to the expected capital position for the following year. The IASA arrangement with FPM would result in FPM incurring 92.5%-95% of the net revenue losses in any actual event up to the maximum of the income received from that financial year.

The individual stress tests are combined (after taking into account any diversification benefits where thought appropriate) to create a very extreme stressed result and compared to the internal and regulatory capital requirements.

Although not required by regulation, the ORSA may also incorporate a wind down analysis that is consistent with the FHL wind down assumptions as another means of assessing capital adequacy. The stress testing projections show that FIL Life will meet its capital requirements in all but the very extreme scenarios which are considered to be beyond the 1:200 confidence interval.

Section D: Valuation for Solvency Purposes

D.1 Assets

D.1.1 Valuation, Methodologies and Assumptions

FIL Life's assets are primarily those held to back the unit-linked liabilities, with the surplus held as cash or similarly liquid investments. These assets are comparatively straightforward, and are stated at either market value, in accordance with Financial Reporting Standard (FRS) 102, or nominal value (in the case of cash deposits). The methodology for valuing and recognising these assets is therefore not expected to change in the foreseeable future.

Table D.1: Asset holding as at 30 June 2018, as per QRT S.02.01

Classes of material assets	*2018 (£'000)*	*2017 (£'000)*
Investments (other than assets held for unit-linked funds)	91,984	61,558
Assets held for index-linked and unit-linked contracts	18,299,207	7,114,259
Reinsurance recoverable from life excluding health and index-linked and unit-linked	7,692	8,197
Of which relates to fixed annuity liabilities	7,692	8,197
Reinsurance recoverable from life indexed-linked and unit-linked	11,205,204	19,967,639
Of which relates to inflation-linked annuity liabilities	4,030	4,289
Of which relates to unit-linked liabilities	11,201,174	19,963,350
Receivables (trade not insurance)	8,634	7,834
Cash and cash equivalents;	5,327	-
Any other assets, not elsewhere shown	1,289	407
Total assets	**29,619,337**	**27,159,894**

The valuation methodology and assumptions for these assets, including reasons for aggregation, are summarised below:

Assets held for index-linked and unit-linked contracts

Assets held for unit-linked funds are all forms of publicly available collective investment schemes; primarily Undertakings for Collective Investment in Transferable Securities (UCITS) and are stated at the market value provided by the fund managers. These assets have risen significantly due to the movement of the Blackrock reinsured funds into ACSs.

The received prices are reviewed against agreed tolerances for daily movements. An SLA is agreed with each fund manager for timeliness and accuracy of pricing data and these are regularly followed up with meetings and questionnaires to assess the quality of the prices and other data received.

In response to adverse events, FIL Life may take a number of actions to protect the interests of policyholders in a fund, for example, suspend trading or pricing, defer dealing or diverge from the stated investment policy. These practices would only be used to the minimum extent possible and FIL life retains the discretion as to whether or not, and if so how, to implement these measures.

Investments: Other than Assets Held for Unit-linked Funds

These represent listed investments in quoted liquidity funds. The assets are stated at market value using quoted market prices in active markets or expected realisable value, in the case of cash deposits. The amounts held in the liquidity funds have increased over the year mainly due to timing differences on premium receipts awaiting settlement.

Reinsurance Recoverable from Life Excluding Health and Index-linked and Unit-linked

This represents the value to FIL Life of the reinsurance treaty with Hannover Rück SE covering FIL Life's fixed annuity liabilities. It has been calculated using consistent methodology and assumptions as the corresponding technical provisions. Full details about the valuation of this asset are provided in Section D.2.

Reinsurance Recoverable from Life Indexed-linked and Unit-linked

The reinsurance recoverable relating to the Hannover Rück SE treaty covering FIL Life's index-linked annuities has also been calculated using a methodology and assumptions that are consistent with the corresponding annuity technical provisions. Full details about the valuation of this asset is provided in Section D.2. The reinsurance recoverable relating to the fund partners is the AUA for those unit-linked policies where the policyholder and/or scheme has chosen to invest with a fund partner, and is stated at market value. These assets have decreased significantly due to the movement of the Blackrock reinsured funds into ACS's.

Cash and Cash Equivalents

Cash and cash equivalents represent cash at bank and are valued at expected realisable value. This is a good proxy for market value due to the short-term nature of the assets.

Receivables (Trade not Insurance) and Any Other Assets, not Elsewhere Shown

Receivables and other assets, such as debtors, are included at expected realisable value. This is a good proxy for market value due to the short-term nature of the assets.

Other Assets

There are no intangible assets or deferred tax assets in the balance sheet.

D.1.2 Reconciliation to Financial Statements

There are no material differences between the basis, methods and assumptions used for the valuation of assets for solvency purposes and those used in the financial statements. Assets values are the same in both statements, except for those items noted in D.2.5 and D.3.2 below.

The methodologies used in these valuations are consistent with those used in the previous report.

D.2 Technical Provisions

D.2.1 Valuation, Methodology and Assumptions

The policies written by FIL Life fall into two main categories:

- Index-linked and fixed annuities
- Unit-linked pensions policies

Within the unit-linked pensions policies there are “Section 32” (S32) unit-linked policies, which are non-cancellable. All other unit-linked policies can be cancelled. The S32 policies amount to 8% of unit-linked policies.

These liabilities are summarised in the following table, and their valuation is described in more detail in the sections that follow.

Table D.2: Summary of products and Solvency II results as of 30 June 2018

Product	*Line of Business*	*No. of policies*	*Gross Best Estimate Liabilities (BEL) (£'000)*	*Reinsurance Recoverable (£'000)*	*Net BEL (£'000)*	*Net BEL 2017 (£'000)*
Linked annuities	Index-linked and unit-linked insurance	396	4,070	4,030	40	47
Fixed annuities	Other life insurance	635	7,761	7,692	69	80
Total annuities		**1,031**	**11,831**	**11,722**	**109**	**127**
Individual pensions	Index-linked and unit-linked insurance	292,476	9,118,922	1,804,112	7,314,810	2,423,790
Group money purchase pensions	Index-linked and unit-linked insurance	218,804	8,190,330	2,633,111	5,557,219	1,784,558
Trustee investment plan	Index-linked and unit-linked insurance	54	12,191,128	6,763,951	5,427,177	2,905,912
Value in force business (VIF)	Index-linked and unit-linked insurance		(3,008)	-	(3,008)	(2,806)
Total unit-linked	Index-linked and unit-linked insurance	**511,334**	**29,497,372**	**11,201,174**	**18,296,198**	**7,111,581**
Total		**512,365**	**29,509,203**	**11,212,896**	**18,296,307**	**7,111,581**

For the purpose of reporting QRT S.12.01, we have classified the annuity contracts as "Contracts with options and guarantees". No transitional measures have been applied in the calculation of the technical provisions.

The key points to note in this valuation are as follows:

Unit-linked Best Estimate Liabilities (BEL)

For the unit-linked liabilities, the BEL (and the reinsurance recoverable asset) is the AUA, stated at the value of number of units allocated to each policyholder multiplied by the quoted market price. A deduction is made from the VIF ("expected value in force business") of future profits (the VIF) on contracts up to the termination date point at which FIL Life can terminate the business, see the section "Unit-linked liabilities: Background" for further information including the justification for this simplification.

Annuity BEL

For the annuity liabilities, the BEL and the reinsurance recoverable asset have been valued in full, using a per-policy, cash flow projection methodology and using best estimate assumptions for mortality/longevity. No allowance has been made for the matching adjustment, volatility adjustment or the transitional measure on interest rates. Nor is an allowance made for expenses since the administration is the responsibility of Hannover Rück SE and all overhead expenses are covered by the FIL Life expense agreement with FPM (the IASA). FIL Life's assets include a corresponding Reinsurance Recoverable in respect of the Hannover Rück SE reinsurance. This differs from the gross BEL only in the allowance for Hannover Rück SE to default. This allowance is based on industry standard counterparty default assumptions.

Risk Margin

The risk margin component of the liabilities reflects the cost of holding capital against current and future non-market risk capital requirements. The risk margin is calculated by forecasting each future (non-market) SCR for the lifetime of the liabilities, applying a 6% cost of capital as prescribed in regulation, and discounting the result using the relevant risk-free interest rate.

Unit-linked Liabilities: Background

FIL Life's liabilities are predominantly unit-linked pension policies held by individuals and institutional clients.

Approximately 38% of FIL Life's unit-linked liabilities are invested in the funds of other insurance companies, known as fund partners, via reinsurance treaties. As noted on page the exposure to reinsurance counterparties has significantly decreased through Blackrock launching a range of ACSs. These are insurance companies domiciled in the UK and regulated by the PRA. In the unlikely event of a fund partner failing to honour its obligations under these reinsurance treaties, any loss would be passed onto policyholders under the terms of the policy. The exception is a subset of policies written prior to 2008 that are invested in the funds of other insurers via a reinsurance arrangement, where the policy wording did not provide clarity on who bore responsibility for a default event, and for which FIL Life therefore holds a reserve against counterparty default risk.

Under Solvency II, the Technical Provisions only reflect the insurance liabilities for business in-force at the valuation date, and not any future insurance business. Since future contributions on pensions policies are discretionary, these are required to be treated as future new insurance business and are excluded when valuing the liabilities.

Unit-linked Liabilities: BEL and Reinsurance Recoverable

For the unit-linked liabilities, the BEL (gross of reinsurance) is the market value of the AUA less an adjustment for future charges less expenses up (the VIF).

The reinsurance recoverable for the policies invested with fund partners is also the market value of the AUA with no adjustment for VIF, since the charges received by FIL Life are received net of the reinsurer's share.

The key assumptions are:

- The projection of future administration charges less expenses continues until the first point at which the Company may unilaterally terminate the contracts (after serving relevant notice). This period of notice is assumed to be 12 months except for Section 32 (S32) policies. For the S32 policies, the projections continue until the planned retirement date of the policyholder, assuming no further contributions. These assumptions are unchanged from the 2017 valuation.

- The calculation of the VIF takes account of the expected lapse and mortality experience of the business. The assumed lapse rates are based on past experience. For the S32 policies a lapse assumption of 6%(2017: 6%) has been assumed, which is the historical average of lapses. For other types of policies, the assumed lapse rates are between 5% and 23% (2017: 5% to 23%) depending on recent actual experience.

- S32 policyholders are assumed to retire once they reach age 70.

- Expenses are subject to the terms specified under the IASA.

- The discount rates (and investment returns) used are those provided by the European Insurance and Occupational Pensions Authority (EIOPA) as at 30 June 2018, and which are based on market swap rates. No adjustment has been made for any of the matching adjustment, volatility adjustment, or the transitional measure on risk-free interest rates. Discount rates have decreased over the year, although this has no material impact.

Annuity Liabilities: Background

FIL Life has a small portfolio of GBP denominated single and joint life annuity policies, all of which are currently in-payment. No new policies have been written since July 2010. The payments on some of these policies are linked to inflation, either RPI or LPI, with the remainder either having fixed increases or no increases. The entire portfolio is fully reinsured to, and administered by the UK branch of Hannover Rück SE.

Annuity Liabilities: BEL and Reinsurance Recoverable

The main assumptions used in the valuation of annuity liabilities are as follows:

- The discount rates to be used are those provided by EIOPA as at 30 June 2018. No adjustment has been made for any of the matching adjustment, volatility adjustment, or the transitional measure on risk-free interest rates.

- Mortality is the only demographic assumption relevant to the annuity BEL. This assumption can be decomposed into the base rates (i.e. current mortality) and projected longevity improvements. The mortality assumptions are unchanged. The assumptions are as follows:

    - The base mortality assumptions are 100% of the PNMA08 table for males and 100% of the PNFA08 table for females. These are unchanged from 2017.

- The longevity improvements assumptions are the latest provided by the actuarial profession, known as the 2017 Continuous Mortality Investigation (CMI) core mortality projections model. This model has been parameterised with a 2.00% and 1.75% long term rates of mortality improvement for males and females respectively. All parameters are otherwise as per the “Core” parameterisation. At 30 June 2017, the equivalent 2016 CMI model was used with a 2.00% and 1.75% long term rates of improvement. There has been a small reduction in the liability value following the change.

The corresponding Reinsurance Recoverable asset for these liabilities has been calculated in an identical manner and using the same assumptions, with the addition that each reinsurance cashflow includes an allowance for the cumulative probability of default, and loss-given-default, for Hannover Rück SE. The probability of default assumption is based on those provided by EIOPA for use within the matching adjustment calculations. The loss-given-default is assumed to be 50% as per the requirements of the standard formula counterparty default calculation[1].

Risk Margin

The risk margin is calculated by forecasting each future (non-market) SCR for the lifetime of the policies in question, applying a 6% cost of capital, and discounting the result using the relevant risk-free interest rate.

As noted earlier in this section, the majority of FIL Life’s unit-linked policies may be unilaterally terminated within 12 months. For these policies the risk margin is 6% of the current non-market SCR, discounted back by one year using the EIOPA prescribed risk-free rates.

For the remaining policies, the two main non-market SCRs are counterparty default and operational risks, and the future SCRs for these two risks can be summarised as follows:

- The future counterparty risk default on unit-linked liabilities is calculated by projecting the AUA for those policies with exposure and which cannot be closed by FIL Life, and applying a fixed ratio based on the current AUA for policies with counterparty default risk compared against the current counterparty default risk SCR.

- The future operational risk is calculated by projecting the future AUA for FIL Life’s unit-linked liabilities (which will predominantly be S32 policies after a year), and assuming the current level of operational risk runs-off accordingly.

The future risks on the annuity policies are assumed to be proportional to future policy counts.

The future overall SCR is found by aggregating the future component SCRs using the Standard Formula aggregation methodology. The 6% cost of capital assumptions specified in the Solvency II regulations is applied to each future SCR, before being discounted back to the valuation date using the prescribed risk-free discount rates and aggregated to produce the risk margin. This approach is unchanged from last year, and is consistent with “Method 1” described in Guideline 62 of the EIOPA Guidelines on the Valuation of Technical Provisions.

[1] Article 42 of the Level 2 Delegated Acts

D.2.2 Reinsurance Recoverables and Special Purpose Vehicles

There are no Special Purpose Vehicles.

FIL Life has reinsurance arrangements covering both the unit-linked and annuity liabilities. In both cases, the reinsurance recoverable asset is valued using assumptions and methodology that are identical to the corresponding BEL, except for any counterparty default assumptions. Please refer to Section D.2.1 above for details of the calculation.

D.2.3 Material Uncertainties

There are no material uncertainties relating to the valuation of FIL Life's valuation.

D.2.4 Uncertainty Associated with the Value of the Technical Provisions

The methodology employed is proportionate to the nature, scale and complexity of the risks accepted by the business.

The only simplification employed by FIL Life relates to the valuation of the unit-linked liabilities. Specifically, no credit has been taken for the present value of future charges expected to be earned after the first point at which FIL Life has the contractual right to terminate the policies. The company has performed calculations that show that extending the projection period to retirement for all unit-linked policies does not understate the technical provisions or lead to an underestimation of the risk, and that the simplification is therefore consistent with the Solvency II rules on proportionality.

There are no material deficiencies in the data used for the technical provisions.

For the reinsured unit-linked liabilities, the (best estimate) reinsurance recoverable asset makes no allowance for the expected reinsurance default on materiality grounds.

The methodology for calculating the risk margin is a simplification in line with Article 58 of the Level 2 Delegated Acts Method 1 described in the Level 3 Guidance on Technical Provisions.

Excluding the assumptions underlying the projection of the risk margin, the only discretionary assumptions in FIL Life's valuation are the mortality and counterparty default assumptions relating to the annuity portfolio, which have been set using industry standard assumptions, because there are insufficient policies to facilitate an analysis of FIL Life's own portfolio. The lapse assumptions have been set using an analysis of historic claims.

D.2.5 Reconciliation to Financial Statements

The accounting policies are consistent between the financial statements (FRS102). Assets and liability values are the same in both except for the inclusion of the VIF of £3.0m (2017: £2.8m) and the grossing up of the annuity liabilities and annuity reinsurance asset in the financial statements of £1.3m (£2017: £2.6m).

D.3 Other Liabilities

D.3.1 Valuation, Methodology and Assumptions

Other financial liabilities and payables are £63.2m. Other financial liabilities and payables, such as premiums received in advance and general creditors are included at expected settlement value.

D.3.2 Reconciliation to Financial Statements

The accounting policies are consistent between the financial statements (FRS102) except for the calculation of the VIF in the Solvency II returns and the grossing up of the annuity liabilities and reinsured assets in the financial statements.

D.4 Alternative Methods for Valuation

No alternative valuation techniques are used.

Section E: Capital Management

E.1 Own Funds

E.1.1 Summary of Managing Own Funds

The own funds are managed to be in a "risk free" environment, such that they have low liquidity and market risk. FIL Life manages this objective by keeping the own funds that are not used on a day to day basis in the ILF, which is AAA rated. Funds maintained outside of the ILF are placed with approved Fidelity counterparties.

It is the Board's intention that the Company will maintain own funds of no less than the 122% of the Company's Pillar 1 SCR and the capital requirement calculated under the ORSA. The Board actively monitors this position on a regular basis, taking into consideration the time horizon used for the Company's business planning.

The Company's own funds are materially free from any liens and encumbrances.

E.1.2 Breakdown of Own Funds

Table E1: Breakdown of Solvency II own funds as at 30 June 2018

	June 2018 £'000	Movement £'000	June 2017 £'000
Ordinary share of £1 each, issued and full paid up	12,000	0	12,000
Other reserves	32,467	3,421	29.046
Own funds	**44,467**	**3,421**	**41,046**

All the own funds are considered as Tier 1 capital in accordance with the guidelines on loss absorption and repayment of capital and dividends. The reconciliation reserve represents retained earnings and reconciliation adjustments from the GAAP balance sheet to the Solvency II balance sheet. It has primarily increased due to the retained earnings of the reporting period.

E.1.3 Reconciliation to Financial Statements

The financial statements are prepared under UK GAAP (FRS 102 & FRS 103). Under FRS 103 the unit-linked pension products are considered asset management business and therefore the risk margin on this business does not go through the statutory profit and loss account.

Other than the VIF and accounting treatment of the risk margin of the unit linked business, there are no other material differences between the basis, methods and assumptions regarding the valuation of own funds used for the valuation for solvency purposes and those used in the financial statements.

There is no restriction on the availability or transferability of the assets.

Reconciliation of own funds	*£' 000*
Net assets per financial statements	43,703
Add: Value in force business	3,008
Less: unit-linked pensions risk margin	(2,244)
Own funds per QRTs	**44,467**

There are no ancillary own funds and no amounts are deducted from own funds.

FIL Life does not disclose any additional ratios to those included in template S.23.01.

FIL Life has no subordinated debt and there are no restrictions or ring-fenced funds.

All assets are Tier 1 and have no terms and conditions attached to them.

E.1.4 Expected Developments in Own Funds

FIL Life keeps its capital requirements under review to ensure it retains sufficient capital at all times. It currently has no plans to repay or otherwise reduce its own funds.

E.2 Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

E.2.1 Solvency Capital Requirement (SCR)

The SCR has been calculated in accordance with the methodology specified under the Standard Formula, which involves applying a series of prescribed stress tests. FIL Life applies a proportionate approach for the market risk scenario, of applying a single 49% scenario (based on the equity type 2 scenario before symmetrical adjustment). This approach avoids the need to obtain and process the full look-through data on the underlying assets. Investigations were carried out which indicated that this is a prudent approach to calculating the stress. No other simplifications are used in the calculations. The SCR components are as follows:

Table E.2. Solvency Capital Requirements as at 30 June 2018

SCR module	*June 2018* *£'000*	*June 2017* *£'000*
SCR Counterparty risk	6,839	16,504
SCR Operational risk	11,601	10,354
SCR Market risk	1,080	959
SCR Life risk	1,660	1,549
Diversification benefit	(1,771)	(1,775)
Total SCR	**19,408**	**27,591**

The change in SCR reflects the change in asset mix as from reinsured funds to non-reinsured funds.

There are no undertaking-specific parameters for the SCR components. There are no regulatory capital add-ons applied and the SCR is still subject to supervisory assessment.

E.2.2 Minimum Capital Requirement (MCR)

The MCR is £8.7m (2017: £12.4m). The calculation of the MCR is purely formula based as dictated by the EIOPA Solvency II requirements and is defined as follows:

i. The higher of €3.7m equivalent and;

ii. Lower of iii) and 45% of SCR

iii. Higher of 0.5% of the non-reinsured assets and 25% of the SCR

In practice, for FIL Life the applicable requirement from this formula is the 45% of SCR such that the MCR has moved in line with the SCR in the period. This is expected to remain the case for the foreseeable future.

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

FIL Life does not use the duration-based equity sub-module, and this section is not relevant for FIL Life.

E.4 Differences Between the Standard Formula and Any Internal Model Used

FIL Life does not use an internal model and therefore this section is not relevant.

E.5 Non-Compliance with the MCR and Non-Compliance with the SCR

FIL Life monitors the compliance with the MCR and SCR on a regular basis. This monitoring consists of a daily calculation, which excludes the pre-2008 revaluation, on movements in cash and a recalculation of significant debtors' positions on a quarterly basis.

There have been no periods of non-compliance with either the MCR or SCR and there is no reasonable foreseeable risk of non-compliance with the MCR or SCR in the future.

E.6 Any Other Information

There is no other material information regarding the capital management of the insurance and reinsurance undertaking.

Section F: Directors’ Statement and Auditors’ Opinion

F.1 Directors’ Statement

We certify that:

- The Solvency and Financial Condition Report has been properly prepared in all material respects in accordance with the PRA rules and Solvency II regulations.

We are satisfied that:

- Throughout the financial year ended 30 June 2018, the company has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the Company; and
- It is reasonable to believe, at the date of publication of the SFCR, that the Company has continued to comply, and will continue to comply in future.

Signed for and on behalf of the FIL Life Board of Directors:

Director
12 October 2018

Director
12 October 2018

F.2 Auditors' Report

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

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

Opinion

We have audited the following documents prepared by the Company as at 30 June 2018:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 30 June 2018, ('**the Narrative Disclosures subject to audit**'); and
- Company templates S.02.01.02, S.12.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 ('**the Templates subject to audit'**).

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

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

- The 'Introduction and Summary', 'Business and Performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S.05.01.02 and S.05.02.01; and
- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Directors' Statement**').

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 30 June 2018 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Basis for opinion

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

Conclusions relating to going concern

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Directors are responsible for the Other Information.

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

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

Responsibilities of Directors for the Solvency and Financial Condition Report

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants

7 More London Riverside

12 October 2018

Glossary of Abbreviations

Term	Meaning
ACS	Authorised Contractual Scheme
AMC	Annual Management Charge
ARGC	Asset Range Governance Committee
AUA	Assets Under Administration
BEL	Best Estimate Liabilities
BMA	Bermuda Monetary Authority
The Company	FIL Life Insurance Limited
DC	Defined Contribution
Delegated Acts	Delegated Regulation (EU) 2015/35
EIOPA	European Insurance and Occupational Pensions Authority
FASL	Financial Administration Services Limited
FCA	Financial Conduct Authority
FFML	FIL Fund Management Limited
FHL	FIL Holdings (UK) Ltd and its subsidiaries
FIL Life	FIL Life Insurance Limited
FIL Ltd	FIL Limited
FIML	FIL Investment Management Limited
FISL	FIL Investment Services (UK) Limited

Term	Meaning
FPM	FIL Pensions Management
FRS	FIL Retirement Services Limited
IASA	Insurance Agency & Services Agreement
ICAAP	Internal Capital Adequacy Assessment Process
IGC	Independent Governance Committee
ILF	Fidelity Institutional Liquidity Fund plc
MCR	Minimum Capital Requirement
NED	Non-Executive Director
OEIC	Open-ended Investment Company
ORSA	Own Risk & Solvency Assessment
PRA	Prudential Regulation Authority
QRT	Quantitative Reporting Template
SCR	Solvency Capital Requirement
SFCR	Solvency & Financial Condition Report
SIMF	Senior Insurance Management Function
Solvency II Regulations /Solvency II	Together, the Delegated Acts, Solvency II Directive and PRA Rulebook: Solvency II Reporting Instrument 2015
WI	Workplace Investing
WI IOG	Workplace Investing Investment Oversight Group

Attachments

Solvency and Financial Condition Report as at 30 June 2018

S.02.01.02
Balance Sheet

		Solvency II value
		C0010
Assets		
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	0
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	0
Investments (other than assets held for index-linked and unit-linked contracts)	*R0070*	91,984
Property (other than for own use)	**R0080**	0
Holdings in related undertakings, including participations	**R0090**	0
Equities	*R0100*	0
Equities - listed	**R0110**	0
Equities - unlisted	**R0120**	0
Bonds	*R0130*	0
Government Bonds	**R0140**	0
Corporate Bonds	**R0150**	0
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	91,984
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	0
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	18,299,207
Loans and mortgages	*R0230*	0
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	0
Reinsurance recoverables from:	*R0270*	11,212,896
Non-life and health similar to non-life	*R0280*	0
Non-life excluding health	**R0290**	0
Health similar to non-life	**R0300**	0
Life and health similar to life, excluding health and index-linked and unit-linked	*R0310*	7,692
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	7,692
Life index-linked and unit-linked	**R0340**	11,205,204
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	0
Reinsurance receivables	**R0370**	0
Receivables (trade, not insurance)	**R0380**	8,634
Own shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0
Cash and cash equivalents	**R0410**	5,327
Any other assets, not elsewhere shown	**R0420**	1,289
Total assets	**R0500**	29,619,337

S.02.01.02

Balance Sheet (continued)

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	*R0510*	0
Technical provisions – non-life (excluding health)	*R0520*	0
Technical provisions calculated as a whole	**R0530**	0
Best Estimate	**R0540**	0
Risk margin	**R0550**	0
Technical provisions - health (similar to non-life)	*R0560*	0
Technical provisions calculated as a whole	**R0570**	0
Best Estimate	**R0580**	0
Risk margin	**R0590**	0
Technical provisions - life (excluding index-linked and unit-linked)	*R0600*	7,937
Technical provisions - health (similar to life)	*R0610*	0
Technical provisions calculated as a whole	**R0620**	0
Best Estimate	**R0630**	0
Risk margin	**R0640**	0
Technical provisions – life (excluding health and index-linked and unit-linked)	*R0650*	7,937
Technical provisions calculated as a whole	**R0660**	0
Best Estimate	**R0670**	7,761
Risk margin	**R0680**	176
Technical provisions – index-linked and unit-linked	*R0690*	29,503,778
Technical provisions calculated as a whole	**R0700**	29,500,380
Best Estimate	**R0710**	1,062
Risk margin	**R0720**	2,336
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	0
Pension benefit obligations	**R0760**	0
Deposits from reinsurers	**R0770**	0
Deferred tax liabilities	**R0780**	171
Derivatives	**R0790**	0
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance & intermediaries payables	**R0820**	22,083
Reinsurance payables	**R0830**	0
Payables (trade, not insurance)	**R0840**	40,901
Subordinated liabilities	*R0850*	0
Subordinated liabilities not in Basic Own Funds	**R0860**	0
Subordinated liabilities in Basic Own Funds	**R0870**	0
Any other liabilities, not elsewhere shown	**R0880**	0
Total liabilities	**R0900**	29,574,870
Excess of assets over liabilities	**R1000**	44,467

S.05.01.02

Premiums, claims and expenses by line of business

		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										
Gross	**R1410**	0	0	2,869,389	0	0	0	0	0	2,869,389
Reinsurers' share	**R1420**	0	0	1,711,532	0	0	0	0	0	1,711,532
Net	*R1500*	0	0	1,157,858	0	0	0	0	0	1,157,858
Premiums earned										
Gross	**R1510**	0	0	2,869,389	0	0	0	0	0	2,869,389
Reinsurers' share	**R1520**	0	0	1,711,532	0	0	0	0	0	1,711,532
Net	*R1600*	0	0	1,157,858	0	0	0	0	0	1,157,858
Claims incurred										
Gross	**R1610**	0	0	1,932,400	325	0	0	0	0	1,932,725
Reinsurers' share	**R1620**	0	0	1,391,870	325	0	0	0	0	1,392,195
Net	*R1700*	0	0	540,530	0	0	0	0	0	540,530
Changes in other technical provisions										
Gross	**R1710**	0	0	4,479,536	-469	0	0	0	0	4,479,067
Reinsurers' share	**R1720**	0	0	319,832	-496	0	0	0	0	319,337
Net	*R1800*	0	0	4,159,703	27	0	0	0	0	4,159,730
Expenses incurred	*R1900*	0	0	46,190	0	0	0	0	0	46,190
Other expenses	**R2500**									0
Total expenses	**R2600**									46,190

Return S.05.02.01 has not been included because all business in the UK

S12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Total (Life other than health insurance, incl. Unit-Linked)
				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	C0150
Technical provisions calculated as a whole	**R0010**	0	29,500,380			0			0	29,500,380
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0020**	0	11,201,174			0			0	11,201,174
Technical provisions calculated as a sum of BE and RM										
Best Estimate										
Gross Best Estimate	**R0030**	0		0	1,062		0	7,761	0	8,823
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	*R0080*	0		0	4,030		0	7,692	0	11,722
Best estimate minus recoverables from reinsurance/SPV and Finite Re	*R0090*	0		0	-2,968		0	68	0	-2,900
Risk Margin	**R0100**	0	2,336			176			0	2,512
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	**R0110**	0	0			0			0	0
Best estimate	**R0120**	0		0	0		0	0	0	0
Risk margin	**R0130**	0	0			0			0	0
Technical provisions - total	*R0200*	0	29,503,778			7,937			0	29,511,715

S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	12,000	12,000			
Share premium account related to ordinary share capital	**R0030**	0	0		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**	0	0		0	
Subordinated mutual member accounts	**R0050**	0			0	
Surplus funds	**R0070**	0	0	0	0	0
Preference shares	**R0090**	0				
Share premium account related to preference shares	**R0110**	0		0	0	0
Reconciliation reserve	**R0130**	32,467	32,467	0	0	0
Subordinated liabilities	**R0140**	0				
An amount equal to the value of net deferred tax assets	**R0160**	0		0	0	0
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**	0	0			0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**	0				
Deductions						
Deductions for participations in financial and credit institutions	**R0230**	0	0	0	0	
Total basic own funds after deductions	*R0290*	44,467	44,467	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**	0			0	
Unpaid and uncalled preference shares callable on demand	**R0320**	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**	0			0	0
Other ancillary own funds	**R0390**	0			0	0
Total ancillary own funds	*R0400*	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	*R0500*	44,467	44,467	0	0	0
Total available own funds to meet the MCR	*R0510*	44,467	44,467	0	0	
Total eligible own funds to meet the SCR	*R0540*	44,467	44,467	0	0	0
Total eligible own funds to meet the MCR	*R0550*	44,467	44,467	0	0	
SCR	**R0580**	19,408				
MCR	**R0600**	8,734				
Ratio of Eligible own funds to SCR	**R0620**	2.2911				
Ratio of Eligible own funds to MCR	**R0640**	5.0914				

S.23.01.01

Own funds

		C0060				
Reconciliation reserve						
Excess of assets over liabilities	**R0700**	44,467				
Own shares (held directly and indirectly)	**R0710**	0				
Foreseeable dividends, distributions and charges	**R0720**	0				
Other basic own fund items	**R0730**	12,000				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	**R0740**	0				
Reconciliation reserve	**R0760**	32,467				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	0				
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	0				
Total Expected profits included in future premiums (EPIFP)	**R0790**	0				

S25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	**R0010**	1,080		
Counterparty default risk	**R0020**	6,839		
Life underwriting risk	**R0030**	1,660		
Health underwriting risk	**R0040**	0		
Non-life underwriting risk	**R0050**	0		
Diversification	**R0060**	-1,771		
Intangible asset risk	**R0070**	0		
Basic Solvency Capital Requirement	**R0100**	7,808		

		C0100
Calculation of Solvency Capital Requirement		
Operational risk	**R0130**	11,601
Loss-absorbing capacity of technical provisions	**R0140**	0
Loss-absorbing capacity of deferred taxes	**R0150**	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	0
Solvency Capital Requirement excluding capital add-on	**R0200**	19,408
Capital add-on already set	**R0210**	0
Solvency capital requirement	**R0220**	19,408
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	0
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	**R0430**	0
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	0

S28.01.01

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

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	**R0210**	0	
Obligations with profit participation - future discretionary benefits	**R0220**	0	
Index-linked and unit-linked insurance obligations	**R0230**	18,298,482	
Other life (re)insurance and health (re)insurance obligations	**R0240**	68	
Total capital at risk for all life (re)insurance obligations	*R0250*		0

		C0070
Overall MCR calculation		
Linear MCR	*R0300*	128,091
SCR	**R0310**	19,408
MCR cap	**R0320**	8,734
MCR floor	**R0330**	4,852
Combined MCR	*R0340*	8,734
Absolute floor of the MCR	**R0350**	3,251

		C0070
Minimum Capital Requirement	**R0400**	8,734