Mobius Life Limited (MLL)

Solvency and Financial Condition Report (SFCR) 2019

Summary

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Since 1 January 2016, a harmonised EU-wide regulatory regime for insurance companies has been in force ("Solvency II"). The regulations require insurance companies, under the scope of these regulations, to calculate capital requirements under a prescribed methodology and provide certain reporting and public disclosures, some of which is required to be published on the company's public website.

As prescribed by Chapter XII of the Commission Delegated Regulation (EU) 2015/35 (the "Delegated Acts"), Mobius Life Limited ("MLL") is required to prepare a Solvency and Financial Condition Report ("SFCR") that discloses the following information about the company in a prescribed format:

1) Business and Performance
2) System of Governance
3) Risk Profile
4) Valuation for Solvency purposes
5) Capital Management

Business and Performance

During the year, MLL wrote three lines of unit linked insurance business:

1) Institutional pensions platform business that is, in substance, an asset administration business operating within the legal structure of a life insurance company. The platform provides pension fund trustees with an opportunity to manage their funds flexibly and efficiently.
2) A bundled Individual Personal Pension, Group Personal Pension and Stakeholder business (referred to as the "Stakeholder Pensions business") representing under 5% of assets under administration.
3) Investment only reinsurance accepted.

On 18 December 2017, the company signed an agreement to sell the Stakeholder Pensions business to Scottish Friendly Assurance Society Limited ("Scottish Friendly"). After obtaining the necessary regulatory approvals and the sanction of the High Court, the sale, and the transfer of the Stakeholder Pensions assets under management and liabilities, completed on 9 November 2018. As part of the agreement, Scottish Friendly immediately reinsured the relevant assets with MLL. Therefore, the underlying assets remain on MLL's balance sheet and now form the investment only reinsurance accepted business.

All business is located in the United Kingdom.

The financial year runs to 31 March each year and the reporting currency is pound sterling ("GBP").

Progress continues to be strong. Funds under administration rose to £15,852m (FY 2018 £11,599m), an increase of 37% during the year. Net new inflows during the year were £3,392m (FY 2018 £2,006m) which were supported by positive market returns on underlying funds of £862m (FY 2018 £209m).

Growth in funds under administration reflected continuing high levels of interest from advisors and trustees. At 31 March 2019, MLL had 601 corporate clients (FY 2018 484), an increase of 24% during the year.

Profit before tax of £4,317k (FY 2018 £786k) showed an increase of 449%. The improvement has predominantly been driven by the sale of the Stakeholder Pensions business and increase in funds under administration.

On 10 December 2018, the Board approved and paid a dividend of £6.2m to Mobius Life Group Limited.

Mobius Life Holdings Limited ("MLH") is the group parent company of MLL. During the financial year, the MLH Board had entered into discussions with third parties, who expressed interest in acquiring the existing shares of MLH. An agreement was signed on 2 April 2019 to sell the existing shares of MLH to Phoenix Equity Partners (Phoenix Equity Partners 2016 L.P. and Phoenix Equity Partners 2016 F.P. L.P.) which, subject to regulatory approval, will result in a change of control for the Mobius Group. There are no proposed changes to the MLL Board or Governance framework.

System of Governance

MLL is committed to a strong control environment. The Board of Directors is supported by a formal committee structure, which includes committees that cover Audit, Risk and Compliance ("ARC"), Remuneration and Investments, with clearly defined roles and responsibilities apportioned across the directors and senior management team.

The Board of Directors comprises executive and non-executive directors who have the necessary skills and experience to lead and control the company. The Board is responsible for setting the business strategy and ensuring there is a structured approach to the governance and control of the company's business activities. The Board is also responsible for the management of risk in the business, risk framework and oversight of risk policies and process.

On 19 September 2018, the Board was restructured such that it contained a majority of independent non-executives, ensuring the MLL Board is independent of the other Group Boards.

The Chief Risk Officer ("CRO") function was brought in-house on 23 July 2019, having previously been outsourced to Barnett Waddingham.

There were no further material changes in the system of governance over the reporting period.

Risk Profile

The Board and senior management identify the business risks which are recorded in the Risk Register maintained by the business. The business is predominantly exposed to five main risks: market risk; lapse risk; operational risk, credit risk and liquidity risk. Risks are assessed on an ongoing basis by the senior management team and the CRO and reported to the Board and the ARC on a regular basis.

Valuation for Solvency purposes

Assets and non-insurance liabilities are valued at fair value.

The only difference between the valuation of assets shown in MLL's financial statements and the valuation for solvency purposes is tangible assets totalling £3k (FY 2018 £10k) in the financial statements are given no value for solvency purposes.

Technical provisions have been determined as the sum of the unit liabilities, the value of the in-force business ("VIF") and the risk margin.

- The unit liabilities are the value of units allocated to in-force contracts at the valuation date, as disclosed in the financial statements.
- The VIF is a best estimate calculation of the present value of the excess of policy charges over expenses and other outgoings.
- The risk margin is calculated in accordance with methodology set out in the Delegated Acts.

The technical provisions for solvency purposes differ to the technical provisions shown in the financial statements as the technical provisions shown in the financial statements are equal to the unit liabilities only.

The only difference between the value of non-insurance liabilities shown in MLL's financial statements and the valuation for solvency purposes is a deferred tax liability of £121k (FY 2018 £646k), included in the valuation for solvency purposes, reflecting notional tax on the difference between the technical provisions shown in the financial statements and the technical provisions for solvency purposes.

Capital Management

MLL is required to hold sufficient assets to match its policyholder liabilities at all times and meet its capital and reporting obligations under Solvency II. The Board of Directors has primary responsibility for the company and is supported by a formal committee structure with clearly defined roles and responsibilities apportioned across the directors and senior management team.

MLL does not use a matching adjustment, volatility adjustment, or transitional adjustment in respect of the risk-free interest rate term structure or transitional deduction in respect of technical provisions.

The company's ordinary share capital and reconciliation reserve are both Tier 1 unrestricted own funds as per Article 69(a)(i) of the Delegated Acts and are available to cover the solvency capital requirement ("SCR") and minimum capital requirement ("MCR"). The company has no restricted Tier 1 own funds (per Article 80 of the Delegated Acts) and no Tier 2 own funds (per Article 72 of the Delegated Acts). As at 31 March 2019, there is a small deferred tax asset of £7k (FY 2018 £nil) which is classified as Tier 3 own funds (per Article 76 of the Delegated Acts). The Tier 3 own funds are available to cover the SCR but not the MCR.

The SCR as at 31 March 2019 was £2,503k (FY 2018 £6,791k) and the MCR was £3,288k (FY 2018 £3,251k). Own funds covering the SCR totalled £5,321k (FY 2018 £10,270k) and own funds covering the MCR totalled £5,314k (FY 2018 £10,270k). The fall in own funds primarily reflects the £6.2m dividend paid. The fall in SCR primarily reflects the impacts of the sale of the Stakeholder Pensions business. Movements in own funds, the SCR and the MCR are explained in Section E.

MLL has been in full compliance with both the MCR and SCR throughout the reporting period.

A. Business and Performance

A.1 Business

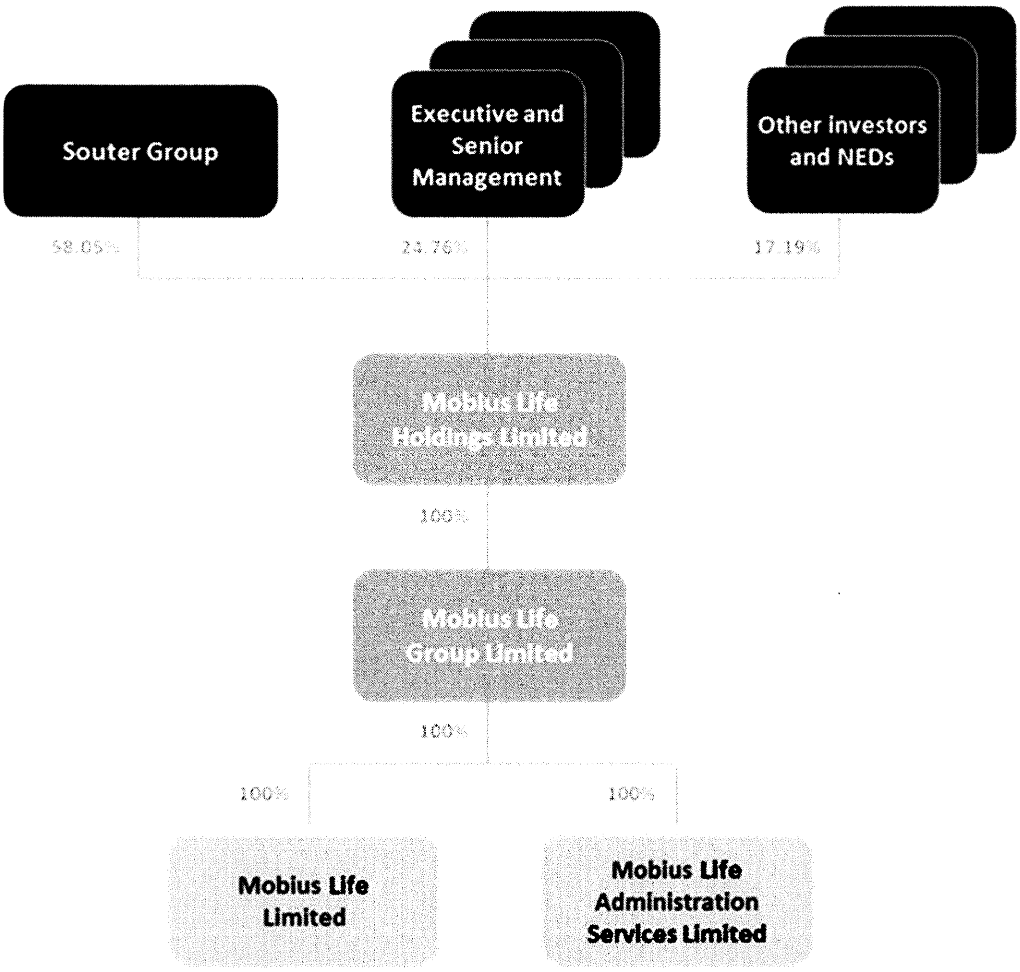
MLL is a regulated unit linked insurance private company limited by shares. The company's operating and registered address is:

7th Floor
20 Gresham Street
London
EC2V 7JE

MLL is authorised and regulated by the Prudential Regulation Authority ("PRA") (whose offices are located at 20 Moorgate, London, EC2R 6DA, United Kingdom) and regulated by the Financial Conduct Authority ("FCA") (whose offices are located at 12 Endeavour Square, London, E20 1JN).

The auditors of MLL are Mazars LLP whose offices are located at Tower Bridge House, St Katharine's Way, London, E1W 1DD.

MLL is the principal operating subsidiary of the Mobius Life Group Limited ("MLG") and the ultimate controlling party as at 31 March 2019 was the Trustees of the Souter 2011 Family Trust.



Policies relating to operation of MLL are approved by the MLL Board. Staff are employed by Mobius Life Administration Services Limited ("MLAS"), which provides administration services to MLL and the other group companies.

The company's core business is the operation of an institutional pensions platform. In substance, it is an asset administration business operating within the legal structure of a life insurance company. The platform provides pension fund trustees with an opportunity to manage their funds flexibly and efficiently within Trustee Investment Plan polices.

Until November 2018, MLL had a bundled Individual Personal Pension, Group Personal Pension and Stakeholder business (referred to as the Stakeholder Pensions business), representing under 5% of assets under administration.

On 18 December 2017, the company signed an agreement to sell the Stakeholder Pensions business to Scottish Friendly. After obtaining the necessary regulatory approvals and the sanction of the High Court, the sale, and the transfer of the Stakeholder Pensions assets under management and liabilities, completed on 9 November 2018. As part of the agreement, Scottish Friendly immediately reinsured the relevant assets back to MLL resulting in a new line of business for MLL, investment only reinsurance accepted, providing investment services to the transferred business.

All business is unit linked and written in the United Kingdom.

Progress continues to be strong. Funds under administration rose to £15,852m (FY 2018 £11,599m), an increase of 37% during the year. Net new inflows during the year were £3,392m (FY 2018 £2,006m) which were supported by positive market returns on underlying funds of £862m (FY 2018 £209m).

Growth in funds under administration reflected continuing high levels of interest from advisors and trustees. At 31 March 2019, MLL had 601 corporate clients (FY 2018 484), an increase of 24% during the year.

Profit before tax of £4,317k (FY 2018 £786k) showed an increase of 449%. The improvement has predominantly been driven by the sale of the Stakeholder Pensions business (£2,490k).

The financial year runs to 31 March each year and the reporting currency is pound sterling ("GBP").

On 10 December 2018, the Board approved and paid a dividend of £6.2m to Mobius Life Group Limited.

During the financial year, the MLH Board had entered into discussions with third parties, who expressed interest in acquiring the existing shares of MLH. An agreement was signed on 2 April 2019 to sell the existing shares of MLH to Phoenix Equity Partners (Phoenix Equity Partners 2016 L.P. and Phoenix Equity Partners 2016 F.P. L.P.) which, subject to regulatory approval, will result in a change of control for the Mobius Group. There are no proposed changes to the MLL Board or the MLL Governance framework.

A.2 Underwriting Performance

All policies are classified as investment contracts for accounting purposes. The underwriting performance is limited to consideration of the excess of fee income over expenses and is shown in the table below.

Underwriting performance	**2019**	**2018**
	£000	**£000**
Gross fees deducted from investment managed funds	39,858	34,282
Fees paid to fund managers or advisors or reinvested in funds	(32,482)	(27,519)
Technical income	7,376	6,763
Net operating expenses	(5,564)	(6,011)
	1,812	752

Net operating expenses comprise administration and other expenses. Overall costs have remained steady reflecting the benefits of infrastructure development in previous years, which enabled headcount and costs to remain stable whilst supporting the business growth.

A.3 Investment Performance

MLL has bought units on its own account in collective investment schemes which invest in money market instruments and corporate bonds. The amount of income from investments totals £13k (FY 2018 £33k). The units in the collective investment schemes were liquidated in December 2018 to settle the dividend payment to MLG. Investment returns on policyholder assets accrue to policyholders only. These returns are not included in the analysis below.

Collective Investment Schemes invested in:	**2019** **Income** **£000**	**2019** **Non Linked Assets** **£000**	**2018** **Income** **£000**	**2018** **Non Linked Assets** **£000**
Money market funds	4	-	22	4,702
Other funds (seeding)	-	66		
Debt securities	9	-	11	929
Total	**13**	**66**	**33**	**5,631**

Expenses relating to these investments are negligible.

A.4 Performance of other activities

The sole activity of MLL is writing unit linked policies.

A.5 Any other information

The company has prepared its financial statements in accordance with applicable UK accounting standards, including Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and with the Companies Act 2006.

B. System of Governance

B.1 General information on the system of governance

MLL is committed to a strong control environment. The Board of Directors is supported by a formal committee structure with clearly defined roles and responsibilities apportioned across the directors and senior management team.

The Board of Directors comprises executive and non-executive directors who have the necessary skills and experience to lead and control the company. The Board is responsible for setting the business strategy and ensuring there is a structured approach to the governance and control of the company's business activities. The Board is also responsible for the management of risk in the business, risk framework and oversight of risk policies and process.

The CRO function, which was previously outsourced to Barnett Waddingham, was brought in-house with a successful handover completed at the end of September 2018.

On 19 September 2018, the Board was restructured such that it contained a majority of independent non-executives, ensuring the MLL Board is independent of the other Group Boards.

The Senior Managers and Certification Regime ("SMCR") was implemented and embedded on 10 December 2018. There were no further material changes in the system of governance over the reporting period.

Board of Directors

M Christophers (Chairman) (resigned 19 September 2018)
L I Catterick (resigned 19 September 2018)
M Goodale (Chairman (appointed 19 September 2018) & Non-executive)
J S B Smith (Non-executive) (appointed 19 September 2018)
A J Macfie (Non-executive) (resigned 19 September 2018)
S S Pereira (resigned 19 September 2018)
A P Swales
C B Trebilcock (resigned 19 September 2018)

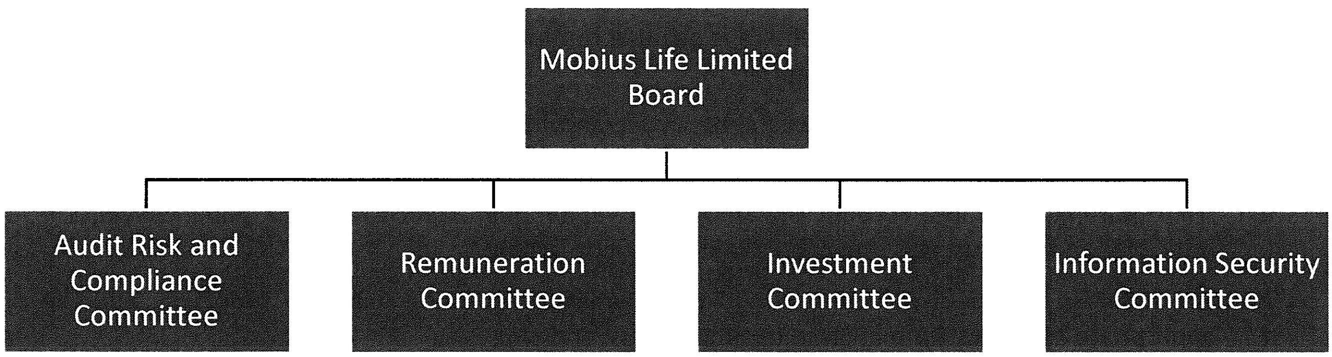
Company Secretary

L Voss

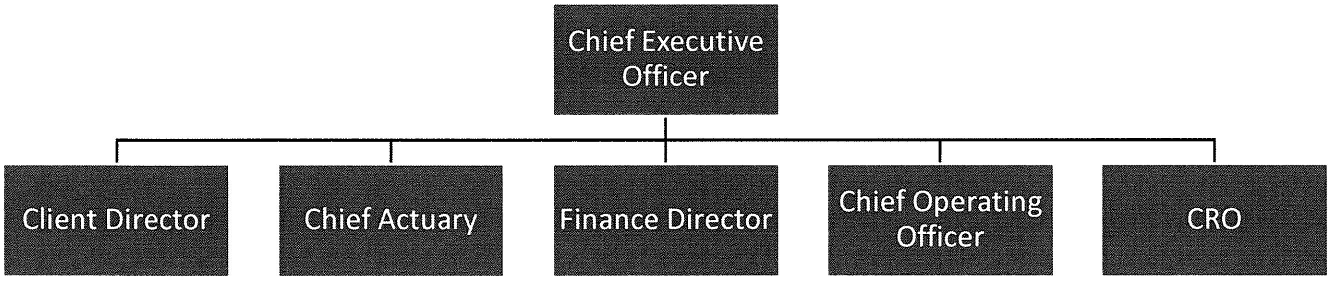
A number of board sub-committees are in place to oversee the control environment. Each committee is made up of directors and relevant senior managers from across the business. These bodies and key functions are:

Corporate Committee Structure

Board committees are formally constituted as committees of MLG but the terms of reference and remit covers MLL.



Executive Management Structure



Audit, Risk and Compliance Committee

The ARC monitors and supervises the effective functioning of the business, providing an objective overview of the operational effectiveness of the company's internal systems and reporting, including:

a) ensuring systems are in place to maintain proper and adequate accounting records;

b) ensuring systems are in place to safeguard the company's assets against unauthorised use or disposal;

c) reviewing significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the company;

d) reviewing and monitoring the company's policies for preventing or detecting fraud;

e) reviewing the company's policies for ensuring that the company complies with relevant regulatory and legal requirements; and

f) directing and supervising investigations into matters within its scope.

The ARC is responsible for review and challenge of the risk register in order to monitor financial, regulatory, operational and brand risks of MLL. It will consider the adequacy of risk management applied to MLL and adequacy of management's response to key risks, to ensure that a comprehensive system of control is established, that risks are mitigated and that the company's objectives are met.

The ARC is responsible for ensuring that the risk management process is aligned to Solvency II requirements, ensuring that a risk management framework is in place to ensure:

a) key risks will be understood, documented and mitigated against;

b) key risks will have clearly defined owners;

c) not only are controls in place, but there is positive confirmation that they operate and exceptions are reported to the ARC where material;

d) the risk management framework will be the process which supports the timely reviews of an Own Risk and Solvency Assessment;

e) risk reporting takes into account the amount of capital held against each risk under Solvency II principles and the business is managed taking this into account;

f) the business can meet Solvency II reporting deadlines, including quarterly reporting, and the appropriate stress tests are in place to support this; and

g) risk appetites are defined, agreed and monitored for all key risks impacting capital, earnings, liquidity, customer conduct, regulatory and reputational risks.

The ARC is responsible for:

a) reviewing any statements on ethical standards or requirements for the company and assisting in developing such standards and requirements; and
b) giving recommendations on any potential conflict of interest or contentious situations of a material nature.

The ARC ensures MLL has governance practices in line with the FCA/PRA supervisory approach:

a) consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture and that Treating Customers Fairly ("TCF") Principles are applied throughout the group;
b) ensuring the group acts in the right spirit by considering the impact of their actions on consumers and markets;
c) governance is forward-looking and pre-emptive, identifying potential risks and taking action before they have a serious impact;
d) is focused on the big issues facing the group and the causes of incidents and breaches;
e) taking a judgement-based approach focused on achieving the right outcomes;
f) examining the group's business model and culture and the impact its actions have on consumer and market outcomes;
g) an emphasis on individual accountability, ensuring senior management understand they have personal accountability for their actions; and
h) being robust when things go wrong, making sure incidents and breaches are resolved, consumers are protected and compensated, and poor behaviour is rectified along with its root causes.

Investment Committee

The Investment Committee was established by the MLG Board to assist in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and review of investment strategy. The Committee oversees the range of products and services managed or advised by the Investment Research team. Additionally, the committee has investment oversight of all external unit links offered on the MLL platform and its own internal unit linked funds.

The Committee meets quarterly to discuss investment processes, to assess existing managers and consider new managers. Additional meetings are called as and when required. All manager appointments and asset weighting changes are approved by the Committee before any change is undertaken.

Remuneration Committee

MLAS employs staff on behalf of MLL and other group companies. The Remuneration Committee was established by the MLG Board to assist in discharging its duties relating to determining, agreeing and developing the general policy on executive and senior management remuneration for approval by the board of MLG in respect of its subsidiary MLL. The committee determines and monitors executive and senior management remuneration, including but not limited to basic salary, benefits in kind, any annual bonuses, performance-based incentives, long term incentives, pensions and other benefits. The committee determines any criteria necessary to measure the performance of executive directors in discharging their functions and responsibilities.

The committee will review (at least annually) the terms of executive directors' employment conditions, taking into account information from comparable companies where relevant and pay due regard to the regulatory requirements to ensure that:

a) remuneration policies are consistent with effective risk management;
b) decisions are consistent with the firm's financial situation and future prospects;

c) procedures for setting compensation are clearly documented (including measures to avoid conflicts of interest);

d) The ARC (in consultation with the company's HR function) has had input into setting the compensation for business areas;

e) An assessment of financial performance has been undertaken and documented to calculate the bonus pools;

f) Remuneration is not assessed solely on the results of the financial year for which remuneration is being determined;

g) Non-financial performance metrics, including adherence to effective risk management and compliance with regulations, forms a significant part of the performance assessment process;

h) The measurement of performance for long term incentive plans takes account of effective risk management and the firm's financial situation and future prospects; and

i) The fixed component of remuneration for all staff is a sufficiently high proportion of total remuneration to allow the regulated companies to operate a fully flexible bonus policy.

All salary increases and bonuses are proposed to and agreed by the Mobius Life Remuneration Committee. Any appointment with a salary above a certain threshold is approved by the MLH Board.

All new staff appointments and related contracts, together with any salary adjustments, are approved by the Chief Executive Officer and the Chief Operating Officer.

MLAS, on behalf of MLL and the other group companies, provides a range of benefits to employees, including contractual salary, life cover, private medical insurance and paid holiday. In addition, the company pays contributions based on a percentage of salary into a company pension scheme on behalf of its employees (defined contribution scheme).

MLAS, on behalf of MLL and the other group companies, operates an annual discretionary award scheme for employees based on the group and individual performance. The relative weighting of fixed and variable compensation will be based partly on the seniority of the position and performance of the individual and business.

There were no share based payments during the period by MLL.

On 10 December 2018, a dividend of £6,216k was approved by the Board and paid to its immediate parent, MLG. There were no other material transactions with shareholders, persons who exercise significant influence, and with members of the administration, management or supervisory body.

B.2 Fit and Proper Requirements

MLAS, on behalf of MLL and the other group companies, is committed to recruiting and developing a deep pool of talent across the business and ensuring that members of staff are competent in the work they do and that their training and development is regularly reviewed as part of a competency based appraisal process.

As part of the recruitment process MLAS, on behalf of MLL and the other group companies, evaluates the potential employee's existing qualifications, skills, knowledge and expertise for the position the candidate is applying for. This process is also conducted when deciding to promote an existing employee. If there are any gaps identified a training plan is put in place and the employee is supervised whilst they become fully competent in the role.

As part of the ongoing competency assurance all employees are required to complete training modules and pass tests on various topics, including regulations and business awareness, upon joining the Mobius Group, and thereafter participate in refresher training as and when required.

To ensure the fitness and proprietary of new employees we also conduct background checks. The background checks include previous employment referencing and Disclosure and Barring Service ("DBS") checks and credit checks.

The Board and any employees who hold a PRA Senior Management Function and/or a FCA Controlled Function undergo an annual fitness and proprietary check, which involves attestations in respect of any criminal convictions, legal proceedings, personal solvency, behaviour of both themselves and the companies they currently and previously worked for, and confirmation they continue to abide by the regulations of the PRA and FCA.

An employee handbook incorporating the company's code of conduct, business policies and procedures is in place to ensure that all employees follow the highest standard of ethical conduct. MLAS, on behalf of MLL and the other group companies, promotes an open and honest culture and has defined whistle-blowing procedures in place to enable all employees to raise matters of concern in confidence.

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

The Board sets the risk appetite for the firm at business segment level for key risks. The company has established a risk management framework to identify, measure, manage, mitigate and report the risks of the business, which also supports preparation of the Own Risk and Solvency Assessment. Policies and procedures are reviewed regularly to ensure that risk management is effective and appropriate.

MLL's Board meets quarterly, with management updates in intervening months.

The Board receives the same risk report as the ARC, together with an update from the independent Chairperson of the ARC on the discussion at its meeting. This includes the Risk Register which is maintained by senior management and reviewed quarterly by the CRO. The Risk Register details the business risks identified by the Board and senior management. Against each risk type, a specific risk and description is recorded. The overall gross risk assessment is calculated based on the impact/probability as agreed by the ARC. The mitigating controls and business owner are documented, alongside any actions in place to address the risk.

The CRO monitors the risks of the business by reviewing the Risk Register and reports activity to the ARC and the Board. Senior managers of the business are responsible and accountable for management of the risks associated with their teams' activities.

The ARC assesses the results and challenges management on the control procedures in place to mitigate these risks. All risks are assigned by the CRO to an owner who is then responsible for ensuring the efficiency of the controls over the risk. The responsibilities of the ARC are set out in Section B1 above.

Own Risk and Solvency Assessment ("ORSA")

In line with Solvency II legislation, MLL prepares an ORSA report at least annually, to be submitted to the regulator after due consideration by the Board. MLL has an ORSA policy setting out the ORSA process.

The ORSA process brings together the risk management and business and capital planning processes. One output is MLL's own assessment of the capital required to manage the business (Pillar 2 capital) while meeting its regulatory capital requirement, the SCR (Pillar 1 capital).

The capital plan is an output from the planning process, normally carried out in January-March, for approval at the March Board meeting. The planning process takes into account the effects on the ORSA, and will include a forward looking assessment of own risks.

The planning time frame is 3 years: year 1 by month, year 2 at a detailed level but on a full year basis, and top down targets for year 3.

- Revenue is modelled at distribution channel level, with estimates of new money, lost business, and market growth
- Expenses are modelled at line item level, with a detailed bottom up budget of salaries and IT cost.

- The resulting impact on capital and cash projections are then modelled.
- The key risks, and developing risk trends, are assessed.
- Stresses are assessed and sensitivity analysis performed, with their consequent effect on capital.

The process to produce the annual ORSA report takes place after the bulk of the financial year end work is completed, normally during July-September, by which time full Solvency II capital data is available. Post year end events may then lead to an update of the forward looking assessment of own risks used in the business planning process and the ARC and the Board will consider the impact on business strategy.

The ORSA process carried out in 2018/19 and the 2018 report (for the 20 month reporting period to 9 November 2018) is structured to separately consider risks in respect of the unit linked assets under management and risks to shareholders' fund.

<u>ORSA Updates</u>

The company recognises that, in addition to the business as usual process of ORSA preparation, events may trigger the requirement for a review and update of the ORSA. Such events may include, but are not restricted to:

- acquisition;
- loss or disposal of a material part of the business;
- introduction of a new line of business;
- change in senior management;
- failure of a major counterparty; and
- an event, or combination of events, that has or may have resulted in MLL failing to meet one of its capital targets.

The ORSA policy is reviewed annually.

<u>Ownership and responsibility</u>

The production of the ORSA is the responsibility of the Board. To support this, they have:

- defined the risk appetite;
- developed a risk management framework;
- implemented a process to constantly review the Risk Register; and
- ensured that ownership of the management of each risk is clear.

Ownership of the processes and procedures in place to conduct the ORSA lies with MLL's Finance Director who also owns the maintenance of the detailed ORSA Policy and Record documents.

As part of the ORSA, the Board also reviews whether the methodology used to calculate its SCR in its Solvency II Pillar 1 computations is appropriate for MLL.

<u>Own Solvency Needs</u>

MLL has determined its own solvency needs by using a combination of stress and scenario tests including forward-looking projections that consider the projected solvency position in a central 'best estimate' scenario and a number of adverse scenarios.

The stresses and scenarios considered take into account the nature and specific risks of the business.

MLL has determined the capital required for it to withstand adverse experience equivalent to that which might be encountered once every 200 years over a one-year period.

B.4 Internal Control System

The internal control system operates at several levels within the company

a) Board Level – strategic controls through quarterly meetings to assess both the performance, risk and compliance of the business by both executive and non-executive directors

b) Sub-committees – ARC, Investment, Information and Security and Remuneration committees provide the Board with support to identify risks and to monitor and develop the internal control environment

c) Business areas – provide day-to-day controls of the business through:

- appropriate training of staff and segregation of duties;
- identification of risks;
- implementation of appropriate controls; and
- ongoing monitoring, review and updating of controls.

Effectiveness of the internal control system is assessed by Internal Audit (see B.5. below).

B.4.1 Compliance Function

Compliance is responsible for providing assurance to the Board in its management of regulatory risk and ensuring that the business' Anti-Money Laundering and Treating Customers Fairly policies and procedures are adhered to. The Compliance Monitoring Programme is designed to review the effective operation of the control processes and ensures members of staff are kept informed of regulatory and legislative changes through a combination of technical updates and internal training courses. The Compliance Officer reports monthly to the Management Committee (Executive Directors & CRO) and quarterly to the ARC and MLL Board. The Compliance Officer operates a breach register to deal with any breach information.

B.5 Internal Audit Function

BDO LLP ("BDO") was appointed in October 2016 to provide internal audit services on an outsourced basis. MLL is audited throughout the year by BDO following the guidance contained in the Institute of Chartered Accountants technical release AAF01/06, assurance on internal controls of service organisations. BDO completes an AAF01/06 Internal Control Report on an annual basis.

The Internal Audit function reports directly to the Chairperson of the ARC and is independent of Finance and other departments within the company.

B.6 Actuarial Function

Barnett Waddingham LLP ("Barnett Waddingham") was appointed in January 2017 to provide the Actuarial Function role on an outsourced basis.

The responsibilities of the Actuarial Function are set out in Section 6 of the PRA's Conditions Governing Business Rulebook. The main tasks carried out by this function include coordination of the calculation of technical provisions, ensuring the appropriateness of the technical provisions, reviewing the SCR modelling approach, providing input into the ORSA process and reporting to the Board on all of the above. These tasks are set out in the engagement letter between MLL and Barnett Waddingham.

MLL's Chief Executive is responsible for the oversight of the Actuarial Function which is a Solvency II key function.

B.7 Outsourcing

The company outsources certain functions after a due diligence process is undertaken to assess the effectiveness of outsourcing vs. carrying out functions internally. The due diligence process considers, amongst other things, the ability, skillset and resources required, costs and ability to effectively manage the outsourced function and associated risks.

Key relationships include:

1) Barnett Waddingham – Actuarial Function (including Chief Actuary);
2) BDO – Internal Audit Function
3) MLAS – Group administration
4) AEGON – member administration until the transfer of the Stakeholder Pensions business to Scottish Friendly
5) FRS – IT systems and support
6) ITLabs – IT support

B.8 Any other information

The company assesses its corporate governance system on a regular basis to ensure it continues to provide an effective framework for the sound and prudent management of the business, taking into account the nature, scale and complexity of the company and its future growth plans.

C. Risk Profile

All insurance policies written by the company are investment only unit linked contracts without guarantees.

The Board and senior management identify the business risks which are recorded in the Risk Register maintained by the business. The business is predominantly exposed to five main risk themes: market risk; lapse risk; operational risk, credit risk and liquidity risk. Risks are assessed on an ongoing basis by the senior management team and the CRO and reported to and reviewed by the Board and the ARC on a regular basis.

As noted in section B.3. the ORSA is prepared at least annually after due consideration by the Board.

The Pillar 1 risk capital is:

£000's	FY 2019	FY 2018
Market risk	870	1,903
Credit risk	846	4,786
Underwriting risk	785	2,248
Diversification	(732)	(2,330)
Sub total	1,769	6,607
Operational risk	1,171	1,176
Deferred Tax	(559)	(992)
SCR	2,382	6,791

MLL does not suffer any direct losses should markets fall as the unit linked structure flows gains and losses directly through to the policyholder. However, fees are charged on a percentage basis of assets under administration and so falling markets generally reduces assets under administration and in turn revenues.

Similarly, lapses result in a loss of assets under management and therefore revenue.

The material components of operational risk relate to: Financial Reporting and Controls; Investment Operations; New Business Strain; Reputation; Outsourcing; Regulation; IT & Data Security; Project Risk; Succession Planning and Staff Retention. These risks are mitigated through strong corporate governance and a robust system of internal controls, which are overseen by the Board.

The company is exposed to credit risk with respect to bank counterparties. Other credit risks are deemed immaterial. At 31 March 2018, MLL was exposed to reinsurance counterparty risk on Stakeholder Pensions business contracts written before May 2010. MLL is no longer exposed to this risk, following the sale of the Stakeholder Pensions business on 9 November 2018.

Movements in the SCR over the reporting period are discussed in Section E.

Liquidity risk can arise due to timing of cash transactions and rebalancing of client funds. This is mitigated through daily checks on bank accounts and forward looking liquidity assessments.

The Board monitors the overall risk profile and capital requirements on a Pillar 1 and Pillar 2 basis. The capital management policy sets out solvency targets. The Board and senior management have set internal monitoring thresholds on the key risks of the business. Such thresholds are monitored on an ongoing basis and more formally at monthly management meetings and quarterly meetings of the Board and ARC.

C.1 Underwriting risk

Underwriting risk can be defined as the risk of a change in value due to a deviation of the actual claim payments from the expected amounts of claims payments (including expenses).

MLL is a pure unit linked life insurer and does not bear any insurance risk through its unit linked policies. There is no exposure to mortality or longevity risk. There are no policies with guarantees, and no with-profits policies. Accordingly, underwriting risk is limited to lapse and expense risk.

Lapse risk is driven by failure to onboard new distribution lines resulting in financial dependency on a limited number of distributors and product offerings, leading to a concentration and dependency on a few large revenue sources.

A senior manager is responsible for appropriate relationship management and accordingly the company normally has reasonable notice of possible losses of business. A monthly review is conducted for major clients and continued growth of the platform and onboarding of new distributors diversifies the exposure to this risk.

MLL is exposed to the risk that lower than planned business increases, or reductions in business revenues, leads to expense overrun, reducing profitability and impacting capital levels.

To mitigate expense risk, senior management of the company monitors the actual performance vs. budget plan on a monthly basis to monitor the business activity and expense levels, taking corrective action if necessary by reducing variable costs and discretionary expenditure.

The underwriting risk SCR is not sensitive to changes in the best estimate lapse and expense assumptions. This reflects the short-term projection period over which the value of the in-force business is projected (see Section D). Sensitivity results are shown below.

	Change in SCR £000's	Change in SCR cover*
10% increase in best estimate expenses	4	(4)%
2% addition to best estimate lapse rate	(3)	0%

* SCR cover is own funds divided by the SCR, expressed as a percentage. The change in SCR cover is the SCR cover under the sensitivity less the SCR cover reported at the valuation date.

There have been no material changes over the reporting period to the underwriting risks to which MLL is exposed.

C.2 Market risk

Market risk can be defined as the risk that movements in market factors (such as the valuation of equities or bonds), interest rates, and currency rates impact adversely the value of, or income from, financial assets.

Market risk is measured and monitored through the monthly review of key published indexes and the impact of such market movements on the assets under management of the business is documented in the monthly finance pack. The underlying funds are invested in a diversified range of global asset classes and therefore the Board do not consider the company to have concentrated exposure to a particular asset class.

Market movements, including those due to currency movements, flow directly to policyholders through the unit linked structure. As such, the impact of unit linked market risk on the company is limited to falling revenues, which are a percentage of assets under administration. Market movements are monitored on an ongoing basis and the company can adjust its cost base to mitigate against the impact of falling markets and revenues.

Sensitivity of the SCR to changes in the value of linked assets is shown below.

	Change in SCR £000's	Change in SCR cover
10% increase in market value	90	(2)%
10% decrease in market value	(88)	2%

There have been no material changes over the reporting period to the market risks to which MLL is exposed.

C.3 Credit risk

Credit risk can be defined as the risk of capital or income loss resulting from counterparty default or issuer credit downgrades affecting financial assets.

Credit risk is measured by analysing the maximum counterparty exposure against the probability of default. External ratings, letters of support and other factors are used to determine the appropriate probability of default and hence credit risk of a particular counterparty.

MLL's exposure to assets bearing credit risk at the end of the financial period is:

	2019	2018
Unit linked business	**£000**	**£000**
Reinsured investments	-	269,375
Deposits with credit institutions	19,226	9,329
	19,226	278,704
Non linked		
Investments in collective investment schemes	-	5,631
Debtors (giving rise to credit risk)	964	830
Deposits with credit institutions	5,299	2,773
	6,263	9,234
	25,489	287,938

MLL's unit linked funds are predominantly invested in third-party collective investment schemes or the internal funds of other UK insurers by way of ceded unit linked investment only reinsurance.

Policyholders bear the direct risk of default from assets held within the third-party collective investment schemes and the ceded reinsured funds although any loss of value would result in lower income to MLL.

Policyholders also bear the risk of default by a third party collective investment scheme although the risk of such a default is considered negligible given the legal structure of such funds which require assets to be ring-fenced and held by a depositary independent from the scheme manager.

MLL was previously exposed to the risk of a reinsurer failing to meet its obligations in respect of ceded reinsured funds held against Stakeholder Pensions business policies issued broadly before May 2010. The risk of ceded reinsurance counterparty default on other business falls on the policyholder. Following the sale of the Stakeholder Pensions business on 9 November 2018, Mobius is not exposed to ceded reinsurance credit risk and the SCR is correspondingly significantly lower.

The ceded reinsurance in place is unit linked investment only reinsurance. There is no traditional insurance risk transfer and balances with reinsurers are in substance of the same nature as those with asset managers.

All ceded reinsurance arrangements are with UK insurance companies authorised and regulated by the PRA that are either specialist unit linked companies writing business similar to MLL or companies with a high credit rating who operate unit linked funds.

Following the issue of the Winding Up Regulations April 2003 (updated 2004), MLL has entered into charge agreements with reinsurers whereby a floating charge is made on the reinsurer which crystallises in the event of the reinsurer winding up. This places MLL on the same footing as the reinsurer's own direct policyholders, so providing added protection to MLL and its policyholders. This approach is market practice for long-term insurers who enter into investment linked reinsurance arrangements.

MLL monitors the credit ratings and solvency of all reinsurance counterparties to ensure that it or its policyholders are not exposed to undue credit risk.

For there to be any significant impact to policyholders, there would have to be an unprecedented failure of a major insurer in the regulated UK market.

Given this, the credit checks and the floating charge, management believe that the ceded reinsurance arrangements give rise to insignificant levels of credit risk to policyholders.

The impact of a credit risk event on a ceded reinsurance contract for the unit linked business would most likely relate mainly to legal costs arising in the event of a reinsurer or asset manager failing and a potential delay in gaining access to funds.

MLL manages its exposure to credit institutions by monitoring the credit ratings of its counterparties and gaining diversification by investing non linked assets in collective investment schemes when considered appropriate.

The credit exposures given as debtors are amounts owed to MLL by third party fund managers and the rent deposit for MLL's leasehold at Gresham Street net of any rent contractually owed to the landlord to the end of the lease agreement.

The sensitivity of the SCR to changes in the credit standing of MLL's counterparties is given below.

	Change in SCR £000's	**Change in SCR cover**
All bank counterparties downgraded by one credit quality step	678	(49%)
Amounts owed to MLL by third party fund managers increase by 100%	63	(6)%

C.4 <u>Liquidity risk</u>

Liquidity risk is defined as the inability of the company to realise investments and other assets to pay its obligations as they come due. Liquidity risk is measured by considering the amount of shareholders' funds held in cash or short term deposits available to cover overheads.

Operational cash flow is strong, and the balance sheet position is reported in the management pack each month. Shareholders' funds held in cash or readily realisable investments are £5.3m at 31 March 2019; equal to around 10 months of overheads.

From time to time, clients wish to switch or rebalance their portfolios, leading to cash strain depending on the settlement terms of the funds concerned. In such cases, transactions are planned and monitored on a daily basis. Only switches under £1m are supported by shareholder funds.

The majority of policyholder assets are in highly liquid investments. The only exceptions are investments in certain property funds, where the risk is disclosed to policyholders prior to investment: this is less than 3% of policyholder funds.

To mitigate liquidity risk on unit linked assets, withdrawals deemed significant can be delayed under the terms of the policy wording until the underlying fund managers have settled. In the event of being notified of liquidity issues with an underlying manager, the company is able to suspend withdrawals from that particular fund. The policy wording additionally allows for the cost of any delay in settlement from a fund manager to be passed onto the underlying policyholder.

There have been no material changes over the reporting period to the liquidity risks to which MLL is exposed.

Following the sale of the Stakeholder Pensions business, the expected profit in future premiums calculated in accordance with Article 260(2) of the Delegated Regulation is zero (FY 2018: £2k).

C.5 Operational risk

MLL's primary risk is operational and it operates a stringent control framework to mitigate this risk. In addition, MLL has taken insurance cover to limit its exposure from operational errors that result in large losses. For losses covered under by insurance, losses are limited to £60k, subject to a total insurance liability cap of £10m.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The main risks to MLL are: incorrect client dealing; manager trading; unit pricing or cash settlement leading to financial loss; client complaints and /or reputational damage. Events may include, but are not limited to:

- a client instruction that is processed incorrectly, or
- an underlying trade that doesn't reflect the client intention. For example, this may be a deal that missed the underlying fund dealing cut-off.

The material components of operational risk are set out below and are measured on an expected value basis i.e. probability of the event occurring and loss upon event occurring:

1. Financial Reporting and Controls	Inadequate financial controls or inaccurate financial reporting lead to financial loss, FCA / PRA breaches and / or fines.
2. Investment Operations	Incorrect client dealing, manager trading, unit pricing or cash settlement leading to financial loss, client complaints and/or reputational damage.
3. New Business Strain	An increase in the number of clients and product offerings leads to strain on resource leading to poor client service and operational errors. Risk that transitions team will struggle and operational errors will increase if over stretched.
4. Reputation	Reputational risk arising from failure to manage other risks.
5. Outsourcing	Operational error by outsource providers leads to financial loss, loss of clients and reputational damage.
6. Regulation	<u>Regulatory Breach</u> Risks are: 1) legislation is not implemented accurately or timely and FCA rules are breached; 2) legislation is not interpreted correctly; 3) staff do not comply with / understand FCA & PRA rules; 4) material change in regulation or legislation imposed by government has a significant impact on business; and 5) sanctions resulting from financial crime breach of process. <u>Treating Customers Fairly</u> Shareholders' interests are considered ahead of policyholders interests. <u>Regulatory Change and related costs</u>

	Change in regulations impacts profitability of business due to reduced revenues, greater costs or increased capital requirements.
7. IT & Data Security	IT fraud leading to financial loss or loss of client data. Reputational and financial damage if Business Continuity Plan fails.
8. Project Risk	Risk that a particular project fails and the company is unable to meet commitments.
9. Succession planning and staff retention	Risk that business is reliant on individuals, in particular senior management. Turnover increases as staff are not incentivised. Impact on consultants / clients if key staff leave the business.

Mitigating actions to control dealing and investment operational errors include:

- a control procedure detailing all steps is followed on a daily basis. This is completed by the administrators and signed-off by a senior member of the operations team;
- deals placed with the fund managers are monitored and confirmation of receipt is obtained;
- Defined Contribution portfolio dealing is as 'automatic' as possible through the use of straight-through-process "STP" systems. These systems enforce the dealing cut-offs and reject 'unrecognised' deals;
- a daily review and sign-off of processed and unprocessed deals by a senior member of the operations team to ensure that deals are processed on the correct day;
- new client and fund setup is reviewed by a senior member of the operations team to ensure that system information matches client intentions;
- large switch transactions are reviewed by a member of the asset transfer team; and
- ongoing operational due-diligence to ensure that the funds we use are compatible with our dealing cycle/process.

The key controls are:

Maintaining financial records and other records

- Cash positions are completely and accurately recorded and reconciled to third party data
- Unit positions are completely and accurately recorded and reconciled to third party data
- Fund management fees are accurately calculated and recorded
- Clients fees are accurately calculated and recorded
- Pooled funds are priced and administered accurately and in a timely manner

Authorising and processing transactions

- Client new monies, switches and disinvestments are authorised, processed and recorded completely and accurately
- Investment fund transactions are properly authorised, executed and allocated in a timely and accurate manner

Accepting clients

- Client agreements/application forms are completed and authorised prior to initiating investment activity
- Accounts are set up and administered in accordance with client agreements and applicable regulations

Setting fund investment strategy, appointment and monitoring of external fund managers

- Investment strategy is set and implemented in a timely manner
- Selection and appointment of external fund managers is subject to research and is properly authorised
- Performance of fund managers is monitored frequently and against appropriate benchmarks

Client reporting

- Client reporting in respect of fund transactions, holdings and performance is complete and accurate and provided within required timescales

Monitoring compliance

- Funds are managed in accordance with investment objectives and monitored for compliance with investment guidelines and restrictions
- Transaction errors are rectified promptly and clients treated fairly

IT & Data Security

- Access is restricted for authorised individuals to computer systems, programs, master data, transaction data and parameters, including access by administrators to applications, databases, systems and networks
- Segregation of incompatible duties is defined, implemented and enforced by logical security controls in accordance with job roles

- IT processing is authorised and scheduled appropriately and exceptions are identified and resolved in a timely manner
- Data transmissions between the service organisation and its counterparties are complete, accurate, timely and secure
- Appropriate measures are implemented to counter the threat from malicious electronic attack (e.g. firewalls, antivirus etc.)
- The physical IT equipment is maintained in a controlled environment
- Data and systems are backed up regularly, retained off-site and regularly tested for recoverability
- IT hardware and software issues are monitored and resolved in a timely manner
- Business and information systems recovery plans are documented, approved, tested and maintained.

The AAF 01/06 audit review has concluded that all these controls are operating effectively, and this minimises operational risk. Nonetheless operational risk does exist. This type of risk varies with the number and value of the transactions. Management consider that the main risk is not the loss of capital amounts, but trading into incorrect funds or missing a trade, and the need to make good any consequent monetary loss to the client.

A business continuity and disaster recovery plan is in place, with a Business Continuity team and cascade process, and a disaster recovery site is maintained separately from the main business premises. This is tested annually.

The SCR for operational risk is defined, for MLL, as 25% of the non-acquisition expenses incurred in the year to the valuation date.

	Change in SCR £000's	**Change in SCR cover**
10% increase in non-acquisition expenses	95	(9%)
10% decrease in non-acquisition expenses	(95)	10%

There have been no material changes over the reporting period to the operational risks to which MLL is exposed.

C.6 Other material risks

All material risks have been reported in the sections above. The impact of Brexit has been considered by senior management and is not deemed to be a material risk to the business. The impact of climate change risk has also been considered and is not deemed to be a material risk to the business other than the potential impact on asset values that is considered a component of market risk. There are no other material risks to which MLL is exposed.

C.7 Any other information

Mobius performs sensitivity, scenario and stress tests to determine the Board's risk appetite for each material risk faced by the business.

Tests are performed annually as part of the ORSA process and assist management with the understanding of the business model and its risks.

A variety of stresses are applied to the balance sheet, with capital being set such that MLL can withstand what are considered to be 1 in 200 year stresses over a one year timeframe. The stresses include forward looking projections and reverse stresses to capture severe events, market shocks and other circumstances that could have a material impact on the business and ultimately may cause part or all of the business to fail.

In December 2018, MLL updated its Capital Management Policy following the sale of the Stakeholder Pensions business. The Board propose to operate with a Pillar 2 (ORSA) solvency margin of over 200%, while targeting a Pillar 1 SCR solvency margin of between 150% and 200% or, if greater, 120% of the MCR.

The Prudent Person Principle set out in Article 132 of Directive 2009/138/EC requires insurers to only invest in assets whose risks can be properly identified, measured, monitored, managed, controlled and reported.

All assets held for MLL's own account or relating to policyholder funds have quoted prices in an active market. Assets can be identified, measured, monitored, managed, controlled and reported on a daily basis.

Policyholder liabilities are closely matched by holding the assets upon which the policyholder liabilities are determined.

D. Valuation for Solvency Purposes

D.1 Assets

As at 31 March 2019, the following assets are held to cover the linked liabilities (31 March 2018 amounts are also shown).

	2019 £000	2018 £000
Units in collective investment schemes	15,812,566	11,596,988
Bank balances	19,226	9,329
Debtors and outstanding settlements	20,154	(7,525)
Total assets held to cover linked liabilities	**15,851,946**	**11,598,792**

MLL has bought units on its own account in collective investment schemes which invest in money market instruments and corporate bonds.

Collective Investment Schemes invested in:	2019 £000	2018 £000
Money market funds	-	4,702
Other funds (seeding)	66	-
Debt securities	-	929
Total assets held on own account	**66**	**5,631**

Other assets on the balance sheet of MLL include cash (£5,299k), receivables (£10,062k) and other assets (£355k).

MLL uses the following hierarchy for the determining and disclosing the fair value of financial instruments:

Level (a) – quoted prices for an identical asset in an active market;

Level(b) – the price of a recent transaction for an identical asset, provided there has been no material change in economic circumstances or a significant lapse of time; and

Level (c) – valuation techniques which attempt to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

All assets in which the company invests its own or policyholders' funds fall into level (a).

The valuation used to determine the fair value of the collective investment schemes in the financial statements is the quoted price from the fund manager's administrator i.e. the quoted net asset value. This could be based on either the bid, offer or mid-market price depending on the particular manager.

For financial reporting and Solvency II purposes, units are valued using the quoted price.

Intangible and tangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles and tangibles less their residual values over their estimated useful lives, using the straight line method.

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

Debtors, including prepayments and accrued income, are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Amounts that are receivable within one year are measured at the undiscounted amount expected to be receivable, net of any impairment.

Where a financial asset constitutes a financing transaction it is initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest.

At each reporting date, MLL assesses whether there is objective evidence that any financial asset may be impaired. A provision for impairment is established when there is objective evidence that MLL will not be able to collect all amounts due according to the original terms of the financial asset. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows. The amount of the provision is recognised immediately in profit or loss.

The only difference between the valuation of assets shown in MLL's financial statements and the valuation for solvency purposes is tangible assets totalling £3k (FY 2018: £10k) in the financial statements are given no value for solvency purposes.

MLL provides policyholders access to investment funds managed by third party fund managers and other insurance companies. Insurance companies facilitate this access through reinsurance contracts with MLL. Reinsurance contracts are the legal mechanism for accessing the third party insurance funds but the sole purpose of the contracts is to provide an investment vehicle. There is no transfer or reinsurance of any typical insurance risks. As such, MLL reports the value of assets held under reinsurance contracts within the value of assets held to cover linked liabilities rather than as reinsurance recoverables. The risk of a reinsurer being unable to meet its obligations to MLL is borne by the policyholder. No adjustment is made to the value of assets on a best-estimate basis as MLL considers the risk of default negligible.

There have been no material changes to the recognition and valuation bases over the reporting period. No material assumptions or judgements have been used in the valuation of the assets.

D.2 Technical Provisions

MLL writes two lines of business, direct unit linked business (the institutional pensions platform business or "Trustee Investment Plans") and unit linked investment only reinsurance accepted. All business is pensions business.

Technical provisions have been determined as the sum of the unit liabilities, VIF and the risk margin.

The VIF is a best estimate calculation of the present value of the excess of policy charges over expenses and other outgoings, where a positive VIF is shown as a negative liability.

Following PRA guidance, the unit liabilities are reported as "TP calculated as a whole" and the VIF is reported as the "Best Estimate" on form S.02.01.02 in Appendix 1.

The technical provisions at 31 March 2019 (and at the previous valuation date) are:

			2019 £000	2018 £000
	Direct	Reinsurance accepted	Total	Direct and Total
Unit liabilities	15,529,104	322,841	15,851,946	11,598,792
VIF	(726)	(41)	(767)	(3,762)
Risk margin	117	2	119	360
Total technical provisions	**15,528,496**	**322,802**	**15,851,298**	**11,595,391**

The change in technical provisions over the reporting period is dominated by the increase in unit liabilities, reflecting net new investments and net positive investment returns on the linked assets.

The reduction in both the VIF and the risk margin are primarily due to the sale of the Stakeholder Pensions business. This is discussed further below.

Methodology and assumptions

The VIF is calculated using a deterministic cash-flow projection method. Material changes in the projection assumptions are discussed below.

Following the sale of the Stakeholder Pensions business, a short-term projection period is used on all business. Although MLL manages its business on a long-term basis, this short-term projection reflects the fact that MLL is able to terminate all such policies by giving policyholders three-months' notice and consequently close out long-term risk. The MLL Board consider the use of a short-term projection period to be a proportionate approach in line with Article 56 of the Delegated Acts. The technical provisions so determined are higher than they would be under a long-term projection. The projection period is determined to satisfy the Article 56 requirement that the proportionate methodology should not underestimate the risk associated with the business. At 31 March 2019, a three-month projection period has been used (FY 2018: four months).

The projection involves estimating the policy charges and expenses cash-flows that MLL expects to receive and incur respectively in each monthly time step of the projection period, based on the business in force at the valuation date and using best estimate projection assumptions. The net cash-flow in each month is then discounted to the valuation date to give a present value.

The policy charge cash-flows are annual management charges ("fee income") which are either deducted directly from unit linked funds, or otherwise invoiced directly to policyholders.

The expense cash-flows fall into two categories:

- investment management fees; and
- other expenses such as MLL's share of salary, overhead and supplier costs.

The fee income and investment management fees are netted off such that the net of investment management fees fee income is projected in the valuation model.

Where expenses and other outgoings are contractually defined, the contractual amounts are taken as the best estimate assumptions.

The assumptions for other expenses are based on MLL's expectations taking into account experience over the twelve months to the valuation date and any anticipated changes.

Economic assumptions are based on market data at the valuation date.

There is no obligation for policyholders to pay additional premiums and therefore no allowance for future premiums is made in the VIF.

Withdrawal (transfer-out) assumptions are based on actual experience over the four year period to the valuation date, adjusted as necessary to make appropriate allowance for extraordinary events, subject to a minimum floor (which makes allowance for the inherent uncertainty due to the nature of the business and approximations used in the analysis upon which the assumption is based).

It is assumed that the average rate of net fee income on in-force business at the valuation date is maintained throughout the projection period.

The risk margin has been assessed in accordance with the methodology set out in the Delegated Acts as the cost of holding an adjusted SCR over the projected run-off of the business. As all business is projected over a period of less than one year, the run-off for the risk margin calculation is one year.

The adjusted SCR at the valuation date is calculated using the result of the SCR at the valuation date but with the bank counterparty default and market risk module SCR set equal to zero on the assumption that these risks could be hedged if required.

The risk margin has been apportioned across the two lines of business in proportion to the respective unit liabilities. This is considered a proportionate and appropriate approach as the amount of unit liabilities is a reasonable proxy for the risk associated with each line of business and the impact of using a different apportionment method would not be material to the overall technical provisions by line of business.

Uncertainty

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

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

The technical provisions are dominated by the value of unit liabilities and, therefore, will fluctuate in line with investment market movements.

Given the short projection periods used, the technical provisions are relatively insensitive to changes in the projection assumptions.

Reconciliation with financial statements

MLL's technical provisions for solvency purposes are calculated differently to those reported in the financial statements. The technical provisions for solvency purposes are £648k lower (FY 2018: £3,401k lower) than the technical provisions reported in the financial statements, reflecting the VIF and the risk margin held for solvency purposes.

Adjustments, transitional arrangements and reinsurance

MLL does not use a matching adjustment, volatility adjustment or any of the Solvency II transitional measures. The only outgoing reinsurance contracts in place are unit linked investment only reinsurance contracts (see section D.1).
No risks have been transferred to special purpose vehicles.

D.3 <u>Other liabilities</u>

Other liabilities comprise creditors falling due within one year of £7,502k (FY 2018: £5,523k), accruals of £3,491k (FY 2018: £2,938k) and a deferred tax liability of £123k (FY 2018: £646k).

Creditors is broken down into investment management fees due to external fund managers, amounts owed to other group companies and amounts owed to distributors and other suppliers.

Accruals relate to fund manager fees and other business expenses.

The deferred tax liability relates to notional tax on the sum of the VIF less risk margin. The decrease in the deferred tax liability at 31 March 2019 reflects the decrease in the excess of the VIF over the risk margin compared to the previous period.

Other liabilities have been valued in the same manner for both solvency purposes and for the financial statements with the exception of deferred tax liabilities which is only present on the balance sheet for solvency purposes. There have been no changes to the recognition and valuation bases over the reporting period. No material assumptions or judgements have been used in the valuation of the liabilities.

D.4 Alternative methods for valuation

The valuation used to determine the fair value of MLL's own investments in collective investment schemes in the financial statements is the quoted price from the fund manager's administrator i.e. the quoted NAV. This could be based on either the bid, offer or mid-market price depending on the particular manager.

For financial reporting and Solvency II purposes, policyholder unit liabilities are based on the quoted price of underlying assets (FY 2018: bid price).

D.5 Any other information

There is no other material information to disclose in relation to valuation for solvency purposes.

E. Capital Management

E.1 Own funds

The company's objectives in managing its own funds are:

a) To match the profile of its assets and liabilities, taking account of the risks inherent in the business

b) To maintain financial strength to support new business growth

c) To satisfy the requirements of its policyholders and regulators

d) To manage exposures to credit risk

It remains the intention of the Board to ensure that there is adequate capital to exceed the company's regulatory requirements. The Board has a capital management policy in place and deems it reasonable to adopt the following approach with regards to capital planning.

- Capital plan is a forward looking assessment of the capital position against capital requirements.
- Capital is assessed on a Pillar 1 (valuation for solvency purposes) and Pillar 2 (own assessment) basis. For Pillar 2 the Board considers it appropriate to demonstrate capital adequacy over a one year timeframe to a 99.5% confidence level using stresses that reflect the nature and extent of risks accepted by MLL.
- The Board targets a Pillar 1 solvency margin of between 150% and 200%. It also has a Pillar 2 solvency margin target.
- The Board and senior management have set internal monitoring thresholds on the key risks of the business. Such thresholds are monitored on an ongoing basis and more formally at monthly management meetings and quarterly meetings of the Board and ARC.

The company reviews its capital position on an ongoing basis in light of current and future growth requirements. The ORSA, which forms part of the capital assessment process, uses a three year forecast to assess the solvency needs of the business.

Dividends are declared following an update to the capital plan and consideration of MLL's ability to maintain its target solvency cover. A new Capital Management Policy was approved by the Board in December 2018 resulting in revised targets for Pillar 1 and Pillar 2 solvency margins (which are those summarised above).

The company's own funds are shown in the table below.

	2019 £000	2018 £000
Ordinary Share Capital	**4,000**	**4,000**
Deferred Tax Asset	**7**	**0**
Reconciliation Reserve	**1,314**	**6,270**
Retained Profits	*792*	*3,525*
Disallowed Assets (tangible and intangible assets)	*(3)*	*(10)*
VIF	*767*	*3,762*
Risk Margin	*(119)*	*(360)*
Deferred Tax Liability	*(123)*	*(646)*
Own Funds	**5,321**	**10,270**
Own funds available to cover the SCR	**5,321**	**10,270**
Own funds available to cover the MCR	**5,314**	**10,270**

The company's ordinary share capital and reconciliation reserve are both Tier 1 unrestricted own funds as per Article 69(a)(i) of the Delegated Acts and are available to cover the SCR and MCR. The company has no restricted Tier 1 own funds (per Article 80 of the Delegated Acts) and no Tier 2 own funds (per Article 72 of the Delegated Acts). As at 31 March 2019, there is a small deferred tax asset of £7k (2018: nil) which is classified as Tier 3 own funds (per Article 76 of the Delegated Acts). This deferred tax asset is available to cover the SCR but not the MCR.

The difference between capital and reserves shown in the financial statements and the excess of assets over liabilities used for solvency purposes arises from:

- Disallowed assets (see Section D1); and
- the combined impact of the VIF, the risk margin and the resultant Solvency II deferred tax liability that are not recognised in the financial statements but are reflected in the reconciliation reserve.

As at 31 March 2019, the capital and reserves shown in the financial statements is £522k (FY 2018: £2,745k) lower than the excess of assets over liabilities used for solvency purposes.

The movement in own funds reflects the change in the VIF, the risk margin and the associated deferred tax liability following the sale of the Stakeholder Pensions business and the reduction in retained profits following the dividend to MLG.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

MLL is using the standard formula to calculate the SCR.

	2019 £000	2018 £000
Market Risk	870	1,903
Counterparty Default Risk	846	4,786
Underwriting Risk	785	2,248
Undiversified Basic SCR	2,501	8,937
Diversification	(732)	(2,330)
Basic SCR	1,769	6,607
Operational Risk	1,171	1,176
Loss absorbing capacity of deferred tax	(559)	(992)
Total Solvency Capital Requirement	2,382	6,791
Minimum Capital Requirement	3,288	3,251

At 31 March 2019 compared to the previous valuation:

- the reductions in market risk and underwriting risk primarily reflect the reduction in the VIF following the sale of the Stakeholder Pensions business (and consequently lower loss of VIF under the SCR stresses);
- the reduction in counterparty default risk primarily reflects the elimination of reinsurance counterparty default risk following the sale of the Stakeholder Pensions business;
- the small decrease in operational risk reflects a decrease in non-acquisition expenses incurred in the twelve months to the valuation date; and

- the reduction in the loss absorbing capacity of deferred taxes reflects the reduction in the SCR before tax adjustment.

MLL has not applied any of the simplifications outlined in Articles 88 to 112 of the Delegated Regulation.

MLL has taken a proportionate, simplified and prudent approach in calculating the SCR for market risk in that all unit linked assets are assumed to be invested in "Type 2" equities as defined in Article 168 of the Delegated Acts. This approach has been confirmed as acceptable by the PRA subject to ongoing monitoring.

No capital add on has been applied to the SCR and no undertaking specific parameters have been imposed by the PRA.

The MCR calculation is set out in the Delegated Acts. Given the nature of the company's business, the required inputs to the calculation that are not defined under the regulations are limited to:

- the technical provisions excluding the risk margin for unit linked life insurance and reinsurance obligations of £15,851m; and
- the amount of capital at risk, which is £Nil.

At 31 March 2019, MLL's MCR is the monetary minimum prescribed in the regulations, i.e. the sterling equivalent of €3.7m.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

MLL has not made use of the duration-based equity risk sub-module in the calculation of the SCR.

E.4 Differences between the standard formula and any internal model used

MLL uses the standard model. No internal model has been used by the company.

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

MLL has been in full compliance with both the MCR and SCR throughout the reporting period.

E.6 Any other information

None

Approval by the Board of Directors of the Solvency and Financial Condition Report

Financial period ended 31 March 2019

We certify that:

1) The Solvency and Financial Condition Report ("SFCR") has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations; and
2) We are satisfied that:
    a. Throughout the financial year, 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
    b. It is reasonable to believe that, at the end of the publication of the SFCR, the company has continued to comply, and will continue to comply in future.

This report was approved by the Board on 4th July 2019 and signed on its behalf by

AP Swales

Director

Mobius Life Limited

Solvency and Financial Condition Report

Disclosures

31 March

2019

(Monetary amounts in GBP thousands)

General information

Undertaking name	Mobius Life Limited
Undertaking identification code	2138003TNRFYMIDY6M50
Type of code of undertaking	LEI
Type of undertaking	Life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 March 2019
Currency used for reporting	GBP
Accounting standards	The undertaking is using local GAAP (other than IFRS)
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	7
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	66
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	0
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	66
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	15,851,946
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	0
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	10,416
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	5,299
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	15,867,735

S.02.01.02

Balance sheet

	Liabilities	Solvency II value
		C0010
R0510	Technical provisions - non-life	
R0520	*Technical provisions - non-life (excluding health)*	
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	
R0550	*Risk margin*	
R0560	*Technical provisions - health (similar to non-life)*	
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	
R0610	*Technical provisions - health (similar to life)*	
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	15,851,298
R0700	*TP calculated as a whole*	15,851,946
R0710	*Best Estimate*	-767
R0720	*Risk margin*	119
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	123
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	10,993
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	15,862,414
R1000	**Excess of assets over liabilities**	5,321

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross			4,221,002					321,790	4,542,792
R1420	Reinsurers' share									
R1500	Net			4,221,002					321,790	4,542,792
	Premiums earned									
R1510	Gross			4,221,002					321,790	4,542,792
R1520	Reinsurers' share									
R1600	Net			4,221,002					321,790	4,542,792
	Claims incurred									
R1610	Gross			1,150,778						1,150,778
R1620	Reinsurers' share									
R1700	Net			1,150,778						1,150,778
	Changes in other technical provisions									
R1710	Gross									
R1720	Reinsurers' share									
R1800	Net									
R1900	**Expenses incurred**			5,478					86	5,564
R2500	**Other expenses**									
R2600	**Total expenses**									5,564

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**		15,529,104							322,841	15,851,946						
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole									0	0						
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**				-726					-41	-767						
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re				-726					-41	-767						
R0100	**Risk margin**		117							2	119						
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole																
R0120	Best estimate																
R0130	Risk margin																
R0200	**Technical provisions - total**		15,528,496							322,802	15,851,298						

S.23.01.01

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	4,000	4,000			
R0030	Share premium account related to ordinary share capital					
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings					
R0050	Subordinated mutual member accounts					
R0070	Surplus funds					
R0090	Preference shares					
R0110	Share premium account related to preference shares					
R0130	Reconciliation reserve	1,314	1,314			
R0140	Subordinated liabilities					
R0160	An amount equal to the value of net deferred tax assets	7				7
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above					
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in financial and credit institutions**					
R0290	**Total basic own funds after deductions**	5,321	5,314	0	0	7
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand					
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand					
R0320	Unpaid and uncalled preference shares callable on demand					
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC					
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC					
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0390	Other ancillary own funds					
R0400	**Total ancillary own funds**					
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	5,321	5,314	0	0	7
R0510	Total available own funds to meet the MCR	5,314	5,314	0	0	
R0540	Total eligible own funds to meet the SCR	5,321	5,314	0	0	7
R0550	Total eligible own funds to meet the MCR	5,314	5,314	0	0	
R0580	**SCR**	2,382				
R0600	**MCR**	3,288				
R0620	**Ratio of Eligible own funds to SCR**	223.40%				
R0640	**Ratio of Eligible own funds to MCR**	161.60%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	5,321
R0710	Own shares (held directly and indirectly)	
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	4,007
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	1,314
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	870		
R0020	Counterparty default risk	846		
R0030	Life underwriting risk	785		
R0040	Health underwriting risk			
R0050	Non-life underwriting risk			
R0060	Diversification	-732		
R0070	Intangible asset risk			
R0100	**Basic Solvency Capital Requirement**	1,769		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	1,171
R0140	Loss-absorbing capacity of technical provisions	
R0150	Loss-absorbing capacity of deferred taxes	-559
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency Capital Requirement excluding capital add-on**	2,382
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	2,382
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	

USP Key

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

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

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

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	

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

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	110,958

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations	15,851,179	
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		

	Overall MCR calculation	C0070
R0300	Linear MCR	110,958
R0310	SCR	2,382
R0320	MCR cap	1,072
R0330	MCR floor	595
R0340	Combined MCR	1,072
R0350	Absolute floor of the MCR	3,288
R0400	**Minimum Capital Requirement**	3,288