Mobius Life Topco Limited

and

Mobius Life Limited

Combined Solvency and Financial Condition Report

31 March 2021

Contents

Summary

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

Chapter XII of the Commission Delegated Regulation (EU) 2015/35 (the "Delegated Acts") requires Mobius Life Topco Limited ("MLT") and Mobius Life Limited ("MLL") to prepare a Solvency and Financial Condition Report ("SFCR") that discloses the following information about the Group in a prescribed format:

- A business and performance;
- B system of governance;
- C risk profile;
- D valuation for solvency purposes; and
- E capital management.

MLT, registered in England and Wales as company number 11716584, is a single purpose entity holding company that fully owns Mobius Life Bidco Limited ("MLB"), Mobius Life Holdings Limited ("MLH") and Mobius Life Group Limited ("MLG"), with two operating entities: MLL, the principal operating subsidiary; and Mobius Life Administration Services Limited ("MLAS") (all together known as the "Group").

The Prudential Regulation Authority has given permission for a combined SFCR for MLT and its group, and for MLL, to be produced. Last year's combined SFCR, published in September 2020, can be obtained from the Mobius Life website or from their registered office.

A. Business and Performance

During the financial year ended 31 March 2021, MLL wrote two lines of unit-linked insurance business, all located in the United Kingdom (the reporting currency is pound sterling ("GBP")):

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 the opportunity to manage their funds flexibly and efficiently; and

2) investment-only reinsurance accepted business from Scottish Friendly Assurance Society Limited ("Scottish Friendly") and Legal & General Assurance (Pensions Management) Limited ("L&GPML"). The L&GPML contract commenced in 2020.

MLAS provides investment administration services to third party insurance companies and trustees of pension schemes, and acts as a service company for the Group.

Progress continues to be strong. MLL's assets under administration rose to £22,305m (2020 - £18,167m), an increase of 23% (2020 – 15%) during the year. Net new inflows during the year of £1,092m (2020 -

£2,788m) were bolstered by positive market returns on underlying funds of £3,086m (2020 - £451m negative), as market values recovered from the impact of COVID-19 that had led to falls in asset values in the last weeks of the prior year. Additionally, assets under administration ("AuA") in MLAS, held off balance sheet, amounted to £642m (2020 - £552m).

Growth in AuA reflected continuing high levels of interest from advisors and trustees. At 31 March 2021, the Group had 783 corporate clients (2020 - 707), an increase of 11% (2020 – 17%) during the year.

The Group reported a consolidated profit before goodwill and tax for the year ended 31 March 2021 of £2,446k (for the six months ended 31 March 2020 - £329k). The improvement in annualised profit has predominantly been driven by a continuing increase in AuA.

MLL reported a profit before tax for the 12 months ended 31 March 2021 of £4,154k (2020 - £2,156k).

B. System of Governance

The Board of Directors of MLT ("MLT's Board") and of MLL ("MLL's Board") comprise executives and non-executives who have the necessary skills and experience to lead and control the company and, in MLT's case, its subsidiaries. The Boards are responsible, among other things, for:

- contributing to and approving the business strategy;
- ensuring that each company adheres to sound corporate governance principles and has effective systems and controls; and
- ensuring that an appropriate risk framework is in place.

The Boards of Directors for MLL, MLAS and MLG share a common membership containing a majority of independent non-executives, ensuring they are independent of the other Group Boards.

The Group is committed to a strong control environment. Clearly defined roles and responsibilities are apportioned across the directors and senior management team. Several sub-committees are in place within the Group to oversee the control environment.

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

C. Risk Profile

The Group and MLL are exposed to the following key risks: market; lapse; expense; operational; credit and counterparty; and liquidity. On an ongoing basis senior management maintain a Risk Register which the Chief Risk Officer ("CRO") reviews monthly. It is reported to the Boards and the Audit, Risk & Compliance Committee ("ARC") quarterly. The ARC also receives a report from the CRO.

D. 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 £7k (2020 - £20k) which are given no value for solvency purposes.

At Group level, intangible assets totalling £23.1m (2020 - £25.6m) are also given no value for solvency purposes. These intangible assets primarily comprise goodwill upon acquisition of MLH by MLT.

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 £273k (2020 - £152k), included in the valuation for solvency purposes, reflecting notional tax on the difference between the technical provisions shown in the financial statements and those for solvency purposes. This is also the only difference between liabilities reported in the financial statements and liabilities for solvency purposes at Group level.

E. Capital Management

MLL is always required to hold sufficient assets to match its policyholder liabilities, and to meet its capital and reporting obligations under Solvency II. Similarly, the Group is also required to meet its capital and reporting obligations under Solvency II.

Eligible own funds and the SCR for both MLL and the Group, the MCR for MLL and the minimum consolidated group SCR for the Group are shown in the table below:

£000's	31 March 2021		31 March 2020	
	MLL	Group	MLL	Group
Own funds after deductions	9,570	6,822	7,171	4,455
Own funds available to cover the SCR	9,570	6,822	7,171	4,455
Own funds available to cover the MCR/ Minimum Consolidated Group SCR	9,563	6,822	7,164	4,455
SCR	3,731	3,794	3,062	3,037
MCR / Minimum Consolidated Group SCR	3,338	3,338	3,187	3,187
Excess capital over SCR	5,839	3,029	4,109	1,418
Excess capital over MCR	6,225	3,485	3,977	1,268

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

MLL's and the Group's ordinary share capital and reconciliation reserve are Tier 1 unrestricted own funds as per Article 69(a)(i) of the Delegated Acts and are available to cover the respective solvency capital requirement ("SCR") and respectively MLL's minimum capital requirement ("MCR") and the Group's minimum consolidated group SCR. MLL and the Group have 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 2021, there is a small deferred tax asset of £7k (2020 - £7k) which is classified as Tier 3 own funds (per Article 76 of the Delegated Acts) within MLL. This deferred tax asset is available to cover MLL's SCR but not its MCR. The deferred tax asset is not available to cover the Group SCR or the minimum consolidated group SCR (per Article 330(3)(c) of the Delegated Acts).

The movement in own funds primarily reflects net of tax retained fee income in excess of expenses during the year and an increase in the value of in-force business, offset (for MLL) by a dividend payment. The increase in the SCR stems from several sources and is explained in Section E.2.

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

A. Business and Performance

A.1 Business

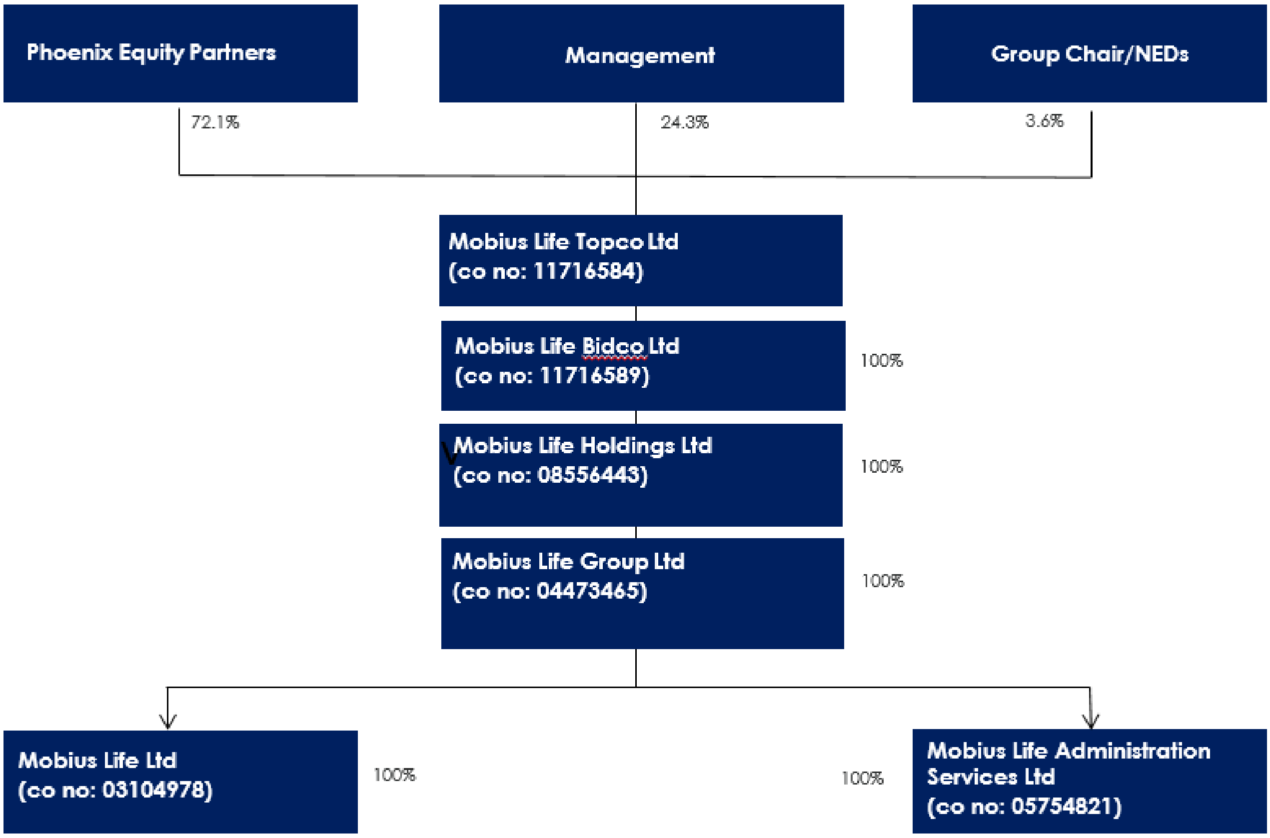
MLT, a private company limited by shares, is classified as an insurance holding company for the purposes of Solvency II group regulation. MLL is a regulated unit-linked insurance private company limited by shares. The registered office and operating address for both MLT and MLL is 7th Floor, 20 Gresham Street, London EC2V 7JE.

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

Both MLT and MLL are audited by Ernst & Young LLP, whose offices are at 1 More London Place, London, SE1 2AF.

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

The voting structure of the group is shown below:


Phoenix Equity Partners
Management
Group Chair/NEDs
72.1%
24.3%
3.6%
Mobius Life Topco Ltd
(co no: 11716584)
Mobius Life Bidco Ltd
(co no: 11716589)
100%
Mobius Life Holdings Ltd
(co no: 08556443)
100%
Mobius Life Group Ltd
(co no: 04473465)
100%
Mobius Life Ltd
(co no: 03104978)
100%
100%
Mobius Life Administration Services Ltd
(co no: 05754821)

None of the independent non-executive MLG, MLL and MLAS directors holds shares in MLT, and the structure of the MLH sub-group did not change during the year. The principal purpose and activities of MLT and its three immediate subsidiaries are to own MLL and MLAS.

100% of MLH was sold to Phoenix Equity Partners 2016 LLP (www.phoenix-equity.com) on 30 September 2019, with MLB becoming MLH's immediate parent. The comparative consolidated results shown are therefore for the six months from 1 October 2019 to 31 March 2020.

Policies relating to MLT's operation are approved by the MLT Board and apply to all group companies.

The Group's core business is MLL's 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.

All MLL's business is unit-linked and written in the United Kingdom. MLL's revenue is generated by fees earned on the unit-linked insurance policies. This resulted in a profit for the current year. MLL's directors are satisfied with the company's performance and are encouraged by the opportunities open to it.

MLAS provides investment administration services to trustees of pension schemes and continues to act as a service company for the Group, of which MLL is the principal operating entity.

MLAS's revenue is generated by the recharge of costs it incurs on behalf of other Group companies and fees earned for undertaking administration activities. These activities resulted in a profit for the current year. Its Directors are satisfied with the company's performance, are encouraged by the opportunities open to it, and continue to develop the administration business.

Progress continues to be strong. MLL's assets under administration rose to £22,305m (2020 - £18,167m), an increase of 23% (2020 – 15%) during the year. Net new inflows during the year of £1,092m (2020 - £2,788m) were bolstered by positive market returns on underlying funds of £3,086m (2020 - £451m negative), as market values recovered from the impact of COVID-19 that had led to falls in asset values in the last weeks of the prior year. Additionally, AuA in MLAS, held off balance sheet, amounted to £642m (2020 - £552m).

Growth in AuA reflected continuing high levels of interest from advisors and trustees. At 31 March 2021, the Group had 783 corporate clients (2020 - 707), an increase of 11% (2020 – 17%) during the year.

The Group reported a consolidated profit before goodwill and tax for the year ended 31 March 2021 of £2,446k (for the six months ended 31 March 2020 - £329k). The improvement in annualised profit from 2020 has predominantly been driven by a continuing increase in AuA.

MLL reported a profit before dividend and tax for the 12 months ended 31 March 2021 of £4,154k (2020 - £2,156k). In March 2021, it declared and paid a dividend of £1,500k (2020 – nil) to MLG.

A.2 Underwriting Performance

All Group policies are classified as investment contracts for accounting purposes. The underwriting performance, which all relates to MLL's business, is limited to consideration of the excess of fee income over expenses. The Group's underwriting performance, which is also MLL's underwriting performance, is shown in the table below:

£000	2021	2020	2021	2020
	MLT 12 months statutory to 31 March 2021	MLT 6 months statutory to 31 March 2020	MLL 12 months statutory to 31 March 2021	MLL 12 months statutory to 31 March 2020
Gross fees deducted from investment managed funds	60,219	26,446	60,219	50,311
Fees paid to fund managers or advisors or reinvested in funds	(49,354)	(21,832)	(49,354)	(41,426)
Technical income	10,865	4,614	10,865	8,885
Net operating expenses relating to underwriting	(6,740)	(3,560)	(6,740)	(6,715)
Balance on long-term technical account before tax	4,125	1,054	4,125	2,170

A.3 Investment Performance

MLL has bought units for seeding on its own account, with a value of £148k at 31 March 2021 (2020 - £107k), in collective investment schemes. Income from these investments and box management total £24k (2020 - £28k). Expenses relating to these activities are negligible, and there are no other such investments in the Group. Investment returns on policyholder assets accrue to policyholders only.

A.4 Performance of other activities

The Group's revenues from the administration of pension schemes' investment instructions arises in MLAS. This annual revenue of MLAS was £584k (2020 - £534k). Operating profit for MLAS, after the recharge of costs to other Group companies, was £216k (2020 - £296k). The total result for the Group is shown below:

£000	2021	2020	2021	2020
	MLT 12 months statutory to 31 March 2021	MLT 6 months statutory to 31 March 2020	MLL 12 months statutory to 31 March 2021	MLL 12 months statutory to 31 March 2020
Balance on long-term business technical account (from A.2 above)	4,125	1,054	4,125	2,170
Turnover from non-technical business	584	263	0	0
Operating expenses from non-technical business	(2,292)	(1,010)	(0)	(42)
Operating profit	2,417	307	4,125	2,127
Income from investments	27	20	27	25
Net interest income/(expense)	2	2	2	3
Profit on ordinary activities before goodwill and taxation	2,446	329	4,154	2,156
Goodwill amortisation	(2,669)	(1,334)	0	0
(Loss)/profit on ordinary activities before taxation	(223)	(1,005)	4,154	2,156

Goodwill amortisation relates to goodwill arising from MLT's acquisition of MLH on 30 September 2019.

A.5 Any other information

MLT has prepared consolidated 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

MLT's Board and MLL's Board comprise executives and non-executives who have the necessary skills and experience to lead and control the company and, in MLT's case, its subsidiaries. The Boards are responsible, among other things, for:

- contributing to and approving the business strategy;
- ensuring that each company adheres to sound corporate governance principles and has effective systems and controls;
- ensuring that an appropriate risk framework is in place;

- ensuring maintenance of a sound system of internal control and an effective risk-based assurance function;
- ensuring that each company is a responsible corporate citizen by having regard not only to the financial aspects of the business but also the impact that its operations have on the environment and society; and
- ensuring that there is an effective and consistent culture within each company.

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

MLT's Board of Directors

Steve Groves, Chairperson (non-executive)

Alastair W Muirhead (non-executive)

James J Squires (non-executive)

Adrian P Swales

Ian C Dawkins

Company Secretary

Louisa E Voss

MLB's Board of Directors

Adrian P Swales, Chairperson

Alastair W Muirhead (non-executive)

James J Squires (non-executive)

Laura I Catterick

Ian C Dawkins

Company Secretary

Louisa E Voss

MLH's Board of Directors

Adrian P Swales, Chairperson

Laura I Catterick

Ian C Dawkins

Company Secretary

Louisa E Voss

MLG, MLL and MLAS Boards of Directors

Mark Goodale, Chairperson (independent non-executive)

Joanne R Evans (independent non-executive)

John S B Smith (independent non-executive)

Ian C Dawkins (appointed 20 November 2020)

Adrian P Swales

Company Secretary

Louisa E Voss

Corporate Committee Structure

Several sub-committees (as set out further below) are in place within the Group to oversee the risk and control environment.

The MLT Board has established the Remuneration Committee to assist in discharging the duties relating to determining, agreeing and developing the general policy on remuneration for all Group companies.

The Boards of Directors for MLL, MLAS and MLG share a common membership containing a majority of independent non-executives, ensuring they are independent of the other Group Boards. MLG's Board is supported by the Audit Risk & Compliance Committee ("ARC"), the Investment Committee, the Information Security Oversight Committee ("ISOC") and the Unit Linked Principles and Practices Committee ("ULPP"). The ARC also acts on behalf of the Boards of MLT, MLL and other Group companies; the Investment Committee and ULPP also act on behalf of MLL's Board.

The Group is committed to a strong control environment and operates a three line of defence model in the management of its risks. The first line of defence is the responsibility of the owners and managers of the risks associated with the day-to-day business activities. The second line of defence is the risk and compliance functions in providing oversight and assurance of the first line of defence. The third line of defence is internal audit and tests the effectiveness of the control environment. Therefore, clearly defined roles and responsibilities are apportioned across the directors and senior management team.

Executive Management Structure for MLL and MLAS

Board Committees' Terms of Reference

Audit, Risk and Compliance Committee

The ARC is responsible for:

- the oversight of the quality and integrity of accounting and reporting practices, controls and financial statements;
- reviewing performance of the internal audit function and the independent auditors;
- taking a forward-looking perspective on risk matters; and
- the oversight, quality and performance of the Risk Management Function.

It also has specific responsibilities in respect of the Own Risk and Solvency Assessment ("ORSA"), SFCR, dividend policies, compliance, outsourcing, ethics/conflicts of interest and whistleblowing, among other items.

The ARC's responsibility for the oversight and maintenance of the Risk Framework includes:

- overseeing the development and implementation of the overall risk management framework and the System of Governance requirements;
- reviewing the Group's risk register in order to monitor the Group's financial, regulatory, operational and brand risks; and
- reviewing, challenging and recommending risk strategy and risk appetite to the Boards.

The Committee meets at least four times a year. It will consider the adequacy of risk management applied across the Group as well as the adequacy of management's response to key risks, to ensure that a comprehensive system of control is established to ensure that risks are mitigated and that the Group's objectives are attained.

The ARC is also responsible for ensuring that the risk management process is aligned to Solvency II requirements.

Investment Committee

The Investment Committee assists the Group and MLL Boards in discharging their duties relating to the safeguarding of assets, the operation of adequate systems, control processes, and review of investment strategy. The Committee has oversight of all external unit links and MLL's internal unit-linked funds. Additionally, the Committee oversees the range of products and services managed or advised by the Investment team.

The Committee meets at least four times a year and reports into the ARC. Additional meetings are called as and when required. All new product and service proposals or material changes to a product or service require approval by the Committee.

Remuneration Committee

MLAS employs staff on behalf of all Group companies. The Remuneration Committee assists the MLT Board in discharging the duties relating to determining, agreeing and developing the general policy on remuneration within the Group, but in particular on executive and senior management remuneration. The committee determines, agrees and develops the policy on executive and senior management remuneration for approval by MLT's Board. It determines specific remuneration packages for executive directors and senior management, 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 executive directors' performance in discharging their functions and responsibilities.

The committee will review, at least annually, the terms of executive directors' employment conditions, considering information from comparable companies, where relevant, and paying due regard to the relevant regulatory requirements.

The Group provides a range of benefits to employees, including contractual salary, life cover, private medical insurance and paid holiday. Also, the Group pays contributions based on a percentage of salary into a company defined contribution pension scheme on behalf of its employees.

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

Information Security Oversight Committee

The ISOC acts on behalf of the boards of MLT and MLL and is responsible for the oversight of the quality, effectiveness and adherence to the Group's Information Security Management System "(ISMS"). The Committee: has oversight of the ISMS; reviews any other matters referred to it by the MLT and MLL Boards or sub-committee; and oversees any investigation of activities within their terms of reference. The Committee meets at least four times a year and reports into the ARC.

<u>Unit Linked Principles and Practices Committee</u>

The ULPP acts on behalf of the boards of MLG and MLL and is responsible for assisting the Board of each company in discharging their duties relating to the governance of unit linked funds, their operation, and ensuring policyholders are treated fairly. The Committee ensures that the business has adequate systems and controls to administer and manage funds fairly, that assets backing unit linked policies are appropriate for policyholders and that policyholder benefits are calculated accurately and fairly.

B.2 Fit and Proper Requirements

The Group is committed to recruiting and developing a deep pool of talent across the business, ensuring that staff members 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, the Group evaluates the potential employee's existing qualifications, skills, knowledge and expertise for the position being filled. This process is also conducted when deciding upon an existing employee's promotion. If any gaps are identified, a training plan is put in place and the employee supervised whilst they become fully competent in the role.

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

To ensure new employees' fitness and propriety, the Group also conducts background checks, including previous employment referencing, and Disclosure and Barring Service ("DBS") and credit checks.

All Board members of Group entities and any employees with a PRA Senior Management and/or an FCA Controlled Function undergo an annual fitness and proprietary check. This involves: attestations in respect of any criminal convictions or legal proceedings, personal solvency, and their own behaviour as well as of companies with which they are currently, or have previously been, involved; and confirmation that they continue to abide by PRA and FCA regulations.

An employee handbook incorporating the Group's code of conduct, business policies and procedures helps ensure that all employees follow the highest ethical conduct standards. The Group promotes an open and honest culture and has defined whistle-blowing procedures to enable all employees to raise matters of concern in confidence.

B.3 Risk Management System including the own risk and solvency assessment

The risk management framework is set out in detail in the Group-wide Risk Management Policy, which includes the policies for Insurance Risk, Market and Credit Risk, Operational Risk, Liquidity Risk, Asset-Liability Management and Reinsurance and other risk-mitigation techniques. As part of the risk management framework the Risk Strategy and Appetite Statements for MLL and Group are agreed by the relevant Boards, setting out the high-level exposure to risk that they are willing to take in order to meet their strategic objectives, as well as risk appetites and tolerances for individual risk categories by business segment, and the Key Risk Indicators ("KRIs") to be monitored to indicate whether risks remain within appetite.

In respect of the risk framework, the Group and MLL has implemented a new system and processes for the management of processes, controls, risks and incidents, and the risk framework and policies being refreshed. This includes aligning risk categories and key risks to the business profile, reviewing KRIs and risk tolerance limits, and ensuring that respective risk management responsibilities for the three Lines of Defence – business, compliance and internal audit - are clear.

Senior management maintain a Risk Register which the CRO reviews each month. The Risk Register details key business risks on an ongoing basis, with an assessment of their current impact and probability. The business owner and any actions being taken to address the risk are also documented. The CRO monitors the risks of the business by reviewing and challenging the Risk Register. The Risk Register is reported to management each month and to the ARC and Boards quarterly. The ARC also receives a report from the CRO.

Own Risk and Solvency Assessment

In line with Solvency II requirements, the Group prepares an ORSA to be submitted to the PRA after due consideration by the MLL and MLT Boards. The Group has a policy setting out the ORSA process.

The ORSA process links the company's risk appetite statements and tolerances for risks to the business and capital planning projections, aiming to understand and project the company's risks and solvency capital requirements in a forward-looking assessment. The ORSA's purpose is to enable management to:

- understand and manage the risks to which MLL and Mobius Group are exposed;
- assess that risk profile against appetite;
- make a forward-looking assessment of future solvency, based on the 3-year business plan, which takes into account the risk profile;
- carry out scenario testing to understand the impact of changes to the risk profile; and
- make informed strategic decisions that impact the firm's risk profile.

The ORSA includes management's own assessment of the business's capital needs, considering potential stresses to the balance sheet and to the business plan, and considers whether the methodology used to calculate the SCR remains appropriate.

The annual process to produce the ORSA typically takes place after completion of the bulk of the financial year-end work - normally between July and September - when full Solvency II capital data is available. Post year-end events may then lead to an update of the ORSA, and the ARC and the MLT and other relevant group company Boards will consider the impact on business strategy.

The latest ORSA is based on data as at 31st March 2020.

ORSA Updates

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

- acquisition;
- loss on 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, eroding the capital buffer, and additional management action being required to restore it.

Ownership and responsibility

Ownership of the processes and procedures in place to conduct the ORSA lies with the Group's CRO.

B.4 Internal Control System

The Group and MLL Boards are responsible for the internal control system and that controls remain effective. The internal control system operates at several levels within the Group:

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

b) Sub-committees - ARC, Investment, ISOC, ULPP and Remuneration committees support the Group Boards to identify risks, and monitor governance and develop the internal control environment;

c) Business areas provide day-to-day controls by:

- appropriate staff training and segregation of duties;
- identification, and appropriate reporting, of risks;
- implementation of appropriate controls;
- ongoing monitoring, review and updating of those controls; and
- monitoring, remediation and root cause analysis of incidents.

Internal Audit assesses the effectiveness of the internal control system (see B.5. below).

Compliance Function

Compliance is responsible and accountable for providing oversight and assurance to the Group Boards regarding its management of regulatory risk and ensuring adherence to the business' Anti-Money Laundering and Treating Customers Fairly policies and procedures. 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 provides management information monthly to Group Boards and additionally provides a formal report quarterly to the ARC.

B.5 Internal Audit Function

The role of Internal Audit is to provide independent assurance that the Group's risk management, internal controls and governance are operating effectively. BDO LLP ("BDO") provides outsourced internal audit services. BDO audits the Group throughout the year according to an audit plan approved by the ARC and annually completes an Internal Control Report, as prescribed in the ICAEW's Technical Release AAF 01/06 – Assurance Reports on Internal Controls of Service Organisations made available to Third Parties.

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

B.6 Actuarial Function

MLL's Chief Executive is responsible for the oversight of the Actuarial Function, which is a Solvency II key function. Barnett Waddingham LLP ("BW") provides the MLL Actuarial Function role on an outsourced basis.

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

B.7 Outsourcing

The Group outsources certain functions when appropriate and after a due diligence process to assess the effectiveness of outsourcing against carrying out functions internally. This process considers, amongst other things: the ability, skillset and resources required; costs; the ability to manage effectively the outsourced function; and associated risks.

Key relationships currently include:

1) BW - Actuarial Function (including Chief Actuary);
2) BDO - Internal Audit Function;
3) FRS - IT systems and support; and
4) ITLabs - IT support.

The Boards and senior management remain responsible for the outsourced functions and activities and identifying who has the necessary expertise to manage and oversee these outsourced arrangements.

B.8 Any other information

The Group assesses its corporate governance system regularly to ensure it continues to provide an effective framework for the sound and prudent management of the business, considering the Group's nature, scale and complexity, and its future growth plans.

There were no material transactions with shareholders, persons who exercise a significant influence or with members of any of the Group's Boards. To the extent that there are any related party transactions, these are disclosed in the financial statements of the relevant company.

C. Risk Profile

A Risk Register is maintained by senior management and reviewed monthly by the CRO. The Risk Register details key business risks on an ongoing basis, with an assessment of their current impact and probability. The business owner and any actions being taken to address the risk are also documented. The Group and MLL are exposed to the following key risks: market risk; lapse risk; expense risk; operational risk, credit and counterparty risk; and liquidity risk. The Risk Register is reported to management and Board members on a monthly basis and forms part of the quarterly reporting to the ARC and Boards.

The Pillar 1 risk capital for MLL and for the Group is set out below:

£000's	31 March 2021		31 March 2020	
	MLL	Group	MLL	Group
Market risk	2,004	2,004	1,117	1,117
Credit risk	870	473	1,130	772
Underwriting risk	1,576	1,576	1,223	1,223
Diversification	(1,226)	(1,028)	(1,015)	(892)
Sub total	**3,224**	**3,025**	**2,455**	**2,220**
Operational risk	1,381	1,643	1,234	1,440
Deferred tax	(874)	(874)	(627)	(623)
SCR	**3,731**	**3,794**	**3,062**	**3,037**

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

The MLL and MLT Boards 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 MLL and MLT Boards 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).

The Group has no exposure to traditional insurance risk, as the business written in MLL is a pure unit-linked life product with no exposure to insurance claims, 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. Similarly, the investment administration services business in MLAS does not bear any insurance risk.

Lapse risk is the risk that policyholders withdraw funds, leading to a reduction in AuA. The Group and MLL are indirectly exposed to lapse risk, as both MLL and MLAS fees are predominantly charged as a percentage of AuA, and so a reduction in AuA due to lapses would reduce revenue.

Historically the Group and MLL have been exposed to some concentration risk in respect of lapses, as a significant proportion of revenue came from a small number of distributors, and the Group would potentially be exposed to a large loss of revenue on the loss of these relationships. While this risk remains relevant, it has reduced significantly over previous years and continues to do so as the distribution of the business diversifies. Lapse rates can be influenced by economic conditions: in particular, under adverse economic conditions, more schemes may transfer to the Pension Protection Fund due to sponsoring employers becoming insolvent.

A senior manager is responsible for appropriate relationship management and accordingly the Group and MLL normally have reasonable notice of possible losses of business. A monthly review is conducted for major clients, lapse rates relative to plan are monitored, and continued growth of the platform and onboarding of new distributors diversifies the exposure to this risk.

The Group and MLL are also exposed to the risk that expenses are excessive relative to revenue, either because expenses increase unexpectedly, or because there is insufficient flexibility to manage expenses down in response to falling revenues.

Actual expenses relative to plan are tracked on an ongoing basis. Revenue relative to plan is also monitored, so that corrective action can be taken 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*	
	MLL	Group	MLL	Group
10% increase in best estimate expenses	48	48	(8%)	(7%)
2% addition to best estimate lapse rate	(10)	(10)	0%	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 the Group 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 exchange rates impact adversely the value of, or income from, financial assets.

The Group has limited direct exposure to market risk. MLL does not suffer any direct losses should unit-linked asset values fall: the unit-linked structure means that gains and losses are borne directly by the policyholder. However, for both MLL and MLAS fees are predominantly charged as a percentage of AuA, and so falling asset values reduce revenue. This indirect market risk for the Group and MLL is accepted and there is no appetite to hedge exposure to it.

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 daily.

MLL has some small areas of direct market risk exposure, in relation to fund seeding and box management, but these are not material.

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

	Change in SCR £000's		Change in SCR cover	
	MLL	Group	MLL	Group
10% increase in market value	209	215	(6%)	(2%)
10% decrease in market value	(188)	(195)	5%	2%

Investment governance processes are in place to ensure that funds made available to policyholders meet permitted links and Prudent Person Principle requirements.

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.

The Group's exposure to assets bearing credit risk is shown below:

£000's	31 March 2021		31 March 2020	
	MLL	**Group**	**MLL**	**Group**
Unit-linked business				
Deposits with credit institutions	-	-	11,042	11,042
Non-linked business				
Intra-group debtors	2,986	-	2,970	-
Other debtors	1,251	1,380	1,161	1,306
Deposits with credit institutions	9,632	10,053	8,717	9,581
Non-linked sub-total	13,869	11,433	12,848	10,887
Unit-linked and non-linked total	13,869	11,433	23,890	21,929

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 MLL income.

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.

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.

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.

The unit-linked business exposure to deposits with credit institutions related to policyholder cash in transit where the credit risk was borne by MLL. MLL has now revised its policy documentation such that the risk of bank default in respect of policyholder premiums received but not yet allocated with units, monies pending payment following the cancellation of units, and monies awaiting re-investment as a result of a switch are borne by the policyholder.

The Group 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 other debtors giving rise to credit risk exposures are amounts owed to the Group by third party fund managers, the clients of MLAS and the rent deposit on the Group's current premises.

The sensitivity of the SCR to changes in the credit standing of the Group's counterparties and the amounts they owe is given below. For MLL, the second sensitivity includes the exposure to other Group companies.

	Change in SCR £000's		**Change in SCR cover**	
	MLL	Group	MLL	Group
All bank counterparties downgraded by one credit quality step	186	178	(12%)	(8%)
Amounts owed to MLL and MLAS increase by 100%	386	137	(25%)	(7%)

C.4 Liquidity risk

Liquidity risk is defined as the inability of the company to realise investments and other assets to pay its obligations as they come due.

The Group and MLL are exposed to different sets of liquidity risk in respect of their operations for policyholder assets and liabilities, and their shareholder exposures. The key sources of policyholder liquidity risk relate to potential timing differences, including in relation to settlement and asset transfer, as well as ongoing investment administration and management (particularly rebalancing large volumes of assets). Material redemptions or withdrawals are carefully planned and monitored, and they can be delayed until the underlying fund managers have settled under the terms of the policy.

Policyholder assets are predominantly in highly liquid investments; the most notable exceptions are investments in property funds, where the risk is disclosed to policyholders prior to investment - this is c. 2% of policyholder funds. In the event of liquidity issues with an underlying manager, the Group can suspend withdrawals from that particular fund. Group policy terms additionally allow for any delay in settlement from a fund manager to be passed on to the underlying policyholder.

The key demands on shareholder liquidity are:

- cashflow to meet corporate obligations as they fall due, such as taxes and regulatory subscriptions;
- funding of errors and cashflow requirements arising from other operational risk events; and
- cashflows between MLL and the service company, MLAS, for payment of salaries and ongoing business expenses.

The Group and MLL currently have no scheduled external debt obligations which might stress liquidity. Aside from operational risk events (considered in section C.5), these demands are largely predictable. MLL has good visibility of any changes to cash inflows (since they are dependent on AuA) and, as they can be deducted at source, they are very reliable. Shareholders' funds held in cash or short-term deposits as at 31 March 2021 were £9.6m (2020 - £8.7m) for MLL and £10.1m (2020 - £9.6m) for the Group. For MLL this is sufficient to cover more than one year's projected expenses under the business plan, and for Group it is only slightly less than one year.

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

The expected profit in future premiums calculated in accordance with Article 260(2) of the Delegated Regulation is zero (2020 - zero).

C.5 Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. MLL and the Group are, like all insurance companies, subject to a range of operational risks. The limited appetite for other risk categories means that operational risks are among the most material risk exposures for the Group. The Group and MLL accept that they will be exposed to operational risks in return for revenue; however, internal controls are implemented in order to minimise these risks. The companies have limited appetite for regulatory risk.

The following key areas of operational risk are currently monitored in the Risk Register:

- operational error – for example, money being invested in an incorrect fund, transactions not being traded in a timely manner and unit pricing errors. The impacts of these errors are likely to be exacerbated at times of market volatility;
- resources & key person dependencies – including the potential for operational error or project failure resulting from excessive demands on key individuals;

- inadequate financial controls or inaccurate financial reporting;
- outsourcing – including the risk of error by third party providers or their financial failure;
- technology risk – including system failure and cyber incidents;
- reputational damage – in particular, brand name damage due to poor service or operational errors; and
- regulatory risk – if there are changes in the regulatory and tax regimes, or if the Group or MLL breach existing regulations.

A policy and procedure are in place for reporting and remediating incidents and breaches. Incidents are required to be logged in an incident log and root cause analysis is documented. Remediation actions are taken to address the incident and any underlying drivers, and there is regular reporting and management information to ARC and the ISOC on relevant incidents.

An AAF 01/06 audit review is carried out on an annual basis and assesses key controls across the business, including:

- maintaining financial and other records;
- accepting clients;
- authorising and processing transactions;
- setting fund investment strategy, appointment and monitoring of external fund managers;
- client reporting;
- monitoring compliance; and
- IT & data security.

The most recent review (as at 30 September 2020, following a decision to separate the review activity from the financial year end) concluded that all of these controls are operating effectively. The next review will be carried out as at 30 September 2021.

In addition, the Group has the following insurance cover in place: primary and additional Investment Manager Professional Civil Liability (£10m in aggregate for each cover, subject to £175k excess for primary claims and £65k for additional claims); Investment Manager & Fund Crime (£1m in aggregate, subject to £65k excess); and Cyber Crime (£5m in aggregate, £10k excess). This helps mitigate the financial impact of operational errors.

A business continuity and disaster recovery plan is in place, with a Business Continuity team and well-defined cascade process, overseen by the Chief Operations Officer. A disaster recovery site is maintained separately from the main business premises, servers are fully backed up and disaster recovery is tested annually. The business continuity plan was invoked in respect of the COVID-19 pandemic and the Group has transitioned to home working. The associated operational and IT hurdles have been successfully cleared by the business to date, and there is no evidence of any change in the frequency of operational errors.

The SCR for operational risk is defined for MLL as 25% of the non-acquisition expenses incurred in the year to the valuation date. The same approach is taken for other Group activities subject to operational risk.

The sensitivity of the SCR to changes in these expenses is given below.

	Change in SCR £000's		**Change in SCR cover**	
	MLL	Group	MLL	Group
10% increase in non-acquisition expenses	140	166	(9%)	(8%)
10% decrease in non-acquisition expenses	(112)	(138)	8%	7%

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.

Conduct risk is the risk of unfair outcomes to customers. Whilst the company has a low appetite for this risk, it has limited exposure due to the nature of the business it conducts and of the product and services it provides.

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.

The impact of the COVID-19 pandemic is also deemed to be captured within the risk categories considered above: the potential impact on asset values falls under market risk and the potential for an increase in lapses (for example, due to the failure of sponsoring employers) is considered under underwriting risk. Market volatility associated with the pandemic may also exacerbate the impact of any operational errors that occur. The Group business plan has been revised to allow for changes in expected inflows, outflows and market movements taking COVID-19 into account.

There are no other material risks to which the Group is exposed.

C.7 Any other information

The Group performs sensitivity, scenario and stress tests to determine the MLL and MLT Boards' risk appetites 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.

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.

D. Valuation for Solvency Purposes

D.1 Assets

The following assets are held to cover the linked liabilities in MLL:

£000's	31 March 2021	31 March 2020
Units in collective investment schemes	9,719,554	8,116,681
Bank balances	35,600	26,684
Debtors and outstanding settlements	52,613	8,572
Assets held for unit-linked contracts	**9,807,767**	**8,151,937**
Reinsurance receivables	12,497,134	10,015,207
Total assets held for unit-linked liabilities	**22,304,901**	**18,167,144**

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. 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 reinsured assets on a best-estimate basis as MLL considers the risk of default negligible.

MLL and the Group also hold assets on their own account, as shown below:

£000's	31 March 2021		31 March 2020	
	MLL	**Group**	**MLL**	**Group**
Cash	9,633	10,053	8,717	9,581
Receivables (trade, not insurance)	10,476	10,606	9,162	9,379
Collectives investment undertakings (seeding)	148	148	107	107
Deferred tax assets	7	7	7	7
Property plant and equipment held for own use	7	65	20	68
Any other assets	3,380	1,229	3,367	1,039
Total assets held on own account	**23,651**	**22,101**	**21,380**	**20,181**

The Group uses the following hierarchy for 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.

MLL seeks to invest its own and policyholders' funds solely into level (a) assets.

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 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.

Intangible assets are given no value for solvency purposes and only those tangible assets with a readily realisable value are included for solvency purposes.

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, the Group 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 the Group 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.

Differences between the valuation of assets shown in the financial statements and the valuation for solvency purposes are shown below.

£000's	31 March 2021		31 March 2020	
	MLL	Group	MLL	Group
Value of assets in financial statements	**22,328,551**	**22,350,064**	**18,188,524**	**18,212,902**
Deduct tangible assets with no readily realisable value	(7)	(7)	(20)	(20)
Deduct intangible assets	-	(23,055)	-	(25,577)
Value of assets for solvency purposes	**22,328,544**	**22,327,002**	**18,188,504**	**18,187,305**

The reduction in intangible relates to amortised goodwill arising from MLT's acquisition of MLH.

Deferred tax assets are measured on the same basis as that used for MLL and the Group's financial statements. The deferred tax assets of £7k as at 31 March 2021 (2020 - £7k) represents timing differences between the net book and tax values of fixed assets. There are no differences in the deferred tax assets recognised for solvency purposes.

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

Within the Group:

- 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; and
- MLAS provides investment administration services to trustees of pension schemes.

Technical provisions are relevant only for MLL's business and 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, 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 forms S.02.01.02 in Appendix 1. The risk margin is calculated in accordance with methodology set out in the Delegated Acts.

MLL's technical provisions are shown below:

£000	31 March 2021			31 March 2020		
	Direct	Reinsurance accepted	Total	Direct	Reinsurance accepted	Total
Unit liabilities	21,726,496	578,405	22,304,901	17,909,526	257,618	18,167,144
VIF	(1,518)	(114)	(1,632)	(920)	(41)	(961)
Risk margin	188	5	193	161	2	163
Total	**21,725,166**	**578,296**	**22,303,462**	**17,908,767**	**257,579**	**18,166,346**

The change in technical provisions over the reporting period is dominated by the increase in unit liabilities, primarily reflecting net new investments that increase AuA.

The increase in both the VIF and the risk margin are primarily due to the increase in AuA.

Methodology and assumptions

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

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 2021, a four-month (2020 – four-month) projection period, calculated in line with methodology agreed with the PRA, has been used.

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 considering experience over the twelve months to the valuation date and any anticipated changes. The assumption for other expenses has increased by approximately 10% compared to the previous year, reflecting an anticipated increase in expenses commensurate with the growth of the business.

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 VIF projection period 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 £1,439k lower (2020 - £798k 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

The Group 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 Other liabilities

Other liabilities are shown below:

£000's	31 March 2021		31 March 2020	
	MLL	**Group**	**MLL**	**Group**
Financial liabilities other than debts owed to credit institutions	8,429	8,429	7,843	7,843
Insurance and intermediaries payables	2,494	2,494	2,367	2,367
Payables (trade, not insurance)	4,251	5,449	4,571	6,081
Provisions other than technical provisions	66	66	54	54
Deferred tax liability	273	273	152	152
Total other liabilities	**15,513**	**16,711**	**14,987**	**16,497**

The deferred tax liability relates to notional tax on the sum of the VIF less risk margin. The increase in the deferred tax liability at 31 March 2021 reflects the increase 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 except for 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 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.

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 Group's objectives in managing its own funds are to ensure that:

- capital is managed appropriately in line with any commitments made to regulators and other stakeholders;
- the group meets its regulatory solvency requirements set out in the Solvency II directives; and
- the group provides policyholders with appropriate security of benefits.

It remains the intention of the MLL and MLT Boards to ensure that there is adequate capital to exceed the MLL's and the Group's respective regulatory requirements. The MLL and MLT Boards have capital management policies in place and deem 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 MLL and MLT Boards consider 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 and other group companies.
- The MLL Board targets Pillar 1 solvency cover of between 150% and 200% for MLL. The MLT Board targets solvency cover of 125% for the Group. Pillar 2 solvency cover targets are also set.

The Group 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 and the Group's ability to maintain their target solvency cover.

The Group uses method 1, the accounting consolidation-based method, as referred to in Article 230 of Directive 2009/138/EC to calculate group solvency. Intra-group transactions have been netted and consolidated at the MLT level.

The Group's own funds are shown below:

£000	31 March 2021		31 March 2020	
	MLL	Group	MLL	Group
Ordinary share capital	**4,000**	**303**	**4,000**	**303**
Share premium account	**-**	**30,017**	**-**	**30,017**
Deferred tax asset	**7**	**7**	**7**	**7**
Deferred tax asset not available at Group level	**-**	**(7)**	**-**	**(7)**
Reconciliation reserve	**5,563**	**(23,498)**	**3,164**	**(25,866)**
Retained profits	*4,404*	*(1,603)*	*2,539*	*(915)*
Disallowed assets (tangible and intangible)	*(7)*	*(23,061)*	*(20)*	*(25,597)*
VIF	*1,632*	*1,632*	*961*	*961*
Risk margin	*(193)*	*(193)*	*(163)*	*(163)*
Deferred tax liability	*(273)*	*(273)*	*(152)*	*(152)*
Own funds after deductions	**9,570**	**6,822**	**7,171**	**4,455**
Own funds available to cover the SCR	**9,570**	**6,822**	**7,171**	**4,455**
Own funds available to cover the MCR/ Minimum consolidated group SCR	**9,563**	**6,822**	**7,164**	**4,455**

MLL and the Group's ordinary share capital and reconciliation reserve are Tier 1 unrestricted own funds as per Article 69(a)(i) of the Delegated Acts and are available to cover the respective SCR and MCR. MLL and the Group have 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 2021, there is a small deferred tax asset of £7k (2020 - £7k) which is classified as Tier 3 own funds (per Article 76 of the Delegated Acts) within MLL. This deferred tax asset is available to cover MLL's SCR but not its MCR. The deferred tax asset is not available to cover the Group SCR or the minimum consolidated group SCR (per Article 330(3)(c) of the Delegated Acts).

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.

At 31 March 2021, the capital and reserves shown in the MLL financial statements are £1,159k (2020 - £626k) lower than the excess of assets over liabilities used for solvency purposes. The capital and reserves at a consolidated Group level are £21,903k higher (2020 - £24,958k higher) than the excess of assets over liabilities used for solvency purposes.

The movement in MLL own funds primarily reflects net of tax retained fee income in excess of expenses during the year and the increase in the value of in-force business, reduced by the dividend it paid to MLG. The movement in Group own funds primarily reflects net of tax retained fee income in excess of expenses during the year and the increase in the value of in-force business.

Deferred tax is calculated, at the rates that are expected to apply at the time of their reversal, in respect of all timing differences, at the reporting date, between the recognition of total comprehensive income in the financial statements and its inclusion in tax assessments. The resulting net deferred tax asset arising is recognised as the Group believes it is probable the timing difference will reverse. The asset is available as a basic own-fund item classified as Tier 3 in accordance with Article 76(a)(iii); and is recognised as eligible own funds for MLL, applying the eligibility limits set out in Article 82.

E.2 SCR and MCR

Both MLL and the Group are using the standard formula to calculate the SCR.

£000's	31 March 2021		31 March 2020	
	MLL	Group	MLL	Group
Market risk	2,004	2,004	1,117	1,117
Credit risk	870	473	1.130	772
Underwriting risk	1,576	1,576	1,223	1,223
Undiversified basic SCR	4,450	4,053	3,470	3,112
Diversification	(1,226)	(1,028)	(1,015)	(892)
Basic SCR	3,224	3,025	2,455	2,220
Operational risk	1,381	1,643	1,234	1,440
Loss absorbing capacity of deferred tax	(874)	(874)	(627)	(623)
Total SCR	**3,731**	**3,794**	**3,062**	**3,037**
Minimum Capital Requirement / Minimum consolidated group SCR	**3,338**	**3,338**	**3,187**	**3,187**

At 31 March 2021 compared to the previous valuation, the increase in:

- market and underwriting risks primarily reflect the increase in the VIF due to the increase in AuA (and consequently higher loss of VIF under the SCR stresses) and, for market risk only, an increase in the level of the equity stresses;
- operational risk reflects an increase in non-acquisition expenses incurred in the twelve months to the valuation date; and
- the loss absorbing capacity of deferred taxes ("LACDT") reflects the increased level of profits against which the higher notional loss in the SCR scenario can be relieved.

The reduction in credit risk is primarily due to a reduction in MLL's exposure to counterparty default risk on policyholder cash in transit.

The LACDT at 31 March 2021 is £874k for MLL and £874k for the Group. The LACDT at 31 March 2021 for MLL comprises:

- £425k from the recovery of tax from the accounting period ending 31 March 2021;
- £176k from the recovery of tax from the accounting period ending 31 March 2020; and
- £273k in respect of the deferred tax liability relating to notional tax on the sum of the VIF less risk margin (see D.3).

No future taxable profits have been used in the LACDT.

The Group has not applied any of the simplifications outlined in Articles 88 to 112 of the Delegated Regulation and has not applied to use any undertaking specific parameters.

The Group 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. The PRA has confirmed this approach as acceptable subject to ongoing monitoring.

Differences between the MLL and Group SCR calculation are limited to:

- elimination of credit risk on intra-group debtors in the consolidated Group position;
- additional credit risk on cash and certain debtors held by Group entities other than MLL;
- non-material diversification impacts arising from the revised credit risk capital requirement; and
- a contribution to operational risk in respect of activities undertaken by Group entities other than MLL.

Overall, the Group's SCR is £63k higher than MLL's SCR (2020 - £25k lower). This movement in the relative size of the MLL and Group SCR primarily reflects the increased contribution to operational risk capital from Group entities other than MLL.

A split of the Group SCR between amounts referred to in Article 336 of the Delegated Acts is not necessary as all Group companies fall within the definition of Article 336(a).

There are no significant group diversification effects.

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

The MCR calculation for MLL is set out in the Delegated Acts. Given the nature of MLL'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 £22,303m; and

- the amount of capital at risk, which is £Nil.

At 31 March 2021, the minimum consolidated group SCR is equal to MLL's MCR and 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 SCR

The Group 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

The Group uses the standard model, with no internal model.

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

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

E.6 Any other information

None

Approval by the Boards of Directors of the Solvency and Financial Condition Report for the financial period ended 31 March 2021

The Directors of MLT and MLL certify that:

1) The 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 Group and MLL have complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the Group and MLL; and

   b. It is reasonable to believe that, at the end of the publication of the SFCR, the Group and MLL have continued to comply, and will continue to comply in future.

This report was approved by the Boards of both MLT and MLL on 29 July 2021 and signed on their behalf by:

Adrian P Swales

Director

Mobius Life Topco Limited

Solvency and Financial Condition Report

Disclosures

31 March

2021

(Monetary amounts in GBP thousands)

General information

Participating undertaking name	Mobius Life Topco Limited
Group identification code	213800N3GG52SBSUZ141
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	31 March 2021
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
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

S.05.01.02 - Premiums, claims and expenses by line of business

S.23.01.22 - Own Funds

S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula

S.32.01.22 - Undertakings in the scope of the group

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	58
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	148
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*	148
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	9,807,767
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:	12,497,133
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*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	12,497,133
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	10,606
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	10,053
R0420	Any other assets, not elsewhere shown	1,229
R0500	**Total assets**	22,327,002

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	0
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	
R0550	*Risk margin*	
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	22,303,462
R0700	*TP calculated as a whole*	22,304,901
R0710	*Best Estimate*	-1,632
R0720	*Risk margin*	193
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	66
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	273
R0790	Derivatives	0
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	8,429
R0820	Insurance & intermediaries payables	2,494
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	5,449
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	22,320,173
R1000	**Excess of assets over liabilities**	6,829

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			3,105,277					0	3,105,277
R1420	Reinsurers' share			1,872,186						1,872,186
R1500	Net			1,233,090					0	1,233,091
	Premiums earned									
R1510	Gross			3,105,277					0	3,105,277
R1520	Reinsurers' share			1,872,186						1,872,186
R1600	Net			1,233,090					0	1,233,091
	Claims incurred									
R1610	Gross			1,995,370					17,971	2,013,341
R1620	Reinsurers' share			1,223,206						1,223,206
R1700	Net			772,165					17,971	790,136
	Changes in other technical provisions									
R1710	Gross									0
R1720	Reinsurers' share									0
R1800	Net			0					0	0
R1900	**Expenses incurred**			6,674					66	6,740
R2500	**Other expenses**									
R2600	**Total expenses**									6,740

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	303	303		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0				
R0030	Share premium account related to ordinary share capital	30,017	30,017		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	0	0			
R0080	*Non-available surplus funds at group level*	0	0			
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0				
R0130	Reconciliation reserve	-23,498	-23,498			
R0140	Subordinated liabilities	0		0	0	0
R0150	*Non-available subordinated liabilities at group level*	0				
R0160	An amount equal to the value of net deferred tax assets	7				7
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	7				7
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at group level*	0				
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 other financial undertakings, including non-regulated undertakings carrying out financial activities**	0				
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	7	0	0	0	7
R0280	**Total deductions**	7	0	0	0	7
R0290	**Total basic own funds after deductions**	6,822	6,822	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0380	Non available ancillary own funds at group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	0				
R0420	Institutions for occupational retirement provision	0				
R0430	Non regulated entities carrying out financial activities	0				
R0440	**Total own funds of other financial sectors**	0	0	0	0	0

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	6,822	6,822	0	0	0
R0530	Total available own funds to meet the minimum consolidated group SCR	6,822	6,822	0	0	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	6,822	6,822	0	0	0
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	6,822	6,822	0	0	
R0610	**Minimum consolidated Group SCR**	3,338				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	204.41%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	6,822	6,822	0	0	0
R0680	**Group SCR**	3,794				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	179.82%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	6,829
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	
R0730	Other basic own fund items	30,328
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non available own funds	
R0760	**Reconciliation reserve**	-23,498
	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)**	0

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	2,005		
R0020	Counterparty default risk	473		
R0030	Life underwriting risk	1,576		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-1,028		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	3,025		

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

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	1,643
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	-875
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	3,794
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	3,794
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0470	Minimum consolidated group solvency capital requirement	3,338
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	0
R0520	*Institutions for occupational retirement provisions*	0
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0
	Overall SCR	
R0560	SCR for undertakings included via D&A	0
R0570	**Solvency capital requirement**	3,794

S.32.01.22

Undertakings in the scope of the group

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	GB	213800N3GG52SBSUZ141	LEI	Mobius Life TopCo Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Limited by shares	Non-mutual	
2	GB	213800N3GG52SBSUZ141GB0000	Specific code	Mobius Life BidCo Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Limited by shares	Non-mutual	
3	GB	2138003TNRFYMIDY6M50	LEI	Mobius Life Limited	Life insurance undertaking	Limited by shares	Non-mutual	Prudential Regulation Authority
4	GB	213800PX5Z6KOQRQGQ51GB000(	Specific code	Mobius Life Administration Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Limited by shares	Non-mutual	
5	GB	213800UDS2RHYBSF1719	LEI	Mobius Life Group Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Limited by shares	Non-mutual	
6	GB	213800PX5Z6KOQRQGQ51GB000(	Specific code	Mobius Life Holdings Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Limited by shares	Non-mutual	

S.32.01.22

Undertakings in the scope of the group

					Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	213800N3GG52SBSUZ141	LEI	Mobius Life TopCo Limited							Included in the scope		Method 1: Full consolidation
2	GB	213800N3GG52SBSUZ141GB0000	Specific code	Mobius Life BidCo Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
3	GB	2138003TNRFYMIDY6M50	LEI	Mobius Life Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
4	GB	213800PX5Z6KOQRQGQ51GB000	Specific code	Mobius Life Administration Services Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
5	GB	213800UDS2RHYBSF1719	LEI	Mobius Life Group Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
6	GB	213800PX5Z6KOQRQGQ51GB000	Specific code	Mobius Life Holdings Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation

Mobius Life Limited

Solvency and Financial Condition Report

Disclosures

31 March

2021

(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 2021
Currency used for reporting	GBP
Accounting standards	Local GAAP
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
S.05.01.02 - Premiums, claims and expenses by line of business
S.12.01.02 - Life and Health SLT Technical Provisions
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

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)	148
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*	148
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	9,807,767
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:	12,497,133
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*	12,497,133
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	10,476
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	9,633
R0420	Any other assets, not elsewhere shown	3,380
R0500	**Total assets**	22,328,544

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	0
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	
R0550	*Risk margin*	
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	22,303,462
R0700	*TP calculated as a whole*	22,304,901
R0710	*Best Estimate*	-1,632
R0720	*Risk margin*	193
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	66
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	273
R0790	Derivatives	0
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	8,429
R0820	Insurance & intermediaries payables	2,494
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	4,251
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	22,318,975
R1000	**Excess of assets over liabilities**	9,570

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			3,105,277					0	3,105,277
R1420	Reinsurers' share			1,872,186						1,872,186
R1500	Net			1,233,090					0	1,233,091
	Premiums earned									
R1510	Gross			3,105,277					0	3,105,277
R1520	Reinsurers' share			1,872,186						1,872,186
R1600	Net			1,233,090					0	1,233,091
	Claims incurred									
R1610	Gross			1,995,370					17,971	2,013,341
R1620	Reinsurers' share			1,223,206						1,223,206
R1700	Net			772,165					17,971	790,136
	Changes in other technical provisions									
R1710	Gross									0
R1720	Reinsurers' share									0
R1800	Net			0					0	0
R1900	**Expenses incurred**			6,674					66	6,740
R2500	**Other expenses**									
R2600	**Total expenses**									6,740

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**		21,726,495							578,405	22,304,901						
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		12,229,659							267,474	12,497,133						
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**				-1,518					-115	-1,632						
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default									0	0						
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re			0	-1,518					-115	-1,632						
R0100	**Risk margin**		188							5	193						
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole										0						
R0120	Best estimate										0						
R0130	Risk margin										0						
R0200	**Technical provisions - total**		21,725,166							578,296	22,303,462						

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	4,000	4,000		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	5,563	5,563			
R0140	Subordinated liabilities	0		0	0	0
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	0	0	0	0	0
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**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	9,570	9,563	0	0	7
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	9,570	9,563	0	0	7
R0510	Total available own funds to meet the MCR	9,563	9,563	0	0	
R0540	Total eligible own funds to meet the SCR	9,570	9,563	0	0	7
R0550	Total eligible own funds to meet the MCR	9,563	9,563	0	0	
R0580	**SCR**	3,731				
R0600	**MCR**	3,338				
R0620	**Ratio of Eligible own funds to SCR**	256.50%				
R0640	**Ratio of Eligible own funds to MCR**	286.51%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	9,570
R0710	Own shares (held directly and indirectly)	0
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**	5,563
	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)**	0

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	2,005		
R0020	Counterparty default risk	870		
R0030	Life underwriting risk	1,576		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-1,226		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	3,224		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	1,381
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	-875
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	3,731
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	3,731
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	No

		LAC DT
	Calculation of loss absorbing capacity of deferred taxes	C0130
R0640	LAC DT	-875
R0650	LAC DT justified by reversion of deferred tax liabilities	-273
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	-601
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	-875

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	0

		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	68,643

		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	9,806,135	
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	68,643
R0310	SCR	3,731
R0320	MCR cap	1,679
R0330	MCR floor	933
R0340	Combined MCR	1,679
R0350	Absolute floor of the MCR	3,338
R0400	**Minimum Capital Requirement**	3,338