

SOLVENCY AND FINANCIAL CONDITION REPORT (SFCR)

OLD MUTUAL INTERNATIONAL IRELAND DAC

OLDMUTUAL WEALTH

EXECUTIVE SUMMARY

INTRODUCTION AND PURPOSE

This document provides an annual public disclosure of the solvency and financial condition of Old Mutual International Ireland dac ('OMII'/"the Company") at 31st December 2017.

This narrative report covers five broad areas:

A. Business and performance
B. System of governance
C. Risk profile
D. Valuation for solvency purposes
E. Capital management

BUSINESS AND PERFORMANCE

BACKGROUND

OMII is an Irish regulated insurance company authorised to carry out unit-linked long term assurance business. Unit-linked means that the value of the products OMII sells is directly linked to the value of the underlying investments within each policy. OMII does not offer investment advice.

The company is part of Old Mutual plc, a FTSE 100 group ("the group"), and is authorised and regulated by the Central Bank of Ireland. The company forms part of the Old Mutual Wealth division ("OMW") of Old Mutual plc, for which Old Mutual Wealth Management Limited ("OMWML") – now Quilter plc (see below) acts as holding company and delivers strategic and governance oversight.

Good progress has been made with the programme of activity as OMW works towards independence as part of the managed separation from Old Mutual plc. By the end of 2017, all functions had materially delivered all changes necessary to be standalone and on 15th March 2018, OMW announced to the market that, following the issuance of a £200m subordinated debt security and having entered into a £300m term loan with a number of relationship banks, it has a strong balance sheet, strong capital and liquidity positions, is financially independent from OM plc, and believes that it is ready to list. Since this date, Quilter plc has published its Equity Prospectus on 20 April 2018, immediately followed by a successful Showcase II event to key analysts and shareholders on 26 April 2018, and it has also published the first of its supplementary prospectuses, being the Quarter 1 trading update, on 30 April 2018.

As part of the Managed Separation activity, on 15th November 2017 OMW announced that it intends to rebrand its business and list as Quilter plc. On 27th March 2018 OMWML changed its name to Quilter plc, and Quilter plc intends to phase in the new branding for all group businesses over a period of approximately two years following separation from Old Mutual plc.

BUSINESS STRATEGY

The strategy of the Old Mutual Wealth division is to deliver a modern, integrated wealth and asset management business. The specific strategic priorities of OMII, aligned to the broader strategy of Old Mutual Wealth are summarised below:

- To be part of the market leading cross border division providing unit-linked insurance solutions into the EU and selected other markets.
- To exploit new market opportunities as they arise leveraging distribution and speed to market capabilities.
- To become an integrated business:
  - leverage benefits of being part of a wider group with strong brand identity;
  - build products which leverage and compliment products and services provided by other parts of the group;
  - enhance the investment proposition.
- To manage outsourcing arrangements to provide best value and leverage economies of scale of outsource partners.
- To achieve strong financial returns over the long term.
- To utilise new systems technology to develop an enhanced customer proposition and drive down costs.
- To continue to manage and enhance our customer experience through focus on operational process management.
- Govern the business in an effective and efficient manner:
  - to continue to manage and enhance our control environment in order to protect customers and the business from continually evolving threats such as cyber risks;
  - to operate a responsible business making decisions that take account of the impact on those around us.

BUSINESS REVIEW

The company achieved strong client inflows in 2017 of €535m (2016: €438m), an increase of 22% year-on-year. The increase was due to a number of channels experiencing increased volumes including business from UK and Malta along with significant growth from the Swedish Executive Portfolio product (see section A1.8.8). Meanwhile, the business saw a significant reduction in inflows from BVI (British Virgin Islands) business year on year due to regulatory changes in Chile.

Net client cash flow ('NCCF') was €459m in 2017 (2016: €397m). Strong NCCF and investment performance has increased the assets under administration to €1,618m from €1,133m at the previous year end.

The business continues to record losses on IFRS basis. The company's pre-tax IFRS loss has increased to €689k in 2017 from €138k in 2016. Despite steadily increasing gross profit contribution from in-force product income, costs associated with financing the growth of the company, ongoing maintenance costs and adverse movements in exchange rates have combined to cause this ongoing loss making position.

Section A of this document contains further details relating to OMII's business and performance.

SYSTEM OF GOVERNANCE

The System of Governance for OMII is defined by the Board and Committee governance documents (Board Instructions and Committee Terms of Reference) together with the System of Governance (including Scheme of Delegation) of the Old Mutual Wealth Management Limited (OMWML) Board and its Committees, which provide strategic oversight to OMII.

Section B of this document contains further details relating to OMII's system of governance.

RISK PROFILE

At 31st December 2017 OMII's Solvency capital requirement under the Solvency II regime was €16,436k, which has increased from €14,349k at the start of the reporting period.

The pie chart below sets out the OMII's risk profile, in terms of Solvency Capital requirements:



OMII is a pure unit-linked business with no investment guarantees. The main risk categories to which OMII is exposed to are market risk and life underwriting risks. These represent 97% of OMII's risk exposure as measured under the Solvency II regime.

Market risk is a significant risk for OMII since the majority of in-force business is investment business and the company derives a significant part of its revenues related to asset values. The largest component of market risk which OMII is exposed to is associated with the uncertainty related to foreign exchange fluctuations. For example, where OMII writes business in currencies other than Euros (its reporting currency) it is exposed to foreign exchange risk as the value of the income streams from those policies fluctuate in Euro terms with the exchange rate.

Lapse risk, which is a component of life underwriting risk, is a significant risk for OMII because the unit-linked investment business relies on persistency of policies to generate future revenues.

Section C of this document contains further details relating to OMII's risk profile.

VALUATION FOR SOLVENCY PURPOSES

The OMII Solvency II balance sheet is constructed in line with the Solvency II rules and guidance.

On a Solvency II basis, at 31st December 2017 OMII's total assets were €1,616,804k and total liabilities were €1,574,075k.

Total assets on a Solvency II basis at 31st December 2017 were €94,330k lower than as reported in the statutory financial statements (IFRS basis) due to the differing valuation methodology involved under the two regimes.

The technical provisions at 31st December 2017 were €1,567,945k, which were lower by €52,378k than as reported in the statutory financial statements (IFRS basis) due to the differing valuation methodology involved under the two regimes.

Section D of this document contains further details relating to valuation for solvency purposes.

CAPITAL MANAGEMENT

The strategy for managing capital is to ensure sufficient capital exists within OMII to meet the Solvency II Solvency Capital Requirement (SCR) and Solvency II Minimum Capital Requirement (MCR), with a capital buffer to protect against unexpected adverse events. The target solvency range for OMII is set at a minimum of 180% - 200% of SCR.

At 31st December 2017, OMII's solvency coverage ratio was 260%.

OMII uses the Solvency II Standard Formula to calculate the SCR. The SCR computed at 31st December 2017 was €16,436k and the MCR was €7,396k.

OMII's Solvency II Own Funds value at 31st December 2017 was €42,728k, made up of Share Capital of €635k, Other own fund items approved by the supervisory authority (Capital Contributions) of €91,791 and Reconciliation Reserve of €(49,698k), all of which are Tier 1 own funds.

OMII carries out regular reviews of the capital requirements and solvency coverage ratio as part of capital management and risk monitoring.

Refer to Section E below for further details relating to OMII's capital management.

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SECTION A
BUSINESS AND PERFORMANCE

SECTION A. BUSINESS AND PERFORMANCE

A1 BUSINESS

A1.1 NAME AND LEGAL FORM OF THE UNDERTAKING

OLD MUTUAL INTERNATIONAL IRELAND DAC ('OMII')

The Company is a designated activity company incorporated in Ireland which is a wholly owned subsidiary of Old Mutual Wealth Holdings Limited ('OMWHL'), which is itself a wholly owned subsidiary of Old Mutual Wealth Management Limited ('OMWML') which is itself a wholly owned subsidiary of the ultimate holding company Old Mutual plc ('OMplc'). OMII has no subsidiary undertakings itself.

For every company referred to above, 100% of the voting rights were held by the parent company throughout the relevant period of ownership.

A1.2 NAME AND CONTACT DETAILS OF THE SUPERVISORY AUTHORITY

Central Bank of Ireland
New Wapping street
North Wall Quay,
Dublin 1

Group supervisors:

Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

Financial Conduct Authority
25 The North Colonnade
London
E14 5HS

A1.3 NAME AND CONTACT DETAILS OF THE EXTERNAL AUDITOR

KPMG
1 Harbourmaster Place
IFSC
Dublin 1

A1.4 QUALIFYING HOLDINGS IN THE UNDERTAKING

100% of the voting rights were held by Old Mutual plc., the ultimate parent company, throughout the relevant period of ownership. Full details of ownership structure can be found in section A1.7 below.

A1.5 SOLVENCY II REPORTING CURRENCY

OMII reports on a Solvency II basis in **Euros**.

A1.6 REPORTING PERIOD

This report covers the financial position as at **31st December 2017**. This is analysed with reference to the previous results at 31st December 2016.

A1.7 OMII POSITION WITHIN THE LEGAL STRUCTURE OF THE GROUP

The corporate structure is set out below (all holdings 100% owned):



OMII has no subsidiaries or branches.

A1.8 OMII LINES OF BUSINESS

OMII's primary markets by geographical region are UK, Sweden, Spain, Cyprus, Malta, Belgium, Luxembourg and BVI.

OMII offers nine products as at 31st December 2017, some of which are market specific. The table below gives a summary of the in force business for OMII at that date.

PRODUCT CATEGORY	NUMBER OF POLICIES / PLANS IN FORCE	UNIT RESERVES (€m)
European Capital Account (ECA)	145	11,160
European Executive Investment Bond (EEIB)	2,157	604,492
European Collective Investment Bond (ECIB)	573	170,861
Spanish Collective Investment Bond (SCIB)	412	82,114
European Portfolio Bond (EPB)	392	376,125
Executive Life Portfolio (ELP)	27	60,620
European Wealth Bond (EWB)	46	52,414
Swedish Executive Portfolio (SEP)	88	228,202
European Select Bond (ESB)	10	1,016
Other products closed to new business	496	24,519
Total	4,346	1,611,523

A1.8.1 EUROPEAN CAPITAL ACCOUNT (ECA)

This contract is available as a single or regular premium unit-linked whole of life contract and is available on single life, joint-life last death and multiple-life last death bases.

The product is sold in to various European countries including Cyprus, Luxembourg and Spain.

The investments available to this product are the full range of OMII internal funds.

This product was closed to new business as of 31st December 2017.

A1.8.2 EUROPEAN EXECUTIVE INVESTMENT BOND (EEIB)

A single premium, unit-linked, contract available on single life, joint life first death, or multiple life last death bases. The EEIB offers fully flexible investment options of external investments.

The product is available in various European countries, in particular as a QROPS product through Maltese trustees.

A number of different charging structures are available. These structures have their management, establishment and surrender charges calculated on premiums paid.

A1.8.3 EUROPEAN COLLECTIVE INVESTMENT BOND (ECIB)

A single premium, unit-linked, contract available on single life, joint life last death or multiple life last death bases.

The ECIB is restricted to collective investment vehicles, including but not restricted to the company's internal funds. The restricted nature of investments makes the product suitable for Belgian and UK markets (for EU brokers passporting into the UK).

The charging structure is the same as that in place for the EEIB.

A1.8.4 SPANISH COLLECTIVE INVESTMENT BOND (SCIB)

SCIB was introduced in 2010. It is a variant of the ECIB but specifically for the Spanish market as its restricted funds range are required to be compliant with Spanish regulations.

A1.8.5 EUROPEAN PORTFOLIO BOND (EPB)

This product is a lump sum or non-contractual regular premium unit-linked whole of life portfolio bond, specifically tailored for the UK market to meet RDR requirements. It is available on a single life, or joint life last death basis.

This product is a collective bond (allows a wide range funds) but with investment restrictions that meet the UK regulatory requirements.

A number of charging structure options are offered for this product.

On death 101% of the full surrender value of the units is payable. No additional life cover is available and no charge is made for the benefit offered.

A1.8.6 EXECUTIVE LIFE PORTFOLIO (ELP)

This product launched in September 2015 is a single premium, unit-linked, contract available on single life and multiple life last death bases.

On death, a benefit of 105% of the surrender value of the units held will be paid.

All other product features are as per the EEIB.

A1.8.7 EUROPEAN WEALTH BOND (EWB)

This contract was launched in December 2015 to a limited distribution. Further distribution channels were rolled out through 2016.

This is a variation on the EPB and specifically tailored for the UK market.

The product offers a wider potential investment universe than EPB and requires a Discretionary Asset Manager.

A1.8.8 SWEDISH EXECUTIVE PORTFOLIO (SEP)

The SEP was launched in February 2016 and is a single premium (with the option to pay additional premiums) whole of life investment bond. The policy allows clients to access an open-architecture range of permissible assets.

The product is a variant of the EEIB, amended to cater for the Swedish "Good Market Practice" requirements:

A1.8.9 EUROPEAN SELECT BOND (ESB)

The ESB was launched in February 2017 and is a single premium (with the option to pay additional premiums) whole of life investment bond. The policy allows clients access to the UK Wealth Select fund range offered by Old Mutual Global Investors, or a wider list of collective investments assets.

The product is a version of the RDR compliant EPB, directed at the mass affluent sector of the UK market.

A1.9 ANY SIGNIFICANT BUSINESS OR OTHER EVENTS OVER THE REPORTING PERIOD

A1.9.1 PRODUCT RANGE CHANGES

Other than the items discussed below there have been no other significant changes in products during the year 2017.

A1.9.1.1 NEW PRODUCTS

OMII launched the European Select Bond (ESB), as described in Section A1.8.9, during 2017.

A1.9.1.2 PRODUCT DESIGN CHANGES

In 2016 OMII introduced an alternative structure for management of investments behind some of its portfolio bonds. Where previously the only option was a structure whereby the policyholder was able to appoint his/her chosen investment manager, the new structure allows for the policyholder to request that OMII itself appoints the chosen manager to manage the investments backing the policy. This Discretionary Asset Manager (DAM) structure is useful particularly in the UK for tax planning purposes.

A1.9.2 COMPANY STRUCTURE AND CHANGES

OMII is a business within OMW, whose vision is to be the UK's leading wealth manager. OMW is a purpose-built, full service wealth manager. It has leading positions in one of the world's largest wealth markets, and its multi-channel proposition and investment performance are driving integrated flows and long term customer relationships. Together this has delivered attractive top-line growth and there is the opportunity for operating leverage following the intended listing as Quilter plc.

The strategic priorities of the company, aligned to the broader strategy of the OMW, are to build the investment proposition, integrate and leverage benefits from being part of an integrated wealth management business and invest in the infrastructure to build a market leading platform to provide an enhanced service and proposition to customers and advisers.

MARKET RECOGNITION

During 2017 the Old Mutual International business won a number of awards for the quality and breadth of its proposition as well as some significant accolades recognising the excellent service delivered to customers and advisers, including;

INTERNATIONAL INVESTMENT – INTERNATIONAL FUND AND PRODUCT AWARDS 2017

- Best International Life Group (Non-UK) – Winner
- Best International Trust and Estate Planning Product – Lifestyle Trust – Winner
- Best International Practice in Asset Management/Life Products/Bonds – Future Fit – Winner
- Best International Life Group – non-UK – Highly Commended
- Best International Portfolio Bond – Executive Investment Account – Highly Commended
- Best International Platform – Wealth Interactive – Highly Commended

INTERNATIONAL ADVISER – INTERNATIONAL LIFE AWARDS 2017

- UK: 'Best Adviser Support' Europe: 'Best Trust and Estate Planning Product', "Best Online Proposition", "Best Single Premium Product", "Best Adviser Support" and "Best Overall Product Range".

PROPOSITION AND STRATEGY

The OMII business strategy is as follows:

- To be part of the market leading cross border division providing unit-linked insurance solutions into parts of the EU and selected other markets.
- To exploit new market opportunities as they arise leveraging distribution and speed to market capabilities.
- To exploit opportunities to generate integrated NCCF.
- To leverage benefits of being part of a wider group with strong brand identity.
- To build products which compliment products and services provided by other parts of the Group.
- To enhance the investment proposition.
- To manage outsourcing arrangements to provide best value and leverage economies of scale of outsource partners.
- To achieve strong financial returns over the long term.
- To utilise new systems technology to develop an enhanced customer proposition and drive down costs.
- To continue to manage and enhance our customer experience through focus on operational process management.
- Govern the business in an effective and efficient manner.
- To continue to manage and enhance our control environment in order to protect customers and the business from continually evolving threats such as cyber risks.
- To operate a responsible business, making decisions that take account of the impact on those around us.

A2. UNDERWRITING PERFORMANCE

OMII writes primarily products which IFRS accounting treatment would classify as investment business as any death benefit proceeds are limited to 1% of value.

In late 2015 OMII launched the ELP product which incorporates additional term life cover paid for specifically within the policy. OMII's policy is to unbundle the premium associated with this and account for this as underwriting premium.

The underwriting performance of the company in relation to unit-linked insurance business is shown in the table below:

€000's	31/12/2017	31/12/2016
Premiums written		
Gross	16	10
Reinsurers' share	0	0
Net	16	10
Premiums earned		
Gross	16	10
Reinsurers' share	0	0
Net	16	10
Claims incurred		
Gross	59	0
Reinsurers' share	0	0
Net	59	0
Underwriting performance	(43)	10

Table A2: Underwriting Performance

A3. INVESTMENT PERFORMANCE

A3.1 INFORMATION ON INCOME AND EXPENSES ARISING FROM INVESTMENTS OVER THE REPORTING PERIOD.

The income and expenses of the company are shown in the table below:

€000's	31/12/2017	31/12/2016
Fees income	13,413	10,346
Change in fee income receivable and deferred fee income	(2,734)	(1,936)
Total policyholders income	10,679	8,410
Interest received	149	263
Gains and losses	(1,118)	(24)
Total shareholders income	(969)	239
Total income	9,710	8,649
Expenses	(10,356)	(8,797)
Income less expenses	(646)	(148)

Table A3: Investment Performance

The income above represents the following:

FEE INCOME

Fees charged for managing investment and insurance contracts comprise fees taken both on inception and throughout the life of the contract. All fee income is recognised as revenue on an accruals basis in line with the accounting policies of OMII.

CHANGE IN FEE INCOME RECEIVABLE AND DEFERRED FEE INCOME

Fee income, comprising fees received at inception or receivable over the income generating life of the policy are earned on day one of each policy and shown as a Fee Income Receivable ('FIR') debtor in OMII's statement of financial position. These fees are then deferred through the creation of a deferred fee income liability ('DFI') on the statement of financial position and released to income as the services are provided. Equal service provision is assumed over the lifetime of the contract and, as such, the deferred fees are amortised on a linear basis over the expected life of the contract. The above treatment has the effect of smoothing the income generated by each policy over the expected policy life.

SHAREHOLDERS INCOME

Income and gains represent interest received on cash and cash equivalents, gains/losses on shareholder investments and foreign exchange movements.

EXPENSES

Expenses represent all costs incurred by the company, including sales, administration and finance costs. Costs directly attributable to the acquisition of new business, being commission paid to advisers and sales personnel, are deferred through the creation of a deferred acquisition cost asset ('DAC') on the statement of financial position and released to expenses as the services are provided. Equal service provision is assumed over the lifetime of the contract and, as such, the deferred costs are amortised on a linear basis over the expected life of the contract. The above treatment has the effect of smoothing the costs of acquiring each policy over the expected policy life.

DIFFERENCES TO SOLVENCY II

The above table is populated from the IFRS based financial statements. The deferred fee income liability and fee income receivable asset are intangible items which are not recognised on a Solvency II basis, so the profit and loss release will not be reflected in the movement in Solvency II own funds.

A3.2 INFORMATION ABOUT ANY GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY OVER THE REPORTING PERIOD.

The only movements in equity for the company during 2016 and 2017 were the IFRS losses incurred in those years shown under A3.1 above.

The reconciliation between the movement in equity and the Solvency II own funds is shown in Section E1.2.

A3.3 INFORMATION ABOUT ANY INVESTMENTS IN SECURITISATION OVER THE REPORTING PERIOD

OMII has no exposure to investments in securitisation.

A4. PERFORMANCE OF OTHER ACTIVITIES

During the year, there were no other activities undertaken by the company.

A5. ANY OTHER INFORMATION

Good progress has been made with the programme of activity as OMW works towards independence as part of the managed separation from Old Mutual plc. By the end of 2017, all functions had materially delivered all changes necessary to be standalone and on 15th March 2018, OMW announced to the market that, following the issuance of a £200m subordinated debt security and having entered into a £300m term loan with a number of relationship banks, it has a strong balance sheet, strong capital and liquidity positions, is financially independent from Old Mutual plc, and believes that it is ready to list. Since this date, Quilter plc has published its Equity Prospectus on 20 April 2018, immediately followed by a successful Showcase II event to key analysts and shareholders on 26 April 2018, and it has also published the first of its supplementary prospectuses, being the Quarter 1 trading update, on 30 April 2018.

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To ensure the organisation is fit for purpose as a listed, standalone entity, OMW has continued to reshape and strengthen its executive management team and board. It has also strengthened the boards of its principal regulated subsidiaries by increasing the level of independence on those boards, including through additional representation from the non-executive directors.

SECTION B

SYSTEM OF GOVERNANCE

SECTION B. SYSTEM OF GOVERNANCE

B1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

The system of governance is reviewed on an annual basis, or when there is a material change in the business which requires a change to the system of governance.

The company has assessed the adequacy of its system of governance and compliance with relevant regulations and legislation and determined that there are no material gaps in compliance.

B1.1 STRUCTURE OF THE OMWML SYSTEM OF GOVERNANCE

As a subsidiary of OMWML, OMII is subject to the OMWML System of Governance. The OMWML System of Governance applies to all entities within the Old Mutual Wealth ('OMW') business.

OMW consists of five Businesses located primarily in the UK, Isle of Man and Ireland. Each Business is managed on a day-to day basis by each Business CEO who ultimately report into the OMW CEO and each Business Board. The OMWML Scheme of Delegation requires the OMWML Board and its Committees to provide oversight over each Business within the OMW perimeter.

The OMWML System of Governance is structured in a way which recognises the control requirements of the shareholder and stakeholders, whilst optimising the strategic potential of its business units.

Old Mutual plc, the shareholder of OMWML, articulates the control framework requirements through the Group Operating Manual ("GOM") and plc Decision Making Framework ("DMF") and where necessary, the OMWML System of Governance is aligned to the GOM and DMF. This is particularly the case in relation to financial delegated authorities, approval or notification of certain matters and specific policy requirements.

B1.2 OMWML SYSTEM OF GOVERNANCE

A summary of the OMWML System of Governance is set out below.

B1.2.1 ROLES AND DUTIES OF THE OMWML BOARD

The OMWML Board is responsible for developing OMW strategy to ensure it is aligned to Old Mutual plc Group strategy and provide the oversight over business performance, governance and control and effective discharge of fiduciary and other applicable legal and regulatory duties (including the consideration of customer interests) of the OMW.

The OMWML Board also ensures that it has appropriate procedures and delegations in place to fulfil its responsibilities for:

- Ensuring that the OMW Business operates in accordance with the Group Operating Manual and DMF;
- Managing the relationship with local external stakeholders and regulators, where applicable;
- Ensuring that the OMW Business has the appropriate resourcing levels to deliver the OMW Business strategy and business plans;
- Considering and approving the medium and long term strategy plans, and the business plans, for the OMW Business and recommending them to Old Mutual plc; and
- Agreeing the authority that the Board delegates to other boards, committees and individuals.

ROLE OF OMWML BOARD IN RESPECT OF OMII

The role of the Board of Directors of OMWML, in respect of OMII, is as follows:

- To oversee the long term prosperity of the OMW Business of Old Mutual plc by providing independent input, review and constructive challenge in relation to OMII.
- To constructively challenge and help develop proposals on OMII strategy in the context of OMW Business strategy.
- To monitor the progress of OMII in development and implementation of strategic plans and material policies.
- To generally oversee OMII to ensure maintenance of sound risk controls and governance systems, integrity of financial information, regulatory compliance and sound planning, performance and overall management, either directly or via delegation to its Committees.
- To consider and, if thought fit, approve matters escalated to it, including those escalated from the OMW Businesses within the OMW perimeter;
- To ensure OMW Businesses comply with the OMW Scheme of Delegation.
- Through its Corporate Governance and Nomination Committee, approve the appointment of the Chairman of OMW Business oversight boards.

B1.2.2 OMWML BOARD COMMITTEES

The Committees of the OMWML Board consist of the IT, Remuneration, Corporate Governance and Nomination, Audit and Board Risk Committee.

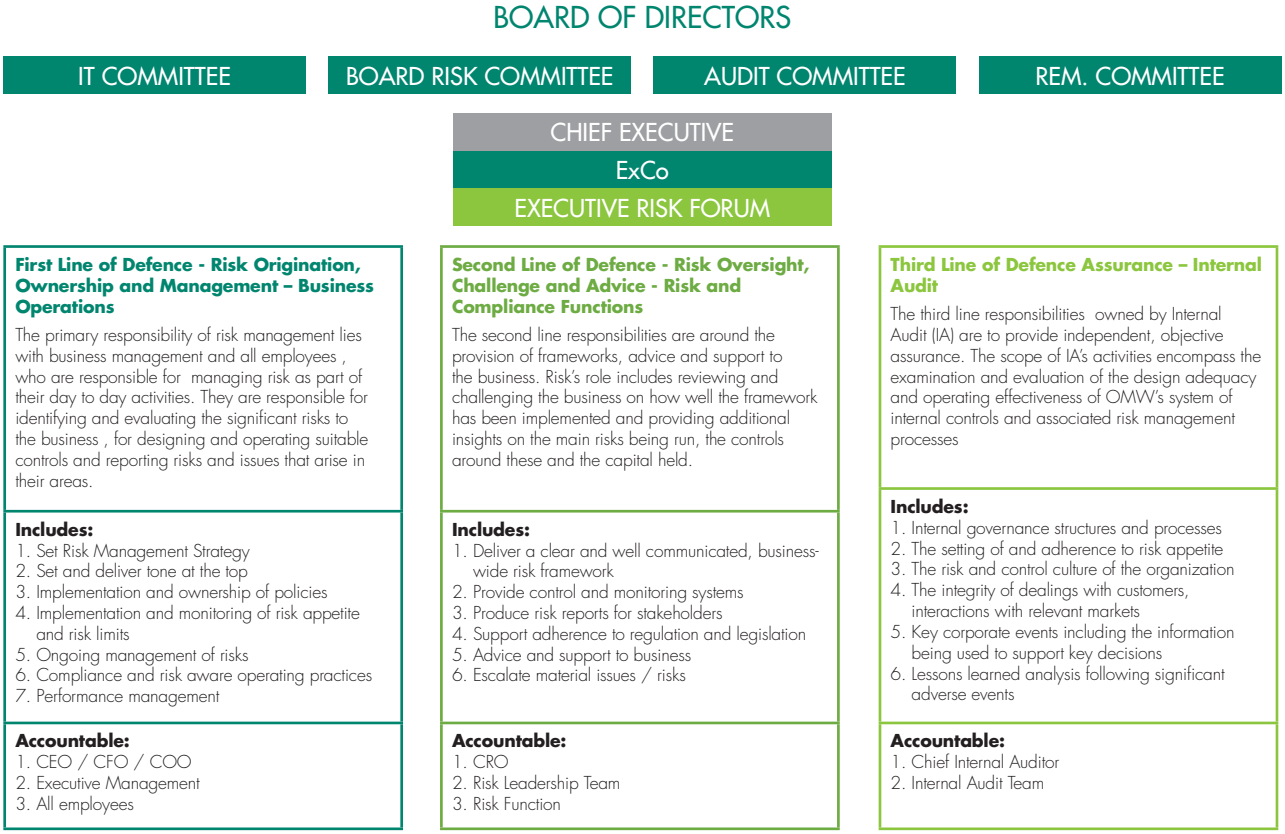
In addition to the OMW Business Boards and their Committees, the OMWML Board Committees assist the OMWML Board in its review and challenge of the following, in relation to OMW Businesses:

- The effectiveness of internal control systems (operational, financial and compliance controls);
- Risk management systems and processes;
- The integrity of financial information and the adequacy of accounting and other records; and
- Compliance with legal and regulatory obligations.

B1.2.3 GOVERNANCE MODEL

The OMWML Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

The OMWML Board has adopted an Enterprise-wide Risk Management ("ERM") approach that applies to the entire OMW business. At the core of this is the Three Lines of Defence model to risk management and internal controls. The diagram below shows the linkage between the three lines and the responsibilities within each.



B1.3 OMII BOARD OF DIRECTORS

Members of the OMII Board who served during the year ended 31st December 2017 were as follows:

NAME	ROLE
John Hollis	Chairman
Martin Middleton	Chief Executive
Joly Hemuss	Non-Executive Director
Micheal O'Briain	Independent Non-Executive Director
Sheelagh Malin	Independent Non-Executive Director

B1.3.1 ROLES AND DUTIES OF THE OMII BOARD

The roles and duties of the OMII Board are as follows:

- To ensure that OMII is run with integrity, complies with all relevant legal and regulatory obligations (e.g. meets all applicable Central Bank of Ireland requirements and applies relevant principles).
- To perform any other such duties as the OMWML Board may delegate to the Board.
- To hold executives to account in respect of business performance and the identification and mitigation of key risks and to support the delivery of the OMII Business strategy within the context of the overall Old Mutual Wealth strategy.
- To effectively manage relevant conflicts of interest arising, including the promotion of business to other parts of the OMW Group.
- Whilst strategy is set by the OMWML Board and reliance is placed on OMW Business Boards to oversee delivery of the strategy, input from the OMII Board is sought on the Business level strategy.

B1.3.2 KEY RESPONSIBILITIES OF THE OMII BOARD

The key responsibilities of the Board are set out in the Instructions for the Board of Directors of OMII.

A summary of the key responsibilities is set out below. This is not an exhaustive list and therefore may include additional responsibilities from time to time:

- To ensure that the Company is run with integrity, complies with all relevant legal and regulatory obligations.
- To ensure that all individuals associated with the Company maintain the appropriate regulatory clearance as applicable to the nature of their involvement.
- To ascertain that all individuals possessing regulatory clearance meet such obligations as may be required of them as dictated by the Financial Regulator.
- To determine and approve statements of practice for the Company in relation to adherence to Group policies.
- To monitor and evaluate the performance of the Company on an ongoing basis.
- To ensure the maintenance of sound systems of internal control and risk management.
- To monitor the progress of the Company in implementing approved strategic plans.
- To approve the Company's annual report and accounts and declare any dividends.
- To consider the Company's and Group's medium and long term objectives and provide input into commercial strategy prior to the submission of the OMW's Business Plan to the Board of Directors of OMWML and Old Mutual plc Board.
- To approve the Company's medium and long term objectives and commercial strategy prior to submission to the Board of OMWML and Old Mutual plc Board.
- To appoint directors of the Company in accordance with the Articles of Association of the Company.
- To provide support and recommendations in respect of any matter that should be escalated to the next level of authority.
- To take into account and consider any recommendations from the OMWML Board.
- To ensure that the Directors of the Company receive reports and recommendations on any matters to enable them to perform of their duties and fulfil their responsibilities.
- To be responsible for the effective, prudent and ethical oversight of the entity and setting the business strategy.
- To be responsible for endorsing the appointment of people who may have a material impact on the risk profile of the company and monitoring their appropriateness for the role on an ongoing basis.

B1.3.3 OMII BOARD COMMITTEES

At its board meeting on 2nd November 2017 OMII it was agreed to disband the International Audit and Risk committees as formal committees of the board of OMII and in their place appoint dedicated Audit and Risk committees of OMII. Following regulatory approval these committees sat for the first time in February 2018.

OMII RISK COMMITTEE

The key responsibilities of the Risk Committee are set out below:

- Review and assess the effectiveness of the risk management framework, annual operating plans, risk management plans and regular assurance reports of OMII.
- Review and recommend risk appetite statements, measures and limits to the OMII Board and review and monitor alignment between risk appetite, strategy and business plans.
- Review, monitor and challenge OMII's Risk profile in terms of significant exposures, risk trends and risk concentrations relative to risk appetite.
- Review and evaluate the appropriateness of OMII's risk measurement systems.
- Review and report to the Board on risks, issues and losses that have significant impact to the Company.
- Monitor and review developments and prospective changes in the regulatory environment.
- Review and ensure that plans are within OMW's risk appetite and strategy.
- Review and recommend to the Board key actions arising from the ORSA review including stress testing where relevant.
- Oversee the compliance with the OMW Group policy suite.
- Review the effectiveness the Risk Governance Framework and make recommendations to the Board.
- To consider the major findings of internal investigations into whistleblowing incidents and management's response.
- Periodically to receive reports on the prevention, detection and investigation of any fraudulent activity or misconduct within OMII.

OMII AUDIT COMMITTEE

The key responsibilities of the Audit Committee are set out below:

- To review and monitor the integrity of the company's interim financial performance reports , annual financial statements and reports to regulator before submission to the Board.
- To consider the external auditors' independence and objectivity and the effectiveness of the audit process and oversee the external audit process.
- To monitor and review the effectiveness of the internal audit function.
- To review and approve the annual internal audit plan, ensuring that material risk areas are included and that the coverage of business processes is acceptable.
- To ensure co-ordination and cooperation between external audit, internal audit and the risk management and compliance functions.
- Together with external and internal audit, to review developments in corporate governance and best practice and consider their impact and implication for processes and structures.

OLD MUTUAL WEALTH INVESTMENT COMMITTEE

The OMW Investment Committee is charged by OMII with delivering the following objectives:

- The investment of assets held to match policyholder liabilities in accordance with stated objectives of the funds;
- Reasonable investment expectations are met where appropriate;
- All funds and fund links are properly administered, and that all unit prices are produced in an accurate and timely fashion; and
- Achieve as reasonable risk adjusted returns as possible on all discretionary funds, subject to the constraints imposed by regulation, risk control, prudence and market conditions.

Prior to 31 Dec 2017 a proposal was agreed that the Committee would move away from its current role as a board committee to become a stand-alone forum. Updated Terms of Reference formalising this change are in the process of being finalised and approved.

B1.4 KEY FUNCTIONS

In identifying the Key Functions within OMII, consideration was given to those functions whose operation, if not properly managed and overseen, could potentially lead to significant losses being incurred, or to a failure in the on-going ability of the firm to meet its obligations to policyholders.

The mandatory Key Functions are the Actuarial, Finance, Risk Management, Compliance and Internal Audit functions.

In addition, OMII has assessed the additional Key Functions that either effectively running the firm or a function which is of specific importance to the sound and prudent management of the firm. The Key Functions of OMII, and the responsibilities of the Key Functions are set out in the following table, along with the regulatory control functions performed by the individuals, where relevant. Reference to OMIIoM is Old Mutual International Isle of Man, the lead company of Old Mutual International.

KEY FUNCTION	RESPONSIBILITY	ROLE	REPORTS TO	CONTROL FUNCTION
Chief Executive	The CEO function has delegated authority from the Board for the day to day management of the business.	OMII Chief Executive Officer	OMII Board and CEO of OMIIoM	PCF-8
Chairman of the Board	Chairing the Board, effective functioning and performance.	OMII Chairman	OMWML	PCF-3
Head of Finance	Responsibility for leading the development of the firm's culture by the governing body as a whole.	OMII Chief Finance Officer	OMII Board, Audit Committee and CFO of OMIIoM	PCF-11
Chief Risk Officer	The CFO function is of specific importance to the sound and prudent management of the business by managing the financial resources and the capital and liquidity positions.	OMII Chief Risk Officer	OMII Risk Committee and CRO of OMIIoM	PCF-14
Head of Compliance with responsibility for AML/CFT	Solvency II mandatory function.	OMII AML/CFT	OMII Risk Committee and CRO of OMIIoM	PCF-15
Head of Internal Audit	The risk function is responsible for the design of the risk framework and facilitation and oversight of its implementation.	OMII Head of Internal Audit	OMII Audit Committe and CEO	PCF-13
Head of Actuarial Function (HOAF)	The Money Laundering Reporting Officer; oversees the identification, assessment, monitoring and management of money laundering risk.	OMII HOAF	OMII Board and OMIIoM CFO	PCF-48

B1.5 REMUNERATION POLICIES

INTRODUCTION

The Old Mutual plc governance framework includes a Remuneration Policy that all subsidiaries within the Old Mutual plc Group are required to comply with. The policy has been designed to discourage risk taking outside of the Group's risk appetite, to be supportive to the Group's strategy, objectives and values and to align the interests of employees, shareholders and customers.

The policy is overseen across the Old Mutual Group by the Old Mutual plc Remuneration Committee and within OMW by the OMWML Remuneration Committee (the "RemCo").

The RemCo is a committee of the OMWML Board and consists of non-executive directors of OMWML and a director of Old Mutual plc, which enables it to exercise independent competent judgement in remuneration matters in the context of managing risk, value and capital in line with shareholders' expectations. This includes the remuneration process, structure and operation which are actively monitored as an integral part of their oversight. The RemCo met 8 times in 2017.

LINK BETWEEN PAY AND PERFORMANCE

Remuneration is made up of fixed compensation (salary and benefits) and variable performance-related pay (short term and long term incentives). The long term nature of the businesses in which we operate is reflected in our remuneration structures both to protect customers and support the creation and preservation of enduring value in the Group for the benefit of all shareholders, such as appropriate risk adjustment measures, growing the business sustainably and creating shareholder value.

SHORT-TERM INCENTIVES

Short term incentives are structured to incentivise the achievement of annual performance objectives and to align senior management reward to customer and shareholder outcomes. Business plans against which performance objectives are set and measured are market appropriate. Awards for MRTs (Material Risk Takers) include an element of deferral in Old Mutual plc restricted shares (or phantom shares). The deferred portion is designed to further align staff and shareholder interests and to support employee retention. The vesting period is 3 years.

LONG-TERM INCENTIVES

Long term Incentive awards for eligible staff align senior management remuneration with the success of the Company in achieving its strategic priorities and growing the value of the business through quality and sustainable earnings. The award is in the form of equity interest and the vesting period is at least three years from the date of grant. The Old Mutual plc Remuneration Committee may reduce the extent to which an award vests if it considers that undue risks were taken which could adversely impact future business earnings, operations or the reputation of the company. After vesting, a portion of the shares will be subject to a further 12-month restricted period during which clawback provisions apply.

B1.6 MATERIAL TRANSACTIONS FOR HOLDINGS IN OMII OVER THE PERIOD

As stated in section A1.4: 100% of the voting rights were held by Old Mutual plc the parent company throughout the relevant period of ownership.

B2. FIT AND PROPER REQUIREMENTS

The Fit and Proper Standards are the Group overarching principles for assessing fitness and propriety. The Standards allow OMW to determine how best to achieve these. Compliance against the Fit and Proper Standards is assessed through the Letter of Representation process. The fit and proper requirements set out in the narrative report refer to the requirements applied both to key functions and to members of the Board of Directors.

B2.1 OVERVIEW

The approach taken within OMII to implement and embed a process to ensure fitness and propriety is as follows:

- A framework for ensuring compliance with the Fit & Proper Standards has been embedded, which is designed to protect the business from internal threat. This includes but is not limited to policies and standards for personnel security, code of business conduct, conflicts of interest, anti-bribery and corruption, financial crime, information privacy, physical security.
- The roles which are Control Functions, and those which fall within the definition of key functions are identified and an assessment is performed to determine that each person in these roles fulfil the following requirements:
  - their professional qualifications, knowledge and experience is adequate to enable sound and prudent management **(fit)**; and
  - they are of good repute and integrity, have sufficient time to perform the role and are financially sound **(proper)**; and
  - that the qualifications, knowledge and relevant experience amongst the key function role holders within OMII is appropriately diverse

B2.2 DETERMINING AN INDIVIDUAL'S FITNESS AND PROPRIETY

The approach taken to assess an individual's fitness and propriety is as follows:

- The selection process is designed to be robust and enable a rigorous assessment of the individual's professional competence, both management and technical competence, relative to the role.
- Formal independent assessment tools are performed when appointing key function role holders.
- Background checks are performed on all individuals being employed or engaged in services prior to employment/ engagement being confirmed.
- Old Mutual business units transferring staff on a permanent or secondment basis provide evidence of completed background checks to the receiving business unit.
- The minimum background checks required for all roles are the lesser of 3 years or all employment history, validation of educational and professional qualifications disclosed, financial soundness and criminal records. Additional background checks are considered depending on the level of risk associated with the role. The checks used are proportionate to the role, the level of potential risk and availability of reliable data in the market.
- Further or updated background checks (excluding employment history) are made where an individual is promoted or transferred into a key function role.
- When reviewing the information gathered consideration is given to the risks associated with the role in question and the wider risks for the business.
- In the event of an internal dispute regarding the Fitness & Propriety of a key function role holder an established escalation process is followed. The ultimate decision will rest with the OMW Nomination Committee.
- Ongoing assessments of fitness and propriety are performed for each key function role holder on a regular basis.

B3. RISK MANAGEMENT SYSTEM INCLUDING OWN RISK AND SOLVENCY ASSESSMENT

OMII has adopted the OMW Enterprise Risk Management (ERM) system and framework. The ERM framework drives the Own Risk and Solvency Assessment (ORSA) process.



B3.1 OWN RISK AND SOLVENCY ASSESSMENT (ORSA)

The ORSA is defined as a set of underlying risk and capital management processes. These processes include:

- Defining and monitoring adherence to the risk appetite framework;
- Assessment, monitoring and reporting of material risks to achievement of the business plan;
- Assessment of the effectiveness of governance and risk management processes;
- Determination of solvency needs, including assessment of the appropriateness of the regulatory standard formula, stress and scenario testing and identification of management actions to manage solvency; and
- Reporting of the conclusions of ORSA processes.

The OMII Board provides direction on ORSA processes and approves the ORSA report. ORSA processes are performed annually, or on an ad hoc basis following a material change in the risk profile, business strategy or solvency position of the company.

B3.2 RISK MANAGEMENT SYSTEM OVERVIEW

Each Business must adopt the OMW Group risk management process and tools that ensure the consistent risk strategy, risk appetite, identification, measurement, assessment, monitoring, management and reporting of risks , and risk governance and policies. As part of the ERM Framework, OMW Group operates a continuous process for identifying, evaluating and managing any material and significant risks. The process is designed to ensure all significant risks to OMW Group's strategy are identified on a timely basis, assessed and managed effectively. Various internal risk, financial and capital models exist to support the management of risks on an integrated basis.

The requirements of the ERM framework are set out in the OMW Enterprise Risk Management Policy. The objectives of the policy are to:

- Provide a consistent, structured approach to the classification and management of risk;
- Enable the business to operate within the risk appetite approved by the OMWML Board;
- Allow risk-based decision-making through robust risk output and management information; and
- Ensure compliance with applicable regulatory and legal requirements.

The key components of the ERM framework are as follows.

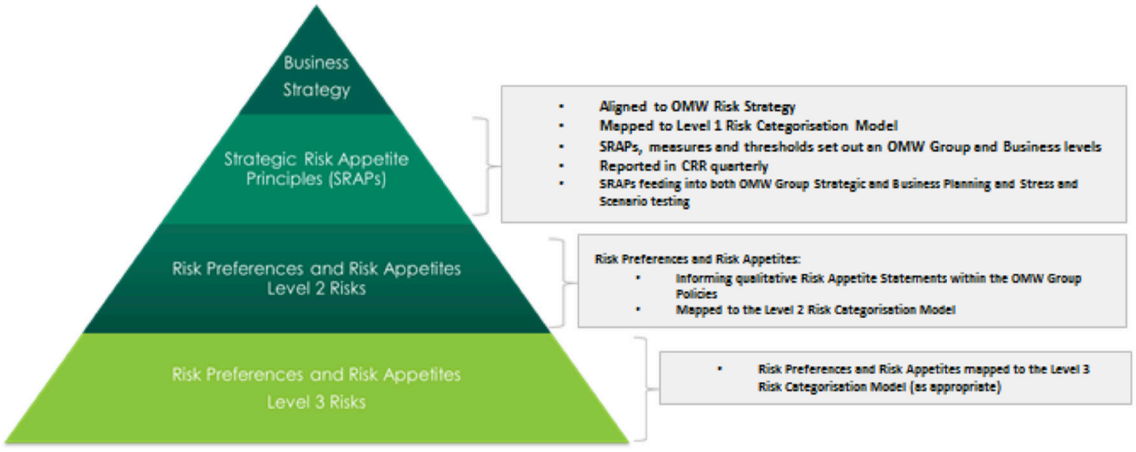
B3.3 RISK STRATEGY, APPETITE AND POLICY

Risk appetite is the amount of risk that is acceptable to OMW and is a function of OMW's capacity to bear risk. As a result, risk appetite refers to OMW's attitude towards risk taking and whether it is willing and able to tolerate either a high or a low level to specific risks or risk groups.

Risk appetite predicates the identification and assessment of risks in order that either the appetite or the amount of risk identified may be determined on a timely basis. How management may subsequently choose to deal with a particular risk, whether through mitigation, by transfer, control or elimination, does frequently depend on risk appetite, although market factors may also be a factor.

OMW's Risk Appetite Framework supports the delivery of OMW's strategy and business plan with risk appetite playing a central role in informing decision making across OMW; protecting and enhancing the return on capital invested.

OMW undertakes business in accordance with its current business and risk strategy which is supported by the principles set out below, that must be considered in deciding whether or not to pursue an opportunity.



B3.4 RISK IDENTIFICATION AND ASSESSMENT

Risks to delivery of the business plan are identified through the strategic target setting (STS) process and business planning process. Risks to business processes are identified through the regular refresh of Risk and Control Self-Assessments (RCSA).

Risks and controls are assessed on a quarterly basis by first line management. Where controls are considered to be inadequate or ineffective, management actions are agreed to improve the level of control.

The key steps in the risk identification and assessment process, together with the roles of the first and second line, are set out in the table below:

	FIRST LINE ROLE	SECOND LINE ROLE
RISK IDENTIFICATION	Risks are identified by management as the key risks to delivery of the business plan New risks are identified by the first line. New risks are identified through processes such as strategic developments plans; due diligence processes in respect of acquisitions; the on-going management of projects / changes to business processes; internal / external audit findings; changes to regulatory requirements; external events and emerging threats (e.g. cyber risks).	The Risk department provides support and advice to the business in the identification of new risks and ensure that risk identification reviews are undertaken.
RISK ASSESSMENT AND EVALUATION	Risk and Control Self Assessments (RCSA) are performed by the first line on a quarterly basis at an OMW and business level. Functional RCSA assessments are also optional. First line risk owners are responsible for providing regular updates including whether risk assessments, impact ratings and controls are accurate and whether the improvement actions are on track.	The Risk department provides advice on the completion of RCSAs and engages with the first line to ensure that the RCSAs reflect the risk and control environment.
KEY CONTROLS	Key controls are assessed within RCSAs by the first line, together with an assessment of the effectiveness and adequacy of these controls. For financial reporting processes, the Data Controls Tool (DCT) is used by the first line to log completion of key controls.	The Risk department provides advice to the business on managing and controlling risks in line with risk appetite. The Finance function monitors the DCT system to ensure that relevant control assessments are completed.
MANAGEMENT ACTION PLAN	For risks which have been assessed as outside an accepted tolerance a management action plan is defined by the first line.	The Risk department works with first line management to identify and prioritise necessary actions to deliver and embed risk and regulatory requirements into the business.

B3.5 RISK MEASUREMENT

Risks are measured through stress and scenario testing. The OMW stress and scenario testing framework covers the following forms of stress and scenario testing:

- Stress testing is performed to assess the level of capital which should be retained to provide for market, underwriting and credit risks. Stress tests contribute to the determination of the Solvency Capital Requirement (SCR);
- Sensitivity testing is performed to assess the sensitivity of the value of Own Funds to changes in the key parameters which drive the performance of the business;
- Scenario testing is performed to test the resilience of the business to events which could arise over the three year business planning period;
- Reverse stress testing is performed to determine the point at which the business could become unviable; and
- Operational risk scenario testing is performed to fully identify and measure the material operational risks to the business, identify control weaknesses and proactively plan management actions to mitigate risks.

B3.6 RISK MANAGEMENT AND MONITORING

Risks are owned and managed on a day to day basis by first line risk owners. The second line Risk function provides risk oversight and advice to support the first line in managing risks.

Risk mitigation strategy planning is performed for some risks to ensure that risk mitigation plans are in place. An example of risk mitigation planning is the development of business continuity plans, which are defined at a functional level.

Corporate insurance is in place to mitigate some high impact, low frequency risks.

The key steps in the risk management, monitoring and assurance process, together with the roles of the first and second line, are set out in the table below:

	FIRST LINE ROLE	SECOND LINE ROLE
RISK MANAGEMENT	Risks are owned and managed on a day to day basis by first line risk owners.	The Risk department provides advice to support the first line in managing risks.
PROJECT RISKS	Risks arising through strategic initiatives are managed through project steering committees.	Steering committees for the significant strategic initiatives include Risk representation.
RISK MITIGATION STRATEGY PLANNING	Business continuity plans are defined at a functional level and are maintained and tested by first line business continuity management (BCM) co-ordinators. Contingency funding plans have been developed by Treasury teams to ensure that funding requirements and sources are agreed.	The BCM toolkit is maintained by the Risk function. The function has a BCM specialist who provides advice to the business and co-ordinates BCM testing. The Risk department co-ordinates the production of liquidity risk scenario testing to input into contingency funding plans.
CORPORATE INSURANCE	Corporate insurance policies are in place to transfer high impact, low frequency risks. The insurance programme is managed by the first line Finance function.	Specialists within the Risk department support the business in ensuring that appropriate insurance is in place for high impact risks.
RISK MONITORING AND ASSURANCE	First line teams perform risk reviews to assess the adequacy and effectiveness of controls. These are performed either on a proactive or post-event basis.	The Compliance team performs second line compliance monitoring including operational risk assessments and maintains an annual compliance monitoring plan, which is approved at local and OMWML Board level. The plan is risk based and is reviewed on a quarterly basis.
INTERNAL RISK EVENTS	Local first line risk specialists support the wider business by supporting the logging and management of risk events, including actions required to improve controls.	The Operational Risk team perform an analysis on a monthly basis of risk event experience, the quality of data within the Wynyard system and overdue management actions. The data informs second line activity. Wynyard is the risk management tool (IT system to support recording of RCSA's and risk events) that is used within OMW.

B3.7 RISK REPORTING

Risk events with a financial impact of over £5,000 and risk events which have a non-financial impact such as impacts on customers and regulatory breaches are recorded by the function which caused the event.

Risk events remain open until any management actions to manage the impacts or address the events have been performed.

First line management escalate risks and risk events in line with escalation guidelines which are defined and cascaded by the Risk function.

The roles of the first and second line in terms of escalation are as follows:

	FIRST LINE ROLE	SECOND LINE ROLE
INITIAL ESCALATION	First line management escalate issue over set thresholds in line with escalation guidelines. Events with impacts over £1 million or significant non-financial impacts are escalated to OM plc.	Escalation guidelines are defined by the Risk department, including thresholds and escalation routes. The Risk function escalate onwards to OM plc where required.
ISSUE MANAGEMENT	First line management provide updates at least monthly until issues have been resolved.	The Risk department engage with the first line and provide advice as required.
LESSONS LEARNED AND ACTION PLANS	First line management document lessons learned from such events and ensure that actions are implemented to prevent a repeat of such issues.	The Risk department engage with the first line and provide advice as required.

B3.8 KEY INFLUENCES TO THE ERM FRAMEWORK

There are a number of key influences to the ERM Framework which help ensure that the framework remains fit for purpose for this company:

- **Culture and Communications:** Activity which drives the target corporate culture and corporate communications influences behaviours and attitudes. These elements have a persistent influence on how the risk framework is designed and operates.
- **Data, Information Technology & Infrastructure:** Processes and activities which capture and manipulate management information available to support the risk framework.
- **Business Performance & Capital Management:** The ERM framework oversees business risks and capital management risks. Management of risks has a positive effect on business performance and use of capital through the application of the framework and the fostering of an active risk management culture.
- **External Communications & Stakeholder Management:** Management of key internal and external stakeholders helps to drive an appropriate ERM Framework design.

B3.9 RISK MANAGEMENT CULTURE

Risk culture within OMW is defined by the following principles, which ensure:

- Responsibility and accountability for risk management is clearly assigned throughout the organisation with the aim of fostering an open and transparent organisational culture that encourages the right behaviours;
- A climate is created for employees to voice genuine concerns about, and risks within, the business;
- A risk-aware culture is seen as an enabler for management to feel empowered to take risks in a manner that is transparent and that is in line with the business and risk strategy;
- Good risk management practices are encouraged, such that our employees understand how to make educated risk-related decisions in their day to day roles;
- Training and awareness programmes are in place to ensure that a risk aware culture is fostered and that employees understand the importance of good risk management; and
- Performance management encourages and incentivises good risk management practices.

B4. INTERNAL CONTROL SYSTEM

B4.1 INTERNAL CONTROL SYSTEM

The internal control system covers all parts of the OMW business.

The internal control system is set out in the Old Mutual plc GOM. The GOM is designed to ensure that the business is managed effectively and in line with our stated risk appetite.

The GOM sets out the governance framework and describes how OM plc discharges its responsibilities as a shareholder of Group entities. This includes:

- How OM plc interacts with business units;
- How authority is delegated through the Group;
- How the clearance and notification processes work;
- The Group Policy Framework;
- The Letter of Representation (the management attestation with regard to compliance with Group policies) and Internal Control Effectiveness Assessment (the management attestation with regard to the application of Group risk management and oversight requirements within OMW);
- Risk Management and Oversight;
- Strategy and Performance Monitoring; and
- Business as usual oversight, reporting and coordination.

The OMW governance framework is supported by the following:

- Procedures which define operational processes;
- The Data Governance Policy (which sets out the principles and minimum standards for data governance within OMW) and data governance monitoring framework;
- Control assessments within RCSAs together with management actions to address any weaknesses;
- Monitoring of performance against key risk indicators with defined tolerances; and
- Reporting of key risks, risk events and regulatory developments to the Board and management fora.

The OMW risk governance framework is implemented through the following components:

- Risk strategy and appetite: the risk strategy is set by defining a set of risk management principles, risk appetite statements and risk metrics to monitor performance relative to risk tolerances;
- Risk methodology: The risk methodology is articulated as a set of standards and user guides to help the first line identify, assess, manage and monitor risks. There are standards for risk events, risk and control self-assessments (RCSAs), and escalations; and
- Risk management policies: The policy suite sets out the approach taken within OMW to mitigate and manage risks, informed by our risk appetite.

The OMW Business includes both a formal governance track covering all required Corporate Governance requirements and a management track which supports both the Corporate Governance arrangements and provides a consolidated OMW management view.

To meet the on-going needs of the OMW business, the Governance framework is designed to support OMW as "one business".

The OMW Policy Suite sets out the minimum standards for governance, control, monitoring and reporting for all material risks. Compliance with the requirements of the policy suite is performed through the letter of representation process on a semi-annual basis. Where management identify areas of non-compliance with OMW policies, action plans are defined and agreed with policy owners.

The Culture, Code of Conduct, Human Resource (HR) policies and performance reward systems support the business objectives and risk management and internal control system through a combination of approaches:

- HR polices and guidelines are in place, have been communicated and are regularly reviewed to ensure that they continue to support business needs, remain fit for purpose and meet OMW requirements;
- The Performance Management system requires role profiles with behaviours incorporated and a reward system based on not only the achievement and delivery against objectives but in the values and behavioural aspects evidenced throughout the period; and
- OMW HR have aligned Business Partners to each area of the Business to ensure HR issues can be managed effectively.

The OMW Business, via the GOM, has adopted a scheme of delegation based on financial threshold and resulting authority levels;

- The OMW Scheme of Delegated Authority (SoDA) has been adopted by the OMWML Board with Board instructions and procedures approved by relevant underlying UK subsidiary boards;
- Role profiles detail span of control and responsibilities connected with the role. Senior Insurance Manager Function (SIMF) responsibilities clearly defined and form part of SIMF Packs. Significant changes in Executive personnel have taken place, and where required, newly appointed SIMFs have been made aware and trained in their new responsibilities.

OMW assesses as part of the business planning cycle, staff and skill-set needs. Business Plans are constructed with the confidence of the leadership that the appropriate resources and capability exist to achieve the defined objectives and deliverables. Where additional resources, skills and tools are required to achieve this, these are catered for in the plans and budgets prepared.

In order to cater for new and changing risks; risks, issues and operational deficiencies are scrutinised through operational reporting and risk management processes. Where new risks and risk events meet internal escalation criteria these risks and issues are escalated to management and on to OMW and OM plc (where required) together with action plans.

MANAGEMENT INFORMATION AND REPORTING

Management and Board reporting is undertaken on at least a quarterly basis and reports progress against objectives and related risks, including:

- Monthly OMW Operation Forum and Market Forum to monitor progress against agreed business plan; split between financial targets, regulatory relationship management and other operational targets including risks to objectives;
- Quarterly reporting to the Board of risks against business objectives, material risk events, the approach taken to manage regulatory developments and financial crime experience;
- Quarterly Business Review reporting;
- Group Internal Audit and Compliance Monitoring Assessments; and
- Semi-annual Letter of Representation on the adequacy of the systems of internal control, including compliance with the Policy Suite and the GOM.

Established channels and guidelines for communications for individuals to report suspected breaches of law or regulations or other improprieties include:

- Risk event reporting and escalation guidelines which are aligned to the Escalation and Risk Event Standards;
- Whistleblowing Policy and Guidelines;
- Financial Crime SARS (Suspicious Activity Reporting System);
- Group Operating Manual - defined dual reporting and escalation requirements; and
- Compliance Policy and procedures.

MONITORING

The following processes are in place and embedded to monitor the effective application of policies and processes related to internal control and risk management:

First Line of Defence

- RCSAs and the Data Controls Tool (used to monitor compliance against Data Governance Policy requirements);
- Risk Event and Regulatory Breach reporting and Risk and Compliance follow-up procedures;
- Staff attestation to the Code of Conduct; and
- Certification of compliance manual including conflicts of interest and personal account dealing.

Second Line of Defence

- Quarterly risk profile review and challenge;
- Semi-Annual Letter of Representation in line with OM plc and OMW requirements – co-ordination role;
- Compliance Monitoring reviews;
- Risk Reporting to/by the Executive Risk Forum (monitoring and oversight) prior to OMWML Board Risk Committee; and
- The OMW Executive Risk Forum and the OMWML Board Risk Committee effects monitoring and oversight of the Risk Policy Suite, the Risk Government Framework, and also systems of internal control.

Third Line of Defence

- Internal Audit reviews.

B4.2 COMPLIANCE FUNCTION

The Compliance Function is implemented under the direction of the Compliance Officer (PCF12) of OMII. The role and responsibilities of the Compliance Function are as follows:

- To provide advice to the OMII Board and to the first line of defence on compliance with laws and regulations;
- To provide advice to the OMII Board and to the first line of defence on changes to laws and regulations and their potential impacts on OMII;
- To monitor the adequacy and effectiveness of controls relating to compliance with regulatory compliance activities;
- To oversee compliance against the Old Mutual plc policy framework and the GOM;
- To agree the compliance monitoring plan in full on an annual basis, with changes agreed quarterly, with the OMII Board; and
- To report to the Board on a quarterly basis on the outcome of compliance reviews, in line with the compliance monitoring plan.

B5. INTERNAL AUDIT FUNCTION

B5.1 IMPLEMENTATION OF THE INTERNAL AUDIT ("IA") FUNCTION

Internal Audit (IA) supports the Board and Executive Management of Old Mutual Wealth (OMW) in protecting the assets, reputation and sustainability of the organisation by providing independent, objective assurance and consulting activity. The scope of IA's assurance activities encompass the examination and evaluation of the design adequacy and operating effectiveness of OMW's system of internal controls and associated risk management processes. IA is responsible for determining the audit universe and performing its own assessment of risks to determine a risk-based annual audit plan.

The Internal Audit function for OMII is outsourced to OMW Group via an outsource agreement. Internal Audit reports to the OMII Audit Committee in relation to all audit issues for OMII.

B5.2 INDEPENDENCE OF THE INTERNAL AUDIT FUNCTION

The Internal Audit Function receives its authority from the OMW Audit Committee, which is established to, among other things, review and approve the annual audit plan and subsequent material revisions; review the work of the internal auditors and to evaluate the adequacy and effectiveness of the OMW's financial, operating, compliance, and risk management controls.

The OMII Audit Committee approves the annual OMII Internal Audit plan and any subsequent material adjustments to it and also satisfies itself that the Internal Audit Function has adequate resources to discharge its responsibilities.

IA, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free and unrestricted access to any and all of the organisations records, physical properties and personnel pertinent to carrying out an engagement. All employees are required to assist IA in fulfilling its roles and responsibilities.

To provide for the independence of IA, the Chief Internal Auditor is accountable to the OMW Audit Committee Chair, reports administratively to the OMW Chief Executive Officer and has access to the Chairman of the OMW Board. Financial independence is provided by the OMW Audit Committee approving a budget to allow IA to meet the requirements of this Charter. IA is functionally independent from the activities audited and the day-today internal control processes of the organisation. Where consulting services are delivered, WIA will manage any perceived or actual conflict of interest.

The IA function also maintains independence and objectivity from the activities that it reviews through appropriate management reporting lines into Old Mutual Plc Group. The OMW Chief Internal Auditor reports directly to the Group Internal Audit Director, who in turn is accountable to the Old Mutual Plc Group Audit Committee Chair.

B6. ACTUARIAL FUNCTION

The Actuarial Function performs a second line of defence role, ensuring that the methodologies, models and assumptions used in the assessment of technical provisions and capital requirements are robust and applied consistently and in proportion to the nature, scale and complexity of OMII.

Responsibilities of the Actuarial Function include:

- To ensure that methodologies and models for the valuation of technical provisions and capital requirements are appropriate;
- To oversee the sufficiency and quality of data used in the valuation of technical provisions and capital requirements;
- To review and challenge experience analyses in respect of risk factors and proposed best estimate assumptions;
- To review and challenge the valuation of technical provisions including application of approximations;
- To review and challenge Solvency Capital Requirement and Minimum Capital Requirement results;

- To express an opinion on the overall underwriting policy and the adequacy of reinsurance arrangements.

OMII has appointed a Head of Actuarial Function (HOAF). The HOAF has overall responsibility for the actuarial function activities in relation to OMII and presents various Solvency II and Central Bank of Ireland mandated reports to the board on an annual basis or as required.

B7. OUTSOURCING

B7.1 OUTSOURCING POLICY

The OMW Outsourcing Policy defines the framework to manage and monitor outsourced services. Risks of inadequate service or failure of the outsourced service provider are managed through the following controls:

- A formalised approach, including a transparent selection and management process and due diligence process, to outsourcing services;
- Governance and oversight structures, practices and processes, with clear roles and responsibilities for oversight, monitoring and management of risks related to all outsourced services;
- Regular assessment whether the supplier maintains an effective internal control environment and continues to have a resilient business; and
- Processes and practises to ensure that outsource arrangements comply with local regulatory requirements.

B7.2 OUTSOURCED SERVICES

All OMW businesses are required to implement the Outsourcing Policy, and meet the required standards and approvals should any business activity be outsourced. Outsourcing includes In-sourcing / intra-Group outsourcing, i.e. where another Old Mutual business provides a service or a key function to another Old Mutual business.

The following table sets out the key OMII activities that have been outsourced, together with a brief service description and the senior manager responsible.

SUPPLIER	INTRA-GROUP	SERVICE DESCRIPTION	SENIOR MANAGER RESPONSIBLE
Old Mutual International Business Services Limited – Isle of Man.	Yes	Policy and investment administration, finance, actuarial, marketing, legal, HR, IT development and maintenance, product development, Internal Audit.	Martin Middleton – Chief Executive Officer
Ernst and Young LLP - UK	No	Head of Actuarial Function	Joly Hemuss – Non-Executive director
Anne Brady McQuillans DFK - Ireland	No	Provides staff payroll services	Mark Bingham – Financial Controller

B8. ANY OTHER INFORMATION

There are no other material aspects of the system of governance which are not covered in the above sections.

SECTION C
RISK PROFILE

SECTION C. RISK PROFILE

This section sets out the key risks to which OMII is exposed, measures used to assess these risks, any risk mitigation techniques used, including any material changes over the reporting period.

OMII is a pure unit-linked business with no investment guarantees, which sells its policies internationally. About 52% of OMII's premiums are denominated in GBP whereas the reporting currency is Euros.

OMII risk exposures relate primarily to uncertainty over future revenues and expenses. For example:

1. Adverse movement in GBP/Euro exchange rates. In the event of adverse movement in GBP/Euro exchange rates (i.e. GBP depreciates against Euro), the value of GBP based revenues (e.g. premium-related income links directly with the currency of the premium) will fall in Euro terms.
2. In the event of a fall in equity markets, the value of Assets under Administration (AuA) falls which has a negative impact on fund based future surplus.
3. The occurrence of a mass lapse event will reduce the funds under management which will reduce the fund based future surplus.

OMII's own funds mainly represent the company's available liquid capital and present value of future surplus less risk margin. Liquid own funds are held in bank deposits and money market investments.

The pie chart below sets out the risk profile and each of the key risks is covered in the following sections.



Chart C1: Summary of undiversified SCR

RISK PROFILE DRIVERS

The main risk categories to which OMII is exposed are market risk and life underwriting risks. These represent 97% of OMII's risk exposure. Refer to Table C1 below for details.

Market risk is a significant risk for OMII since the majority of in-force business is investment business and a large part of the company's revenues are related to the asset values.

Lapse risk which is a component of life underwriting risk is a significant risk for OMII because the unit-linked investment business relies on persistency of policies to generate future revenues.

Further details on the specific risk drivers are provided in following sections.

MEASURES USED TO ASSESS RISKS

OMII has adopted the Standard Formula measure specified in the Solvency II regulation to assess the risks within the company, which is represented in terms of Solvency Capital Requirement (SCR).

Based on the Standard Formula OMII has a SCR of €16,436k at 31st December 2017.

CHANGE IN THE RISK PROFILE OVER THE PERIOD TO 31ST DECEMBER 2017

The table below provides details of OMII's risk profile in terms of SCR capital. It also highlights the change in the risk profile for over the valuation period.

€000	CAPITAL REQUIREMENT BASED ON DIVERSIFIED RISK*		Change in SCR
	31/12/2017	31/12/2016	
Market Risk SCR Module	8,829	8,190	639
Life Underwriting Risk SCR Module	11,029	9,086	1,943
Operational Risk SCR Module	656	613	43
Counterparty Default Risk SCR Module	74	210	(136)
Diversification (Inter-module)	(4,152)	(3,749)	(403)
Solvency Capital Requirement	16,436	14,350	2,086
Diversification Benefit	20%	21%	

Table C.1: SCR - Changes in SCR - 2017 v/s 2016
*After intra-module diversification applied

The main driver to the change in the size of SCR relates to increase in the life expense risk driven by the increases in the business plan expenses, the persistency of policies in recent years' experience and the business volumes over the year.

Another driver to the change in the size of SCR relates to the movement in assets under administration ('AUA') which is primarily driven by the volume of new business added each year and also the market performance over the year.

The SCR of €16,436k at 31st December 2017 is after adjustment for diversification.

Before allowing for the diversification effect, the sum of the standalone risk SCR at 31st December 2017 is €25,874k. The relative contribution of each risk is determined before allowing for the impact of diversification between risks. The table below provides a summary of inter-module and intra-module diversification benefit.

€000	2017	2016	CHANGE
Solvency Capital Requirement (Before Diversification)	25,874	22,492	3,382
less Market Risk Intra Module Diversification	(2,934)	(2,511)	(423)
less Life Underwriting Risk Intra Module Diversification	(2,352)	(1,882)	(470)
less Inter Module Diversification	(4,152)	(3,749)	(403)
plus Allowance for DTL Offset	-	-	-
Solvency Capital Requirement	16,436	14,350	2,086

As OMII has no deferred tax liability in the base balance sheet, the allowance for DTL offset (loss absorbency of deferred tax) is nil.

C1. MARKET RISK

Market risk arises primarily through potential reductions in future fee revenues and hence reduction in own funds. This could arise due to falls in the value of assets underlying unit-linked funds, as a result of changes in equity, bond and property values, interest rates and foreign currency exchange rates.

C1.1 MARKET RISK AT 31ST DECEMBER 2017

OMII's market risk profile is derived from the standard formula 1-in-200 year worse case market events **before allowing** for the impact of diversification.

As at 31st December 2017 the SCR for this module is €8,829k after intra-module diversification of 25.0% (i.e. allowance for diversification between market risks).

The pie chart below sets out the drivers of the €8,829k market risk for OMII. Further detail on the material drivers is in Section C1.2.

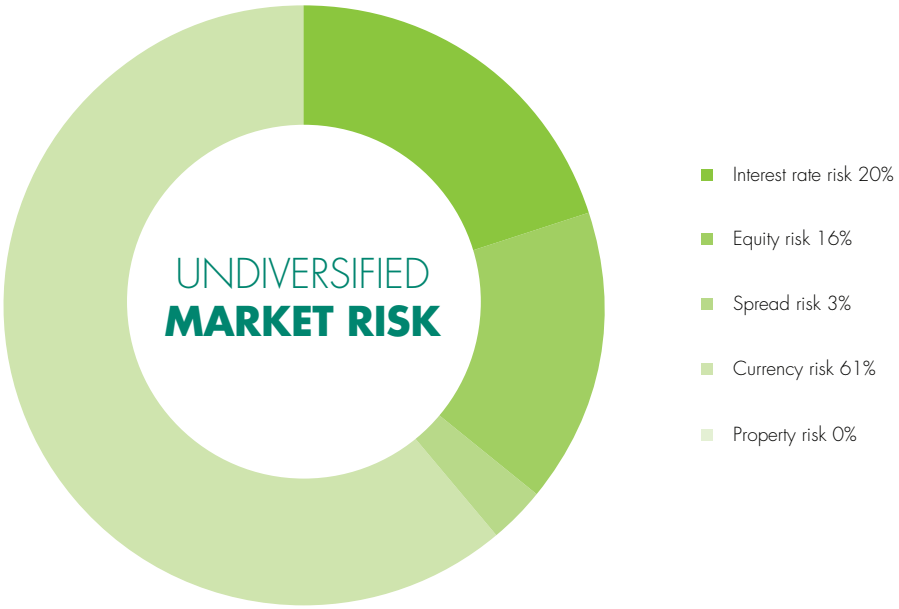


Chart C1.1 – Summary of undiversified Market Risk SCR

C1.2 CHANGE IN THE MARKET RISK OVER THE PERIOD TO 31ST DECEMBER 2017

The table below considers the change in the market risk over the period to 31st December 2017 in the undiversified market risks.

€000	MARKET RISK CAPITAL REQUIREMENT BASED ON DIVERSIFIED RISK*		Change in SCR
	31/12/2017	31/12/2016	
Interest rate risk	1,144	1,108	36
Equity risk	824	560	264
Property risk	0	3	(3)
Spread risk	137	81	56
Currency risk	6,724	6,438	286
Market Risk SCR	8,829	8,190	639

Table C.1.2 - Market Risk SCR - 2017 v/s 2016
*After intra-module diversification applied

The SCR has increased in line with the increase in business volumes. The risk profile has remained relatively stable over the period.

The main changes in the risk profile for the market risk module are as follows:

CURRENCY RISK

The capital requirement for currency risk reflects the potential loss of future revenue resulting from adverse movement in currency markets which reduce the euro value of future revenues.

For OMII, a large part of the future revenue is expected to be denominated in GBP as these revenues links to the currency of the premiums. Any future depreciation of GBP against Euro will reduce the future revenues in Euro terms.

In 2017, the capital requirement for currency risk has increased in line with the growth in business and the depreciation of GBP against Euro over the year.

INTEREST RATE RISK

A portion of future revenues are denominated in fixed monetary terms. Hence when interest rates increase, the value of these future revenues reduces. Therefore OMII is exposed to rise in interest rates.

EQUITY RISK

The capital requirement for equity risk reflects the potential loss of future revenue resulting from returns on equity assets falling below the levels assumed in the best estimate projection. Equity assets are mostly held indirectly through collective investments.

The impact of loss of future revenue under a 1-in-200 year equity stress for OMII of €824k at 31st December 2017 is based on full measure equity stress of 39% or 49% depending on the type of equity plus equity dampener i.e. not allowing for any equity transitional arrangements.

Equity risk has increased in line with the increase in assets under administration ('AUA').

Equity risk is to a certain extent mitigated through the premium based floor charging feature in the portfolio bond business.

C1.3 PRUDENT PERSON PRINCIPLE & INVESTMENT OF ASSETS

All company assets are invested in a manner to ensure the security, quality, liquidity and profitability of the portfolio as a whole.

OMII's unit-linked policyholders are responsible for selecting the funds where their premiums are invested.

The OMW Investment Committee and the Old Mutual International Investment Operations Committee oversee the investment of customer funds to facilitate funds being invested prudently and to meet the reasonable expectations of customers.

The allocation of shareholder assets is managed in line with the Treasury Statement of Practice and local Investment policy, which set out the permitted instruments, liquidity limits, concentration limits and counterparty credit rating limits. OMII's shareholder assets are invested in high credit money market investments and bank deposits. OMII has no appetite for direct investment risk.

OMII complies with the Solvency II requirements relating to *Prudent Person Principle*[1].

C1.4 RISK MITIGATION

OMII seeks secondary market risk through asset-based fees, and mitigates it through diversity and breadth of proposition designed to cater for a wide range of economic conditions.

The majority of OMII's business has a premium based floor product feature, which helps to mitigate some of the equity risk exposure.

OMII has a financial reinsurance arrangement which has both the reinsurance advance (claims) and repayments (premiums) primarily in GBP, though since the beginning of 2017 also has USD for USD denominated policies only. This foreign exchange exposure through reinsurance financing helps to mitigate part of the currency risk.

OMII does not currently mitigate the market risks through employing costly techniques such as financial instruments or hedging strategies.

C1.5 RISK CONCENTRATION

The open architecture nature of most of OMII's products facilitates a well-diversified overall linked investment portfolio. The market risk concentration on policyholder assets is therefore minimal.

Shareholder funds are deposited only in the permitted instruments set out in the Treasury Statement of Practice. The permitted instruments are bank call deposits and permitted money market funds. The market risk concentration on shareholders asset is therefore minimal also.

C2. UNDERWRITING RISK

The underwriting module of the SCR includes the following underwriting risks:

LAPSE (PERSISTENCY) RISK

A significant risk since a significant portion of business is not subject to early encashment charges and so increases in surrender rates will result in reductions in future revenues on investment business.

LIFE EXPENSE RISK

This represents the risk that future maintenance expenses exceed the levels assumed within the Solvency II balance sheet.

C2.1 UNDERWRITING RISK AS AT 31ST DECEMBER 2017

OMII's underwriting risk profile is derived from the standard formula 1-in-200 year 'underwriting' events before allowing for the impact of diversification.

[1]Article 132 of the Solvency II directive – Prudent Person Principle

As at 31st December 2017 the SCR for this module is €11,029k with intra-module diversification of 17.6% (i.e. allowance for diversification between underwriting risks).

The pie chart below sets out the drivers of the €11,029k underwriting risk for OMII:

- Most of the exposure to underwriting risk is from lapse risk. This accounts for 49% of the exposure in this module.
- Life expense risk accounts for 45% of the exposure for OMII in this module.

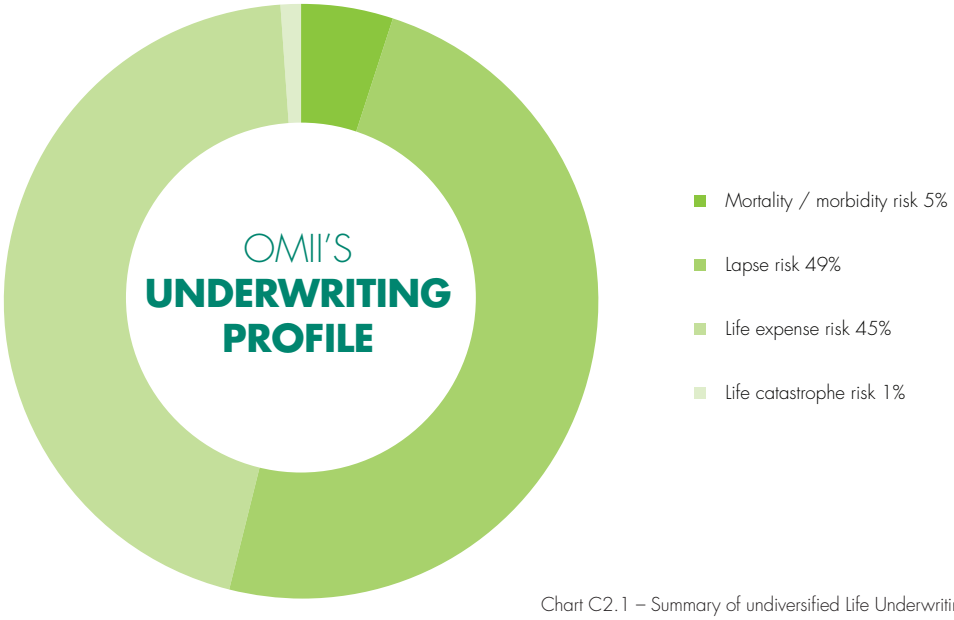


Chart C2.1 – Summary of undiversified Life Underwriting Risk SCR

C2.2 CHANGE IN THE UNDERWRITING RISK OVER THE PERIOD ENDED 31ST DECEMBER 2017

The table below considers the change in the underwriting risk over the period ended 31st December 2017 in the undiversified underwriting risks.

€000	LIFE UNDERWRITING RISK CAPITAL REQUIREMENT BASED ON DIVERSIFIED RISK*		CHANGE IN SCR
	31/12/2017	31/12/2016	
Mortality risk	151	117	34
Lapse risk	5,633	5,973	(340)
Life expense risk	5,215	2,974	2,241
Life catastrophe risk	30	22	8
Life Underwriting Risk SCR	**11,029**	**9,086**	**1,943**

Table C.2.2: Market Risk SCR - 2017 v/s 2016
*After intra-module diversification applied

The life underwriting risk SCR has increased over the year. The main changes in the risk profile for the underwriting risk module are the increase in the life expense risk which has outweighed the reduction in the persistency (lapse) risk.

The expense risk has increased in line with the increase in the business volumes over the year and the increase in business plan expenses in future years. Another key driver is the increase in the expected future persistency of policies as a result of the increased persistency observed in recent years. This in turns attract higher expenses in the future and hence higher expense risk.

The reduction in persistency (lapse) risk is mainly driven by the decrease in the future profits as a result of the higher future maintenance expenses.

C2.4 RISK MITIGATION & RISK CONCENTRATION

RISK MITIGATION

OMII manages / mitigates each of the following risks as described below:

LAPSE RISK

Lapse risk is a feature of OMII's business and is managed through focus on customer service, conduct and reputation.

Some of the products carry early encashment charges, which help to reduce the lapse risk.

LIFE EXPENSE RISK

Expense risk is managed through tight budget control and discipline, balanced against the need to ensure sufficient resources to achieve the strategic aims.

Expense levels are monitored monthly against budgets and forecasts. An activity based costing process is used to allocate costs relating to processes and activities to individual product lines.

Some product structures include maintenance charges. These charges are reviewed annually in light of changes in maintenance expense levels. This review may result in changes in charge levels.

RISK CONCENTRATION

There are no material concentrations of lapse, mortality and expense risks.

C3. CREDIT (COUNTERPARTY DEFAULT) RISK

Credit risk is the risk that the company is exposed to a loss if another party fails to meet its financial obligations to that company. OMII is subject to a range of reasonably minor credit risk exposures. The material risks relate to the risk of default by banks and other financial institutions in respect of company deposits.

C3.1 CREDIT RISK AT 31ST DECEMBER 2017

OMII's credit risk profile is derived from the standard formula 1-in-200 year credit event.

As at 31st December 2017 the SCR for this module is €74k.

C3.2 CHANGE IN THE CREDIT RISK OVER THE PEIOD ENDED 31ST DECEMBER 2017

The credit risk has reduced by €136k compared to credit risk at 31st December 2016. This reduction is driven by a more in-depth review of the constitution of the money market fund investments. As a result, a larger portion of the fund has been identified to be investing in time deposits. These time deposits have been removed from the credit risk model and instead are accounted for in the spread risk module.

OMII has a low risk tolerance for credit and counterparty risk. OMII aims to limit credit risk by investing company assets only in money market funds and deposits with institutions with strong credit ratings.

C3.3 PRUDENT PERSON PRINCIPLE & INVESTMENT OF ASSETS

Shareholder funds are deposited only in the permitted instruments set out in the Treasury Statement of Practice. The permitted instruments are bank call deposits and permitted money market funds.

A development has been made to the asset data to identify the constitution of the money market fund investments. With this development the ratings of the investments within the money market funds are identified, instead of just identifying the ratings of the individual funds. The table below provides the % exposure by ratings:

LONG TERM RATING	% EXPOSURE
AAA	0.4%
AA	19.6%
A	60.5%
BBB	7.4%
Unrated	12.1%

Table C.3.3 - Counterparties & exposure

C3.4 RISK MITIGATION & RISK CONCENTRATION

RISK MITIGATION

OMII seeks to mitigate its exposure to credit and counterparty risks. OMII mitigates the risk by ensuring it engages with appropriately robust counterparties, adhering to its Treasury standards and overseeing credit and counterparty exposures through the OMW Capital Management Forum.

The credit risk exposures of the company are monitored regularly to ensure that counterparties remain creditworthy and to ensure that concentrations of exposure are kept within accepted limits.

There is no exposure to European sovereign debt within OMII's shareholder investments.

Risk of default in respect of the investment of shareholder assets is controlled by:

- Setting minimum credit rating requirements for counterparties;
- Setting restrictions relating to longer term (greater than 90 day) deposits;
- Setting limits for individual counterparties and counterparty concentrations; and
- Reviewing limits annually and monitoring exposures regularly.

Legal contracts are maintained where the company enters into credit transactions with counterparties.

RISK CONCENTRATION

The company has no significant concentrations of credit risk exposure.

C4. LIQUIDITY RISK

Liquidity risk is the risk that a company, although solvent, does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost.

OMII is exposed to liquidity risks where payments are made before related income is received from counterparties. Liquidity risk scenario testing is performed in order to assess the material liquidity risk exposures.

OMW maintains a Contingency Funding Plan which sets out the potential funding sources and processes for providing liquidity to the legal entities in the event that liquidity support is required. Furthermore OMII has in place a short term loan agreement with its parent company in order to ensure liquidity is available if required at short notice.

C4.1 RISK MITIGATION & RISK CONCENTRATION

Liquidity risk can arise as a result of significant switches of policyholder funds over a short timeframe or an individual very large switch. In some cases, switches of policyholder funds are paid by the company before settlement is received from the market on the sale of policyholder assets. This risk is managed by maintaining liquid capital resources to meet the value of switches which may reasonably be expected in stressed conditions and by regularly monitoring forecast and actual cash flows.

Liquidity risk also arises on payment of up front commission to brokers. OMII has a financial reinsurance treaty which finances these payments where required however some short term liquidity risk remains due to the lag between commission payment and receipt of reinsurance proceeds.

C4.2 EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS (EPIFP)

For regular premium products, the allowance for future premiums and benefits within the best estimate liability depends on the Solvency II 'boundary of the contract'. OMII has concluded that long contract boundary conditions apply to regular premium products as these products provide meaningful protection benefits.

On this basis, the total EPIFP for OMII is €54k.

C5. OPERATIONAL RISK

C5.1 OPERATIONAL RISK EXPOSURES

Operational risk is the risk that failure of people, processes, systems or external events results in financial loss, damage to the brand/ reputation, adverse regulatory intervention or government or regulatory fine. The most material operational risks for OMII are:

- Risk of regulatory compliance breach or the retrospective application of changes in regulation, resulting in the need to compensate customers;
- Risk of misrepresentation within product literature or illustrations leading to complaints and potential legal action;
- Execution risk in respect of strategic change and changes in regulations;
- Risk of process failure in respect of customer administration, customer investment, fund management, tax and financial management processes;
- Risk of IT instability, which could lead to interruptions to operations and outages impacting customers; and
- Risk of internal or external financial crime, including data security risks and risk of cyber-attack.

C5.2 MEASUREMENT OF OPERATIONAL RISKS

Operational risks are assessed through scenario based risk assessments utilising internal risk event data, external operational loss data, Risk and Control Self-Assessments and expert judgement provided by first line subject matter experts. Operational risk assessments are then modelled within an operational risk modelling system in order to assess the potential loss in plausible but extreme conditions.

C5.3 RISK MITIGATION

OMII accepts that a certain level of operational loss is inevitable.

OMII expects some degree of exposure to fraud/financial crime and information security/cyber risks due to the nature of the business. OMII mitigates exposure to this risk through process and system controls, and insurance. OMII monitors its operational loss through loss reporting and assessment of the underlying control environment, and ensuring strong governance structures and organisational models are in place to support the strategic initiatives.

OMII's approach to managing different categories of operational risk is as follows:

Outsourcing risk: OMII, through its group outsource partner, seeks to develop partnerships with IT suppliers and outsource partners to deliver long term cost efficiencies and sustainability of the operating model. The outsourcing risk is mitigated through a robust supplier relationship framework, with additional external assurance where required.

Customer outcomes: OMII aims to focus its business strategy on providing its customers with the means to achieve prosperity by understanding their needs and identifying where OMII can grow its business to provide opportunities to meet these needs.

Governance structures and risk culture: OMII seeks to govern the business in a manner appropriate to the nature, size and complexity of OMII, avoiding situations where it can fall materially short of expected standards. OMII mitigates the risk by the governance structures in place, and embedding the operating model expectations and minimum standards throughout OMII's businesses. OMII will review the governance model periodically to ensure it remains appropriate to the nature, size and complexity of OMII.

IT infrastructure: OMII seeks to ensure sufficient investment in its outsource partner's infrastructure to ensure the ongoing resilience of its platforms and its critical systems. OMII avoids situations where it is unable to meet the demands of the business through under-investment in its IT.

C5.4 TREATMENT OF OPERATIONAL RISKS WITHIN THE CAPITAL ASSESSMENT

Under the regulatory formula for the calculation of the Solvency Capital Requirement the operational risk capital requirement is determined as 25% of prior year maintenance expenses. This is a broad proxy for the actual operational risk exposures of the company.

As at 31st December 2017 the exposure for this module is €656k. This has increased by €43k from 31st December 2016.

The operational risk charge is added on to the Basic SCR following the prescribed guidance for the standard formula.

There is no allowance for diversification with other risk modules.

C6. RISK SENSITIVITY

STRESS TESTS

OMII carries out stress tests of its solvency ratios to market movements in order to understand the market risk sensitivities. The typical stress tests carried out include equity market fall by 10% and 25%, equity market rise by 10%, interest rate structure shifts by 1% and -1%, corporate bond spread widening by 1%, etc.

Further, scenario testing is a key process within the latest ORSA conducted in 2017.

SCENARIO TESTS

These scenarios are constructed to test the potential severe or extreme events which could arise over the business plan period that could lead to significant cash and capital strain relative to the forecast. OMII is required to withstand these extreme events by allowing for cash and capital plans and management actions which may be required to manage the potential impacts over the plan period.

The 2017 ORSA scenario testing report concludes that the business is resilient to severe but plausible adverse scenarios, continuing to generate profits over each of the scenarios tested, although OMII is dependent upon the financing reinsurance arrangement to cover the initial commission costs of writing new business and so if the financing reinsurance arrangement was withdrawn OMII would need an alternative source of liquidity financing.

C7. ANY OTHER INFORMATION

There is no other material information to be disclosed.

SECTION D

VALUATION FOR SOLVENCY PURPOSES

SECTION D. VALUATION FOR SOLVENCY PURPOSES

Solvency II assets and liabilities have been calculated in accordance with the valuation principles set out in Articles 75 to 86 of Directive 2009/138/EC.

SUMMARY BALANCE SHEET €000s	SOLVENCY II 31/12/2017	IFRS 31/12/2017
Assets		
Investments (other than assets held for index-linked and unit-linked funds)	7,948	44
Assets held for index linked and unit-linked funds	1,617,541	1,617,541
Loans on policies	25	25
Reinsurance recoverables	(10,106)	-
Deferred acquisition costs	-	41,197
Insurance and intermediaries receivables	2	34,228
Reinsurance receivables	-	8,800
Receivables (trade, not insurance)	888	888
Cash and cash equivalents	505	8,410
TOTAL ASSETS	**1,616,803**	**1,711,133**
Liabilities		
Policyholder liabilities / technical provisions	1,567,945	1,620,323
Deferred revenue	-	47,837
Provisions other than technical provisions	300	300
Insurance and intermediaries payables	4,633	22,391
Payables (trade, not insurance)	1,197	1,197
TOTAL LIABILITIES	**1,574,075**	**1,692,048**
NET ASSETS	**42,728**	**19,085**

Table D1 – Summary Balance Sheet

SUMMARY BALANCE SHEET €000s	SOLVENCY II 31/12/2016	IFRS 31/12/2016
Assets		
Investments (other than assets held for index-linked and unit-linked funds)	8,412	-
Assets held for index linked and unit linked funds	1,133,398	1,133,398
Loans on policies	25	25
Reinsurance recoverables	(8,188)	-
Deferred acquisition costs	-	35,143
Insurance and intermediaries receivables	722	30,512
Reinsurance receivables	-	8,825
Receivables (trade, not insurance)	561	1,266
Cash and cash equivalents	424	8,836
TOTAL ASSETS	**1,135,354**	**1,218,005**
Liabilities		
Policyholder liabilities / technical provisions	1,081,071	1,129,882
Deferred revenue	-	39,444
Provisions other than technical provisions	300	300
Insurance and intermediaries payables	9,142	25,032
Payables (trade, not insurance)	3,573	3,573
TOTAL LIABILITIES	**1,094,086**	**1,198,231**
NET ASSETS	**41,268**	**19,774**

Table D1 – Summary Balance Sheet

The bases, methods and main assumptions used for the valuation of OMII's assets, technical provisions and other liabilities are consistent with the Solvency II rules and guidance.

D1. ASSETS

Similar to the fair value principles under International Financial Reporting Standards (IFRS), the valuation of assets for Solvency II purposes follows the following hierarchy:

i. Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets;

ii. Level 2 – valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable;

iii. Level 3 – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.

Therefore, mark to model valuation techniques are only used where quoted prices for identical assets and liabilities in active markets are not available. For OMII all assets are valued using Level 1, except:

1. Reinsurance recoverables relating to future reinsurance cash flows are valued using the valuation model and are therefore Level 3.
2. An amount within Assets held for Unit-Linked contracts (€20.8m) which have market prices up to date but have observable pricing frequencies in excess of weekly. These assets are classed as level 2.
3. Private company share holdings (€16.1m), and assets which are priced at market price but the age of the unit price is beyond its normal pricing frequency (€23.3m) are all classed as level 3.

SUMMARY OF ASSETS FOR OMII

€000S ASSETS	SOLVENCY II VALUE 31/12/2017	IFRS VALUE 31/12/2017	DIFFERENCE
Investments (other than assets held for index-linked and unit-linked funds)	7,948	44	7,904
Assets held for index-linked and unit-linked funds	1,617,541	1,617,541	-
Loans on policies	25	25	-
Reinsurance recoverables	(10,106)	-	(10,106)
Deferred acquisition costs	-	41,197	(41,197)
Insurance and intermediaries receivables	2	34,228	(34,226)
Reinsurance receivables	-	8,800	(8,800)
Receivables (trade, not insurance)	888	888	-
Cash and cash equivalents	505	8,410	(7,905)
Market Value Assets / Total Assets	**1,616,803**	**1,711,133**	**(94,330)**

Table D1.1 – Summary of Assets

D1.1 INVESTMENTS

Investments and securities include unlisted pooled investments and liquid short term money funds.

They are measured at fair value for Solvency II reporting and the valuation method follows the above mentioned hierarchy i.e., where quoted prices in active markets are not available valuation techniques are used. The valuation techniques used include discounted cash flow method, EBITDA multiple, adjusted net asset value, price earnings ratios and third party or fund manager valuation.

Under IFRS, such assets are carried at their fair values.

Certain items classified as cash and Cash equivalents under IFRS are included within Investments under Solvency II.

D1.2 ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED FUNDS

Assets held for index-linked and unit-linked funds are stated under IFRS using the 'fair value through the income statement at initial recognition' option with any resultant gain or loss recognised in the income statement.

The valuation bases at the reporting date were as follows:

- Fixed interest and index-linked securities are valued at quoted bid prices;
- Equities and investment trusts are valued at quoted bid prices;
- Unit trusts are valued at quoted bid prices;
- Open Ended Investment Company (OEIC) assets are single priced funds and are valued at the quoted net asset value per share.

The assets are valued under Solvency II on the same basis.

D1.3 REINSURANCE RECOVERABLES

Contracts with reinsurers are classified as either ceded reinsurance or financial assets and liabilities. Ceded reinsurance contracts include arrangements where regular risk premiums are paid by the company to the reinsurer and an agreed share of claims are paid by the reinsurer to the company; these arrangements are in respect of underlying policies that are classified under Solvency II as insurance contracts.

The value of the benefits that the company is entitled to under the ceded reinsurance arrangements are reported as "Reinsurance Recoverables" under Solvency II. This is calculated as the difference between the insurance contract liability assuming no reinsurance arrangement exists (the 'gross basis') and the liability with explicit allowance for all cash flows relating to the reinsurance arrangement (the 'net basis').

OMII has Reinsurance Recoverables of €(10,106k) at 31 December 2017 (2016: €(8,188k)). This includes intra-group reinsurance recoverable of €8,681k and financial reinsurance of €(18,787k).

The bases, methods and main assumptions used for the valuation of reinsurance recoverables is the same as that used for valuation of technical provisions detailed in Section D2.

D1.4 DEFERRED ACQUISITION COSTS

Deferred acquisition costs are excluded from the Solvency II balance sheet.

Under IFRS, deferrable acquisition costs for insurance contracts comprise costs directly attributable to the sale of insurance contracts, and these are deferred over the period of the contract. Deferral of acquisition costs is limited to the extent that they are deemed recoverable from available future margins.

D1.5 INSURANCE & INTERMEDIARIES RECEIVABLES, REINSURANCE RECEIVABLES AND RECEIVABLES (TRADE, NOT INSURANCE).

Other receivables are non-interest bearing and are stated at their amortised cost, less appropriate allowances for estimated irrecoverable amounts which approximates to fair value.

€34.2m (2016: €30.5m) in the statutory accounts under 'Insurance and intermediaries receivables' representing fee income receivable (FIR) is not relevant to the solvency II balance sheet.

The valuation basis of all remaining receivables applies equally to both IFRS and Solvency II, although under Solvency II there is a subsequent reclassification of accrued income on investments and securities to the investments and securities category.

D1.6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried on an amortised cost basis under IFRS and on a fair value basis under Solvency II.

At 31st December 2017, there were no differences in valuation between IFRS and Solvency II, however under Solvency II certain holdings were classified as Investments.

D2. TECHNICAL PROVISIONS

OMII only has unit-linked business and therefore has a single line of business - Index-linked and unit-linked insurance.

The value of the technical provisions corresponds to the amount that would have to be paid to transfer the insurance obligations immediately to another insurance undertaking. This value is calculated in line with Solvency II requirements as the sum of the best estimate liability and risk margin.

€000 TECHNICAL PROVISIONS	2017	2016	CHANGE
Technical provisions – index-linked and unit-linked	1,567,945	1,081,071	486,874
Best Estimate	1,562,315	1,076,923	485,392
Risk margin	5,630	4,148	1,482
TOTAL TECHNICAL PROVISIONS	1,567,945	1,081,071	486,874

Table D2 – Summary of Technical Provisions

The best estimate liabilities of €1,562,315k have two components:

- Unit-linked best estimate liabilities of €1,620,323k
- Non-linked best estimate liabilities of €(58,007)k

The unit-linked best estimate liabilities represent the policyholder unit liability as at 31st December 2017, should all policyholders choose to surrender their policies.

The non-linked best estimate liabilities represent the value of future profits (net of expenses) from the unit-linked business, based on the cash-flow projection model. This equals to future product charges (income) less future expenses less future claims in excess of unit reserves.

The risk margin is determined as the present value of the cost of non-hedgeable capital (at 6% p.a.) needed for the full run-off of the liabilities, discounted using the prescribed term-dependent risk free rates.

D2.1 BASES, METHODS AND MAIN ASSUMPTIONS USED FOR TECHNICAL PROVISIONS VALUATION

The assumptions and methodology for the best estimate liability and risk margin are set out in the following sections.

D2.1.1 METHODOLOGY APPLIED IN DERIVING THE TECHNICAL PROVISIONS

D2.1.1.1 BEST ESTIMATE VALUATION METHODOLOGY

OMII calculates the best estimate liability for all policies in-force at the valuation date. Hence the best estimate liability is calculated as the prospective value of future expected cash-flows on a policy-by-policy basis allowing for surrender or transfer payments, income withdrawal, maintenance expenses, fund based fees and other policy charges. The underlying assumptions are based on the best estimate for the future, which is largely based on the current business experience and any emerging trends. The unit fund growth rates (gross of investment charges) and the risk discount rates are set at the prescribed Solvency II risk-free interest rates.

The calculation is carried out gross of reinsurance recoverables and gross of all future tax other than policyholder tax. The value of shareholder tax is calculated separately but consistently with the cash flow gross of taxes and is Included within the deferred tax liability line.

For regular premium products, the allowance for future premiums and benefits within the best estimate liability depends on the Solvency II 'boundary of the contract'. OMII has concluded that long contract boundary conditions apply to regular premium products as these products provide meaningful protection benefits.

For reinsurance recoverables, same contract boundary conditions apply.

D2.1.2 METHODOLOGY APPLIED IN DERIVING THE RISK MARGIN

The risk margin is determined as the present value of the cost of the non-hedgeable solvency capital requirement (at 6% p.a.) needed for the full run-off of in-force liabilities, discounted using the prescribed Solvency II term-dependent risk free rates.

OMII only has unit-linked business and hence all market risks are considered to be hedgeable. All other standalone SCRs are projected forward individually using the appropriate risk drivers. Diversification benefits between the standalone risks are allowed for each future projection period.

D2.1.3 KEY ASSUMPTIONS IN DERIVING THE TECHNICAL PROVISIONS

This section covers key assumptions used to derive the best estimate liabilities.

D2.1.3.1 RELEVANT RISK FREE RATE APPLIED IN DERIVING THE TECHNICAL PROVISIONS

OMII used the prescribed Solvency II risk-free interest rate curve for the valuation of its technical provision at 31st December 2017. The unit fund growth rates (gross of investment charges) and the risk discount rates are set equal to the prescribed Solvency II rates.

OMIIs best estimate liabilities are not particularly sensitive to the changes in risk-free interest rate curves. This is because the impacts of changes in the unit growth rates and the risk discount rates have a broadly offsetting effect.

D2.1.3.2 LAPSES

The persistency assumptions determine how long the business is expected to remain on the book. Hence it is an important driver for the future expected profits within the technical provision calculation.

METHODOLOGY

Lapse assumptions are based on historical observed experience and it is a weighted average of the historical experience. It is set by policy duration.

Key changes to assumptions for the year ended 31st December 2017

The lapse assumption has been reviewed in line with the most recent experience. Overall there is a small reduction in surrender rates across products, especially at longer durations.

D2.1.3.3 EXPENSES

OMII business is a growing book of business. Although it is showing a strong growth in terms of business volumes, it hasn't reached its critical mass in order to cover its expense base. Hence OMII expects an expense overrun for the next 3 years and has set the per policy expense assumption such that they are a higher level for the first three years before falling to a long term rate, allowing for future inflation.

METHODOLOGY

The per-policy expense assumptions are set at a level sufficient to cover the future expenses in the business plan. The business plan covers the years 2018 to 2020 inclusive. For these years the future per policy maintenance expense is set as the budgeted future expenses in the business plan divided by projected policy counts. For years 2021 onwards the future expense assumptions are found by inflating, on the normal inflation assumption.

The projected policy counts used to calculate the per policy maintenance expenses are based on the observed quarterly average increase in business volumes over the prior twelve-month period.

D2.1.3.4 EXPENSE INFLATION ASSUMPTION

Most of the OMII expenses are incurred in GBP terms. Expense per policy assumption is projected to increase in line with anticipated inflation rates for OMII business. The anticipated future inflation rates have fallen at 31st December 2017 because of the reduction in the projected Retail Price Index (RPI) rates for the UK economy.

The assumption for RPI inflation is based on implied inflation from the Bank of England's forward gilt yield curves. The main cost base of OMII is made up of salaries, which generally inflate at a slightly higher rate than the RPI rates. Therefore the OMII business expense inflation assumption is set to a percentage addition to the projected RPI rates. This percentage addition has been reviewed, taking into account the expected future relationship between RPI inflation and earnings growth, and has been reduced from 1.0% to 0.5%.

D2.2 UNCERTAINTY ASSOCIATED WITH THE VALUE OF TECHNICAL PROVISIONS

OMII is a unit-linked business and as such there is, in absolute terms, little uncertainty for the value assigned to the technical provisions with the value of the unit-linked liability being equal and opposite to the assets held.

Despite that a large part of the technical provisions is unit-linked liability, the own funds for OMII, €42,728k at 31st December 2017 is largely dependent on the best estimate assumptions used to calculate the best estimate liability.

Excluding unit funds the uncertainty present in the technical provisions is driven from:

a. Economic uncertainty on future income from unit funds.

b. Assumptions used to model future cash flows (as set out in Section D2.1.3). These assumptions are set based on current experience on a best estimate basis.

The valuation uncertainty will mainly affect the non-linked best estimate element of technical provisions with a second order effect on risk margin for OMII.

Sensitivity tests on the assumptions are carried out to ensure the uncertainties are well understood and incorporated in capital and risk management of the business.

D2.3 DIFFERENCES BETWEEN SOLVENCY II & IFRS BASES, METHODS AND ASSUMPTIONS

The table below provides the breakdown of the technical provisions for Solvency II basis and IFRS basis.

€000 LIABILITIES	2017	2016	CHANGE
Net IFRS Insurance Contract Liabilities	1,611,523	1,121,057	490,466
Adjustment for Solvency II	(49,208)	(44,134)	(5,074)
Gross BEL (Solvency II Liabilities to Policyholders)	1,562,315	1,076,923	485,392
Add Risk Margin	5,630	4,148	1,482
Solvency II Technical Provisions	1,567,945	1,081,071	486,874

Table D2.3 – Summary of Technical Provisions (Solvency II v/s IFRS)

OMII uses IFRS accounting as its statutory accounts basis. The IFRS value of net technical provisions is €1,611,523k which is based on the value of unit reserves (excluding reinsured unit-reserves).

The differences in value of technical provisions in moving from IFRS basis to Solvency II basis is as follows:

Adjustment for Solvency II - The adjustment for Solvency II includes allowance for future profits, for unit-linked business under Solvency II, compared to IFRS basis, reduces the technical provisions for OMII by €49,208k.

Addition of Risk Margin - The addition of the risk margin under Solvency II basis increases the technical provisions by €5,630k, compared to the IFRS basis.

D2.4 USE OF TRANSITIONALS DEDUCTION, MATCHING ADJUSTMENT, VOLATILITY ADJUSTMENT AND TRANSITIONAL ON INTEREST RATE

OMII does not use transitionals deduction, matching adjustment, volatility adjustment and transitional on interest rate.

D2.5 REINSURANCE RECOVERABLES

Reinsurance recoverables are calculated on the same basis as gross best estimate liabilities, described above. Reinsurance recoverables are reported as an asset on the balance sheet.

Further details are provided in Section D1.3.

D3. OTHER LIABILITIES

€000 LIABILITIES	SOLVENCY II VALUE	IFRS VALUE	DIFFERENCE
Provisions other than technical provisions	300	300	-
Insurance & intermediaries payables	4,633	22,391	(17,758)
Payables (trade, not insurance)	1,197	1,197	-
Deferred fee income	-	47,837	(47,837)
TOTAL OTHER LIABILITIES	**6,130**	**71,725**	**(65,595)**

Table D3 – Other Liabilities - Solvency II v/s IFRS

The table above sets out the value of other liabilities. This section covers a description of the bases, methods and main assumptions used for their valuation for solvency purposes compared to the approach taken in their valuation in the financial statements.

D3.1 SPECIFIC ITEMS

For many of the liabilities that are not technical provisions the treatment between measures (i.e. solvency basis compared to the financial statements) is identical in conformity with International accounting standards.

'Insurance & intermediaries payables', and 'Payables (trade, not insurance)' are non interest-bearing and are stated at their amortised cost which is not materially different to cost and approximates to fair value for both IFRS and Solvency II.

There are two items of other liabilities where the treatment differs between the bases:

- €17.8m (2016: €15.9m) allowed for in the statutory accounts within 'Insurance and intermediaries payables'. This relates to financing reinsurance balances which, due to insignificant transfer of risk inherent in the contract, is treated as a payable under IFRS. Under Solvency II this balance is included as a negative reinsurance recoverable and valued as described in Section D1.6.
- €47.8m (2016: €39.4m) allowed for in the statutory accounts for 'Any other liabilities, not elsewhere shown'. This represents deferred future income (DFI) which is part of the statutory accounts but not relevant to the Solvency II balance sheet.

D4. ALTERNATIVE METHODS FOR VALUATION

OMII's valuation of assets and liabilities are described in the above sections. No other alternative methods of valuation are used.

D5. ANY OTHER INFORMATION (SFCR)

This section provides any other material information regarding the valuation of assets and liabilities for solvency purposes.

D5.1 FUTURE MANAGEMENT ACTIONS

The calculations assume no future management actions are applied.

D5.2 ASSUMPTIONS ABOUT POLICYHOLDERS' BEHAVIOUR

No assumptions are made on dynamic policyholders' behaviour as the technical provisions are modelled deterministically.

SECTION E
CAPITAL MANAGEMENT

E1. OWN FUNDS

E1.1 MANAGEMENT OF CAPITAL OVER THE REPORTING PERIOD

OMII CAPITAL MANAGEMENT STRATEGY

OMII is a regulated entity within the Old Mutual Wealth ('OMW') division of Old Mutual plc. The strategy for managing capital across OMW has been to ensure sufficient capital exists within each regulated entity to meet the relevant regulatory capital requirements for that entity together with a capital buffer to protect against unexpected adverse events. The target capital requirement for each regulated entity consists of the regulatory capital requirement plus the capital buffer.

Any surplus capital above the target capital requirement is paid as a dividend from the regulated entity and then ultimately to Old Mutual plc, subject to the availability of distributable reserves and the medium term capital requirements of the business. When assessing the medium term capital requirements of the business the capital position of the individual entities and the OMW Group are projected over a 3 year period, taking into consideration future projected profits, restrictions on the movement of capital and cash, and known or anticipated changes in the capital requirements of the business.

The target solvency range for OMII is set at 180% - 200%.

The target solvency range ensures that the company remains solvent under a number of selected stress scenarios over the 3-year planning period (after allowing for any management actions).

OMII paid no dividend in 2017.

The actual capital position for each operating entity within OMW is monitored through the CMF (Capital Management Forum), local boards and the OMWML BRC on a monthly basis.

The CMF is responsible for reviewing and monitoring the adequacy of capital within the OMW business units and meets on a monthly basis. Examples of areas that would typically be considered by the CMF include reviewing the solvency position relative to the solvency target range, monitoring credit risk exposures and reviewing capital plans over the business planning period. The CMF is not a formal board committee but operates in line with the authority delegated to the OMWML Corporate Finance Director.

The OMII board of directors monitors the current and projected capital position of the company on a quarterly basis and has the ultimate authority to declare dividends or request a capital injection from the parent holding company (subject to approval from the board of the holding company). This frequency of monitoring ensures that any necessary capital injections are understood and planned for well in advance of being required which ensures the company remains above its target solvency levels.

The capital position of OMII is also monitored on a monthly basis by the OMII CFO. The capital position is based on a combination of actual and estimated information (based on appropriate drivers such as market levels and new business volumes). This provides an early warning system that will detect any unexpected deterioration in the solvency position of the company. Should such a deterioration be detected a sub-committee of the board will be convened to consider whether any additional capital injections are necessary.

E1.2 ANALYSIS OF CHANGE (OWN FUNDS, SCR AND MCR)

The table below summarises the change, by tier, of the Own Funds, SCR and MCR for OMII.

€000	31/12/17		31/12/16		CHANGE	
	SOLVENCY II	IFRS	SOLVENCY II	IFRS	SOLVENCY II	IFRS
Assets	1,616,803	1,711,133	1,135,354	1,218,005	481,449	493,128
Liabilities	1,574,075	1,692,048	1,094,086	1,198,231	479,989	493,817
EXCESS FUNDS	42,728	19,085	41,268	19,774	1,460	(689)
Basic Own Funds	42,728		41,268		1,460	
Basic Own Funds adjustments	-		-		-	
Ancillary Own Funds	-		-		-	
AVAILABLE OWN FUNDS	42,728		41,268		1,460	
Classified Own Funds						
Tier 1	42,728		41,268		1,460	
Tier 2	-		-		-	
Tier 3	-		-		-	
SOLVENCY CAPITAL REQUIREMENT	16,436		14,350		2,087	
ELIGIBLE OWN FUNDS	42,728		41,268		1,460	
Classified Own Funds						
Tier 1	42,728		41,268		1,460	
Tier 2	-		-		-	
Tier 3	-		-		-	
SURPLUS (DEFICIT)	26,292		26,918		(627)	
ELIGIBLE OWN FUNDS AS % OF SCR	260.0%		287.6%			
MCR	7,396		6,457		939	
ELIGIBLE OWN FUNDS AS % OF MCR	577.7%		639.1%			

Table E1.2 – Own Funds and Surplus

The Solvency II own funds at 31st December 2017 are €42,728k, made up of €635k of share capital, €91,791k of items approved by the supervisory authority as basic own funds and (€49,698k) of reconciliation reserve, all of which are Tier 1 own funds.

The Own Funds at 31st December 2016 were €41,268k, which represents an increase of €1,460k in 2017. This is mainly due to strong new business growth but partly offset by the negative impact of year-end assumptions.

The Solvency Capital Requirement (SCR) at 31st December 2017 is €16,436k. The SCR at 31st December 2016 was €14,350k.

At 31st December 2017, OMII has a solvency coverage ratio of 260% compared to a coverage ratio of 288% at 31st December 2016.

OMII has retained sufficient capital to cover both the MCR and SCR over the period analysed and is therefore compliant with the SCR & MCR requirements. The opening and closing coverage ratios are given in the table E1.2.

E1.2.1 ANALYSIS OF CHANGE FROM IFRS EQUITY TO BASIC OWN FUNDS

£000s	31/12/2017	31/12/2016	CHANGE
IFRS equity	19,085	19,774	(689)
Difference due to Technical Provisions	52,259	48,656	3.603
Difference due to Reinsurance Valuation	(1,029)	(953)	(76)
Difference due to Deferred Acquisition Costs, Fee Income Receivable and Deferred Fee Income	(27,587)	(26,209)	(1,378)
Basic Own Funds	42,728	41,268	1,460
Eligibility Deductions	-	-	-
Eligible Own Funds	42,728	41,268	1,460

Table E1.2.1 IFRS equity to Basic Own funds

The table above covers the quantitative differences between equity as shown in OMII's financial statements and the excess of assets over liabilities as calculated for solvency purposes.

Stepping from the IFRS equity from financial statements OMII allows for items that are not included in the financial statements, items that need to be removed and differing treatment of items between bases. Specifically these are:

- The addition of future anticipated profits in the solvency basis not included in the financial reporting basis. The addition of the risk margin (detailed in section D2.3) as this is a Solvency II requirement and not relevant for IFRS.
- Difference in reinsurance valuation between the IFRS and Solvency II basis.
- Deferred acquisition costs and deferred fee income are not included in the Basic Own Funds.

E1.2.2 OTHER ITEMS APPLIED TO OWN FUNDS

OMII is not using transitional arrangements referred to in Articles 308b(9) and 308b(10) of Directive 2009/138/EC.

OMII is not holding any ancillary own funds.

OMII is not deducting any items from own funds.

E1.2.3 RECONCILIATION RESERVES

The table below shows the Own Funds are made up of Share Capital of €635k, Reconciliation Reserve of €(49,698)k and Other items approved by supervisory authority of €91,791k.

€000s	31/12/2017	31/12/2016	CHANGE
Share Capital	635	635	-
Reconciliation Reserve	(49,698)	(51,158)	1,460
Other items approved by supervisory authority as basic own funds	91,791	91,791	-
Available Own Funds	**42,728**	**41,268**	**1,460**

Table E1.2.3: Analysis of Available Own funds

The Reconciliation Reserve equals the total excess of assets over liabilities, net of Share Capital and Other items approved by supervisory authority as basic own funds (being historical capital injections).

E2. SOLVENCY CAPITAL REQUIREMENTS AND MINIMUM CAPITAL REQUIREMENT

This section provides information on SCR and MCR over the reporting period.

E2.1 DETAIL ON THE CAPITAL REQUIREMENTS FOR OMII

€000	STANDARD FORMULA OR INTERNAL MODEL	31/12/2017	31/12/2016	CHANGE
Available Own Funds		**42,728**	**41,268**	**1,460**
Solvency capital requirement		**16,436**	**14,350**	**2,087**
Market risk SCR Module	Standard Formula	8,829	8,190	639
Life underwriting risk SCR Module	Standard Formula	11,029	9,086	1,943
Operational risk SCR Module	Standard Formula	656	613	43
Counterparty default risk SCR Module	Standard Formula	74	210	(136)
Diversification		(4,152)	(3,749)	(403)
Allowance for Deferred Tax Liability offset		-	-	-
Solvency capital requirement Supervisory Capital Add-on		-	-	-
Minimum Capital Requirement		**7,396**	**6,457**	**939**
Surplus		**26,292**	**26,918**	**(627)**
Eligible Own Funds as % of SCR		**260%**	**288%**	

Table E2.1: Summary of SCR, MCR for OMII

OMII uses the Standard Formula specified by EIOPA to calculate the Solvency Capital Requirement (SCR). Therefore, at 31st December 2017 OMII is using the standard parameters and procedures specified by EIOPA for calculating the Solvency Capital Requirement.

OMII is not using the duration-based equity risk sub-module.

OMII does not use an internal model for the purpose of Solvency II reporting.

Also, at 31st December 2017 OMII is not required to hold capital add-ons in excess of SCR.

E2.2 CALCULATION OF MCR

The MCR is calculated using a formulaic approach subject to an overall minimum of €3.7m and a maximum of 45% of SCR.

The approach to calculate the MCR, in addition to the above inputs, requires calculation of the linear formula component of MCR (**MCR** *linear*) which is equal to MCR subject to not breaching the minimum and maximum limits defined above. This is calculated by applying factors to the technical provisions without risk margin but net of reinsurance.

As OMII doesn't have exposure to non-life insurance business, the formula requires only the following inputs:

MCR *linear* = 0.007 x Index-linked and unit-linked insurance obligations
+ 0.021 x Other life (re)insurance and health obligations
+ 0.0007 x Capital at risk for all life (re)insurance obligations

E2.3 EXPLANATION FOR MATERIAL CHANGES TO SCR AND MCR

CHANGES TO MCR

At 31st December 2017 the MCR increased by €939k in relation to the last year, as it is observed in Table E2.1.

MCR is driven by the size of technical provisions and SCR. Hence it has changed in line with movement of technical provisions and SCR.

CHANGES TO SCR

At 31st December 2017 the SCR increased by €2,087k in relation to the last year, as it is observed in Table E2.1.

The market risk SCR has moved from €8,190k at 31st December 2016 to €8,829k at 31st December 2017, an increase of €639k. The main reasons explaining this change are provided in section C1.2.

The life underwriting risk SCR was €9,086k at 31st December 2016 and it was €11,029k at 31st December 2017, an increase of €1,943k. Further details are provided in section C2.2.

E3. ANY OTHER INFORMATION

All material information relating to OMII's capital management has been provided in above sections.

SECTION F
APPENDICES

F1. QUANTITATIVE REPORTING TEMPLATES (QRT) – PUBLIC DISCLOSURE

This appendix contains the following Quantitative Reporting Templates applicable to OMII at 31st December 2017, as required under Solvency II regulations. Any QRTs required by the regulations that are excluded from this list are not relevant to OMII:

1. S.02.01.02 Balance sheet
2. S.05.01.02 Premiums, claims and expenses by line of business
3. S.05.02.01 Premiums, claims and expenses by country
4. S.12.01.02 Life and Health SLT Technical Provisions
5. S.23.01.01 Own funds
6. S.25.01.21 Solvency Capital Requirement - for undertakings on Standard Formula
7. S.28.01.01 Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

All figures are presented in €000's with the exception of ratios that are in percentages.

F1.2 QRT S.02.01.02 BALANCE SHEET

ANNEX I

S.02.01.02

BALANCE SHEET

		Solvency II value
Assets		C0010
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	0
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	7,948
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	0
Equities - listed	R0110	0
Equities - unlisted	R0120	0
Bonds	R0130	(34)
Government Bonds	R0140	0
Corporate Bonds	R0150	(34)
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	6,678
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	1,304
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	1,617,541
Loans and mortgages	R0230	25
Loans on policies	R0240	25
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	-10,106
Non-life and health similar to non-life	R0280	0
Non-life excluding health	R0290	0
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	-10,106
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	2
Reinsurance receivables	R0370	0
Receivables (trade, not insurance)	R0380	888
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	505
Any other assets, not elsewhere shown	R0420	0
Total assets	R0500	1,616,803

		SOLVENCY II VALUE
LIABILITIES		C0010
Technical provisions – non-life	R0510	0
Technical provisions – non-life (excluding health)	R0520	0
TP calculated as a whole	R0530	0
Best Estimate	R0540	0
Risk margin	R0550	0
Technical provisions - health (similar to non-life)	R0560	0
TP calculated as a whole	R0570	0
Best Estimate	R0580	0
Risk margin	R0590	0
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0
Technical provisions - health (similar to life)	R0610	0
TP calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	0
TP calculated as a whole	R0660	0
Best Estimate	R0670	0
Risk margin	R0680	0
Technical provisions – index-linked and unit-linked	R0690	1,567,945
TP calculated as a whole	R0700	0
Best Estimate	R0710	1,562,315
Risk margin	R0720	5,630
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	300
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	0
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	4,633
Reinsurance payables	R0830	0
Payables (trade, not insurance)	R0840	1,197
Subordinated liabilities	R0850	0
Subordinated liabilities not in BOF	R0860	0
Subordinated liabilities in BOF	R0870	0
Any other liabilities, not elsewhere shown	R0880	0
Total liabilities	R0900	1,574,075
Excess of assets over liabilities	R1000	42,728

F1.3 QRT S.05.01.02 PREMIUMS, CLAIMS AND EXPENSES BY LINE OF BUSINESS

ANNEX I S.05.01.02 PREMIUMS, CLAIMS AND EXPENSES BY LINE OF BUSINESS

		LINE OF BUSINESS FOR: LIFE INSURANCE OBLIGATIONS						LIFE REINSURANCE OBLIGATIONS		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	0	0	534,902	0	0	0	0	0	534,902
Reinsurers' share	R1420	0	0	98	0	0	0	0	0	98
Net	R1500	0	0	534,804	0	0	0	0	0	534,804
Premiums earned										
Gross	R1510	0	0	534,902	0	0	0	0	0	534,902
Reinsurers' share	R1520	0	0	98	0	0	0	0	0	98
Net	R1600	0	0	534,804	0	0	0	0	0	534,804
Claims incurred										
Gross	R1610	0	0	76,193	0	0	0	0	0	76,193
Reinsurers' share	R1620	0	0	523	0	0	0	0	0	523
Net	R1700	0	0	75,670	0	0	0	0	0	75,670
Changes in other technical provisions										
Gross	R1710	0	0	-490,441	0	0	0	0	0	-490,441
Reinsurers' share	R1720	0	0	25	0	0	0	0	0	25
Net	R1800	0	0	-490,466	0	0	0	0	0	-490,466
Expenses incurred	R1900	0	0	9,394	0	0	0	0	0	9,394
Other expenses	R2500									0
Total expenses	R2600									9,394

F1.4 QRT S.05.02.01 PREMIUMS, CLAIMS AND EXPENSES BY COUNTRY

ANNEX I S.05.02.01 PREMIUMS, CLAIMS AND EXPENSES BY COUNTRY

		HOME COUNTRY	TOP 5 COUNTRIES (BY AMOUNT OF GROSS PREMIUMS WRITTEN) - LIFE OBLIGATIONS					TOTAL TOP 5 AND HOME COUNTRY
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400		COGB	COSE	COMT	COES	COLU	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	0	181,328	169,385	86,445	20,521	19,230	476,909
Reinsurers' share	R1420	0	3	0	0	0	0	3
Net	R1500	0	181,325	169,385	86,445	20,521	19,230	476,906
Premiums earned								
Gross	R1510	0	181,328	169,385	86,445	20,521	19,230	476,909
Reinsurers' share	R1520	0	3	0	0	0	0	3
Net	R1600	0	181,325	169,385	86,445	20,521	19,230	476,906
Claims incurred								
Gross	R1610	39	12,571	23,422	8,818	2,957	3,771	51,578
Reinsurers' share	R1620	39	91	0	0	0	0	130
Net	R1700	0	12,480	23,422	8,818	2,957	3,771	51,448
Changes in other technical provisions								
Gross	R1710	-32	-184,266	-157,621	-82,303	-18,990	-22,438	-465,650
Reinsurers' share	R1720	26	64	-2	0	-6	-1	81
Net	R1800	-58	-184,330	-157,619	-82,303	-18,984	-22,437	-465,731
Expenses incurred	R1900	7	1,545	781	3,148	787	238	6,506
Other expenses	R2500							0
Total expenses	R2600							6,506

F1.5 QRT S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS

ANNEX I S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS											
		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)
				Contracts with-out options and guarantees	Contracts with options or guarantees		Contracts with-out options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
Technical provisions calculated as a whole	R0010	0	0			0			0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020	0	0			0			0	0	0
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	R0030	0		0	1,562,315		0	0	0	0	1,562,315
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	0		0	-10,106		0	0	0	0	-10,106
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	0		0	1,572,421		0	0	0	0	1,572,421
Risk Margin	R0100	0	5,630			0			0	0	5,630
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	R0110	0	0			0			0	0	0
Best estimate	R0120	0		0	0				0	0	0
Risk margin	R0130	0	0		0		0	0	0	0	0
Technical provisions - total	R0200	0	1,567,945			0			0	0	1,567,945

		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			
		C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0210	0			0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0220	0			0	0	0
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	R0030		0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080		0	0	0	0	0
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090		0	0	0	0	0
Risk Margin	R0100	0			0	0	0
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0110	0			0	0	0
Best estimate	R0120		0	0	0	0	0
Risk margin	R0130	0			0	0	0
Technical provisions - total	R0200	0			0	0	0

F1.6 QRT S.23.01.01 OWN FUNDS

ANNEX I S.23.01.01 OWN FUNDS

		TOTAL	TIER 1 - UNRESTRICTED	TIER 1 - RESTRICTED	TIER 2	TIER 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	635	635		0	
Share premium account related to ordinary share capital	R0030	0	0		0	
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	0				
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	-49,698	-49,698			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	91,791	91,791	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	
Total basic own funds after deductions	R0290	42,728	42,728	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	R0400	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	42,728	42,728	0	0	0
Total available own funds to meet the MCR	R0510	42,728	42,728	0	0	
Total eligible own funds to meet the SCR	R0540	42,728	42,728	0	0	0
Total eligible own funds to meet the MCR	R0550	42,728	42,728	0	0	
SCR	R0580	16,436				
MCR	R0600	7,396				
Ratio of Eligible own funds to SCR	R0620	2.60				
Ratio of Eligible own funds to MCR	R0640	5.78				
		C0060				
Reconciliation reserve						
Excess of assets over liabilities	R0700	42,728				
Own shares (held directly and indirectly)	R0710	0				
Foreseeable dividends, distributions and charges	R0720	0				
Other basic own fund items	R0730	92,426				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0				
Reconciliation reserve	R0760	-49,698				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	R0770	54				
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	0				
Total Expected profits included in future premiums (EPIFP)	R0790	0				

F1.7 QRT S.25.01.21 SOLVENCY CAPITAL REQUIREMENT - FOR UNDERTAKINGS ON STANDARD FORMULA

ANNEX S.25.01.21 SOLVENCY CAPITAL REQUIREMENT - FOR UNDERTAKINGS ON STANDARD FORMULA

		GROSS SOLVENCY CAPITAL REQUIREMENT	USP	SIMPLIFICATIONS
		C0110	C0090	C0100
Market risk	R0010	8,829		
Counterparty default risk	R0020	74		
Life underwriting risk	R0030	11,029	0	0
Health underwriting risk	R0040	0	0	0
Non-life underwriting risk	R0050	0	0	0
Diversification	R0060	-4,152		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	15,780		

Calculation of Solvency Capital Requirement		C0100		
Operational risk	R0130	656		
Loss-absorbing capacity of technical provisions	R0140	0		
Loss-absorbing capacity of deferred taxes	R0150	0		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0		
Solvency capital requirement excluding capital add-on	R0200	16,436		
Capital add-on already set	R0210	0		
Solvency capital requirement	R0220	16,436		
Other information on SCR				
Capital requirement for duration-based equity risk sub-module	R0400	0		
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	0		
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0		
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	0		
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0		

F1.8 QRT S.28.01.01 MINIMUM CAPITAL REQUIREMENT - ONLY LIFE OR ONLY NON-LIFE INSURANCE OR REINSURANCE ACTIVITY

ANNEX I S.28.01.01 MINIMUM CAPITAL REQUIREMENT - ONLY LIFE OR ONLY NON-LIFE INSURANCE OR REINSURANCE ACTIVITY

Linear formula component for non-life insurance and reinsurance obligations

		C0040
$MCRL_{NL}$ Result	R0210	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
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	0	0
General liability insurance and proportional reinsurance	R0090	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	0
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for non-life insurance and reinsurance obligations

		C0040
MCR_L Result	R0200	11,045

		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance/ SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0	
Obligations with profit participation - future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	1,572,421	
Other life (re)insurance and health (re)insurance obligations	R0240	0	
Total capital at risk for all life (re)insurance obligations	R0250		54,699

Overall MCR calculation		
		C0070
Linear MCR	R0300	11,045
SCR	R0310	16,436
MCR cap	R0320	7,396
MCR floor	R0330	4,109
Combined MCR	R0340	7,396
Absolute floor of the MCR	R0350	3,700
		C0070
Minimum Capital Requirement	R0400	7,396

F2. GLOSSARY

TERM	DEFINITION
AuA	Assets under Administration
BVI	British Virgin Islands
CBI	Central Bank of Ireland
ERM	Enterprise Risk Management
HOAF	Head Of Actuarial Function
GOM	Group Operating Manual
IFRS	International Financial Reporting Standards
MCR	Minimum Capital Requirement under Solvency II
OMII	Old Mutual International Ireland dac
OMG	Old Mutual Group
OMIIoM	Old Mutual International Isle of Man Ltd.
OMW	Old Mutual Wealth (Business Unit of Old Mutual Group)
OMWML	Old Mutual Wealth Management Limited (now Quilter plc)
ORSA	Own Risk and Solvency Assessment
QROPS	Qualifying Recognised Overseas Pension Scheme
RDR	Retail Distribution Review
RemCo	Remuneration Committee
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SII	Solvency II