SOLVENCY AND FINANCIAL CONDITION REPORT (SFCR)

OLD MUTUAL WEALTH LIFE & PENSIONS LIMITED

OLD MUTUAL WEALTH

OLD MUTUAL WEALTH LIFE & PENSIONS LIMITED

APPROVAL BY THE BOARD OF DIRECTORS OF THE SOLVENCY AND FINANCIAL CONDITION REPORT

FINANCIAL PERIOD ENDED 31ST DECEMBER 2017

We certify that:

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

2 we are satisfied that:

(a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the insurer; and

(b) it is reasonable to believe that, at the date of the publication of the SFCR, the insurer has continued so to comply, and will continue so to comply in future.

S V Wood

DIRECTOR

Date: 3rd May 2018

REPORT OF THE EXTERNAL INDEPENDENT AUDITOR TO THE DIRECTORS OF OLD MUTUAL WEALTH LIFE & PENSIONS LIMITED ('THE COMPANY') PURSUANT TO RULE 4.1 (2) OF THE EXTERNAL AUDIT CHAPTER OF THE PRA RULEBOOK APPLICABLE TO SOLVENCY II FIRMS

Report on the Audit of the Relevant Elements of the Solvency and Financial Condition Report

OPINION

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2017:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2017, ('**the Narrative Disclosures subject to audit**'); and
- Company templates S02.01.02, S12.01.02, S23.01.01, S25.01.21, S28.01.01 ('**the Templates subject to audit**').

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

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

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S05.01.02, S05.02.01, S19.01.21;
- the written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement**').

In our opinion, the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report of the Company as at 31 December 2017 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

BASIS FOR OPINION

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

EMPHASIS OF MATTER – SPECIAL PURPOSE BASIS OF ACCOUNTING

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

he Directors are responsible for the Other Information.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE SOLVENCY AND FINANCIAL CONDITION REPORT

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

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE RELEVANT ELEMENTS OF THE SOLVENCY AND FINANCIAL CONDITION REPORT

It is our responsibility to form an independent opinion as to whether the Relevant Elements of the Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report of the external auditor is made solely to the company's directors, as its governing body, in accordance with the requirement in Rule 4.1(2) of the External Audit Part of the PRA Rulebook and the terms of our engagement. We acknowledge that the directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the company's directors and issued in accordance with the requirement set out in Rule 4.1(2) of the External Audit Part of the PRA Rulebook and to facilitate the discharge by the PRA of its regulatory functions in respect of the company, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1(2) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company through its governing body, for our audit, for this report, or for the opinions we have formed.

Onisiforos Chourres
for and on behalf of KPMG LLP
15 Canada Square
Canary Wharf
London
E145GL

3rd May 2018

- The maintenance and integrity of Old Mutual Wealth Life & Pensions Limited's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

EXECUTIVE SUMMARY

INTRODUCTION AND PURPOSE

This document provides an annual public disclosure of solvency and financial condition of Old Mutual Wealth Life & Pensions Limited ('OMWLP') at 31st December 2017.

The Solvency II regulations prescribe the structure of this document and indicate the information that must be reported under a series of headings and sub headings. This narrative report gives an insight into 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

OMWLP is a UK regulated entity authorised to carry out long term assurance business, operating within the platform segment of the long-term savings market in the UK.

The company is part of Old Mutual (OM) plc, a FTSE 100 group, and is authorised and regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). The company forms part of the Old Mutual Wealth (OMW) division of OM 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 OM 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.

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 OM plc.

Quilter plc published its Equity Prospectus on 20th April 2018, immediately followed by a successful Showcase II event to key analysts and shareholders on 26th April 2018. In addition it published the first of its supplementary prospectuses, being the Quarter 1 trading update, on 30th April 2018.

BUSINESS STRATEGY

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 OMW division, are to build the investment proposition, leverage benefits from being part of a full service wealth management business and invest significantly in the infrastructure to build a market leading platform to provide an enhanced service and proposition to customers and advisers.

MARKET RECOGNITION

The platform and investment business continues to be recognised by financial advisers, independent research agencies and market commentators for the products and services delivered to advisers and their clients.

In the last year the platform has been rated 'platinum' for the second year running by independent research and due diligence firm, Adviser Asset. Service levels have been highly commended following an independent survey of advisers, conducted by research firm Defaqto, in which the platform was given a Gold Service Rating. In addition, the flexibility, service and support of the retirement proposition has seen the business awarded a Gold Standard Award for Pensions, for the Collective Retirement Account (CRA).

These awards are voted for, or based upon the direct needs of customers and evidences that the business is delivering services and solutions that make a difference to customers.

SERVICES AGREEMENT

The contracts with IFDS related to the UK Platform Transformation came to an end by mutual agreement effective as of 2 May 2017. At the same time, it was announced that the company had contracted with FNZ to deliver the UK Platform Transformation Programme.

The company continues to plan for an enhanced customer and adviser proposition supplied by FNZ to be operational for new business by late 2018 or early 2019 with migration of existing customer business to follow swiftly thereafter.

BUSINESS REVIEW

The company achieved strong gross sales of £5.9bn (2016: £4.0bn), an increase of 48% year-on-year, predominately due to higher pension sales following the company's enhanced propositional changes made in 2015, aligned to the new 'pension freedom' legislation and further integration with the Intrinsic network business. Strong net client cash flow (NCCF) and fund performance has increased the assets under administration to £25.4bn from £19.6bn at the previous year end.

The company produces its financial statements in accordance with International Financial Reporting Standards ("IFRS").

The internal measure of profit is IFRS adjusted operating profit (IFRS AOP). IFRS AOP reflects the directors' view of the underlying performance of the company and is a measure of profitability which adjusts the standard IFRS profit measure to remove specific non-operating items.

The business continues to be profitable on an AOP basis. The company's post-tax IFRS AOP has increased by £7.7m to £22.8m in 2017. This is attributable to an increase in income and total contribution, following the positive NCCF and fund performance. The expenditure for the UK Platform Transformation programme is regarded as one-off and transformational, and is therefore excluded from the AOP results. Due to positive NCCF and fund performance, on a standard IFRS basis, the company has made a profit of £0.3m in 2017 compared to £6.7m loss in 2016 after allowing for UK Platform Transformation programme costs of £23.4m.

IFRS net assets (the company's total assets less total liabilities) increased from £93m to £121m over the course of the year. During the year £28m of additional capital was issued to cover the regulatory impact of anticipated losses and associated risks to facilitate the strategic developments in respect of the transformation programme mentioned above, whilst maintaining a strong level of regulatory solvency. There were no dividends paid in 2017.

Refer to Section A below for further details relating to OMWLP's business and performance.

SYSTEM OF GOVERNANCE

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

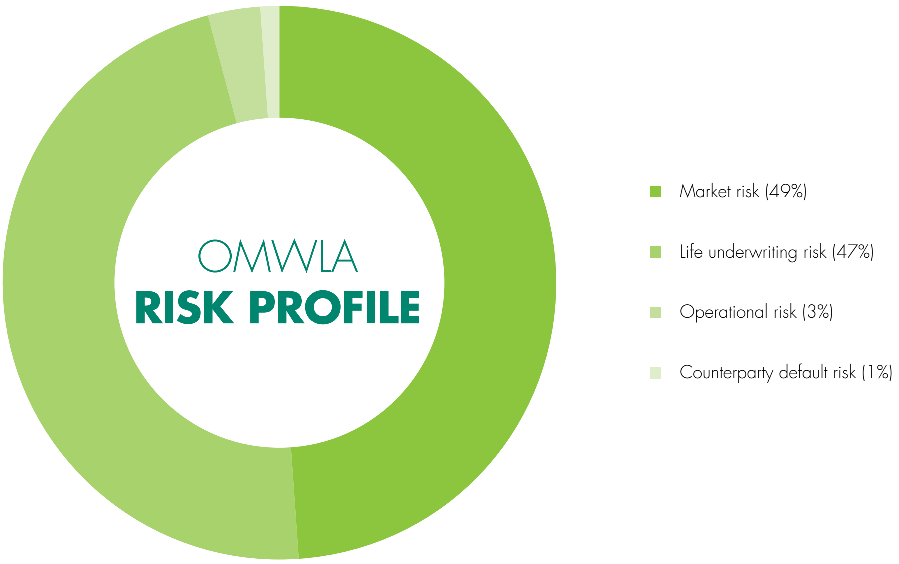
Section B of this document contains further details relating to OMWLP's system of governance, in particular:

- The structure of the OMWML system of governance and role of the OMWML Board and its committees in overseeing OMWLP;
- The 'three lines of defence' governance model;
- The role of the OMWLP Board and information on the Board of Directors;
- The role of committees of the OMWLP Board;
- OMWLP key functions;
- Remuneration policies;
- Principles used in assessing fitness and propriety of key functions and the Board of Directors;
- Overview of the risk management system;
- Overview of the internal control system;
- Information on the role and independence of the Internal Audit function;
- Information on the role of the Actuarial function; and
- Information on the outsourcing policy and outsourced services.

RISK PROFILE

OMWLP is a unit-linked business which doesn't offer investment guarantees. Most of the risk to which OMWLP is exposed relates to the uncertainty over future income generated from products already sold. The majority of the company's fees and charges are calculated based on the value of Assets under Administration (AuA) and therefore in the event of equity markets falling, this will have a negative impact on future income.

The pie chart below sets out the OMWLP's risk profile, based on the Solvency Capital Requirement (SCR), determined on a standard formula basis:



The main risk categories to which OMWLP is exposed are market risk and life underwriting risks. These represent 96% of OMWLP's risk exposure.

Market risk arises due to exposure 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. Underwriting risk arises through exposure to unfavourable operating conditions such as higher than expected expenses or a higher than anticipated number of policyholders surrendering or making claims on their policies (this impact of policyholders surrendering or making claims on their policies is known as lapse risk).

Market risk is a significant risk for OMWLP, since the majority of in-force business is investment business and a large part of revenue is related to asset value. Lapse risk which is a component of life underwriting risk is also significant because the unit-linked investment business relies on persistency of policies to generate future revenues.

Refer to Section C below for further details relating to OMWLP's risk profile.

VALUATION FOR SOLVENCY PURPOSES

The OMWLP Solvency II balance sheet is constructed under Solvency II rules and guidance, which is the same as under IFRS with the exception of:

- differences in the valuation of technical provisions, associated reinsurance recoverables and tax; and
- the inclusion of intangible assets and liabilities within the IFRS accounts which are disallowed under Solvency II.

As a result, the surplus of assets over liabilities under Solvency II is £242.7m higher than under IFRS.

Refer to Section D below for further details relating to valuation for solvency purposes.

CAPITAL MANAGEMENT

The strategy for managing capital is to ensure sufficient capital exists within OMWLP to meet the SCR and Minimum Capital Requirement (MCR), with a capital buffer, to protect against unexpected adverse events. .

OMWLP uses the Standard Formula to calculate the SCR. The SCR computed at 31st December 2017 was £233.6m and the MCR was £105.1m.

The excess of assets over liabilities on a Solvency II basis, referred to as 'Own Funds' was £363.6m, giving a solvency ratio of 156% as at 31st December 2017. The company is considered to be well capitalised.

OMWLP 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 OMWLP's capital management.

CONTENTS

SECTION A

BUSINESS AND PERFORMANCE

A1. BUSINESS

A1.1 NAME AND LEGAL FORM OF THE UNDERTAKING

Old Mutual Wealth Life & Pensions Limited ('OMWLP')

The company is a private limited company within the Old Mutual Group (OMG) (see A1.7 for the OMG structure).

A1.2 NAME AND CONTACT DETAILS OF THE SUPERVISORY AUTHORITY

Details of the supervisory authority for both OMWLP and its ultimate holding company OM plc are as follows:

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 LLP
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

A1.4 QUALIFYING HOLDINGS IN THE UNDERTAKING

100% of the voting rights were held by OM plc, the ultimate parent company throughout 2017.

A1.5 SOLVENCY II REPORTING CURRENCY

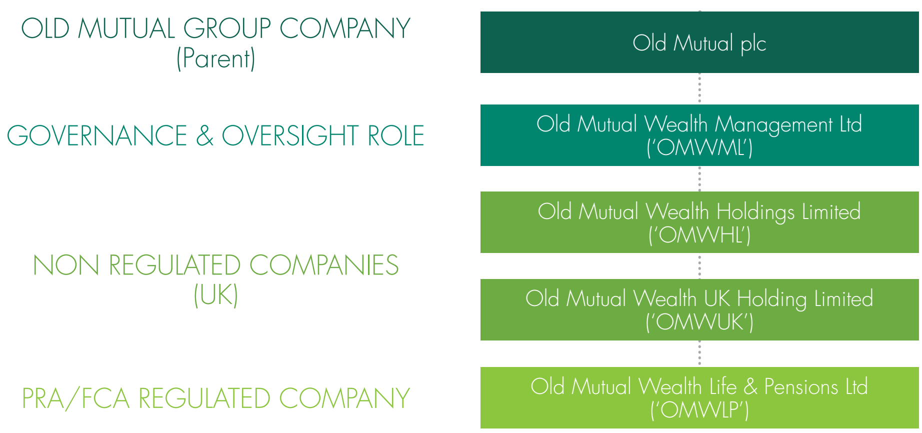
OMWLP reports on a Solvency II basis in **GBP**.

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 OMWLP POSITION WITHIN THE LEGAL STRUCTURE OF OLD MUTUAL GROUP

The corporate structure of the UK operating entities is set out below. All entities are 100% owned:



Locations of the immediate parent undertaking and ultimate parent undertaking are as follows:

Old Mutual Wealth UK Holding Ltd
Old Mutual House
Portland Terrace
Southampton
SO14 7EJ

Old Mutual plc
Millennium Bridge House
2 Lambeth Hill
London
EC4V 4GG

A1.8 OMWLP LINES OF BUSINESS

OMWLP offers two products, sold 100% into the UK, the CRA (platform pension product) and the Collective Investment Bond (CIB) (platform UK bond product). The following table provides a summary of the in force business for OMWLP, as at 31st December 2017.

PRODUCT CATEGORY	NO. PLANS IN FORCE	UNIT RESERVES (£000)
Collective Retirement Account	161,161	21,702,656
Collective Investment Bond	28,889	3,703,488
TOTAL	**190,050**	**25,406,144**

A1.8.1 COLLECTIVE RETIREMENT ACCOUNT (CRA)

The CRA is a flexible unit-linked pension product which accepts single and regular premiums and can be used by the policyholder to provide regular and ad hoc drawdown income during their retirement.

A1.8.2 COLLECTIVE INVESTMENT BOND (CIB)

The CIB is a single premium unit-linked whole of life assurance contract available on a single life or joint life, last death basis.

Customers can select a capital protected death benefit. In this case the payment on death of the life assured is the higher of the total premiums paid less any withdrawals made and 101% of the bond value.

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

A1.9.1 PRODUCT RANGE CHANGES

NEW PRODUCTS

No new products were launched during 2017.

PRODUCT DESIGN CHANGES

There were no product design changes introduced in 2017.

A1.9.2 COMPANY STRUCTURE AND CHANGES

OMWLP 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 OMW division, are to build the investment proposition, leverage benefits from being part of a full service wealth management business and invest significantly in the infrastructure to build a market leading platform to provide an enhanced service and proposition to customers and advisers.

SERVICES AGREEMENT

The contracts with IFDS related to the UK Platform Transformation came to an end by mutual agreement effective as of 2 May 2017. At the same time, it was announced that the company had contracted with FNZ to deliver the UK Platform Transformation Programme.

The company continues to plan for an enhanced customer and adviser proposition supplied by FNZ to be operational for new business by late 2018 or early 2019 with migration of existing customer business to follow swiftly thereafter.

Of the estimated remaining UK Platform Transformation Programme costs of £120-160m announced in May 2017, £21m was incurred in 2017, of which £10.1m has been incurred by the company. Spend of c£75m is anticipated in 2018 of which £37m is expected to be incurred by the company, with the balance arising in 2019. The project remains on time and within budget and excellent progress has been made with all key deliverables to date being within planned timelines.

MARKET RECOGNITION

The platform and investment business continues to be recognised by financial advisers, independent research agencies and market commentators for the products and services delivered to advisers and their clients.

In the last year the platform has been rated 'platinum' for the second year running by independent research and due diligence firm, Adviser Asset. Service levels have been highly commended following an independent survey of advisers, conducted by research firm Defaqto, in which the platform was given a Gold Service Rating. In addition, the flexibility, service and support of the retirement proposition has seen the business awarded a Gold Standard Award for Pensions, for the CRA.

These awards are voted for, or based upon the direct needs of customers and evidences that the business is delivering services and solutions that make a difference to customers.

A2. UNDERWRITING PERFORMANCE

The internal measure of profit is IFRS AOP. IFRS AOP reflects the directors' view of the underlying performance of the company and is a measure of profitability which adjusts the standard IFRS profit measure to remove specific non-operating items.

AOP (before tax) is therefore used below as a measure of the underwriting and investment performance of the Company.

AOP excludes impacts arising from short-term fluctuations in investment return and items which are one-off in nature and, due to their size or nature, are not indicative of the long-term operating performance of the Company. These items are analysed in section A4.

The underwriting performance of the company in relation to unit-linked insurance business is included within the table below. The data in this table combined with the 'Investment Performance' table (Section A3.1) comprises IFRS pre-tax AOP.

£000	31/12/2017	31/12/2016
Premiums earned		
Gross	6	10
Reinsurers' share	-4	-14
Net	2	-4
Claims incurred		
Gross	-253	-203
Reinsurers' share	4	6
Net	-249	-197
Underwriting performance	**-247**	**-201**

Underwriting performance arises on the company's CIB product and all of the business is transacted within the United Kingdom.

In the context of the business carried out by OMWLP the premiums and claims transactions on insurance business recorded within the IFRS income statement are immaterial. Premiums relate to life cover and are charged only in the event of the bond value falling below the initial investment value. This arrangement is an option for those policyholders that wish to guarantee that the value of their bonds do not fall below initial investment value. Net premium variances on prior period are impacted by timing differences relating to the recording of reinsurance payables.

Claims include the 1% life assurance benefit on this product (which is not reinsured), for which the company does not charge a direct premium, consequently there is an apparent disparity between premiums and claims in the above table.

A3. INVESTMENT PERFORMANCE

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

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

£000's	31/12/2017	31/12/2016
Investments for the benefit of policyholders		
Fees and income	93,651	81,650
Change in deferred fee income	5,190	10,570
Total policyholders	98,841	92,220
Investing Activities		
Interest received	1,856	3,617
Gains and losses	940	-2,144
Total shareholders	2,796	1,473
Expenses	-70,909	-70,859
Income less expenses	30,728	22,834

FEE INCOME

Fees charged for managing investment contracts comprise fees taken both on inception and throughout the life of the contract. All fee income is recognised as revenue in line with the provision of the investment management services. Fee income is higher in 2017 due to the increase in AuA from policyholders.

DEFERRED FEE INCOME

Fee income, comprising fees received at inception or receivable over an initial period of the policy are not reported in the income statement immediately. Instead they are 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 over the term of the policy. 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 deferred fee income liability principally comprises fee income already received in cash and phased initial charges which will be recovered from policyholder plans over a five year period. This is an accounting adjustment required under IFRS which ensures that income received is recognised in the income statement in line with provision of services to the policyholder.

The balance as at 31st December 2017 relates to older charges and tariffs. The charging structures in place on new business sold no longer include such up-front fees and charges.

SHAREHOLDER INCOME

Shareholder income represents interest received on cash and cash equivalents, and gains/losses on fixed income government securities.

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

During 2017, the company issued £28m of share capital to cover the regulatory impact of anticipated losses and associated risks to facilitate the strategic developments in respect of the UK Platform Transformation Programme, whilst maintaining a strong level of regulatory solvency. There were no dividends paid in 2017.

A3.3 INVESTMENTS IN SECURITISATION OVER THE REPORTING PERIOD.

OMWLP has no exposure to investments in securitisation.

A4. PERFORMANCE OF OTHER ACTIVITIES

The 2017 IFRS AOP result consists of the company's underwriting and investment performance as described above - there were no other activities undertaken by the company. However, as discussed in section A2, AOP excludes impacts arising from short-term fluctuations in investment return and items which are one-off in nature and, due to their size or nature, are not indicative of the long-term operating performance of the Company. The reconciliation between AOP and IFRS Profit before Tax is as follows:

£000's	31/12/2017	31/12/2016
Pre-tax Adjusted Operating Profit	**30,481**	**22,633**
Platform transformation spend	(23,377)[1]	(23,259)
Investment return smoothing	(2,200)	1,800
Income tax attributable to policyholders	33,370	44,359
Policyholder tax smoothing adjustment	(1,800)	(5,700)
Pre-tax IFRS Profit	**36,474**	**39,833**

[1] includes £10.1m incurred under the FNZ contract

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 OM 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.

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 OM plc.

Quilter plc published its Equity Prospectus on 20th April 2018, immediately followed by a successful Showcase II event to key analysts and shareholders on 26th April 2018. In addition it published the first of its supplementary prospectuses, being the Quarter 1 trading update, on 30th April 2018.

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

B1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

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

B1.1 STRUCTURE OF THE OMWML SYSTEM OF GOVERNANCE

As a subsidiary of OMWML, OMWLP is subject to the OMWML System of Governance. The OMWML System of Governance applies to all entities within the 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 the local CEO who reports into the OMW CEO and the local board of directors. The OMW business is comprised primarily of the legal entities owned by OMWML. 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 other stakeholders, whilst optimising the strategic potential of the OMW business.

OM plc, the shareholder of OMWML, articulates the control framework requirements through the OMG 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 System of Governance defines the role of the OMWML Board as providing leadership within a framework of prudent and effective controls which allow risks to be assessed and managed.

The OMWML Board is responsible for developing OMW strategy to ensure it is aligned to OM plc strategy and provide oversight over business performance, governance and controls and effective discharge of fiduciary and other applicable legal and regulatory duties (including the consideration of customer interests) of the OMW Business in accordance with the OMWML System of Governance and OMWML's Articles of Association.

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 GOM 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 OM plc; and
- Agreeing the authority that the Board delegates to other boards, committees and individuals.

ROLE OF OMWML BOARD IN RESPECT OF THE OLD MUTUAL INVESTMENT PLATFORM

The role of the Board of Directors of OMWML, in respect of the Old Mutual Investment Platform[1], is as follows:

- To oversee the long term prosperity of the OMW Business of OM plc by providing independent input, review and constructive challenge in relation to the Old Mutual Investment Platform;
- To constructively challenge and help develop proposals on Old Mutual Investment Platform strategy in the context of OMW Business strategy;
- To monitor the progress of the Old Mutual Investment Platform in development and implementation of strategic plans and material policies;
- To generally oversee the Old Mutual Investment Platform 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; and
- Through its Corporate Governance and Nomination Committee, approve the appointment of the Chairman of OMW Business oversight Boards.

[1]The Old Mutual Investment Platform comprises OMWLP, OMWLA and Old Mutual Wealth Limited (OMWL), which are managed together through a common executive management team.

B1.2.2 OMWML BOARD COMMITTEES

The Committees of the OMWML Board consist of the Remuneration, Corporate Governance & Nomination, Audit, Board Risk and the Board IT Committees, which provide oversight and challenge to the OMWLP Business in addition to the OMWLP Board.

In addition to the OMW Business Boards and their Committees, the OMWML Board Committees assist the OMWML Board, amongst other things, 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 OMW EXECUTIVE RESPONSIBILITY

The OMW CEO is delegated responsibility, by the OMWML Board, for the day-to-day management of the OMW Business, operating within the authorities granted through the OM plc GOM, DMF and the responsibilities articulated in the OMW CEO Role Profile.

To assist the OMW CEO in the discharge of those responsibilities, an Executive Management team has been appointed as the CEO's direct report team. This team, along with other key roles in the OMW Business, form the OMW Executive Committee.

The Executive Committee meets on a monthly basis, with weekly calls to deal with material issues and urgent matters.

The OMW CEO is also assisted in the review and challenge of performance in the context of Risk Appetite as set by the OMWML Board (that is aligned to the OM plc risk appetite set by the OM plc Board) and to oversee, challenge and monitor the management of risk, including operational and regulatory risk, the adequacy of governance arrangements and the effectiveness of internal controls within OMW by the Executive Risk Forum ("ERF").

B1.2.4 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 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.

The OMW 3 Lines of Defence Model:

BOARD OF DIRECTORS

IT COMMITTEE | BOARD RISK COMMITTEE | AUDIT COMMITTEE | REM. COMMITTEE

CHIEF EXECUTIVE

ExCo

EXECUTIVE RISK FORUM

First Line of Defence - Risk Origination, Ownership and Management – Business Operations

The primary responsibility of risk management lies with business management and all employees , who are responsible for managing risk as part of their day to day activities. They are responsible for identifying and evaluating the significant risks to the business , for designing and operating suitable controls and reporting risks and issues that arise in their areas.

Includes:
1. Set Risk Management Strategy
2. Set and deliver tone at the top
3. Implementation and ownership of policies
4. Implementation and monitoring of risk appetite and risk limits
5. Ongoing management of risks
6. Compliance and risk aware operating practices
7. Performance management

Accountable:
1. CEO / CFO / COO
2. Executive Management
3. All employees

Second Line of Defence - Risk Oversight, Challenge and Advice - Risk and Compliance Functions

The second line responsibilities are around the provision of frameworks, advice and support to the business. Risk's role includes reviewing and challenging the business on how well the framework has been implemented and providing additional insights on the main risks being run, the controls around these and the capital held.

Includes:
1. Deliver a clear and well communicated, business-wide risk framework
2. Provide control and monitoring systems
3. Produce risk reports for stakeholders
4. Support adherence to regulation and legislation
5. Advice and support to business
6. Escalate material issues / risks

Accountable:
1. CRO
2. Risk Leadership Team
3. Risk Function

Third Line of Defence Assurance – Internal Audit

The third line responsibilities owned by Internal Audit (IA) are to provide independent, objective assurance. The scope of IA's 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

Includes:
1. Internal governance structures and processes
2. The setting of and adherence to risk appetite
3. The risk and control culture of the organization
4. The integrity of dealings with customers, interactions with relevant markets
5. Key corporate events including the information being used to support key decisions
6. Lessons learned analysis following significant adverse events

Accountable:
1. Chief Internal Auditor
2. Internal Audit Team

B1.3 OMWLA BOARD OF DIRECTORS

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

NAME	ROLE	DATE OF JOINING / LEAVING BOARD
Richard Freeman	Chairman	Resigned 8 November 2017
George Reid	Chairman	Joined 8 November 2017
Steven Levin	Chief Executive	
Scott Goodsir	Executive Director	
Phil Hine	Executive Director	Resigned 14 April 2017
Steven Braudo	Executive Director	Joined 18 July 2017
Darren Sharkey	Executive Director	Resigned 12 September 2017
Simon Wood	Executive Director	Joined 12 September 2017

B1.3.1 ROLES AND DUTIES OF THE OMWLP BOARD

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

- To ensure that OMWLP is run with integrity, complies with all relevant legal and regulatory obligations (e.g. meets all applicable PRA and FCA requirements and applies relevant principles);
- 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 Old Mutual Investment Platform (OMIP) Business strategy within the context of the overall OMW strategy; and
- 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 each OMW Business Board is sought on the Business level strategy. Each OMW Business Board should promote strategic developments that puts customers at the heart of the business and promotes long-term sustainable value creation.

B1.3.2 KEY RESPONSIBILITIES OF THE OMWLP BOARD

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

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:

STRATEGY AND PERFORMANCE:

- To ensure that the company has appropriate leadership and vision;
- To input into and monitor the progress of the company in implementing strategic plans;
- To consider interests of all relevant stakeholders;
- To monitor and evaluate performance relative to strategy, objectives and plans to ensure that appropriate action is being taken;
- To consider adoption of material OMG policies;
- To provide written support in respect of escalated items requiring authorisation;
- To ensure that appropriate reporting and recommendations are made available to enable the Board to perform its responsibilities; and
- To ensure that any contract for services that the company enters into is in accordance with the OMWML Scheme of Delegation.

LEGAL, RISK, GOVERNANCE AND COMPLIANCE:

- To ensure that the company is run with integrity and in compliance with regulatory obligations, including monitoring the timely response to regulatory developments;
- To ensure that all relevant individuals maintain the appropriate regulatory clearance and that these individuals meet all regulatory obligations required of them;
- To appoint Directors of the company and appoint the Company Secretary;
- To ensure that a formal and rigorous annual Board effectiveness review is completed;
- To authorise conflicts of interest (where permitted) and ensure that appropriate controls are in place to mitigate potential conflicts of interest;

- To ensure adherence to OMG policies;
- To ensure that there is an effective system for follow-up and control of the company's operations and financial position, that effective risk processes are followed and that there is a satisfactory process for monitoring compliance with laws and regulations;
- To ensure the maintenance of sound systems of internal control and risk management;
- To assess the level and adequacy of management information being provided to the Board;
- To respond robustly to issues which are escalated in relation to the company's conduct of business; and
- To respond swiftly to notifications of breaches of internal control and ensure that action is taken to avoid recurrence.

FINANCIAL REPORTING AND CONTROLS AND CAPITAL MAINTENANCE:

- To approve the annual report and accounts and declare any dividends;
- To approve the processes for delegated authorities including limits and the framework;
- To ensure that financial reporting requirements are met;
- To approve any proposed changes to the company's capital structure (subject to higher approval being obtained); and
- To ensure that the company maintains its target solvency ratio and complies with regulatory rules regarding capital adequacy.

B1.3.3 OMWLP BOARD COMMITTEES

The permanent committees of the OMWLP Board are set out below. The delegated authorities of the permanent committees of the OMWLP Board are as follows:

GOVERNANCE AND RISK COMMITTEE

The purpose of the Governance and Risk Committee is to assist the Boards of the OMIP companies in the effective discharge of their oversight responsibilities for governance and risk management.

- Review and assess the effectiveness of the risk management systems and controls of the OMIP companies;
- Review the major risk exposures of the OMIP companies and the steps management has taken to monitor and control such exposures;
- Review the risk exposure of the OMIP companies in relation to the risk appetite of the Boards, the risk capacity of the OMIP companies and ensure risk appetite is aligned to risk appetite of the OMW group as set by the OMWML Board;
- Monitor the development of risk management policies and procedures generally and make appropriate recommendations to the Boards;
- Review the internal control and risk management systems;
- Monitor and review the effectiveness of the internal audit function and ensure co-ordination between the internal and external audit functions and to consider the findings of any internal investigation;
- Report to the Boards on any matters within its terms of reference where it considers that action or improvement is needed and to make recommendations as to the steps to be taken;
- To review whistleblowing arrangements by which staff within the OMIP business may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with a view to ensuring that arrangements are in place for the proportionate and independent investigation of such matters and consider the major findings of internal investigations and management's response;
- Annually review and make changes to the terms of reference of the Committee for recommendation to the Boards;
- Review and Approve (as necessary) all issues, documents and submissions to affiliate companies and Regulators in respect to Solvency II; and
- Consider any other matters as requested by the Boards.

PRODUCT GOVERNANCE COMMITTEE

The Product Governance Committee has the following delegated responsibilities:

- Assessment and recommendation for sign-off of new and existing products against regulatory criteria including Treating Customers Fairly and the minimum standards set out in the OMW Product Governance Policy;
- Assessment and recommendation for sign-off of new and existing products to ensure they meet the business hurdles for risk/margin;
- Recommendation of OMW products to feature on panels, together with any differentiated pricing offered;

- Review performance of new and existing products against original specification / mandate (with regards to design / profitability / pricing);
- Make recommendations with regard to pricing of products including re-pricing;
- Take collective ownership & ensure implementation of the Product Governance Framework throughout OMW;
- Ensure the Product Governance Framework is used and adhered to when a new product is being developed;
- Review and monitor the profitability and suitability of existing products and ensure any action, as a result of the analysis performed, is implemented. Ensuring new and existing products takes into consideration the OMW Risk Strategy, Risk Appetite limits and impact on the risk profile;
- Annual review of all open reinsurance treaties;
- Recommendation for approval of new reinsurance treaties or amendments to existing reinsurance treaties;
- Ad-hoc review of any material changes to the reinsurance treaty terms;
- Review regular reporting received including, but not limited to, new business by product and trading analysis / experience variance by product;
- Review and recommendation for approval of new tools; and
- Approval of the product review schedule and oversight of on-going product reviews to ensure that fair customer outcomes are being delivered and that products continue to perform as expected.

The Product Governance Committee was a Board Committee as at 31 Dec 2017 with an agreed proposal that the Committee move away from its current role as a board committee to become a stand-alone forum, the Product Governance Forum (PGF). Updated Terms of Reference formalising this change are in the process of being finalised and approved.

OLD MUTUAL WEALTH INVESTMENT COMMITTEE

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

- The investment of assets held to match policyholder liabilities in accordance with stated objectives of the funds;
- Reasonable expectations are met where appropriate, as defined in the context of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No.2) Order 2013 and associated FCA regulatory requirements (for example Treating Customers Fairly and Conduct Risk);
- 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 a return as possible on all discretionary funds, subject to the constraints imposed by regulation, risk control, prudence and market conditions.

The Investment Committee was a Board Committee as at 31 Dec 2017 with an agreed proposal that the Committee 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.

OLD MUTUAL WEALTH INVESTMENT OVERSIGHT COMMITTEE

The Old Mutual Wealth Investment Oversight Committee is an advisory council which ultimately assists the Old Mutual Wealth Investment Committee to discharge its accountabilities and responsibilities in respect of the WealthSelect fund range and associated Model Portfolio Services (MPS) and ensure conflicts of interest are effectively managed.

B1.4 KEY FUNCTIONS

In identifying the Key Functions within OMWLP, consideration was given to those functions whose operation, if not properly managed and overseen could, depending on the nature and complexity of the business, 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, together with those that are mandatory for dual regulated firms.

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

In addition, OMWLP has assessed the additional Key Functions that either effectively run the company or a function which is of specific importance to the sound and prudent management of the company. The Key Functions of OMWLP 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.

KEY FUNCTION	RESPONSIBILITY	ROLE	NAME	CONTROL FUNCTION
Chief Executive	Has delegated authority from the Board for the day to day management of the whole of the business of the firm.	Chief Executive Officer (CEO)	Steven Levin	SIMF1
Finance	For the sound and prudent management of the business by managing the financial resources and capital and liquidity positions.	Chief Financial Officer (CFO)	Simon Wood	SIMF2
Marketing	This function includes marketing and financial promotions within its remit.	Marketing Director	Michelle Andrews	Not applicable
Risk Management	A description of the risk management system is provided in section B3.	Chief Risk Officer (CRO)	John Wilkinson	SIMF4
Actuarial	The responsibilities of the Actuarial Function are set out in section B7.1.	Chief Actuary	Andrew Tuddenham	SIMF20
Compliance	The responsibilities of the Compliance Function are set out in section B5.2.	Compliance Officer	John Wilkinson	CF10
Operations	This function provides strategic direction to business operational teams to discharge their responsibilities	Chief Operating Officer (COO)	Steven Braudo	SIMF7
CASS	Overall responsibility for firm's compliance with CASS.	UK Client Services Director	Lynzi Harrison	CF10a
IT & Change	Key Function Holder for Information Technology and Change within the firm. Leading the Technology and Change functions across Old Mutual Wealth, ensuring IT service provision and change delivery is fully aligned to enable and deliver the Wealth business strategy and meet business as usual service demands.	Chief Information Officer	Adam Warwick	Not Applicable
Human Resources	For Fitness & Proprietary, recruitment and performance management.	Human Resources Director	Paul Hucknall	Not Applicable
Financial Crime	The identification of the key Financial Crime Risks applicable to the firm and development of effective and proportionate controls to mitigate these risks.	Money Laundering Reporting Officer (MLRO)	Matthew Whitmarsh	CF11
Internal Audit	The responsibilities of the Internal Audit Function are set out in section B6.1.	Chief Internal Auditor	Matthew Burton	SIMF5
Group Chief Executive	Has delegated authority from the OMWML Board for the overall management of the businesses in the whole group.	Group Chief Executive Officer OMWML (CEO)	Paul Feeney	SIMF7
Group Chief Risk	A description of the risk management system is provided in section B3.	Group Chief Risk Officer (CRO)	Iain Wright	SIMF7
Group Finance	For the sound and prudent management of the Group by managing the financial resources and capital and liquidity positions.	Group Chief Financial Officer (CFO)	Timothy Tookey	SIMF7
Group Finance	This function includes capital and liquidity management, M&A activity, OMW corporate treasury activity.	Corporate Finance Director	Mark Satchel	SIMF7

B1.5 REMUNERATION POLICIES

INTRODUCTION

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

The policy is overseen across the Old Mutual plc by the OM plc Remuneration Committee and within OMWML by the OMW Remuneration Committee (the "RemCo"). OMWML is a holding company and all OMW companies sit within the OMWML legal structure.

The RemCo is appointed by the OMWML Board and consists of non-executive directors of OMWML and a director of OM 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.

DETERMINING THE BONUS POOL FOR VARIABLE PAY AWARDS

The way that the Old Mutual Wealth bonus pool is determined ensures that the outcome is aligned to specific, measurable and relevant business results in a transparent manner with full consideration of the risk performance of the business

The pool structure is designed to share a portion of value created with employees. It is funded within an agreed range of pre-bonus profit (approved by the RemCo) and subject to a minimum Return on Equity target. In determining the final pool outcome within the range, consideration is given to a broader scorecard of key business performance metrics including financial, strategic and customer related measures. Performance is assessed both in absolute terms and with consideration of market and economic conditions.

The RemCo may exercise its judgement and discretion to apply a risk-based adjustment to the pool outcome based on the effectiveness of risk culture and the risk management performance of the business. To inform the RemCo in discharging its responsibilities in this respect, an independent risk report covering both quantitative and qualitative risk measures is prepared by the Chief Risk Officer and considered by the company's Board Risk Committee, which provides an opinion to the RemCo.

The final pool is allocated to each business and function on a bottom-up/target basis according to relative business performance. Each business and function distributes their final allocation to employees based on relative employee performance against a balanced set of individual objectives.

SHARE RELATED AWARDS

The Company currently operates a phantom share plan as it prepares to separate from its parent, OM plc, and list as a standalone public company. At that point, the phantom share awards will convert into actual share awards in the new Quilter plc, and any new awards will be made over actual shares. Phantom share awards are subject to malus, which will be applied if, in the opinion of the RemCo, a participant is associated with any of the following:

- materially incorrect or misleading financial statements;
- loss as a result of a failure to observe risk management policies;
- damage, or potential damage, to the reputation of the business; and
- an act which is grounds for summary termination.

Share Plan rules require that awards may not be hedged in any manner (such as by the participant ceding or assigning rights to a third party).

The exit conditions to be applied to share awards will be determined by the share award scheme rules. Any request for non-standard treatment must be escalated for approval via the OMG's Remuneration Governance process.

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

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

During 2017, OMWLP issued £28m of share capital to fund the ongoing costs of the Platform Transformation Programme.

B2. FIT AND PROPER REQUIREMENTS

The Fit and Proper Standards are the OMG 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 OMWLP to meet the fit and proper requirements is as follows:

- A framework for ensuring compliance with the Fit & Proper Standards is in place, which is designed to ensure that relevant individuals are assessed against and meet the fit and proper requirements; and
- 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, and are financially sound **(proper)**; and
  - that the qualifications, knowledge and relevant experience amongst the key function role holders within OMWLP is appropriate.

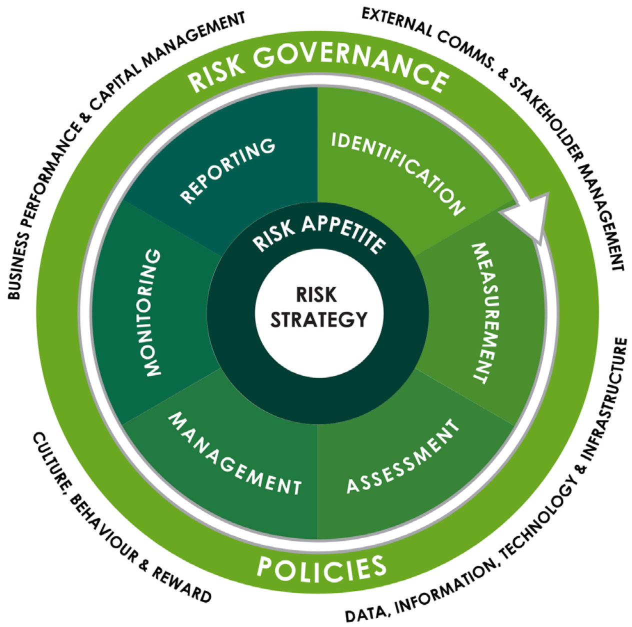
B2.2 DETERMINING AN INDIVIDUAL'S FITNESS AND PROPRIETY

he 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 skills and competence, relative to the requirements of the role;
- Background checks are performed on all individuals being employed or engaged in services prior to employment/engagement being confirmed and regularly thereafter;
- OM plc 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 and the level of potential risk;
- When reviewing the information gathered consideration is given to the risks associated with the role in question and the wider risks for the business; and
- On-going 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

OMWLP 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 OMWLP 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.

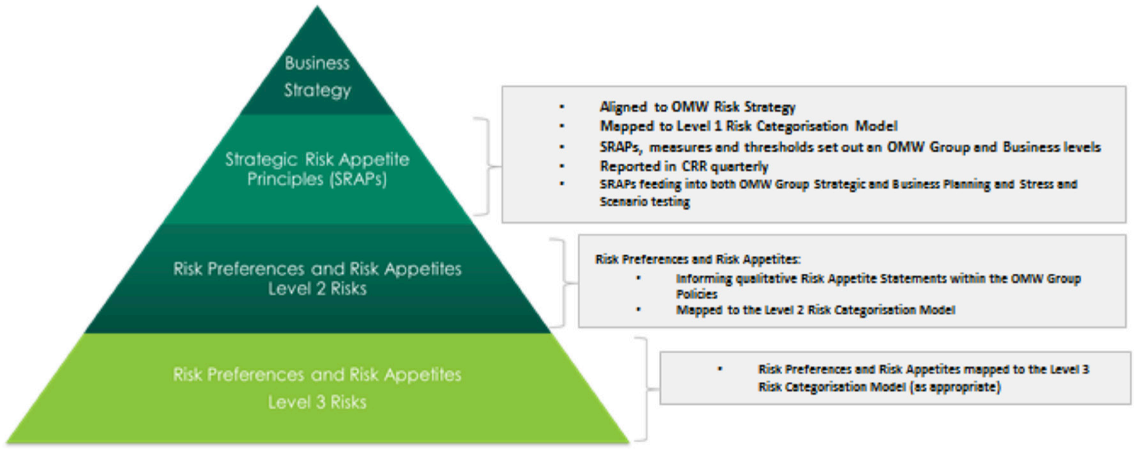
B3.3 RISK STRATEGY, APPETITE AND POLICY

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.



Each business entity is responsible for ensuring the OMW Group level appetite and policies are applied appropriately within their respective business.

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 OMG entities. This includes:

- How OM plc interacts with business units;
- How authority is delegated through the OMG;
- How the clearance and notification processes work;
- The OMG Policy Framework;
- The Letter of Representation (the management attestation with regard to compliance with OMG policies) and Internal Control Effectiveness Assessment (the management attestation with regard to the application of OMG 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

- Wealth Internal Audit reviews.

B4.2 COMPLIANCE FUNCTION

The Compliance Function is implemented under the direction of the Compliance Officer (CF10) of OMWLP. The role and responsibilities of the Compliance Function are as follows:

- To provide advice to the OMWLP Board and to the first line of defence on compliance with laws and regulations;
- To provide advice to the OMWLP Board and to the first line of defence on changes to laws and regulations and their potential impacts on OMWLP;
- 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 OMWLP 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 (IA)

B5.1 IMPLEMENTATION OF THE INTERNAL AUDIT FUNCTION

The role of the Internal Audit (IA) Function is to support the Board and Executive Management of 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. All OMW subsidiary entities are in scope for IA's assurance activities, including OMWLP.

IA is responsible for determining the audit universe and performing its own assessment of risks to determine a risk-based annual audit plan

B5.2 INDEPENDENCE OF THE INTERNAL AUDIT FUNCTIONV

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

IA, with strict accountability for confidentiality and safeguarding records and information , is authorised 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, IA 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 OM plc Group. Chief Internal Auditor for OMW reports directly to the Group Audit Director, who in turn is accountable to the OM 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 OMWLP and other insurance entities within the OMW Business Unit.

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 the risk modelling underlying the SCR and MCR;
- To express an opinion on the overall underwriting policy and the adequacy of reinsurance arrangements; and
- To contribute to the effective implementation of the risk management system, including the Own Risk and Solvency Assessment.

B7. OUTSOURCING

B7.1 OUTSOURCING POLICY

The 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 CRITICAL OR IMPORTANT OUTSOURCING ARRANGEMENTS

The firm has assessed whether the outsourced activities are critical or important on the basis of whether the activity is essential to the operation of the firm and that it would be unable to deliver its services to policyholders without this outsourced activity.

The following table sets out the outsourced activities that are critical or important, together with a brief service description and the senior manager responsible.

SUPPLIER	INTRA-GROUP	SERVICE DESCRIPTION	SENIOR MANAGER
Global Edge Technologies	Yes	Development of technology infrastructure	Chief Information Officer
HCL Technologies	No	Development, maintenance and support of technology applications	Chief Information Officer
Capita	No	Provide development testing services	Chief Information Officer

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 OMWLP is exposed, measures used to assess these risks, and any risk mitigation techniques used, including material changes over the reporting period.

OMWLP offers unit-linked business on which investment risks are borne by customers. The company offers two products, the CRA and the CIB. The CRA is a flexible unit-linked pension product. The CIB is a single premium unit-linked whole of life assurance contract – see Section A.

OMWLP's "own funds" represents the company's available liquid capital and the present value of future surplus less a risk margin. Liquid own funds are held in bank deposits, money market investments and UK government bonds.

OMWLP's risk exposures relate primarily to uncertainty over future revenues and expenses. For example:

1. In the event of a fall in equity markets, the value of AuA falls which has a negative impact on fund based future surplus.

2. The occurrence of a mass lapse event will reduce AuA, which will reduce fund based future surplus.

The pie chart below sets out the risk profile based on the SCR, determined using the Solvency II standard formula, with each of the key risks covered in the following sections.

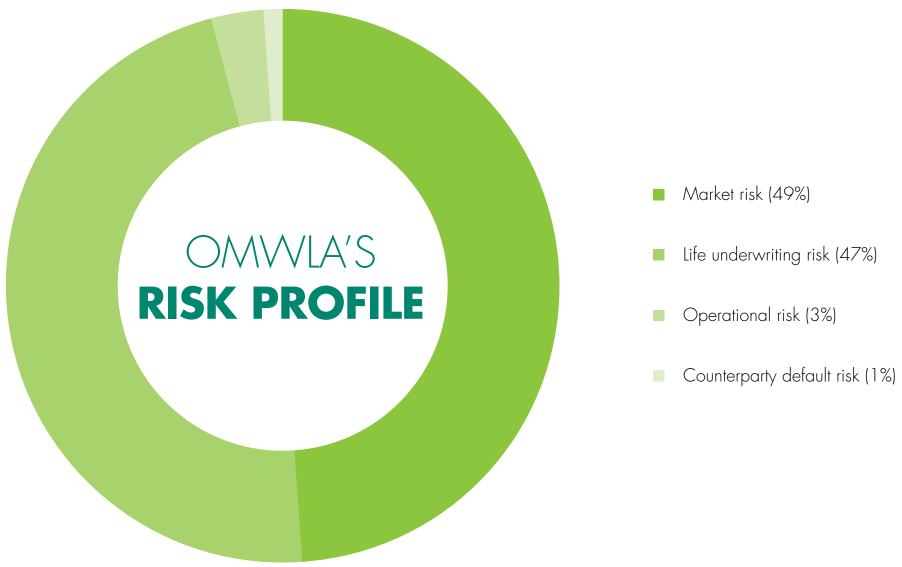


Chart C1 – Summary of undiversified SCR

RISK PROFILE DRIVERS

The main risk categories to which OMWLP is exposed are market risk and life underwriting risk. These represent 96% of OMWLP's risk exposure. Refer to Table C1 below for details.

Market risk is a significant risk for OMWLP, 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 the most significant component of life underwriting risk (see C2.1), is a significant risk for OMWLP 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 the following sections.

MEASURES USED TO ASSESS RISKS

OMWLP has adopted the Standard Formula measure, specified in the Solvency II regulations, to assess the risks within the company. This is represented by the SCR.

Based on the Standard Formula, OMWLP has a SCR of £233.6m as at 31st December 2017.

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

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

£000	CAPITAL REQUIREMENT BASED ON DIVERSIFIED RISK*		CHANGE IN SCR
	31/12/2017	31/12/2016	
Market Risk SCR Module	196,504	145,436	51,067
Life Underwriting Risk SCR Module	190,303	151,738	38,565
Operational Risk SCR Module	11,837	10,435	1,401
Counterparty Default Risk SCR Module	2,319	2,043	276
Diversification (Inter-module)	-82,563	-63,595	-18,969
Allowance for DTL Offset	-84,769	-63,699	-21,070
Solvency Capital Requirement	233,630	182,359	51,272
Diversification Benefit	21%	21%	

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

OMWLP does not expect material change in its risk profile & SCR each year. The main driver to the change in the size of SCR relates to the movement in AuA which is primarily driven by the volume of new business added each year and also market performance over the year.

The SCR of £233.6m is after the adjustment for diversification and allowance for deferred taxes offset.

Before allowing for the diversification effect and deferred taxes offset, the sum of the standalone risk SCR at 31st December 2017 is £474.5m. The relative contribution of each risk is determined **before allowing** for the impact of diversification between risks.

The allowance for DTL offset (loss absorbency of deferred tax) represents the change in the deferred tax liabilities between the Solvency II base balance sheet and the stressed balance sheet under the Solvency II 1-in-200 year scenario. This effectively means that should the 1-in-200 year loss occur, the deferred tax liabilities for OMWLP will also reduce, hence reducing the net impact of such loss.

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 and property values, interest rates and foreign currency exchange rates.

C1.1 MARKET RISK AS AT 31ST DECEMBER 2017

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

The exposure for this module is £196.5m after intra-module diversification of 20% (i.e. allowance for diversification between market risks).

The pie chart below sets out the drivers of the £196.5m market risk for OMWLP:

- Most of the exposure is from equities risk. This accounts for 66% of the exposure in this module;
- Currency is the second largest exposure for OMWLP in this module.

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.

£000	MARKET RISK CAPITAL REQUIREMENT BASED ON DIVERSIFIED RISK*		CHANGE IN SCR
	31/12/2017	31/12/2016	
Interest rate risk	856	876	-20
Equity risk	129,815	95,763	34,052
Property risk	877	969	-92
Spread risk	12,483	9,489	2,995
Currency risk	52,472	38,339	14,133
Market Risk SCR	196,504	145,436	51,067

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

EQUITY RISK

Equity market risk is a significant risk for OMWLP, 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.

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 all held indirectly through collective investments held to back unit-linked liabilities.

Losses of future revenue would arise from changes in the anticipated future value of fund based management fees and charges.

The impact of loss of future revenue under a 1-in-200 year equity stress for OMWLP is £129.8m at 31st December 2017. This is based on full measure equity stress of 39% plus symmetric adjustment for type 1 equities and 49% plus symmetric adjustment for type 2 equities (i.e. not allowing for any equity transitional arrangements).

The equity risk has increased due to the growth in AuA and due to an increase in the symmetric adjustment.

CURRENCY RISK

Similar to equity risk, the capital requirement for currency risk reflects the potential loss of future revenue resulting from adverse movement in currency markets which reduce underlying unit linked asset values, held indirectly through collective investments held to back unit-linked liabilities.

Continued market uncertainty surrounding the UK withdrawal from the EU has contributed to the growth in the proportion of foreign assets held by policyholders. This has resulted in an increase in foreign currency exposure in GBP terms.

SPREAD RISK

Similar to equity risk, the capital requirement for spread risk reflects the potential loss of future revenue resulting from adverse movement in corporate bond markets which reduce underlying unit linked asset values, held indirectly through collective investments held to back policyholder unit-linked liabilities.

The AuA contain corporate bonds. When the spread on these bonds widen, the value of these bonds fall, decreasing the fund based future revenue.

In addition to policyholder funds, the vast majority of shareholder funds are invested in money market funds and bank deposits with a notice period; these assets are also included in the calculation of spread risk.

OMWLP's shareholder assets contain no directly invested corporate bonds.

The spread risk has increased due to the increase in AuA.

C1.3 PRUDENT PERSON PRINCIPLE AND 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.

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

The OMW Investment Committee oversees and monitors the investment of customer funds to ensure fund risks and objectives are identified and clearly communicated and that funds remain appropriate for retail platform investment.

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

Assets held to back deferred tax liabilities are matched on a regular basis to the liabilities by duration and nature.

OMWLP has no direct derivatives investments.

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

C1.4 RISK MITIGATION

OMWLP 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.

C1.5 RISK CONCENTRATION

The OMWLP platform has over 1,000 funds for clients to invest in. This provides a well-diversified investment portfolio. The market risk concentration on policyholders' 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.

C2. UNDERWRITING RISK

Underwriting risk arises through exposure to unfavourable operating experience in respect of factors such as persistency levels and management expenses.

The underwriting module of the SCR mainly includes the following underwriting risks for OMWLP:

LAPSE (PERSISTENCY) RISK

A large increase in surrender / lapse rates represent a significant risk as increases in surrender rates will result in reductions in future revenues on pensions and investment business.

[1]Solvency II Level 1 Article 132 – Prudent Person Principle

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 AT 31ST DECEMBER 2017

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

As at 31st December 2017, the exposure for this module is £190.3m with intra-module diversification of 11% (i.e. allowance for diversification between underwriting risks).

The pie chart below sets out the drivers of the £190.3m underwriting risk for OMWLP:

- Most of the exposure to underwriting risk is from lapse risk. This accounts for 81% of the exposure in this module;
- Life expense risk is the second largest exposure for OMWLP in this module.

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

2.2 CHANGE IN THE UNDERWRITING RISK OVER THE PERIOD

The table below considers the change in the underwriting risk over the period.

£000	LIFE UNDERWRITING RISK CAPITAL REQUIREMENT BASED ON DIVERSIFIED RISK*		CHANGE IN THE SCR
	31/12/2017	31/12/2016	
Mortality risk	275	218	57
Longevity risk	0	0	0
Disability-morbidity risk	0	0	0
Lapse risk	153,162	119,548	33,614
Life expense risk	36,717	30,436	4,863
Life catastrophe risk	148	1,555	32
Life Underwriting Risk SCR	190,303	185,683	38,565

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 as follows:

- Increase in persistency (lapse) risk; and
- Increase in life expense risk.

The main driver for these is the growth in the in-force book.

C2.3 RISK MITIGATION

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

LAPSE RISK

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

LIFE EXPENSE RISK

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

Expense levels are monitored monthly against budgets and forecasts. An allocation model is used to allocate shared business costs to individual legal entities based on agreed cost drivers. These drivers are periodically reviewed to ensure they are in line with services that each legal entity is receiving.

Some product structures include maintenance charges. These charges are reviewed annually in response to changes in maintenance expense levels and as a result this may result in changes to the maintenance cost allocations.

C2.4 RISK CONCENTRATION

There are no material concentrations of lapse, expense, and mortality 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. OMWLP is subject to a range of minor credit risk exposures. The most material exposures 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

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

As 31st December 2017, the exposure for this module is £2.3m.

C3.2 CHANGE IN THE CREDIT RISK OVER THE PEIOD

Credit risk has increased by £0.3m compared to 31st December 2016.

OMWLP has a low risk tolerance for credit and counterparty risk and aims to limit it by investing company assets only in UK government bonds and deposits with an appropriately diversified set of 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, permitted money market funds and UK government bonds. 85.2% of the shareholder funds are held in AAA-rated money market funds and bank deposits with a notice period. The risk of default for these counterparties have been implicitly captured within the spread risk assessment (within the market risk module). The remaining 14.8% of the shareholder funds are cash at banks with the % exposure by credit rating shown in the table below.

RATING	% EXPOSURE (CASH AT BANK)
AA	22.9%
A	63.7%
BBB	13.4%

Table C3.3 Counterparty exposure

C3.4 RISK MITIGATION

OMWLP seeks to mitigate its exposure to credit and counterparty risks by ensuring it engages with appropriately robust counterparties, adhering to its Treasury standards and overseeing credit and counterparty exposures through the Capital Management Forum (CMF).

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 direct exposure to European sovereign debt within our 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.

C3.5 RISK CONCENTRATION

Cash is invested with a number of counterparties with high credit ratings. There isn't a significant exposure to a single named counterparty.

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.

OMWLP is exposed to liquidity risks where payments are made before related income is received from counterparties. Such exposure is short term in nature and liquidity is maintained to cover any potential strain.

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.

C4.1 PRUDENT PERSON PRINCIPLE AND 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.

Shareholders assets are held in bank call deposits and permitted money market funds. These are prudently invested taking into account the nature and timing of the insurance liabilities and the liquidity requirements of the business.

The allocation of shareholder assets is managed in line with the Treasury Statement of Practice, which sets out the permitted instruments, liquidity limits, concentration limits and counterparty credit rating limits.

The OMW Investment Committee oversees and monitors the investment of customer funds to ensure fund risks and objectives are identified and clearly communicated and that funds remain appropriate for retail platform investment.

C4.2 RISK MITIGATION

Liquidity risk can arise as a result of significant switches or surrenders of policyholder funds over a short timeframe or an individual very large switch or surrender. In some cases, switches and surrenders 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 surrender payments which may reasonably be expected in stressed conditions and by regularly monitoring forecast and actual cash flows. In addition, the company has the facility to borrow from its parent undertaking, Old Mutual Wealth UK Holding Limited, in the extreme event of insufficient liquidity.

On certain funds available to policyholders (primarily property funds), there is a risk that in the event of a shortage of liquidity within the funds, these funds may be suspended, resulting in policyholders being unable to buy or sell units for a period of time. This risk is borne by policyholders, except for mortality claims where the risk reverts to OMWLP. Oversight of this risk is provided by the OMW Investment Committee.

C4.3 RISK CONCENTRATION

The company has no significant concentrations of liquidity risk exposure.

C4.4 EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS

Most of OMWLP's business consists of single premium business. OMWLP's regular premium business is subject to short contract boundary conditions and so expected profit included in future premiums is nil.

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 OMW are:

- Risk of IT instability, which could lead to interruptions to operational and outages impacting customers;
- 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 of 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; 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

OMWLP accepts that a certain level of operational loss is inevitable. OMWLP mitigates operational risk through the key risk management framework components described in section B3. OMW monitors its operational losses through loss reporting and assessment of the underlying control environment, and ensuring strong governance structures and organisational models are in place to manage the business within its operational risk appetite.

OMWLP expects some degree of exposure to fraud/financial crime and Information Security/cyber risks due to the nature of the business. OMWLP mitigates exposure to this risk through process and system controls, and insurance.

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

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

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

IT infrastructure: OMWLP seeks to ensure sufficient investment in its infrastructure to ensure the ongoing resilience of its platform and critical systems.

C5.4 TREATMENT OF OPERATIONAL RISKS WITHIN THE CAPITAL ASSESSMENT

Under the regulatory formula for the calculation of the SCR the operational risk capital requirement is mainly based on 25% of the maintenance expenses incurred over the last 12-month for the unit-linked business. This is a simplified calibration, carried out by EIOPA, based on scenario based assessments in a selection of representative European firms.

As at 31st December 2017, the exposure for this module is £11.8m. This has increased by £1.4m from the year ending 31st December 2016.

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

There is no allowance for diversification with other risk modules.

C6. RISK SENSITIVITY

Stress tests - OMWLP carries out market stress tests on its solvency ratio in order to understand market risk sensitivities. The key stress tests carried out include equity market fall by 10% and 25%, equity market rise by 10%, interest rate terms structure shifts by 1% and -1%, corporate bond spread widening by 1%.

Further, scenario testing and reverse stress 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. OMWLP is required to withstand these extreme events by allowing for cash and capital plans at OMW level and management actions which may be required to manage the potential impacts over the plan period.

One of these scenarios, the economic downturn scenario, tests an extreme but plausible deterioration in economic conditions. OMWLP would be able to meet its regulatory capital requirement over the plan period despite the fall in fund based revenues following the market fall, although the solvency ratio would fall below its target range.

Reverse stress testing - Reverse stress testing is performed in order to identify the events which would result in the business plan becoming unviable, resulting in the need to make material changes to the strategy in order to continue as a going concern.

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	IFRS	DIFFERENCE
Assets			
Investments (other than assets held for index-linked and unit-linked funds):			
Government Bonds	35,183	34,840	343
Collective Investment Undertakings	273,158	1,755	271,404
Assets held for index linked and unit linked funds	25,413,641	25,413,641	-0
Deferred acquisition costs	0	4,602	-4,602
Receivables (trade, not insurance)	63,606	63,964	-358
Cash and cash equivalents	47,090	318,493	-271,404
TOTAL ASSETS	**25,832,677**	**25,837,294**	**-4,616**
Liabilities			
Policyholder liabilities / Technical Provisions	25,120,647	25,406,144	-285,497
Deferred revenue	0	662	-662
Provisions other than technical provisions	0	2,034	-2,034
Deferred tax liabilities	84,769	43,876	40,893
Insurance and intermediaries payables	258,298	258,298	0
Reinsurance Payables	1	1	0
Payables (trade, not insurance)	5,355	5,355	0
TOTAL LIABILITIES	**25,469,071**	**25,716,371**	**-247,301**
EXCESS OF ASSETS OVER LIABILITIES	**363,607**	**120,922**	**242,684**

The bases, methods and main assumptions used for the valuation of OMWLP's assets, technical provisions and other liabilities are consistent with the Solvency II rules and guidance. They are also consistent with those used in the prior year.

D1. ASSETS

The valuation of assets for Solvency II purposes follows the same fair value principles used under IFRS.

SUMMARY OF ASSETS FOR OMWLP

D1.1 DEFERRED ACQUISITION COSTS (DAC)

Under IFRS, the acquisition costs arising from the sale of investment and insurance contracts are spread over the remaining period of the contract. Recoverability of these costs, against future income streams, is regularly assessed and where these costs are deemed to be irrecoverable, they are immediately expensed through the IFRS income statement. This is an IFRS specific accounting item which is not admissible under Solvency II.

D1.2 INVESTMENTS (OTHER THAN ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED FUNDS)

This includes UK Government fixed interest bonds and investments in Collective Investment Undertakings. Under both Solvency II and IFRS reporting, these assets are measured at fair value, based on market prices at the reporting date, which are quoted prices in active markets for identical instruments. No significant estimates or judgements are used in the valuation of these investments.

There are allocation differences between Solvency II and IFRS caused by differences in the definition of line items. Under Solvency II, the money market fund investments (£271.4m) are included in the "Investment funds" line, whereas on the IFRS balance sheet these are included in "Cash and cash equivalents". This reclassification is based on maturity. Under SII any funds that are not accessible within 24 hours are classed as Investments rather than cash and cash equivalents.

Under Solvency II, accrued income on investments and securities (£0.3m) is reclassified from receivables to investments and securities resulting in a small difference in the "Government Bonds" line between the Solvency II and IFRS bases.

D1.3 ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED FUNDS

Assets held for index-linked and unit-linked funds represent policyholder investments. In the same way as 'Investments and securities' are valued, under both Solvency II and IFRS, these assets are valued on the basis of quoted market prices, within active markets, with any resultant gain or loss recognised in the income statement.

D1.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried on an amortised cost basis under both IFRS and SII and this approximates to fair value. The key difference between IFRS and SII reporting is that money market fund investments are included in the "Investment funds" line under Solvency II, whereas under IFRS they are included in "Cash and cash equivalents".

D1.5 RECEIVABLES (TRADE, NOT INSURANCE)

Other receivables are non-interest bearing and are stated at their amortised cost, less appropriate allowances for estimated irrecoverable amounts. This approximates to fair value due to the short term nature of the balances.

The valuation basis applies equally to both IFRS and Solvency II, although under Solvency II there is a subsequent reclassification (£0.3m) of accrued income on investments and securities to the investments and securities category.

D2. TECHNICAL PROVISIONS

OMWLP only has unit linked business which is categorised as 'Index-linked and unit-linked insurance' under Solvency II.

The value of 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	SOLVENCY II VALUE
TECHNICAL PROVISIONS	31/12/2017
Best Estimate	25,035,850
Risk margin	84,797
TOTAL TECHNICAL PROVISIONS	**25,120,647**

Table D2 – Summary of Technical Provisions

The best estimate liability of £25.0bn has two components:

- **Unit-linked best estimate liabilities** of £25.4bn;
- **Non-unit best estimate liabilities** of £(370.3)m

The unit-linked best estimate liabilities represent the value of units credited to policyholders as at 31st December 2017. Where the liability is subject to a surrender option, the value of the financial liability is never less than the amount payable on surrender.

The non-unit 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 is equivalent 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 Solvency II 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

BEST ESTIMATE VALUATION METHODOLOGY

OMWLP 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.

The CRA product (refer to Section A1.8.1 for details) is the only product provided by the company which accepts regular premiums. For this product, the allowance for future premiums and benefits within the best estimate liability depends on the Solvency II 'boundary of the contract'. OMWLP has concluded that short contract boundary conditions apply and therefore these policies have been modelled as if they were to become immediately paid-up with no allowance for future expected premiums.

OMWLP has no material reinsurance recoverables.

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.

OMWLP only has unit-linked business. All the market risks are considered to be hedgeable. All the non-hedgeable 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.

RELEVANT RISK FREE RATE APPLIED IN DERIVING THE TECHNICAL PROVISIONS

OMWLP 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.

OMWLPs 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.

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.

The lapse, surrender and income withdrawal assumptions are set with reference to experience for OMWLP, allowing for any emerging trends since the introduction of UK Pensions Freedom in 2015. Lapse assumptions vary by product type and duration. The assumptions are based on a weighted average of historical observed experience.

KEY CHANGES TO ASSUMPTIONS FOR THE YEAR ENDING 31ST DECEMBER 2017:

Significant changes in UK pension regulations relating to Pension Freedoms have been in force since April 2015. OMWLP has observed the following:

1. Full Surrenders –Experience on OMWLP pensions has improved consistently since the UK Pension freedoms were introduced in 2015. For 2017, this improvement on pensions is offset by a negative assumption change impact arising on bonds. Despite overall positive experience over 2017, surrenders on bonds which have been on the book for a long time were worse than expectations, meaning our long-term view of future profits has been revised downwards slightly.
2. Partial withdrawals & pension payments – The level of income withdrawal has worsened over 2017 and therefore the overall assumption has been increased. The level of withdrawals continues to display seasonality as policyholders withdraw more around tax year-end.

EXPENSES

Expenses reflect the cost of administering the in-force business. At 31st December 2017, the per-policy maintenance expense assumptions for OMWLP have increased due to spend over the year being above expectation.

The expense assumptions are based on actual observed experience (excluding acquisition expenses and one-off expenses), averaged over the number of policies. This per policy expense assumption is validated by comparing to projected expenses over the business planning period. This is to ensure there is no material expense over-run or under-run expected.

EXPENSE INFLATION ASSUMPTION

Expense per policy assumption is projected to increase in line with anticipated inflation rates for OMWLP 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 OMWLP is made up of salaries, which generally inflate at a slightly higher rate than the RPI rates. Therefore the OMWLP 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%.

MORTALITY ASSUMPTIONS

The assumptions used for mortality are unchanged from 31st December 2016.

Mortality is not a material assumption for OMWLP.

D2.2 UNCERTAINTY ASSOCIATED WITH THE VALUE OF TECHNICAL PROVISIONS

OMWLP is a unit-linked business and as such there is, in absolute terms, little uncertainty regarding the value assigned to the unit-linked liability as it does not require application of assumptions or judgement.

The value of own funds for OMWLP (£363.6m at 31st December 2017) is largely dependent on the best estimate assumptions used to calculate the best estimate liability. This component of technical provisions therefore carries greater uncertainty, principally driven from:

- Economic uncertainty on future income from unit funds; and
- 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 small second order effect on risk margin for OMWLP.

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 a breakdown of the technical provisions between the Solvency II and IFRS bases.

£000	
LIABILITIES	
Gross IFRS Insurance Contract Liabilities	25,406,144
Adjustment for Solvency II	-370,294
GROSS BEL (SOLVENCY II LIABILITIES TO POLICYHOLDERS)	**25,035,850**
Add Risk Margin	84,797
SOLVENCY II TECHNICAL PROVISIONS	**25,120,647**

Table D2.3 – Summary of Technical Provisions

OMWLP uses IFRS accounting as its statutory accounts basis. The IFRS value of technical provisions is £25.4bn which is based on the value of unit reserves.

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

Adjustment for Solvency II - The 'adjustment for Solvency II' includes allowance for future profits on unit linked business, and this reduces the Technical Provisions for OMWLP by £370.3m. This negative adjustment represents the recognition of future profits net of expenses calculated on a set of best estimate assumptions gross of reinsurance.

Addition of Risk Margin - The addition of the risk margin under Solvency II, increases the technical provisions by £84.8m, compared to the IFRS basis.

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

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

D2.5 REINSURANCE RECOVERABLES

OMWLP has no material reinsurance recoverables.

D3. OTHER LIABILITIES

£000 LIABILITIES	SOLVENCY II VALUE	IFRS VALUE	DIFFERENCE
Provisions other than technical provisions	0	2,034	-2,034
Insurance & intermediaries payables	258,298	258,298	0
Reinsurance Payables	1	1	0
Payables (trade, not insurance)	5,355	5,355	0
Deferred revenue	0	662	-662
Total other liabilities	**263,655**	**266,351**	**-2,696**

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

The majority of liabilities that are not technical provisions are valued in accordance with IFRS in both the Solvency II balance sheet and the financial statements.

'Insurance & intermediaries payables' and 'Payables (trade, not insurance)' are non-interest bearing and are stated at their amortised cost. This is not materially different to cost, and approximates to fair value for both IFRS and Solvency II, due to the short term nature of the balances. As a result, no deviation risk has been applied. No adjustments or judgements are made for valuation purposes.

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

- £2.0m of 'Provisions other than technical provisions'. This represents provisions for client rectifications which are included within Technical Provisions on a Solvency II basis; and
- £0.7m allowed in the IFRS Financial Statements for deferred revenue (DFI), not recognised on the solvency II balance sheet. Under IFRS, front-end fee income, comprising fees received at inception or receivable over an initial period for services not yet provided, is deferred through the creation of a DFI liability 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 deferred fee income liability principally comprises fee income already received in cash and Phased Initial Charges which will be recovered from policyholder plans over a five year period. Under SII, all cash flows on insurance contracts are recognised through the technical provision.

D3.2 DEFERRED TAX

£000 DEFERRED TAX LIABILITIES	SOLVENCY II VALUE	IFRS VALUE	DIFFERENCE
Deferred tax liabilities	84,769	43,876	40,893

Table D3.2 – Summary of 'DTL'

The deferred tax liability (DTL) in the Solvency II balance sheet, represents the tax due from future surplus emerging on the Solvency II basis, over the run-off of the business.

This is calculated by computing the tax impact of the items bridging between IFRS net assets and Solvency II own funds and then applying this impact to the DTL as reported in the IFRS Financial Statements.

Material items that need to be allowed for/removed in stepping between IFRS and SII are:

- Removal of the DTL on IFRS DAC;
- Removal of deferred tax asset (DTA) on IFRS DFI;
- The recognition of a DTL on future profits on the Solvency II basis which is not relevant on the IFRS basis; and
- The recognition of DTA on the risk margin, since this is a solvency II requirement and not relevant for IFRS.

D4. ALTERNATIVE METHODS FOR VALUATION

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

D5. ANY OTHER INFORMATION

All material information relating to OMWLP's Solvency II Valuation has been provided in the above sections.

SECTION E

CAPITAL MANAGEMENT

SECTION E. CAPITAL MANAGEMENT

E1. OWN FUNDS

E1.1 MANAGEMENT OF CAPITAL OVER THE REPORTING PERIOD

OMWLP Capital Management Strategy

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.

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 OMWLP is set to be sufficient to ensure that the company remains solvent under a number of selected stress scenarios over the 3-year planning period (after allowing for any management actions).

The actual capital position for OMWLP is monitored through the CMF on a monthly basis and the OMWLP Board and the OMWML Board Risk Committee (BRC).

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 capital position relative to the 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 OMW Corporate Finance Director.

The OMWLP Board monitors the current and projected capital position of OMWLP on a quarterly basis and has the ultimate authority to declare dividends or request a capital injection from their parent holding company (subject to approval from the board of the holding company). This frequency of monitoring ensures that any necessary capital injections (e.g. such as those arising in OMWLP to fund project development expenditure) are understood and planned for well in advance of being required which ensures OMWLP remains within or above its target solvency levels.

OMWLP issued additional share capital of £28m to its parent company, Old Mutual Wealth UK Holding Ltd during year ending 31st December 2017.

The capital position of OMWLP is also monitored on a monthly basis within the Finance department. 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 entity.

There have been no changes to capital management objectives and policies over the reporting period.

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

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

£000	31/12/17		31/12/16		CHANGE	
	SOLVENCY II	IFRS	SOLVENCY II	IFRS	SOLVENCY II	IFRS
Assets	25,832,677	25,837,294	19,675,310	19,684,090	6,157,367	6,153,204
Liabilities	25,469,071	25,716,371	19,398,240	19,591,514	6,070,830	6,124,858
EXCESS FUNDS	363,607	120,922	277,070	92,576	86,537	28,346
Basic Own Funds	363,607		277,070		86,537	
Basic Own Funds adjustments	0		0		0	
Ancillary Own Funds	0		0		0	
AVAILABLE OWN FUNDS	363,607		277,070		86,537	
Classified Own Funds						
Tier 1	363,607		277,070		86,537	
Tier 2	0		0		0	
Tier 3	0		0		0	
SOLVENCY CAPITAL REQUIREMENT	233,630		182,359		51,272	
ELIGIBLE OWN FUNDS	363,607		277,070		86,537	
Classified Own Funds						
Tier 1	363,607		277,070		86,537	
Tier 2	0		0		0	
Tier 3	0		0		0	
SURPLUS (DEFICIT)	129,977		94,711		35,265	
ELIGIBLE OWN FUNDS AS % OF SCR	156%		152%			
MCR	105,134		82,061		23,116	
ELIGIBLE OWN FUNDS AS % OF MCR	346%		338%			

Table E1 –Own Funds and Surplus

The Solvency II own funds for year-end 2017 is £363.6m, made up of £44m of share capital and £319.6m of reconciliation reserve, both of which are Tier 1 own funds.

Own Funds increased by £86.5m during the year (2017: £363.6m vs. 2016: £277.1). This is due to share capital issued of £28m to the parent company during 2017, and also other changes of £58.5m.

The SCR at 31st December 2017 is £233.6m, compared to £182.4m in the prior year.

The solvency coverage ratio increased by 4% in the year (2017: 156% vs. 2016: 152%).

OMWLP 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.

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

£000	31/12/17
IFRS equity	**120,922**
Difference due to Technical Provisions	285,497
Difference due to deferred acquisition costs and deferred fee income	-3,939
Difference due to deferred tax	-40,893
Other	2,019
BASIC OWN FUNDS	**363,607**
Eligibility Deductions	0
ELIGIBLE OWN FUNDS	**363,607**

Table E1.2.1 – IFRS equity to Own Funds analysis

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

Specifically these adjustments are:

- The addition of future anticipated profits under the Solvency II basis, not included under IFRS, together with the addition of the risk margin (detailed in section D2.3.2) as this is a Solvency II requirement and not relevant for IFRS;
- DAC and DFI are not included within Solvency II Basic Own Funds; and
- Deferred tax arising from differences in the timing of profit recognition between IFRS and Solvency II.

E1.2.2 OTHER ITEMS APPLIED TO OWN FUNDS

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

OMWLP is not holding any ancillary own funds.

OMWLP is not deducting any items from own funds.

E1.2.3 RECONCILIATION RESERVES

The table below shows Own Funds are made up of Share Capital of £44m and Reconciliation Reserve of £319.6m.

£000	31/12/17	31/12/16
Available Own Funds		
Share Capital	44,000	16,000
Reconciliation Reserve	319,607	261,070
AVAILABLE OWN FUNDS	**363,607**	**277,070**

Table E1.2.3 Available Own Funds

The Reconciliation Reserve equals the total excess of assets over liabilities, net of Share Capital.

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 OMWLP

£000	STANDARD FORMULA OR INTERNAL MODEL	31/12/17	31/12/16	CHANGE
Available Own Funds		363,607	277,070	86,537
SOLVENCY CAPITAL REQUIREMENT		233,630	182,359	51,272
Market risk SCR Module	Standard Formula	196,504	145,436	51,067
Life underwriting risk SCR Module	Standard Formula	190,303	151,738	38,565
Operational risk SCR Module	Standard Formula	11,837	10,435	1,402
Counterparty default risk SCR Module	Standard Formula	2,319	2,043	276
Diversification		-82,563	-63,595	-18,969
Allowance for DTL offset		-84,769	-63,699	-21,070
SURPLUS		129,977	94,711	35,265
ELIGIBLE OWN FUNDS AS % OF SCR		156%	152%	
MINIMUM CAPITAL REQUIREMENT		105,134	82,061	23,072
ELIGIBLE OWN FUNDS AS % OF MCR		346%	338%	

Table E2.1 – Summary of SCR, MCR for OMWLP
* After intra-module diversification applied

OMWLP uses the Standard Formula specified by EIOPA to calculate the SCR and is consequently using the standard parameters and procedures specified by EIOPA.

OMWLP uses the standard parameters and procedures specified by EIOPA for calculating its SCR and therefore OMWLP is not using any undertaking specific parameters.

OMWLP 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 EUR3.7m 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. It is calculated by applying factors to the technical provisions without risk margin but net of reinsurance.

As OMWLP 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

During 2017, the MCR increased by £23.1m (see Table E2.1).

The MCR is driven by the size of technical provisions and SCR and hence its movements are directly related to movements within these components.

CHANGES TO SCR

During 2017, the SCR increased by £51.3m compared to 2016 (see Table E2.1).

The market risk component of SCR (after intra-module diversification is applied) has increased by £51.1 (2017: £196.5m vs. 2016: £145.4m) (see table E2.1). This is due to the 'Equity Risk' component of market risk, details of which are contained in section C1.2. Equity risk has increased due to the growth in AuA and due to an increase in the symmetric adjustment.

The life underwriting risk component of SCR (after intra-module diversification is applied) has increased by £38.6m over 2017 (2017: £190.3m vs. 2016: £151.7m) (see table E2.1). Further information on underwriting risk can be found in section C2.2. The main changes in the risk profile for the underwriting risk module are as follows:

- Increase in persistency (lapse) risk; and
- Increase in life expense risk.

The main driver for these is the growth in the in-force book.

E3. USE OF DURATION BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SFCR

OMWLP is not using the duration-based equity risk sub-module for SCR calculations.

E4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

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

E5. NON-COMPLIANCE WITH THE MCR AND SCR

The company is compliant with the SCR and minimum SCR requirements.

E6. ANY OTHER INFORMATION

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

[3]Any comparative information provided at 31st December 2015 in this section is not audited by the external auditors.

SECTION F
APPENDICES

F1. QUANTITATIVE REPORTING TEMPLATES (QRT) – PUBLIC DISCLOSURE

This appendix contains the following Quantitative Reporting Templates applicable as 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 OMWLP:

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

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

F1.1 QRT S.02.01.02 BALANCE SHEET £'000

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	308,341
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	35,183
Government Bonds	R0140	35,183
Corporate Bonds	R0150	0
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	273,158
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	0
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	25,413,641
Loans and mortgages	R0230	0
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	0
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	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	49,312
Reinsurance receivables	R0370	0
Receivables (trade, not insurance)	R0380	14,293
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	47,090
Any other assets, not elsewhere shown	R0420	0
Total assets	R0500	25,832,677

		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	25,120,647
TP calculated as a whole	R0700	0
Best Estimate	R0710	25,035,850
Risk margin	R0720	84,797
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	84,769
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	258,298
Reinsurance payables	R0830	1
Payables (trade, not insurance)	R0840	5,355
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	25,469,071
Excess of assets over liabilities	R1000	363,607

F1.2 QRT S.05.01.02 PREMIUMS, CLAIMS AND EXPENSES BY LINE OF BUSINESS £'000

ANNEX I S.05.01.02		LINE OF BUSINESS FOR: LIFE INSURANCE OBLIGATIONS						LIFE REINSURANCE OBLIGATIONS		Total
PREMIUMS, CLAIMS AND EXPENSES BY LINE OF BUSINESS		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	5,930,923	0	0	0	0	0	5,930,923
Reinsurers' share	R1420	0	0	4	0	0	0	0	0	4
Net	R1500	0	0	5,930,919	0	0	0	0	0	5,930,919
Premiums earned										
Gross	R1510	0	0	5,930,923	0	0	0	0	0	5,930,923
Reinsurers' share	R1520	0	0	4	0	0	0	0	0	4
Net	R1600	0	0	5,930,919	0	0	0	0	0	5,930,919
Claims incurred										
Gross	R1610	0	0	1,907,588	0	0	0	0	0	1,907,588
Reinsurers' share	R1620	0	0	4	0	0	0	0	0	4
Net	R1700	0	0	1,907,584	0	0	0	0	0	1,907,584
Changes in other technical provisions										
Gross	R1710	0	0	-6,051,513	0	0	0	0	0	-6,051,513
Reinsurers' share	R1720	0	0	0	0	0	0	0	0	0
Net	R1800	0	0	-6,051,513	0	0	0	0	0	-6,051,513
Expenses incurred	R1900	0	0	95,670	0	0	0	0	0	95,670
Other expenses	R2500									0
Total expenses	R2600									95,670

F1.3 QRT S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS £'000

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 without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
Technical provisions calculated as a whole	R0010		0			0			0	0	0.00
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	0.00
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	R0030			0	25,035,850		0	0	0	0	25,035,850
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080			0	0		0	0	0	0	0
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090			0	25,035,850		0	0	0	0	25,035,850
Risk Margin	R0100		84,797						0	0	84,797
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	R0110		0			0			0	0	0
Best estimate	R0120			0	0		0	0	0	0	0
Risk margin	R0130		0			0			0	0	0
Technical provisions – total	R0200		25,120,647						0	0	25,120,647

		Health insurance (direct business)			Annuities stemming from non-life insurance	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	R0010	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 calculated as a whole	R0020	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

F1.4 QRT S.23.01.01 OWN FUNDS £'000

		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	44,000	44,000			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	319,607	319,607			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
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					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	363,607	363,607			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					

S.23.01.01		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Own funds		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	363,607	363,607			
Total available own funds to meet the MCR	R0510	363,607	363,607			
Total eligible own funds to meet the SCR	R0540	363,607	363,607			
Total eligible own funds to meet the MCR	R0550	363,607	363,607			
SCR	R0580	233,630				
MCR	R0600	105,133				
Ratio of Eligible own funds to SCR	R0620	156%				
Ratio of Eligible own funds to MCR	R0640	346%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	363,607
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	0
Other basic own fund items	R0730	44,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0
Reconciliation reserve	R0760	319,607
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	0
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	0
Total Expected profits included in future premiums (EPIFP)	R0790	0

F1.5 QRT S.25.01.21 SOLVENCY CAPITAL REQUIREMENT - FOR UNDERTAKINGS ON STANDARD FORMULA £'000

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

		GROSS SOLVENCY CAPITAL REQUIREMENT	USP	SIMPLIFICATIONS
		C0110	C0090	C0100
Market risk	R0010	196,504		
Counterparty default risk	R0020	2,319		
Life underwriting risk	R0030	190,303		
Health underwriting risk	R0040	0		
Non-life underwriting risk	R0050	0		
Diversification	R0060	(82,563)		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	306,562		

Calculation of Solvency Capital Requirement		C0100		
Operational risk	R0130	11,837		
Loss-absorbing capacity of technical provisions	R0140	0		
Loss-absorbing capacity of deferred taxes	R0150	(84,769)		
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	233,630		
Capital add-on already set	R0210	0		
Solvency capital requirement	R0220	233,630		
Other information on SCR				
Capital requirement for duration-based equity risk sub-module	R0400			
Total amount of Notional Solvency Capital Requirement for remaining part	R0410			
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420			
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430			
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0		

F1.6 QRT S.28.01.01 MINIMUM CAPITAL REQUIREMENT - ONLY LIFE OR ONLY NON-LIFE INSURANCE OR REINSURANCE ACTIVITY £'000

S.28.01.01

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

Linear formula component for life insurance and reinsurance obligations			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0040	C0050	C0060
MCRL Result	R0200	175,570		
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		25,035,850	
Other life (re)insurance and health (re) insurance obligations	R0240		0	
Total capital at risk for all life (re)insurance obligations	R0250			456,370

Overall MCR calculation		
		C0070
Linear MCR	R0300	175,570
SCR	R0310	233,630
MCR cap	R0320	105,134
MCR floor	R0330	58,408
Combined MCR	R0340	105,134
Absolute floor of the MCR	R0350	3,251
Minimum Capital Requirement	R0400	105,134

F2. GLOSSARY

TERM	DEFINITION
AOP	Adjusted Operating Profit
AuA	Assets under Administration
BCM	Business Continuity Management
BRC	Board Risk Committee
CIB	Collective Investment Bond
CMF	Capital Management Forum
CRA	Collective Retirement Account
DAC	Deferred Acquisition Cost
DCT	Data Control Tool
DFI	Deferred Fee Income
DMF	Decision Making Framework
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
ERF	Executive Risk Forum
ERM	Enterprise Risk Management
FCA	Financial Conduct Authority
GOM	Group Operating Manual
HR	Human Resources
IA	Internal Audit
IGC	Independent Governance Committee
IFDS	International Financial Data Services
IFRS	International Financial Reporting Standards
MCR	Minimum Capital Requirement under Solvency II
MPS	Model Portfolio Services
NCCF	Net Client Cash Flow
OM plc	Old Mutual plc
OMG	Old Mutual Group
OMIP	Old Mutual Investment Platform
OMW	Old Mutual Wealth (Business Unit of Old Mutual group)
OMWHL	Old Mutual Wealth Holdings Ltd
OMWL	Old Mutual Wealth Limited (formerly Skandia Multifunds Limited)
OMWLA	Old Mutual Wealth Life Assurance Limited (formerly Skandia Life Assurance Company Limited)
OMWLP	Old Mutual Wealth Life & Pensions Limited (formerly Skandia Multifunds Assurance Limited)
OMWML	Old Mutual Wealth Management Limited (the sub-group holding company)
OMWUK	OMW UK Holdings Ltd
ORSA	Own Risk and Solvency Assessment
PRA	Prudential Regulation Authority
RCSA	Risk and Control Self Assessment
RDR	Retail Distribution Review
RemCo	Remuneration Committee
RMF	Risk Management Framework
SARS	Suspicious Activity Reporting System
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SII	Solvency II
SIMF	Senior Insurance Manager Function
SoDA	Scheme of Delegated Authority
STS	Strategic Target Setting