

**Resolution Life**

Resolution Life Group

# **Financial Condition Report**

**2021**

# Executive summary

*From 1 July 2021, Resolution Life Group Holdings Ltd. (RLGH) became subject to group regulatory supervision by the Bermuda Monetary Authority (BMA). This report is our inaugural Group Financial Condition Report (FCR).*

This FCR has been prepared in accordance with applicable BMA rules and guidance, which include the Insurance (Group Supervision) Rules 2011 as amended, the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011 and the Insurance (Public Disclosure) Rules 2015.

RLGH, together with its subsidiaries, is referred to in this report as 'Resolution Life' or the 'Group'. This report contains information about the Group's business and performance, its corporate governance, risk profile, solvency valuation and capital management for the reporting period 1 January 2021 to 31 December 2021, with the balance sheet and solvency position shown at the reporting date 31 December 2021. So as to provide a complete view of the current status of the Group, the FCR also describes material subsequent events that have occurred between the financial year ended 31 December 2021 and the date of this FCR.

## **Business and performance**

Resolution Life is a global insurance, reinsurance and risk transfer business consisting of c.\$90bn assets under management (AuM) as at 31 December 2021. The Group is headquartered in Bermuda, with regulated insurance operations in Bermuda, the US, Australia and New Zealand; business operations in the US, Canada, Australia, New Zealand and the UK; and a representative office in Singapore. Resolution Life falls within the BMA's Group Insurance regulations. The Group is made up of three separate operating Platforms (Platforms), namely: Resolution Re (Res Re) a Bermudan life reinsurer with c.\$28bn AuM; Resolution Life Australasia (RLA), the largest life insurance company in Australasia by assets with c.\$21bn AuM; and Resolution Life US (RLUS), a major life insurance player in the US with c.\$41bn AuM.

The Group's purpose is to:

- protect and deliver insurance and investment benefits to policyholders;
- support the ongoing restructuring of the primary life insurance industry by releasing capital and removing costs from legacy operations of insurers; and
- generate stable returns and deliver cash through dividends to investors, by acquiring complementary risks and strong cash flows from strategic sellers.

## Key milestones

During 2021 the Group continued to deliver on its strategic growth ambitions by successfully completing or agreeing the following transactions:

- Completion of the acquisition of Voya Financial's individual life in-force business and establishment of our US Platform, RLUS.
- RLUS subsequently completed a \$9.4bn reinsurance transaction with an insurance subsidiary of Lincoln National Corporation.
- Res Re implemented a CHF4bn (c.\$4.3bn) reinsurance treaty with Allianz Suisse covering a closed book of individual life policies.
- Res Re and Talcott Resolution Insurance Company completed a \$28bn reinsurance agreement with Allianz Life Insurance Company of North America (Allianz US) to reinsure fixed indexed annuity reserves.
- The Group agreed to the acquisition of AMP Limited's minority equity interest in RLA for a total consideration of A\$524m (c.\$380m).

The Group also successfully completed a reorganisation of its corporate structure to simplify it and thereby facilitate a refinancing of its transaction funding debt. As a result, in December 2021, the Group centrally issued \$1.5bn of bank debt to refinance two existing transactional facilities and to partially finance transactions executed during the year.

## Business activities

Despite continued uncertainty around COVID-19 and higher mortality, the Group had a strong year with continued growth and strong performance. The acquisition of Voya's individual life business, which allowed us to enter the US market and increase our scale significantly, was a highlight. Additionally, the reinsurance transactions with Allianz Life and Allianz Suisse substantially increased the size of our Bermuda reinsurance business, and our AuM. In 2021, we continued to refine our operating model, evolve our infrastructure, and enhance our risk and capital management capabilities.

Our results benefited from growth in AuM, resulting from the reinsurance transactions and acquisitions discussed above, and continued equity market appreciation during the year. As a result of the acquisition, AuM increased significantly, and ended the year at c.\$90bn. RLUS and RLA were the significant contributors to the current year net income, primarily resulting from positive underwriting, growth in investment margin, and the RLA tax consolidation benefit. Further details of our business and performance and key milestones in 2021 are set out in [section 1](#) of this FCR. Details of material subsequent events are set out in [section 6](#).

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## Executive summary

### Governance structure

Resolution Life has established the organisation, processes and corporate controls that are required of a BMA-regulated group and are appropriate for the Group's business strategy and operations. A clear organisational structure, with documented delegated authorities and responsibilities from the RLGH Board of Directors (the Board), and onwards to subsidiary boards, is in place. The system of governance includes requirements relating to fitness and probity of persons responsible for key functions, remuneration practices and outsourcing activities. There were no material changes in the system of governance during the year ended 31 December 2021. Further details of the Group's system of governance are provided in [section 2](#).

### Risk profile

To support the execution of the risk management strategy, RLGH has adopted a 'three lines of defence' model. The Board is responsible for providing suitable and prudential oversight of the Group's internal control and risk management frameworks. The Risk Management Framework (RMF) provides a holistic and consistent way in which to identify measure, manage, monitor and report on the risks faced by the Group and covers all processes within the Group. The RMF includes Solvency Self Assessment, which assists the Board in determining whether there is adequate available capital to cover the Group's risks over its business planning horizon.

Resolution Life is exposed to a broad landscape of risks. These include three main types:

- Risks that are actively taken as part of insurance or asset management operations, which are quantifiable and in respect of which capital is held to back the risk exposure. These largely include insurance, market (including investment credit) and counterparty risk. While the Group holds capital to account for operational risk, the preferred mitigation is prevention and risk culture.
- Risks for which the Group does not explicitly hold capital but that are monitored and controlled, given their significance. These include liquidity, regulatory and compliance, M&A and transaction, strategic and sustainability risk.
- Reputational risks that may arise as a consequence of any risk/event type, in addition to the potential financial and compliance impact. Reputational risk is not considered a separate risk category but rather represents a possible consequence of any risk type or event in addition to the potential financial and compliance impact.

### Solvency valuation

Assets and liabilities have been valued in accordance with the BMA's Economic Balance Sheet (EBS) valuation principles, leveraging long-standing processes within the Platforms. Section 4 of this report provides further description of the bases, methods and assumptions used in the valuation of assets, technical provisions and other liabilities, to determine the Group's regulatory solvency.

### Capital management

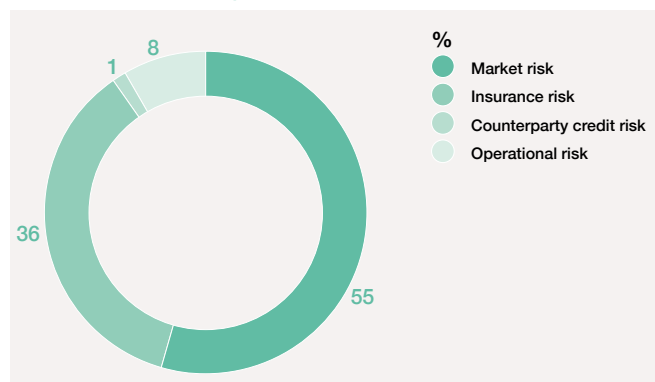
The capital requirements are calculated using the BMA capital regime. Our EBS regulatory capital position as at 31 December 2021 is shown in the following table:

Capital position	\$m
Available statutory capital	5,113
ECR	3,056
Surplus	2,057
Solvency ratio	167%

The Group solvency ratio as at 31 December 2021 is 167%, which comfortably meets the Group's risk appetite thresholds. As at 31 December 2021, Resolution Life's available statutory capital was \$5,113m on an EBS basis. Of this capital, \$4,467m was categorised as Tier 1, the highest quality capital, mainly consisting of common share capital and share premium and statutory economic surplus. Tier 2 capital of \$395m related to two subordinated debt instruments and preference shares. Tier 3 capital of \$251m related to a bridge loan facility.

The chart below shows the composition of the Group's undiversified Enhanced Capital Requirement (ECR) by Bermuda Solvency Capital Requirement risk category at 31 December 2021:

#### Undiversified ECR by risk



The largest component of the undiversified ECR is market risk, which comprises fixed income, equity, interest rate and concentration risks.

### Outlook

With a record number of insurance deals done in 2021, and many more in the pipeline, the outlook in the life and annuity market is extremely attractive for our business, and we are pursuing opportunities that fit our financial and risk profiles.

Our priority is growing the Group's profitability, including looking at new markets across Europe and Asia. In 2021, we opened a representative office in Singapore, giving us greater proximity to target mature life insurance markets in Japan and South East Asia.

We will continue to focus on managing each of our businesses for growth, delivering on our plans to reduce costs and to achieve better returns on our assets through active portfolio management.

# Business and performance

# 1

## 1.1 Insurance group

### 1.1.1 Name and contact details

Resolution Life Group Holdings Ltd, a limited liability company domiciled in Bermuda, is the holding company of the Group.

Resolution Life Group Holdings Ltd.

Wessex House

2nd Floor, 45 Reid Street

Hamilton HM12, Bermuda

[www.resolutionlife.com](http://www.resolutionlife.com)

### 1.1.2 Business overview

Resolution Life is a global insurance, reinsurance and risk transfer business consisting of c.\$90bn AuM at 31 December 2021. The Group is headquartered in Bermuda, with regulated insurance operations in Bermuda, the US, Australia and New Zealand; business operations in the US, Canada, Australia, New Zealand and the UK; and a representative office in Singapore. Resolution Life falls within the BMA's Group Insurance regulations. The Group consists of three Platforms, namely: Resolution Re, a Bermudan life reinsurer with c.\$28bn AuM; Resolution Australasia, the largest life insurance company in Australasia by assets with c.\$21bn AuM; and Resolution Life US, a major life insurance player in the US with c.\$41bn AuM. Resolution Re Ltd is the BMA Designated Insurer for the Group.

The Group's purpose is to:

- protect and deliver insurance and investment benefits to policyholders;
- support the ongoing restructuring of the primary life insurance industry by releasing capital and removing costs from legacy operations of insurers; and
- generate stable returns and deliver cash through dividends to investors, by acquiring complementary risks and strong cash flows from strategic sellers.

## 1.2 Group supervisor

The BMA acts as group supervisor for Resolution Life.

BMA House

43 Victoria Street

Hamilton HM 12, Bermuda

+1 441 295 5278

[www.bma.bm](http://www.bma.bm)

## Business and performance

### 1.3 Approved group auditor

The approved group auditor for Resolution Life is Deloitte and Touche LLP.

111 South Wacker Drive  
Chicago, IL 60606-4301  
USA  
Tel: +1 312 486 1000

[www.deloitte.com](http://www.deloitte.com)

### 1.4 Company ownership

Resolution Life is privately owned by a diverse group of global investors. The Group has \$4.8bn of commitments from 47 investors. Our investor base includes sovereign investment funds, superannuation funds, asset managers, family offices, financial institutions and insurers.

In April 2021 we raised \$1.6bn, broken down as follows:

- \$900m from existing investors.
- \$700m by way of commitments from new investor relationships, which included several superannuation funds, a family office and an endowment.

### 1.5 Group structure

A simplified Group structure is presented in the Appendix.

### 1.6 Significant events in reporting period

During 2021 the Group continued to deliver on its strategic growth ambitions by successfully completing or agreeing the following transactions:

- Completion of the acquisition of Voya Financial's individual life in-force business and establishment of our US Platform, RLUS.
- RLUS subsequently completed a \$9.4bn reinsurance transaction with an insurance subsidiary of Lincoln National Corporation.
- Res Re implemented a CHF4bn (c.\$4.3bn) reinsurance treaty with Allianz Suisse covering a closed book of individual life policies.
- Res Re and Talcott Resolution Insurance Company completed a \$28bn reinsurance agreement with Allianz Life Insurance Company of North America (Allianz US) to reinsure fixed indexed annuity reserves.
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The Group also successfully completed a reorganisation of its corporate structure to simplify it and thereby facilitate a refinancing of its transaction funding debt. As a result, in December 2021, the Group centrally issued \$1.5bn of bank debt to refinance two existing transactional facilities, and to partially finance transactions executed during the year.

Additionally, during the current reporting period, the Group's Australian-incorporated subsidiaries elected to form a tax consolidated group, effective 30 June 2020. Each member of this tax consolidated group has entered into a tax funding and tax sharing agreement, pursuant to which members of the tax consolidated group will continue to calculate their respective tax liabilities on the basis of their pre-consolidation tax bases, and the non-operating holding company will calculate and account for the tax liabilities of the tax consolidated group to the Australian Tax Office on a consolidated tax base.

### 1.7 Performance

#### 1.7.1 Insurance business written during the reporting period

The table below sets out the Group's US GAAP and statutory premiums from its insurance and reinsurance activities by business Platform during the reporting period:

\$m	Total	ResRe	RLA	RLUS
Direct	1,303	–	1,292	11
Assumed	4,616	3,658	–	959
Ceded	(1,307)	–	(706)	(601)
	<b>4,612</b>	<b>3,658</b>	<b>586</b>	<b>369</b>

- Premiums primarily relate to traditional life and disability business.
- The assumed premium from Res Re is primarily from initial premium assumed from the Allianz Suisse reinsurance transaction in 2021.
- RLA's direct premium consists of renewal premium related primarily to its lump sum and disability business. RLA has agreements that provide reinsurance of certain policy-related risks (e.g. excess mortality and risk) to limit aggregate and single losses on large risks.
- The assumed and ceded premium from RLUS consists of several non-recurring day 1 transactions relating to the Voya transaction. Additionally, RLUS has agreements that provide for reinsurance of certain policy-related risks (e.g. excess mortality and risk) to limit aggregate and single losses on large risks.
- The reinsurance premium in relation to the Allianz US and Lincoln transactions consisted primarily of premium paid in respect of universal life and investment-type products, where these premiums are recorded as policyholder account balances. Fee income from policyholders consists of fees assessed against the policyholder account balance for the cost of insurance (mortality risk), contract administration and surrender of the policy prior to contractually specified dates. These charges are recognised as revenue when assessed against the policyholder account balance.

## 1.7.2 Investment performance

The Group's overarching investment principle is to invest available funds in a diversified portfolio of assets, acknowledging our commitment to environmental and social responsibility, to ensure policyholder commitments are met while contributing to the Group's overall growth and profitability. Achieving these objectives requires balancing the Group's risk appetite with the level of net income and capital required to meet its liabilities, maintaining an appropriate solvency margin and meeting shareholder return requirements. This is accomplished by adhering to the "prudent person" principle, and good corporate governance in the implementation of investment and risk management policies and management standards and procedures.

The Group invests in a combination of high quality, diversified fixed income securities, primarily fixed-income bonds, mortgage-backed securities and asset-backed securities.

The following table shows the Group's US GAAP and statutory investment return, net of investment expenses, as reported in the statutory financial statements for the year ended 31 December 2021:

\$m	For the year ended 31 December 2021
Bonds and debentures	908
Equity securities	119
Investment funds	569
Commercial mortgage loans	84
Derivatives	(1)
Funds withheld assets	224
Policy loans	77
Other investment income	1
Net realised gains (losses)	210
Investment expenses	(109)
	<b>2,082</b>

## 1.7.3 Income

The Group's main sources of income are from its insurance and reinsurance underwriting and investment activities. As set out in sections above, during the reporting period the Group generated \$4,612m of net earned premiums from underwriting activities and \$2,082m of net investment income and realised gains. The Group also earned fee income of \$1,284m from its universal life and annuity business in the current reporting period.

## 1.7.4 Expenses

The Group's main expenses are net insurance benefits and claims, general administrative and other expenses, and interest expenses. Net insurance benefits and claims, which include the movement in insurance provisions and value of business acquired/cost of reinsurance amortisation, were \$6,714m in the US GAAP and statutory statements. Within this, net paid claims were \$3,077m. The net movement in insurance provisions was a charge of \$3,357m.

Other expenses, including commission expenses, were \$653m in the current reporting period. Other expenses increased in 2021 as a result of higher costs relating to transactions, restructuring and integration activity.

Interest expense was \$38m in the current reporting period and was mainly due to higher borrowings as a result of the current year acquisitions and reinsurance transactions.

Tax benefit of \$240m in the current reporting period consists of tax incurred or recovered in the different reporting jurisdictions, primarily Australia, New Zealand and the US. This benefit was primarily generated from the tax consolidation benefit discussed above.

Further details of our US GAAP results are set out in the Group's 2021 Annual Report.

## 1.8 Any other material information

There is no other material information to report.

# Governance structure

## 2

*RLGH is the parent entity of the Group, with responsibility for running the Group. The Group's governance structure, risk management strategy and risk framework, which help to manage the Group's risk and set a risk appetite, have been designed to meet applicable Bermuda law requirements (including the group regulation requirements of the BMA supervisory framework).*

The Board and management have established the appropriate organisation, processes and corporate controls to measure and manage risk across the Group. Corporate governance begins with the senior executives, with the Board providing general oversight and stewardship of the Group. RLGH has established and maintains organisational, governance and communications structures at the Group level that facilitate the fulfilment of the duties of the Group.

### **2.1 Delegated authority**

The responsibilities of the Board may be delegated to, and performed by, an appropriately constituted committee of the Board, or by the board of a subsidiary – provided that the Board exercises oversight over, and ratifies, all key decisions that have a material effect on the Group's operations.

Board-delegated authority limits establish who is empowered to make decisions. All substantive or strategic decisions are made by the Board, which has empowered the Executive Committee (ExCo) to lead the Group's strategy.

A clear organisational structure, with documented delegated authorities and responsibilities from Board down to the subsidiary boards, is in place.



## Resolution Life Group Holdings Ltd – Board and Management Committees

A comprehensive governance structure, with platform-level issues identified and fed into relevant management and board committees

RLGH Board						
Board Committees	Conflicts	Investment	Risk	Audit	Compensation	Transaction review
	<ul style="list-style-type: none"> <li>Oversees and monitors transactions which potentially give rise to a conflict of interest between Group and any Director of conflict party.</li> <li>Evaluates conflicts of interest (actual or potential) arising within and outside the group.</li> </ul>	<ul style="list-style-type: none"> <li>Oversees investment portfolio transactions, the development and maintenance of an investment strategy, and the investment risk management policies.</li> <li>Reviews investment management performance.</li> <li>Oversees risk management exposure, policies and guidelines.</li> </ul>	<ul style="list-style-type: none"> <li>Oversees the development and implementation of risk management systems and processes designed to identify, manage and mitigate material risks.</li> <li>Recommendations to the Board such as the Group's risk appetite.</li> <li>Oversees all categories of risk, including risk culture across the Group.</li> </ul>	<ul style="list-style-type: none"> <li>Oversees the integrity of consolidated financial statements and financial and accounting processes.</li> <li>Oversees the compliance with audit, accounting and internal controls requirements.</li> <li>Oversees the independent auditor.</li> <li>Oversees internal audit controls.</li> </ul>	<ul style="list-style-type: none"> <li>Oversees the appointment of and compensation arrangements for members of the senior executive team and directors, as well as compensation approach.</li> <li>Advises on development and administration of the Group's compensation programmes.</li> <li>Succession planning.</li> </ul>	<ul style="list-style-type: none"> <li>Ensures certain matters are in good order for full consideration of the Board, including material investments and divestments; payment of certain dividends; capital raising activity; and liquidity events.</li> </ul>
	<p><b>Members</b></p> <ul style="list-style-type: none"> <li>Maria Morris (Chair)</li> <li>Weldon Wilson</li> <li>Robert Horsnall</li> <li>Alexander Mills</li> <li>Rachel Lomax</li> </ul>	<ul style="list-style-type: none"> <li>Rachel Lomax (Chair)</li> <li>Clive Cowdery</li> <li>Robert Horsnall</li> <li>Alexander Mills</li> <li>Maria Morris</li> <li>Steve Roder</li> </ul>	<ul style="list-style-type: none"> <li>Rob Devey (Chair)</li> <li>Weldon Wilson</li> <li>Jason Carne</li> <li>Shinichi Okamoto</li> </ul>	<ul style="list-style-type: none"> <li>Jason Carne (Chair)</li> <li>Weldon Wilson</li> <li>Robert Horsnall</li> <li>Steve Roder</li> <li>Grace Vandecruze</li> </ul>	<ul style="list-style-type: none"> <li>Maria Morris (Chair)</li> <li>Weldon Wilson</li> <li>Robert Horsnall</li> <li>Rob Devey</li> <li>Shinichi Okamoto</li> <li>Rick Smith</li> </ul>	<ul style="list-style-type: none"> <li>Weldon Wilson (Chair)</li> <li>Robert Horsnall</li> <li>Alexander Mills</li> <li>Shinichi Okamoto</li> <li>Steve Roder</li> </ul>
	<b>Frequency</b> Broadly, at least once per quarter, although variation across committees					
Executive Committee	Executive Committee					
	<p><b>Members:</b></p> <ul style="list-style-type: none"> <li>Clive Cowdery (Chair)</li> <li>Keith Gubbay</li> <li>Weldon Wilson</li> <li>John Hele</li> <li>Nardeep Sangha</li> <li>Jonathan Moss</li> <li>Simon Woods</li> <li>Steve Hales</li> <li>Megan Beer</li> <li>Matt Grove</li> <li>Claire Singleton</li> <li>Karl Happe</li> </ul>					
	<b>Frequency</b> Once a month					
Management Committees	ESG	Investment & credit	Risk	Finance	Security	Operations
	<ul style="list-style-type: none"> <li>Oversees ESG implementation and operational aspects in line with the Group policy.</li> </ul>	<ul style="list-style-type: none"> <li>Responsible for endorsing House View, defining group investment risk and group ALM risk appetite, aggregating and monitoring group asset risk, consolidated reporting with platforms.</li> </ul>	<ul style="list-style-type: none"> <li>Oversees group risk matters.</li> </ul>	<ul style="list-style-type: none"> <li>Approves financial, audit, accounting and internal control matters to be presented to the Audit Committee.</li> </ul>	<ul style="list-style-type: none"> <li>Considers and approves Group IT and cyber security matters.</li> </ul>	<ul style="list-style-type: none"> <li>Reviews and considers operational items including Group Transformation Programme, procurement and some legal matters.</li> </ul>
	<p><b>Members</b></p> <ul style="list-style-type: none"> <li>Group Chief Risk Officer (Chair)</li> <li>Group CFO</li> <li>Group General Counsel</li> <li>Group CIO</li> <li>Platform Representatives</li> </ul>	<ul style="list-style-type: none"> <li>Group CIO (Chair)</li> <li>Director Asset Management</li> <li>Group CRO</li> <li>Group CFO</li> <li>President and COO</li> <li>Platform CIOs</li> <li>Group Head Capital Management</li> <li>Head of Group Investment Strategy</li> </ul>	<ul style="list-style-type: none"> <li>Group CRO (Chair)</li> <li>Group CFO</li> <li>Group President and COO</li> <li>Vice Chair</li> <li>Group CIO</li> <li>Head of Internal Audit</li> </ul>	<ul style="list-style-type: none"> <li>Group CFO (Chair)</li> <li>Group CRO</li> <li>Vice Chair</li> <li>President and COO</li> <li>Platform CFOs</li> </ul>	<ul style="list-style-type: none"> <li>President and COO (Chair)</li> <li>Group General Counsel</li> <li>Group CTO</li> <li>Operational Risk</li> <li>Platform CSIOs</li> <li>Group Compliance</li> </ul>	<ul style="list-style-type: none"> <li>Chief Risk Officer (Chair)</li> <li>President and COO</li> <li>Vice Chairman</li> <li>Group CFO</li> </ul>
	<b>Frequency</b> At least once per quarter	Quarterly	Quarterly	Twice per quarter	Once per month	Once per month

## Governance structure

### 2.2 Three lines of defence

To support the execution of its risk management processes, RLGH has adopted a 'three lines of defence' model.

- The first line is the owner of the business area, who owns and takes responsibility for identifying, assessing and reporting on the different risks within their business area. The business manager is also responsible for designing and maintaining effective processes and controls.
- The second line comprises the risk and compliance functions, which have oversight of the risk management strategy and framework. These functions design and implement the risk framework, and recommend the Group's risk appetite to the Board. They also monitor and challenge the actual risk profile of the Group, and each subsidiary, against the Group's preferred level of risk appetite. Furthermore, they assess the effectiveness of the control environment and report thereon to the Group's Risk Committee.
- The third line is performed by internal audit, which provides independent assurance of the effectiveness of governance, risk management practices and the control environment.

### 2.3 Group Board and senior executives

#### 2.3.1 Structure, roles, responsibilities and segregation of responsibilities

The Board is responsible for providing suitable and prudential oversight of the Group's internal control and risk management frameworks. This includes:

- overseeing the implementation of operational objectives and strategies by the senior executives of the Group, in each case in light of the Group's stated risk tolerance and appetite, corporate structure and material risks;
- overseeing the effective management of the Group's business in a sound and prudent manner, with the integrity and the professional skills appropriate to the nature and scale of the Group's activities;
- reviewing annually the Group's solvency self-assessment and any changes;
- confirming that the organisational, governance and communications structures of the Group facilitate the effective execution of the Group's operational objectives and strategies, the effective exercise of the role of the Designated Insurer, and compliance with Bermuda legislation and rules;
- confirming that the communications structure of the Group facilitates the effective communication of the statutory obligations of the Group and its members under Bermuda law; and
- selecting a competent Executive Chairman and CEO who is fit and proper and has the requisite knowledge, skills, expertise and resources for the role given the nature, scale and complexity of the Group's operations – and, with respect to that person, establishing roles and responsibilities, reviewing and approving compensation, evaluating performance at least annually, and addressing any deficiencies in performance.

The Board has direct access to senior executives, persons responsible for the internal audit, risk management, compliance and actuarial functions, and the approved Group statutory function holders.

An overview of the Board's committees including the respective roles of each committee, and the membership and meeting frequency, is provided below. Also included are biographies of the Board and ExCo, including individuals' professional qualifications, skills and experience.

Responsibilities of the Executive Chairman and executives:

- The Executive Chairman is responsible for selecting competent senior executives, who are fit and proper and have the requisite knowledge and skills for the role, given the nature, scale and complexity of the Group's operations. The Executive Chairman is also responsible for establishing their roles and responsibilities, reviewing and approving their compensation, evaluating at least annually their performance, and addressing any deficiencies.
- Senior executives of RLGH are responsible for:
  - establishing systems and controls that produce complete, reliable, clear, consistent, timely and relevant reporting and management information concerning the business activities and risks to which the Group is exposed;
  - providing the parent Board with timely, accurate and comprehensive reports that highlight current and prospective changes in business activities, profitability, capital and funding liquidity positions, risk profile or risk drivers;
  - reporting promptly to the Board any material deficiencies in the effectiveness of Group functions or any decisions taken that deviate materially from the Group's risk tolerance, risk appetite or operational strategy; and
  - reviewing and approving all material outsourcing arrangements, and for the effective performance and oversight of outsourced functions or tasks; and filing all required financial statements in an accurate, complete and timely manner.

### 2.3.2 Remuneration policy and practices

Resolution Life's practice regarding compensation is to build a competitive and innovative environment that attracts, retains, motivates and rewards high-performing employees; to promote an ethical culture by ensuring compensation is based on qualitative, not just quantitative, assessment; and to promote the achievement of strategic objectives. The Group's compensation framework addresses the need to provide competitive wages and benefits; ensure enhanced communication; and foster a culture that encourages collaboration, growth and progress.

#### Employee reward

The Group's compensation framework provides for a fixed base salary and an annual discretionary, performance-based bonus, which varies in accordance with the performance of the individual and Group. Compensation levels are reviewed, at least annually, to ensure compensation is in line with standard market practices and appropriate for the risk profile and performance of the Group.

#### Senior executive reward

The Group expects to supplement salaries with annual bonuses aligned to performance using a balanced scorecard approach, which consists of setting individual performance targets combined with corporate goals for the year ahead. Together these form an individual's annual performance scorecard. Salaries and annual bonuses for some senior employees are supplemented with a deferred cash scheme with three-year cliff vesting, to increase employee retention. The Group conducts a rigorous annual review process that assists in professional development as well as in setting compensation levels. In addition, during 2021, certain members of senior management continued to participate in a senior management incentive scheme associated with the continued vesting of awards granted in prior years.

Independent Board members receive fees for their work as Directors; they do not receive bonuses. Executive Directors are not entitled to additional compensation for services rendered as members of the Board.

### 2.3.3 Supplementary pension or early retirement schemes for members of the insurance group, the Board and senior executive

Employees of the Group (including senior executives) are provided with a supplementary pension scheme. Both the Group and the relevant employee contribute towards each employee's retirement through a contributory scheme administered by a third party. The Group provides matching contributions consistent with the relevant employee's level of contribution up to a pre-determined amount. There is no pension plan for Board members and the Group does not have an early retirement scheme.

### 2.3.4 Any material transactions with shareholder controllers, persons who exercise significant influence, the parent Board or senior executive

The Group has an agreement with J.P. Morgan Investment Management Inc. (JPIM), an affiliate of JPMC Strategic Investments I Corp, to manage AFS securities. For the years ended 31 December 2021 and 2020, \$3.0m and \$3.9m of fees were expensed in relation to this agreement, respectively.

As of 31 December 2021, \$2.3m remains payable to JPIM in relation to the investment management services.

The Group has an agreement with Kohlberg Kravis Roberts & Co. LP (KKR), an affiliate of KKR Radar LLC, to manage assets supporting the funds withheld assets. For the years ended 31 December 2021 and 2020, management fees of \$2.1m and \$1.2m were incurred in relation to this agreement, respectively. As of 31 December 2021, \$2.1m remains payable to KKR in relation to this agreement.

## Governance structure

### 2.4 Fitness and propriety requirements

#### 2.4.1 Fit and proper process in assessing the Group Board and senior executives

Subject to shareholder approval, RLGH appoints members of the Board based on the relevant individual's expertise and experience, as well as the professional judgement of the Chairman of the Board and recommendations from third-party search firms experienced in recruiting board members. Before being appointed to the Board, all candidates must undergo a rigorous recruitment, interviewing and background screening process to ensure they meet the applicable standards under the BMA's framework.

The Chairman is responsible for the selection of senior members of Resolution Life who are deemed fit and proper with the requisite knowledge and skills, given the nature, scale and complexity of the Group's business. Senior executives are formally appointed by the Board.

#### 2.4.2 Group Board and senior executive professional qualifications, skills and expertise

##### Group Board members Professional qualifications, skills and experience

###### Clive Cowdery

Founder and Executive Chairman

Sir Clive is regarded as a leading life insurance executive and has significant experience in acquiring closed block life insurance businesses. He has held Board-level roles in all prior Resolution vehicles since 2003.

Prior to 2003, Sir Clive was Chairman and Chief Executive of GE Insurance Holdings, GE's primary insurance operations in Europe, with over \$3bn of premium income at that time. The businesses he led while at GE had operations in 12 countries. Before joining GE in 1998, he co-founded J Rothschild International / Scottish Amicable International, a cross-border insurance business based in Dublin. He started his career in insurance advising clients as a broker.

He served as a Non-Executive Director of Resolution Limited, a UK-listed life insurance group which subsequently became the Friends Life Group PLC. It was listed on the London Stock Exchange and was a constituent of the FTSE 100 index. He stepped down from this position in 2013.

Sir Clive is Chairman and founder of the Resolution Foundation, a non-profit research organisation focused on the needs of low earners in industrialised countries.

##### Group Board members Professional qualifications, skills and experience

###### W. Weldon Wilson

Vice Chair

Weldon serves as the Vice Chair of Resolution Life Group Holdings Ltd. Board. He served as Chief Executive Officer of LBL HoldCo, Inc. and its subsidiaries since 2013.

Previously, Weldon was a member of the Executive Board of Swiss Reinsurance Company (Swiss Re), where he was responsible for acquisitions and operations of life insurance companies in the US and the UK. His other roles within Swiss Re included serving as CEO of Swiss Re's North American life reinsurance business, and General Counsel for Swiss Re's international life operations.

Weldon serves on the Advisory Board for Vanderbilt Law School. Weldon is licensed as an attorney in the State of Texas.

###### Jason Carne

Independent Non-Executive Director

Jason is highly experienced in the global reinsurance industry, particularly in ILS and traditional general and life reinsurance markets, having worked with large public companies, non-public ventures and start-ups over the past 30 years.

Jason's former roles include Managing Director at KPMG in Bermuda and partner & CFO of Hudson Structured Capital Management Limited (HSCM), an SEC-Registered Investment Advisor (RIA).

Post-retirement, Jason acts as an Independent Non-Executive Director, Audit and/or Risk Committee chair to several companies including the Integral Funds Group, Triangle Life Ltd and AEL Re Bermuda Ltd, a subsidiary of American Equity Investment Life Group. He is currently on the Advisory Board to HSCM.

Jason is a Fellow of the Institute of Chartered Accountants of England and Wales, and a member of the Chartered Professional Accountants of Bermuda. He is also qualified as an Associate in Reinsurance.

###### Rob Devey

Independent Non-Executive Director, Chair of Board Risk Committee

Rob has extensive life insurance operating experience in public and private companies. Rob was previously an Executive Director of Prudential plc, CEO of Prudential UK and Europe, and CEO of Towry.

Rob has also held senior insurance and retail banking positions at Lloyds Banking Group, and was a consultant at The Boston Consulting Group.

Rob is now actively involved in a number of fast-growing technology-driven financial services businesses. He serves as chair of Modurl Finance and Urban Jungle Insurance and is a Non-Executive Director of the Octopus Group, where he also chairs the Risk Committee.

Rob is a trustee of Age International and the WEST Youthzone in West London.

**Group Board members Professional qualifications, skills and experience**

**Rob Horsnall**  
Non-Executive Director

Rob is the Head of Direct Equity of one of the UK's largest private pension schemes, responsible for the overall strategy, origination, execution and asset management of the direct equity portfolio.

Rob holds other non-executive directorships, including with Moto and PECO Pallets.

**Rachel Lomax**  
Independent Non-Executive Director, Chair of Board Investment Committee

Rachel is an economist and former deputy governor of the Bank of England. She has held a range of responsibilities within Her Majesty's Government, including that of Permanent Secretary within the Departments of Work & Pensions and Transport, plus other senior positions at the World Bank, the UK Cabinet Office and the UK Treasury.

Rachel is currently Deputy Chair of the British Council and holds non-executive positions on the Boards of Serco Group plc (the FTSE 250 outsourcer) and Heathrow Airport Holdings. Her considerable board experience includes directorships at HSBC Holdings plc, Reinsurance Group of America, Scottish American Investment and the Arcus European Infrastructure Fund.

**Alex Mills**  
Non-Executive Director

Alex is the Head of Financial Services of a Middle Eastern sovereign wealth fund, responsible for deploying capital in the financial services sector, targeting capital returns through a global portfolio of diversified assets and active investment management strategies.

Prior to joining the Middle Eastern sovereign wealth fund, Alex worked as a Director for AnaCap Financial Partners, and Nomura as a FIG M&A Associate before that. Alex is a chartered accountant from the Institute of Chartered Accountants of Scotland and holds a Master of Engineering from the Instituto Tecnológico de Buenos Aires.

As of the date of publication of this report, Alex has stepped down from the RLGH Board and a replacement is being sought.

**Maria Morris**  
Independent Non-Executive Director, Chair of Board Compensation Committee

Maria was previously the Executive Vice President and head of the global employee benefits business of MetLife Inc, where she worked for 33 years. Maria held responsibility for the company's employee benefits business across 40 countries and global relationships with multinationals and financial institution distributors.

In that capacity, Maria doubled MetLife's global group life, health, pensions and credit businesses and oversaw the successful integration of MetLife's \$16.4bn acquisition of American Life Insurance Company (Alico). Maria also served as interim head of MetLife's US business in 2016-2017.

Maria sits as an Independent Director (since 2016) and Audit Committee Chair of S&P Global Inc, and as an Independent Director (since 2018) and Risk Committee Chair of Wells Fargo & Company. She also serves on the Boards of Catholic Charities of NY and Helen Keller International, and chairs the All Stars Project, Inc. Board.

**Group Board members Professional qualifications, skills and experience**

**Shinichi Okamoto**  
Non-Executive Director

Shinichi is the Regional CEO for the Americas and Europe of one of Japan's largest insurance companies. He previously served as Executive Officer, Head of Finance & Investment Planning department of the same Japanese insurance company from 2020 to 2021.

**Steve Roder**  
Non-Executive Director

Steve has over 40 years' experience dealing with global companies, including 30 years working across Asian markets covering strategy, regulatory matters, finance, capital markets and transactions, with a focus on the financial services sector. He retired as Manulife Group CFO in 2018 and currently serves as Corporate Advisor for an Asian government-owned entity.

Steve is a Non-Executive Director of Serendipity Capital. He was previously Group CFO of AIA and Chair of Financial Services – KPMG Asia Pacific.

**Richard Smith**  
Non-Executive Director

Rick is Managing Director at a multinational bank, having previously served as its Head of Private Investments. Rick has held positions as Managing Director, Managing Partner and General Partner at private equity and venture funds since 1981, including One Equity Partners from 2002 to the present, and Allegra Partners and predecessor entities from 1981 to 2013.

**Grace Vandecruze**  
Independent Non-Executive Director

Grace is the Founder and Managing Director at Grace Global Capital LLC which has been providing M&A financial advisory, restructuring, and valuation services to insurance executives, boards and financial regulators since 2006. During her career, Grace has executed over \$25bn in M&A and financing transactions.

Grace was previously a Managing Director at Swiss Re and was responsible for the firm's regulatory advisory practice in the insurance and financial services industries. Prior to this, Grace was a Vice President in private equity, specialising in the insurance industry. She was also an Associate in the Financial Institutions Group at Merrill Lynch.

Grace began her career as an auditor with CPA credentials at EY and Grant Thornton, serving clients in the financial services industry.

Grace is also a board member of PIMCO Closed End Funds, The Doctors Company, and Link Logistics Real Estate. She also serves on the Wharton Graduate Executive Board.

Grace is a Certified Public Accountant and is a member of the AICPA.



## Governance structure

Group Executive Committee	Professional qualifications, skills and experience	Group Executive Committee	Professional qualifications, skills and experience
<p><b>Clive Cowdery</b> Founder and Executive Chairman</p>	See above	<p><b>Keith Gubbay</b> Corporate Development, Resolution Life US</p>	<p>Keith is responsible for Corporate Development, Resolution Life US. He was previously President and Chief Actuarial Officer of Resolution USA, joining in 2013 to establish and lead its US business from the acquisition of Lincoln Benefit Life from Allstate.</p> <p>Previously, Keith served as Senior Vice President and Chief Financial Officer for Sun Life Financial US as well as Chief Actuary for Sun Life Financial's global operations.</p> <p>Keith has also previously held the roles of EVP Corporate Development; Chief Marketing Officer; CEO Investment Products Distribution; and Chief Actuary across a number of ING Americas divisions. Prior to this, he was CFO and Chief Actuary at Whitehall Financial Group, and partner at actuarial consulting firm Tillinghast, where he began his career.</p> <p>Keith has served on numerous internal boards as an Executive Director throughout his career. He is a Fellow of the Society of Actuaries, a member of the American Academy of Actuaries, and holds a Master of Science (Business) from Stanford University and a Bachelor of Arts (Economics) from Sheffield University.</p>
<p><b>W. Weldon Wilson</b> Vice Chair</p>	See above	<p><b>Steve Hales</b> CEO, ResRe</p>	<p>Steve is Chief Executive Officer of Resolution Re Ltd. and joined the Resolution Life Group in 2018 as Executive Director in Europe. Most recently, Steve was Group Head of Connected Insurance at Assicurazioni Generali, heading up the Data Science and Internet of Things capabilities across the group.</p> <p>Steve joined Assicurazioni Generali in 2013 to head up the newly created Global Life business line. Previously, Steve was Head of the Life business for AXA Spain and then Head of Life and Health business for the AXA Southern Europe, Latin America and MENA markets, combining operational and strategic responsibilities. He started his career as an actuarial consultant at Tillinghast, where he worked in the London and Madrid offices.</p> <p>Steve has a BSc, Economics (PPE) and is a Fellow of the Institute of Actuaries.</p>
<p><b>Megan Beer</b> CEO, RLA</p>	<p>Megan leads Resolution Life in the Australasian region, transferring to Resolution Life in 2020 after leading AMP Life through the separation from AMP.</p> <p>Megan has nearly 30 years' experience in the financial services industry, spanning executive, operational, finance, actuarial and consulting roles at AMP, NAB/MLC, Tower (now TAL) and Tillinghast (Consulting Actuaries). Megan's prior roles have included CEO AMP Life, Group Executive Insurance and Strategy at AMP and General Manager Bancassurance &amp; Direct and General Manager Group Insurance at NAB/MLC.</p> <p>Megan is a Fellow of the Institute of Actuaries of Australia, a Fellow of the Australian and New Zealand Institute of Insurance and Finance, holds a Master of Economics from Macquarie University, a Master of Business Administration (Executive) from the Australian Graduate School of Management at the University of New South Wales, and is a Graduate of the Australian Institute of Company Directors.</p> <p>Megan is a Director and Immediate Past President of the Australian and New Zealand Institute of Insurance and Finance.</p>	<p><b>Karl Happe</b> Group Chief Investment Officer</p>	<p>Karl joined Resolution Life as Group Chief Investment Officer in March 2022. Before that Karl worked at Allianz for 17 years, first as Head of Global Fixed Income Strategy for the group and then as Chief Investment Officer for insurance and regulated clients with Allianz Global Investors.</p> <p>Karl and his team managed €140bn of Allianz and third-party assets, invested in fixed income, private debt, equity and derivatives portfolios.</p> <p>Karl earned his BSE from Princeton University, and was a Fulbright Scholar in Germany. He has an MBA from INSEAD. Karl started his career at Morgan Stanley in New York, Frankfurt and London, where he was a private equity analyst and fixed income derivatives structurer and trader. He worked as a consultant with McKinsey &amp; Company before joining Allianz in Munich.</p>
<p><b>Matt Grove</b> CEO and President, Resolution Life US</p>	<p>Prior to joining Resolution Life US in 2021, Matt was with New York Life Insurance Company (New York Life) for 11 years where he most recently served as Co-Chief Operating Officer and Executive Vice President, responsible for leading the company's core business and serving on the company's Executive Management Committee.</p> <p>During his 11-year career at New York Life, Matt led successively larger P&amp;Ls, including its industry-leading life insurance, annuity and wealth management businesses.</p> <p>Before New York Life, Matt held senior positions at Jefferson National Life Insurance Company from 2003 to 2009, and prior to that co-founded Diginexus Corporation. He started his career as an investment banking analyst at Donaldson, Lufkin &amp; Jenrette.</p> <p>Matt holds a Bachelor of Science in Engineering degree from the University of Pennsylvania and an MBA from Columbia University.</p>		

**Group Executive Committee****Professional qualifications, skills and experience****John Hele**  
President and COO

John has held various senior positions in the insurance industry, including as EVP for MetLife, Inc., Chief Financial Officer at ING Groep NV, and Chief Financial Officer, Treasurer & Executive VP for Arch Capital Group Ltd, Bermuda.

He spent a number of years at Merrill Lynch & Co. in Investment Banking, Financial Institutions Group. He is a Member of The American Academy of Actuaries, and a Fellow of the Society of Actuaries and of the Canadian Institute of Actuaries. He holds a Bachelor of Mathematics degree from The University of Waterloo.

**Jonathan Moss**  
Group Chief Risk Officer

Jonathan joined the Resolution Life Group in 2017 as Group Chief Actuary. Prior to this, he was the Chief Financial Officer at Aviva France SA, a unit of Aviva plc, from 2015. Jonathan also served as the Chief Executive Officer of the Heritage Division of Friends Life Group Ltd. and Group Chief Executive Officer of Phoenix Group Holdings Ltd.

During his earlier career, Jonathan held executive positions at AMP Life, London Life and National Provident Life, as well as Pearl Group Holdings and Phoenix Group Holdings.

He has been a Fellow of the Institute and Faculty of Actuaries since 1990.

**Nardeep Sangha**  
CEO New Markets

Prior to joining Resolution Life, for 10 years Nardeep was Global Head of Life & Health Structured Solutions at Swiss Re, the team responsible for executing complex and bespoke transactions for clients, including longevity transactions.

A trained actuary, Nardeep began his insurance career at consultancy firm Watson. He also previously worked in capital markets at Sumitomo Bank and Deutsche Bank. At Deutsche Bank he was CEO and CIO of Abbey Life, and on the Board of Paternoster.

Nardeep graduated from Nottingham University with a BSC (Hons) in Mathematics with Statistics. He is a Fellow of the Institute of Actuaries, an Associate of the Chartered Insurance Institute and an Associate Member of the Association of Corporate Treasurers.

**Group Executive Committee****Professional qualifications, skills and experience****Claire Singleton**  
Group General Counsel

Claire joined Resolution Life in 2022 as Group General Counsel. Prior to this she worked in a variety of senior legal and CEO roles within the Legal & General Group, most notably as General Counsel for Retirement & Insurance and General Counsel for Group and Legal & General Capital.

Claire has been CEO for Legal & General Home Finance (£5.6bn lifetime mortgage lender) and CEO of Legal & General's Mature Savings business, which included its £21bn With Profits fund, and provided pensions, savings and investment products to over one million customers.

Claire started her legal career as a corporate M&A lawyer at US law firm Jones Day.

**Simon Woods**  
Chief Financial Officer

Simon joined Resolution Life from EY in Zurich, where he was a partner in the EMEA Financial Services group. At EY, he was responsible for a range of senior client relationships across insurance, and leading EY's client services for complex strategic change, including Brexit and LIBOR Transition.

Before EY, he spent 15 years in investment banking, latterly as Head of Insurance Financing for Goldman Sachs' Investment Banking Division in London. Prior to that, Simon worked at UBS and HSBC.

Simon has advised numerous globally significant insurance groups with respect to financial strategy, acquisitions and divestments, debt and equity financing, capital management and solutions, and complex group issues.

## Governance structure

### 2.5 Risk management and solvency self-assessment

#### 2.5.1 Risk management process and procedures to identify, measure, manage and report on risk exposures

The Risk Management Framework (RMF) provides a holistic and consistent way in which to identify measure, manage, monitor and report on the risks faced by the Group, and covers all processes. The Group’s RMF is underpinned by a strong risk culture and risk governance.

Platforms are required to adopt an equivalent and consistent framework allowing for materiality and proportionality, taking into account the nature, scale and complexity inherent in each regulated entity.

The main components of the Group’s RMF are shown in the diagram, with a short overview of each provided in this report.

#### Risk governance

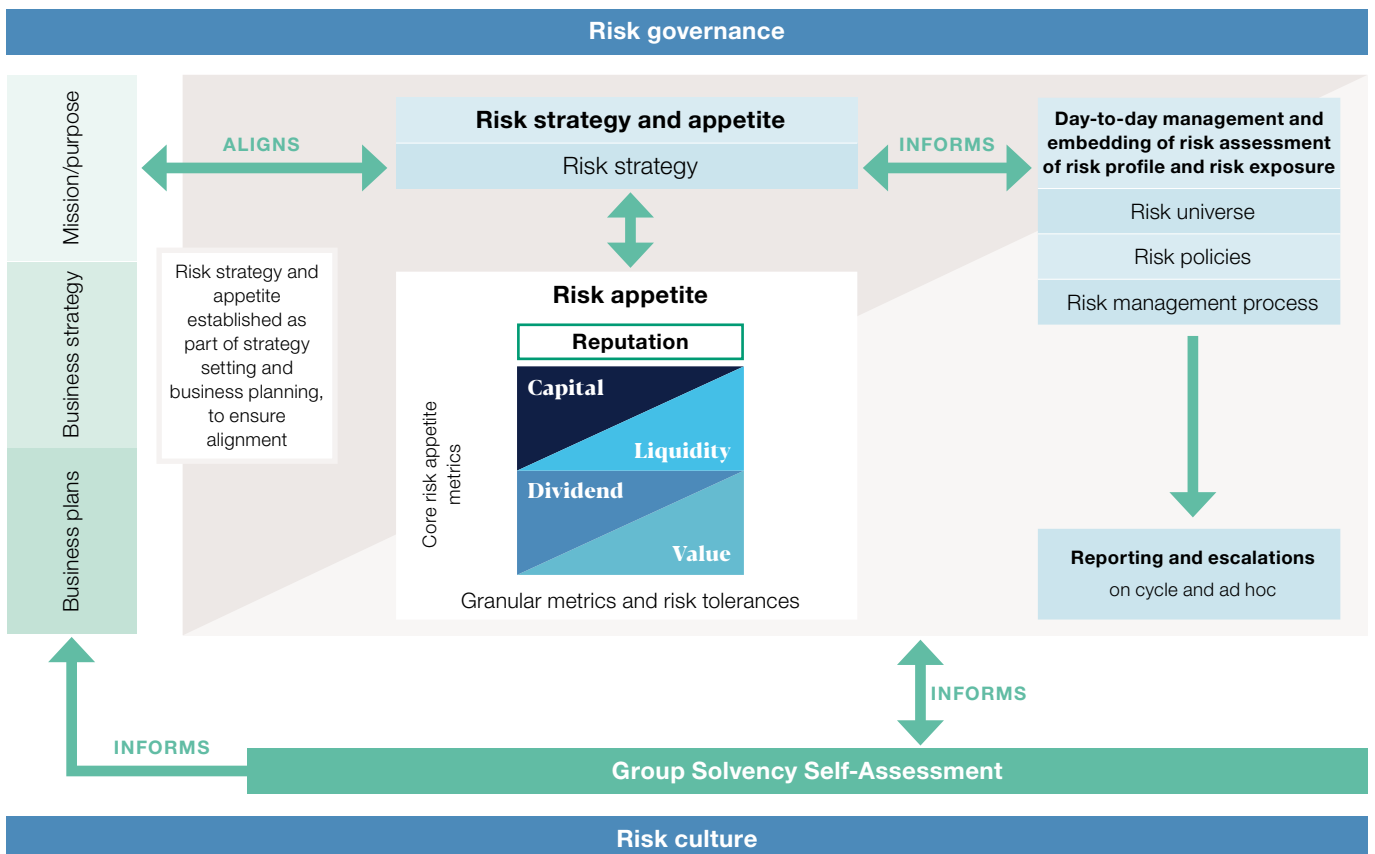
The Board has adopted this framework and a comprehensive set of Group risk management policies, which are reviewed and approved annually. Within these policies, the Board has established the risk appetite, which is a set of qualitative principles and quantitative limits that establish the Group’s risk preferences, risk tolerances and risk limits.

The Group Risk Committee and the Group Management Risk Committee assist the Board in overseeing the risks of the Group.

They do this primarily through the RMF. The goal is to promote a business model and risk management practices that will help the Group achieve targeted risk-adjusted returns. These two committees oversee management of enterprise risk, the allocation of risk capital, identification of major risks facing the Group, monitoring of the Group’s risk profile in relation to its risk appetite, and oversight of the development of strategies to manage identified risks. The committees review risk management actions taken by the Group and review compliance with the risk management policies.

The Group Chief Risk Officer (CRO) is responsible for overseeing that all risks to which Resolution Life is exposed are well understood and managed. The Group CRO reports regularly to the Board and Board Risk Committee on the risk profile of the Group relative to its risk appetite.

The Group’s risk and compliance policies set out the minimum standards required of all subsidiaries, and accompanying compliance attestations ensure adherence to Group standards amongst both executive officers (responsible for implementation) and all Group staff in general. Each policy is assigned to an executive policy owner who is responsible for ensuring the relevant policy is current or, where required, recommending changes. Moreover, the executive policy owners are tasked with establishing guidelines that set out the specific procedures or methods by which the policy is to be complied with, and ensuring the Group has processes in place to implement the policies and guidelines.





**Risk strategy and appetite**

Resolution Life’s risk strategy and risk preferences are aligned with its business strategy. The risk strategy sets out the Group’s risk philosophy, desired risk outcomes and risk preferences. It sets out qualitative statements and provides visibility on how risk management is incorporated consistently across all levels of the business. The risk strategy is reviewed and approved annually by the Board as part of the strategy review and strategic planning process.

The risk strategy and risk management processes support the Group in making appropriate risk-based decisions. This ensures that, in its acquisitions and reinsurance deals, the Group only accepts risks that are aligned with its business strategy and will thereby deliver risk-adjusted returns for shareholders within the risk appetite set by the Board.

In delivering its business strategy the Group has defined the following risk strategy principles:

- The Group only takes on risks that it understands and can price appropriately, where the Group has particular expertise or can use business partners to access expertise – so that it provides superior risk-adjusted returns to shareholders. The Group aims to optimise risk-adjusted return at the aggregate level, recognising diversification and correlation effects, where material.
- Geographic focus: the Group business strategy is focused on acquiring or reinsuring life insurance companies in mature markets, particularly the US, Australasia, the UK, Europe and Asia.
- In-force business focus: the Group business strategy is focused on acquiring or reinsuring closed blocks of business (‘closed books’). New business of a primary insurer may be accepted only as a transitional accommodation to facilitate a transaction, or to meet contractual requirements within existing contracts.

- The risk strategy ensures that each business, once owned, is managed to optimise risk-adjusted returns within Group approved risk limits. Each business will deliver policyholder commitments in a secure and well capitalised environment. Businesses set solvency risk buffers and manage risks within tolerance to meet risk appetite and retain the freedom to prosecute their strategy.
- The Group considers the risk profile of each business Platform (including that of insurance companies it may potentially acquire), taking into account its characteristics, the available regulatory and economic capital and any collateral requirements in the relevant insurance company.
- The derivation and allocation of risk limits will be made annually, and work will be undertaken within each business to demonstrate that it is operating within limits and that it is able to meet the core risk appetite metrics, given its actual risk profile.
- Operational risk should be minimised and/or mitigated, taking into account the cost versus benefit of doing so.

Risk preferences support the Group in setting the overarching risk appetite by providing the context for the Group’s allocation of risk capital and the level of the risk budget and risk tolerance levels. Risk preferences are linked to the overarching risk strategy principles and describe the types of risks that the Group prefers and those that it seeks to avoid or minimise. They also help the Group to articulate the level of risk exposure to target in respect of any risk.

Resolution Life’s risk appetite has been set by reference to the Group’s business and risk strategy, including its risk preferences and the need for risk appetite to balance the expectations of all Group stakeholders. It has been designed to capture the various risk and stakeholder lenses. These are set out in the diagram below, together with the main objective for each metric. The risk appetite supports strategic decisions and day-to-day risk management. It provides a mechanism for monitoring and managing risk in order to deliver the Group’s business strategy. As such, the risk appetite and supporting limits and targets are an important filter that is applied to the Group’s acquisition strategy.

**Risk strategy and appetite**

**Capital at Risk target: minimum level and target operating range at insurance entity level only**

**Main objectives**

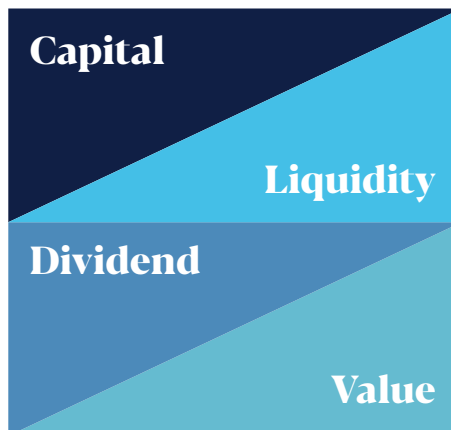
Ensure sufficient capital to: deliver the Group’s acquisition strategy in all but severe-to-extreme scenarios; achieve and maintain investment-grade credit rating in underlying entities; and minimise risk of regulatory intervention in insurance entities

**Remittance at Risk: minimum loss percentage/amount**

**Holding Company cash: minimum level**

**Main objectives**

Ensure that the volatility of dividends, as driven by volatility in operating entity remittances, currency translation impacts and level of Holding Company cash, is consistent with shareholder expectations



**Liquidity coverage ratio: minimum ratio**

**Main objectives**

Ensure that the Group and all entities have sufficient liquid assets to meet financial obligations to all stakeholders as they fall due, under business-as-usual as well as stressed scenarios

**Value at Risk: maximum loss percentage/amount**

**Main objectives**

Ensure that shareholder value at risk is consistent with shareholder expectations around economic value protection/volatility

**Reputation**  
Ensure that an appropriate risk and control culture is developed that supports the Group’s operation as a responsible business, and supports protecting the Group’s reputation

## Governance structure

The Group’s risk appetite, including risk limits and risk tolerance limits, may evolve over time and is reviewed and approved annually by the Board as part of strategic and business planning processes.

The impact of new transactions on the Group’s risk profile is evaluated against the risk appetite so that Resolution Life is not exposed to risks which are either undesirable or outside the risk appetite agreed with the Board. The Group, through its Platforms, actively manages risk in the acquired businesses within the same risk appetite to deliver the value anticipated at underwriting.

### Risk management processes

The Group Risk Management Framework sets out the minimum requirements in respect of the key risk management processes. Resolution Life expects to continue to embed its risk management across the Group over the next few years thereby enhancing its processes.

### Risk identification

The Group and each Platform have processes to maintain a catalogue identifying all reasonably foreseeable and relevant risks facing the business. They also have processes in place to regularly evaluate the potential impact of all the identified risk types.

### Risk measurement / assessment

The Group and each Platform have processes to evaluate and measure all identified risks, both qualitatively and, where appropriate quantitatively, regularly throughout the year. The measurement process includes an evaluation or comparison of the risk exposure to the stated risk appetite tolerances.

The risk wheel below sets out how Resolution Life measures and manages its material risks.

Resolution Life measures and reports on risk exposures with relevant metrics, reported in a consistent format and on a regular basis. This provides a sound basis for monitoring the Group’s risk profile in relation to its risk appetite. Trends as well as the absolute risk level are important indicators.

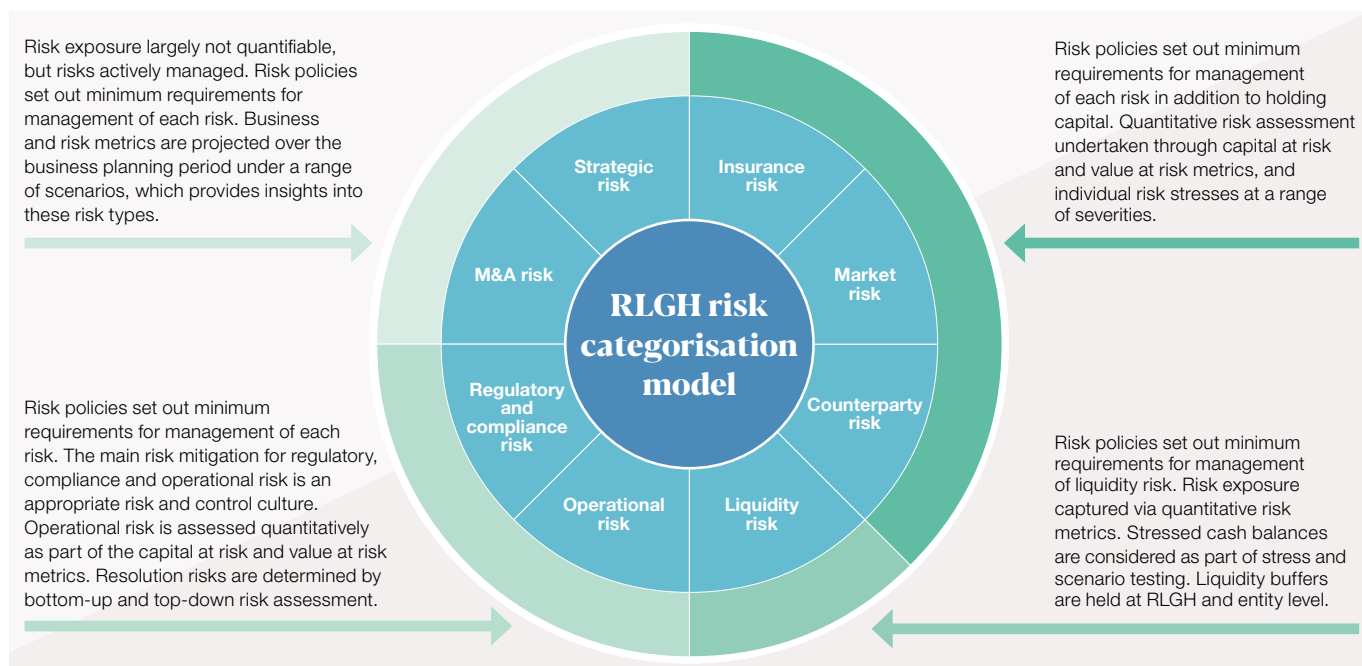
Stress and scenario testing is performed at least annually, and the impact on key metrics from new transactions is an integral part of the deal analysis process.

### Risk management (evaluation and response)

Risk evaluation occurs through regular review of risk exposures in relation to the risk appetite, discussion by senior management, and consideration of the optimal risk return positioning. Risk exposures are considered on a gross basis, prior to risk mitigation, as well as net of risk mitigation. This is because risk mitigation often results in transformation of risk, in contrast to risk elimination. Where risk exposures are outside risk appetite, nearing appetite limits or deteriorating quickly, appropriate risk response and risk mitigation measures are approved and implemented.

The appropriate risk mitigation response is developed from discussion and consideration of alternative strategies, including consideration of cost versus reward. Common risk management strategies include:

- hedging;
- asset-liability management actions;
- repositioning of the investment portfolio or changing allocation of new assets;
- allocation of additional risk capital;
- product management or re-pricing actions;
- business portfolio management through reinsurance, acquisition or divestitures; and
- maintenance of a liquidity cushion.



### Risk monitoring

Risk exposures are monitored on an ongoing basis. Where appropriate, control points are established for heightened monitoring, and limits are established that should not be breached. The risk management system includes early warnings or triggers that allows timely consideration of, and adequate response to, material risks. Key risk indicators are used to monitor risk on a day-to-day basis.

The Platforms monitor and report to the Group on their risks on an ongoing basis in line with risk appetite, Group standards and policies, so that risks can be identified and managed proactively and without undue delay. Risk monitoring and reporting is carried out by the responsible managers in the first line of defence, with appropriate oversight and assurance from the second and third lines of defence.

### Risk reporting

The overall assessment of risks and the related action plans are reported to the Board Risk Committee (BRC), the Board and senior management, using qualitative and quantitative indicators. The documented risk escalation process ensures risk issues are reported within established reporting cycles, and for urgent risk issues to be reported as needed outside them. Members of the Group Risk function attend Platform risk committees, and work closely with Platform risk teams to ensure Group Risk reporting presents an accurate assessment of both Group-wide and Platform-specific risks.

To enable effective monitoring by the executive policy owners, Resolution Life maintains a comprehensive process for reporting on all material risks to the BRC, including a comparison of risk exposures to the risk limits, which include early-warning indicators, and reporting on breaches.

Each executive policy owner certifies annually to the BRC whether the Group is, in his or her opinion, in material compliance with the requirements of the policy within his or her area of responsibility.

### Emerging risks

The Group regularly considers emerging risks by working closely with Platform risk teams to identify horizon risks (regulatory change, new laws, factors affecting policyholder behaviour, etc.) which might impinge on Resolution Life over the planning period. A virtual 'emerging risk wall' is used to brainstorm and share a long list across businesses, from which topics are chosen for further assessment and deep dive on a regular basis.

### Risk culture

The Group promotes a strong risk and control culture, with good risk behaviours that include risk awareness and discipline, transparency and clear accountabilities.

A strong risk culture supports embedding an appropriate risk appetite, such that risk is given careful consideration in all decision-making processes. In addition, a strong risk culture encourages the challenging of all assumptions, calculations and results in a business process.

### 2.5.2 How risk management and solvency self-assessment systems are implemented and integrated into the Group's operations

Risk strategy is implicit in the Group's business strategy and the Group Solvency Self-Assessment (GSSA) brings this out more explicitly. The GSSA is an integral part of the Group's existing business management, risk management, business planning and decision-making processes. The GSSA includes all the ongoing processes for risk identification, risk assessment and measurement, risk management, risk monitoring and risk reporting that are in place across the Group. Transactions and material projects are evaluated using the risk and value metrics to ensure an efficient allocation of capital.

Capital and other risk exposure metrics, methodology and results are challenged and reviewed as part of the GSSA. This includes the regulatory capital, liquidity, earnings and cash-flow profiles and value delivery over the business planning horizon. This allows the Group to view risk through different lenses and shows which risks impact our one-year view differently from multi-year creeping risks, and longer-term capitalised balance sheet risks.

Stress and scenario testing at Group and entity level is determined with reference to the Group's overall strategy, and the macro-economic environment that the Group operates in. The results relative to risk appetite are integral to decision-making.

The Group's most material risks are reported as 'top risks' and each has an assigned executive owner. Risk mitigation and action plans are considered regularly at the BRC.

### 2.5.3 Relationship between the solvency self-assessment, solvency needs, and capital and risk management systems of the insurance group

The Group's solvency self-assessment considers three elements that are aligned with its risk, capital and liquidity management frameworks. The three elements are:

- Ensuring that each insurance entity is sufficiently capitalised to meet its local statutory solvency and liquidity requirements on an ongoing basis and under reasonably foreseeable but severe scenarios in line with the Group's appetite. The assessment is supported by annual entity-level stress-testing, covering all core quantitative risk appetite metrics, as well as a Group-level value at risk assessment.
- Ensuring appropriate capital fungibility to avoid trapped capital; and sufficient Group holding company liquidity to meet holding company expenses and debt servicing, and support the Group's dividend policy.
- Ensuring sufficient capital and funding to support the Group's growth agenda. This element is strategic in nature and does not pose a capital and liquidity risk that needs to be assessed through stress- and scenario testing.

## Governance structure

### 2.5.4 Group solvency self-assessment approval process (GSSA)

The GSSA is performed by the Group Risk function with contributions from other Group functions and the Platforms. The Group operates a series of management oversight committees which together provide governance over all steps in the GSSA process. The Board is responsible for oversight of the GSSA procedures and responsible for the GSSA report, which documents the outcome and results of the GSSA processes to support Board decision-making. The GSSA is reviewed and approved by the Board at least annually, or earlier if there is a significant change in risk profile.

## 2.6 Internal controls

### 2.6.1 Internal control system

Resolution Life's internal control system is designed to provide reasonable assurance that its operations are effectively controlled, it is compliant with applicable laws and regulations, and its financial reporting is reliable. The Board is ultimately responsible for overseeing the adequacy and effectiveness of the risk management and internal control system. In practice, the oversight and management of the internal control system necessarily involves participation of the Board, Audit Committee, the Board Risk Committee, senior management, finance, risk, compliance, legal, line managers, internal audit and various committees.

Primary responsibility for ensuring day-to-day oversight of the internal control system lies with the Group ExCo, senior management and key functions holders (e.g. risk, compliance). The Group promotes the importance of appropriate controls by:

- ensuring that staff members are aware of their role in the internal control system (for example through communication and training);
- ensuring a consistent and adequate implementation of the internal control system across Resolution Life (for example, through a partnership between the first and second line functions, and Platforms' attestations to Group policies);
- continually reviewing the adequacy of the internal control system through various mechanisms (e.g. risk and control self-assessments, internal control over financial reporting assessments, controls testing); and
- establishing, monitoring and reporting mechanisms for decision-making processes.

Please see the section 2.3 (Risk management and solvency self-assessment) for a description of the internal control system relating to the risk function.

### 2.6.2 Compliance function

The Board retains ultimate responsibility for compliance; however, it has delegated day-to-day responsibilities to the Group Head of Compliance.

The Group Head of Compliance ensures:

- effective relationships with key regulators and industry groups in order to anticipate and manage new regulatory, legislative and industry developments applicable to the Group;
- implementation of appropriate policies and procedures, and monitoring of existing policies and procedures. This is to ensure compliance with regulatory and legislative obligations (including delivering training to employees, at least once a year, to keep employees up to date on new or updated policies and guidelines); and
- providing compliance risk management expertise, to ensure business initiatives maintain compliance whilst achieving business objectives.

The Group's compliance framework ensures there is effective oversight of the activities of the Group, taking into consideration the nature, scale and complexity of its business. This includes:

- compliance with all laws, standards and regulations that apply to our business, including the BMA Group Supervision Rules 2011 and related regulations;
- providing the business Platforms with clear guidance on the requirements and principles they should adopt in their own local Compliance Frameworks and policies;
- embedding compliance management into business processes and controls;
- exercising effective oversight of all Group functions;
- ensuring adequate resources to implement the Compliance Management Framework; and
- striving to constantly find ways to improve our compliance procedures.

The Group's Audit Committee and Board Risk Committee receive quarterly updates from the Group's legal and compliance functions in respect of monitoring the Group's compliance activities. Such reporting is designed to provide the committees with sufficient comfort that the Group has complied with all requisite regulatory and legal requirements; and, where necessary, to highlight any occasions on which the Group may have deviated (in a material and/or nonmaterial manner) from such requirements.

## 2.7 Internal audit

Internal audit has unrestricted access to all areas and property of the organisation, including personnel records and records held by third-party service providers; and has direct access to the Board through the Board's Group Audit Committee. To ensure internal audit remains independent, its employees are not authorised to perform any operational duties or approve any transactions in the organisation. Internal audit's responsibilities are outlined in the Internal Audit Charter, as approved by the Group Audit Committee.

The internal audit function provides independent, objective assurance and consulting services designed to add value and improve the Group's operations. It assists the Group to meet its objectives by bringing a systematic and disciplined approach to the evaluation and improvement of the effectiveness of risk management, internal controls and governance processes.

The internal audit plan is presented and approved on an annual basis by the Group Audit Committee and all findings of its reviews are reported to the Group Audit Committee.

## 2.8 Actuarial function

The key roles and responsibilities of the Group actuarial function include:

- overseeing the estimation of policyholder obligations, including assessing the adequacy of methodologies and assumptions for regulatory and financial reporting, including Economic Balance Sheet and US GAAP reporting on a Group consolidated basis;
- assisting in the completion of regulatory filings;
- assisting with the pricing and deal underwriting processes; and
- contribution to the effective implementation of the Risk Management Framework.

The production of GAAP financials is supported by advice from suitably qualified professionals, both internal and external to the Group. Actuarial assumptions are set by local actuaries appointed under the terms of local regulations and approved by the local boards. Consistent assumptions will generally be used for both local and Group reporting, as adjusted for the requirements of the relevant reporting basis. Oversight of those assumptions at the Group level is provided by the Group Valuation Actuary (who is also the Approved Actuary in line with the requirements of the BMA Group Supervision Rules). This procedure ensures independence and objectivity.

## 2.9 Outsourcing

### 2.9.1 Key functions and outsourcing guidelines

The Group has chosen to outsource some of its operational functions and activities in order to take advantage of economies of scale and external expertise. The Group maintains oversight of these outsourced functions and activities in line with its Third Party policy, which is owned by the Group President and COO. The following key functions and activities have been outsourced or partially outsourced (either not across all the Group, or only partially at local level):

- Investment management.
- IT infrastructure.
- Operations related to digital transformation.

The Group has adopted a Third Party policy, which establishes a consistent and prudent risk management framework in relation to the management of outsourcing arrangements and ensuring compliance with relevant regulatory requirements. The policy covers the entire outsourcing lifecycle, from identifying the need for outsourcing through relationship management to providing processes to effectively manage the risks associated with outsourcing relationships.

### 2.9.2 Material intra-group outsourcing

Given the material increase in the size of the Group over recent years, there has been an associated increase in the responsibilities sitting at Group level. As a result, the Group is setting up intercompany services agreements with other Resolution Life companies that enable the Platforms to access professionals in other parts of the Group. The services agreements are expected to be in line with the Group's Third Party policy – hence, ensuring that the services provided are adequate, and in line with the wider risk management frameworks at both local and Group levels.

The services agreements mainly pertain to support with activities such as: (i) assisting with client relationship management; (ii) providing due diligence support and analysis on new reinsurance transactions; (iii) collecting and analysing information on the performance of Platform portfolio investments; (iv) assisting in connection with other research, operational and administrative matters relating to Platforms; (v) assisting with M&A and related activities; and (vi) providing strategic advice in relation to these activities.

## 2.10 Any other material information

There is no other material information to report.



# Risk profile

## 3

*The Group has a diversified risk profile, with increasing geographic diversification and a good split between insurance and market risk. Within each category of insurance and market risk there is a balanced mix of the different types of risks.*

While our overall risk exposure and its geographical spread has increased, the capital resources held against it have also grown, such that we remain within our risk preferences and appetite. In general, we have increased our exposure to the broad risk types that already existed within our portfolio, achieving a better balance across them, rather than exposing the Group to new risks.

All of our Platforms maintained surplus capital consistent within the conservative ranges we set to make sure we stay well capitalised throughout the economic cycle. We generated profits that were used to fund new transactions and support dividend payments.

### 3.1 Material risks

The Group Chief Risk Officer (Group CRO) works with each functional area of the Platforms and the Chief Risk Officers of the relevant Platforms to ensure that all material risks that the Group is exposed to are identified, assessed and managed. The resultant Group risk profile is included in the Group CRO risk report that is submitted to the Board Risk Committee and Board regularly.

Resolution Life is exposed to three main types of risks:

- Risks that are actively taken as part of insurance or asset management operations which are quantifiable and where capital is held to back the risk exposure. These largely include insurance, market (including investment credit) and counterparty risk. While the Group holds capital for operational risk, the key mitigation is strong processes and controls.
- Risks that we don't explicitly hold capital for but that we monitor and control, given their significance. These largely include liquidity (although the Group and Platforms hold liquidity cash buffers and have access to revolving credit facilities to ensure that liquidity risk is appropriately managed and mitigated), regulatory and compliance, M&A and transaction, strategic and sustainability risk.
- Reputational risks that may be possible consequences of any risk type, in addition to the potential financial and compliance impact. Reputational risk is not considered a separate risk category but rather represents a possible consequence of any risk type, in addition to the potential financial and compliance impact.

## 3.2 Risk mitigation

Risk type	Risk preference	Mitigation
<p><b>Insurance risk</b> arises from coverage provided for mortality (death), longevity (annuity) and morbidity (illness and disability) in acquired closed books of business. In addition to potential shock events (such as a severe pandemic), it includes underlying risks inherent in life and health contracts that arise because mortality, morbidity or lapse experience deviates from expectations.</p>	<p>Resolution Life accepts insurance risks as these are risks that are inherent in building an insurance book. We set target risk preferences measured as prospective value at risk according to our skills in underwriting and pricing.</p> <p>Limits have been set that reflect the Group's preferences for not having significant risk concentrations. As such, the Group does not have appetite to be disproportionately exposed to any individual insurance risk type.</p>	<ul style="list-style-type: none"> <li>• Underwriting books of life insurance businesses prior to acquisition.</li> <li>• Recruitment and investment in the skills and modelling capabilities which understand insurance risk.</li> <li>• Insurance risk is managed at business level in accordance with the Group Insurance Risk policy. The Group does not have any concentration of demographic risk across its businesses, given geographic diversification and expected diversification between mortality and longevity risks.</li> <li>• Regular risk exposure monitoring, reporting and escalation processes are in place, allowing for potential remediation actions to be undertaken if required.</li> <li>• Strong claims management and reinsurance are a standard element of our risk framework.</li> <li>• At Group level, diversification between different types and geographic locations of insurance risk is expected to increase as the Group continues to grow.</li> </ul>
<p><b>Financial market risk</b> represents the potential impact on assets or liabilities that may arise from movements in financial market prices or rates, such as equity prices, credit spreads, hedge fund prices, real estate prices, commodity prices or foreign exchange rates. Financial market risk originates from two main sources: investment activities, and the sensitivity of the economic value of liabilities to financial market fluctuations.</p>	<p>We actively seek some market risks as part of insurance and asset management operations. We set target risk preferences measured as prospective value at risk.</p>	<ul style="list-style-type: none"> <li>• Risk appetites set to limit exposures to key market risks.</li> <li>• Active asset management and use of derivatives to hedge portfolios against adverse market movements (for example, protective puts) or to reduce the reinvestment risk (for example, by using forwards, swaps, forward starting swaps or swaptions).</li> <li>• Active asset and liability duration matching.</li> </ul>
<p><b>Financial market risk – interest rate levels and volatility:</b> The Group has a low appetite for interest rate risk. The long-dated liabilities in the portfolios contribute to interest rate risk, in particular when they cannot be fully matched by available investments due to long maturities. However, we cannot eliminate the risk entirely and the Group's profitability may be adversely affected by interest rate levels and volatility. The Group may be required to reinvest assets in securities bearing lower interest rates, which in turn could compress its interest margins and decrease profitability.</p> <p>Conversely, the Group may be required to liquidate fixed income investments at a time when market prices for those assets are depressed because of increases in interest rates.</p>	<p>The Group has a low appetite for interest rate risk.</p>	<ul style="list-style-type: none"> <li>• Imposition of constraints on the amount of investment risk that can be taken. Those constraints operate at different levels, and will have been developed on a bottom-up basis, but are also tested top down to make sure implications at an entity level are well understood.</li> <li>• Each business will operate within defined investment guidelines (IGs) which reflect the particular circumstances of the business it has written historically, or which has been added by way of transactions. For example, for Resolution Re, it will have agreed investment guidelines for the collateral accounts with each of the counterparties under their respective re-insurance agreements. Each collateral account will then be monitored to ensure compliance with the investment guidelines.</li> <li>• The Group has set a 'capital at risk' appetite for each entity to ensure that there is sufficient capital to deliver an appropriate buffer over regulatory solvency requirements when considered in isolation.</li> </ul>

## Risk profile

Risk type	Risk preference	Mitigation
<p><b>Investment credit risk</b> arises from investment and treasury activities, structured transactions and reinsurance.</p>	<p>Resolution Life seeks investment credit risk as it is a natural part of building up an asset portfolio to support life insurance liabilities. Our investment managers actively leverage the structural investment advantages credit portfolios confer against long-dated, relatively illiquid liabilities, enabling us to earn investment returns. We set target risk preferences measured as prospective value at risk.</p>	<ul style="list-style-type: none"> <li>• Fixed-income portfolios should be diversified across different issuers, asset types, industries, maturities, credit ratings and geographies.</li> <li>• Maximum limits will be set around the level of permitted concentration to single entities, individual asset classes, individual industries and credit ratings, to ensure a well-balanced and diversified portfolio.</li> <li>• Credit risk hedging.</li> <li>• Working closely with outsourced investment management partners to make investments in order to generate an adequate risk-adjusted return.</li> <li>• Credit risk management to monitor and assess credit risk.</li> </ul>
<p><b>Counterparty risk</b> reflects the potential financial loss that may arise due to the diminished creditworthiness or default of counterparties of Resolution Life or of third parties.</p>	<p>Resolution Life works with strongly rated and stable counterparties, and diversifies counterparty exposures where appropriate.</p>	<ul style="list-style-type: none"> <li>• Concentration risk exposure to counterparties through investment assets is limited through the investment guidelines.</li> <li>• Reinsurance counterparty exposure is limited under the counterparty risk exposure policies of each of the businesses.</li> <li>• Derivative counterparty risk exposures are limited by the operation of central clearing and daily settlement.</li> </ul>
<p><b>Liquidity risk</b> represents the possibility that, despite holding liquidity capital buffers throughout the Group, Resolution Life would be unable to meet expected and unexpected cash flow and collateral needs without affecting either daily operations or our financial condition.</p>	<p>The Group has a very low appetite for insufficient liquidity to meet its obligations to customers, suppliers and other stakeholders.</p>	<ul style="list-style-type: none"> <li>• Liquidity capital buffers are held throughout the group. Each legal entity of the Group manages liquidity risk locally and Group head office manages the overall holding company liquidity risk.</li> <li>• The minimum requirements for managing and mitigating liquidity risk take into account the following: <ul style="list-style-type: none"> <li>– Maintenance of minimum liquidity coverage ratios and minimum levels of liquid assets to deliver financial obligations to all stakeholders even under stress scenarios.</li> <li>– Compliance with regulatory requirements.</li> <li>– Rating agency requirements.</li> <li>– Short-term and longer-term liquidity needs of the business.</li> </ul> </li> <li>• Maintaining committed borrowing facilities from banks.</li> <li>• Commercial paper issuance.</li> <li>• Conservative management in aligning asset and liability cash flows.</li> </ul>
<p><b>Operational risk</b> arises from unintended effects, either financial or non-financial such as additional regulatory oversight, resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risk. Given the Platforms are mostly autonomous in terms of operations, concentration of operational risks is limited to a small number of areas where Group-wide programmes and suppliers impact most or all Platforms.</p> <p>Resolution Life has no direct operational exposure to the Russian and Belarusian market via its strategic business partners.</p>	<p>The Group has limited appetite for operational risk and will seek to ensure that such risk is controlled through the application of the three lines of defence. Within the first line it is expected that each business Platform will operate a risk and control self-assessment process through which it will ensure that the residual risk is reduced to acceptable levels – i.e., balancing the cost of implementing further controls against the benefit and risk reductions achieved.</p>	<ul style="list-style-type: none"> <li>• Maintenance of a strong control environment to limit these risks as far as possible.</li> <li>• Where Resolution Life outsources some of its operations, it undertakes thorough due diligence in advance of appointment and then has a strong oversight programme.</li> <li>• Preparation for potential operational risk events is regularly carried out through both tabletop and drill exercises.</li> </ul>



Risk type	Risk preference	Mitigation
<p><b>Regulatory and compliance risk</b> arises from non-compliance with existing laws, regulatory and legal requirements or lack of preparation on future changes to laws (including tax) and regulations in the jurisdictions in which we operate.</p>	<p>The Group is committed to comply with all laws, standards and regulations that apply to its business, including the BMA Group Supervision Rules 2011 and related regulations. The Group aims to follow best practices in areas of accountability, transparency and business ethics. Good governance and Environmental, social and governance (ESG) considerations form an integral part of market standards. At the core of these efforts are integrity issues and the reputation risk the Group faces in its activities.</p> <p>The Group has no appetite for deliberate non-compliance with existing and upcoming laws, standards and regulations that apply to its businesses. It acknowledges that in rare circumstances unintended non-compliance may arise. Any breaches should be escalated quickly, and appropriate remedial or disciplinary action should be taken according to the relevant procedures if breaches are identified. In addition, root cause analysis will be performed to identify any process or control enhancements that may be required.</p>	<ul style="list-style-type: none"> <li>• Open, transparent and regular dialogue with regulators and advisors together with investors in order to ensure compliance with regulatory and legal requirements and expectations.</li> <li>• Participation in regulatory and industry working groups.</li> <li>• Compliance with all laws, standards and regulations that apply to our business, including the BMA Group Supervision Rules 2011 and related regulations.</li> <li>• Providing the businesses clear guidance on the requirements and principles they should adopt in their own local compliance frameworks and policies.</li> <li>• Embedding compliance management into business processes and controls.</li> <li>• Exercising effective oversight of all Group functions.</li> </ul>
<p><b>M&amp;A risk:</b> Given the nature of Resolution Life's business model, acquisitions and transactions are effectively the Group's new business. The Group is exposed to M&amp;A and transaction risk which includes uncertainty or loss arising from not fully understanding or appreciating the size, scope and complexities of business we acquire. The risk relates to transactions and is short term in nature. After acquisition, the risk migrates to strategic and/or operational execution risk.</p>	<p>The Group has very low appetite for material reputational and financial risk arising from M&amp;A activity. As such, strong controls and governance are applied.</p>	<ul style="list-style-type: none"> <li>• This activity is run as a centre of excellence by highly skilled staff supported by leading advisory teams.</li> <li>• The Group has very low appetite for material reputational and financial risk arising from M&amp;A activity.</li> </ul>
<p><b>Strategic risk</b> represents the possibility that poor strategic decision-making, execution or response to industry changes or competitor actions could harm our competitive position and thus our franchise value.</p>		<ul style="list-style-type: none"> <li>• Robust annual strategic planning process.</li> <li>• Strong governance and gatekeeping surrounding key business decisions and investments.</li> <li>• Group-wide enterprise risk management processes considering strategic and emerging risks on a regular basis.</li> </ul>
<p><b>Sustainability risk</b> comprises the environmental, social and ethical risks that may arise from individual business transactions or the way Resolution Life conducts its operations.</p>		<ul style="list-style-type: none"> <li>• Resolution Life takes ESG seriously and has established an ESG working group to focus on improving the way in which we manage this risk.</li> <li>• ESG is owned by the Group ExCo and overseen by the Board.</li> </ul>

## Risk profile

### 3.3 Material risk concentrations

Resolution Life has policies governing risk concentrations in relation to counterparties, credit quality and asset classes. Adherence to these policies is monitored by the Board Risk Committee (BRC) and the Board. The Group is compliant with these policies and has not determined any material risk concentrations.

### 3.4 Investment in assets in accordance with the prudent person principle

The prudent person principle as outlined in the BMA's Insurance Code of Conduct, provides that a Bermuda-registered insurer, in determining the appropriate investment strategy and policy, may only assume investment risks that it can properly identify, measure, respond to, monitor, control and report, while taking into consideration its capital requirements and adequacy, short-term and long-term liquidity requirements, and policyholder obligations.

Resolution Life's fundamental investment principle is to invest available funds in a diversified portfolio of assets, acknowledging our commitment to environmental and social responsibility to ensure policyholder commitments are met while contributing to the overall growth and profitability of the Group. This responsible investment principle is captured in the Group's investment risk management policy (and the associated subsidiary investment policies) which have been adopted by the Board. The Group CRO, as executive policy owner, reports to the BRC and the Board on the Group's compliance with these policies on an annual basis.

The risk appetite framework establishes allowable asset risk, exposures and limits for investment related asset classes. These are approved annually by the BRC and provide the ultimate portfolio constraints on the Group's assets.

To execute its investment strategy, Resolution Life employs the services and expertise of external investment management strategic partners who are bound by comprehensive investment management agreements and investment guidelines for asset classes and limits. Compliance with these guidelines is reported on a quarterly basis by the investment managers.

### 3.5 Stress testing and sensitivity analysis to assess material risks

Each business Platform produces a business plan annually which will typically be of at least five years duration. As part of the risk management process, the risk team will identify and consider the material risks associated with the strategic objectives and business plan.

Having identified these risks, the Platforms undertake stress and scenario planning at least annually. This supports the Group's objective of demonstrating that they are operating in accordance with the agreed risk metrics, and helps determine the risk budgets and risk limits which will be applied to each Platform from that moment on.

Resolution Life's risk appetite is approved annually by the Board. The risk appetite specifies the maximum allowable economic loss for each risk type individually and for various combinations of risk types, assuming a series of pre-defined loss scenarios with pre-defined severity levels. The risk appetite and tolerance limits allow for correlation and diversification effects.

The Group stress-testing policy describes the stress scenarios that require stress-testing to be performed. The stress scenarios are designed to assess the most material risks faced by the Group and ensure that it remains within its overall risk capacity as set by the Board. Risk capacity is measured by evaluating the impact of predefined stresses on the Group's capital, liquidity and dividend capacity positions.

It is expected that in the normal course of business, risk stresses will be applied to each of the components of the risk taxonomy for which capital is held.

When updating and changing the business plan annually, Platforms consider any anticipated change in their risk profile. They may also need to include scenario analysis over the duration of the business plan in order to consider the prospective impact of such changes. These scenarios may either be set in the Group instructions (e.g. as a result of identifying a likely global macroeconomic risk, such as inflation), or may simply be required locally for the Platform board or regulators.

Risk limits and stress testing are considered at three severity levels:

- a) **Adverse stress scenario** – This scenario measures the impact of an 'average recession/stress' period on all risk measures. This may be thought of as a 1 in 10 scenario. For economic risks, the scenario is calibrated to the average recession/stress period. For mortality and other non-market risks, the shock is also calibrated to the 1 in 10 level, although the calibration is more approximate. The scenario is assumed to occur over a 12-month period.
- b) **Severe stress scenario** – This scenario measures the impact of a more severe recession/stress period on all risk measures. This may be thought of as a 1 in 40 scenario (similar to the 2008-2009 period). For mortality and other non-market risks, the shock is also calibrated to the 1 in 40 level, although the calibration is more approximate. The scenario is assumed to occur over a 12-month period.
- c) **Extreme stress scenario** – This scenario is meant to measure the impact of a scenario 'as bad or worse' than we've ever experienced, on the capital measure only. This may be thought of as a 1 in 200 scenario for both economic and non-market risks. The scenario is assumed to occur over a 12-month period.

In connection with supporting the Group's strategy, Resolution Life has put in place certain debt financing arrangements which requires Resolution Life to satisfy certain debt covenants on an ongoing basis.

Similarly, albeit even more remote, there are recapture triggers which may potentially be invoked in the event of covenant breaches which are enshrined in agreements under which we have accepted re-insurance liabilities. This counterparty protection is generally well out of the money and below the risk limits that we have set for our 1 in 40 stresses. Nonetheless, the level of such covenants and the financial consequences of a breach are well understood and monitored on an ongoing basis.

### 3.6 Any other material information

There is no other material information to report.

# Solvency valuation

## 4

### 4.1 Valuation bases, assumptions and methods to derive the value of each asset class

Resolution Life has used the valuation principles in the BMA's 'Guidance Note for Statutory Reporting Regime' for this filing. The economic valuation principles outlined in this document are to measure assets and liabilities on a fair value basis. Fair value is the price the Group would receive when selling an asset or paying to transfer a liability in an orderly transaction between market participants as at the measurement date. The hierarchy for inputs used in determining fair value maximises the use of observable inputs and minimises the use of unobservable inputs, by requiring that observable inputs be used when available.

The Group uses the following valuation methods and assumptions to determine fair value for assets held directly and assets supporting funds withheld at interest.

#### 4.1.1 Publicly-traded securities

The fair values of publicly-traded securities are based on prices obtained from the Group's investment managers (internal and external), which have been validated against independent pricing services. The investment managers obtain market quotations for identical securities in an active market, or similar securities in an active market, or identical securities in an inactive market. In certain instances, the investment managers will apply their own proprietary internal model which is based on observable market inputs for determining the fair value of securities that are not actively traded.

The investment managers maintain a price source hierarchy which prioritises market prices obtained in active and reliable primary markets. To validate the prices supplied by the investment managers, the Group's review process includes a comparison of prices obtained from independent pricing sources for the same investments. Where the price comparison exceeds the Group's pricing tolerance limits, the Group will obtain additional price quotes to determine which price is an outlier and select the price that most accurately reflects market values. Where the pricing comparison exceeds the tolerances and there is no further tertiary source available, the more conservative price is selected.

The Group's management reviews and approves the pricing comparison each quarter.

## Solvency valuation

### 4.1.2 Non-publicly-traded securities

The fair value of non-publicly-traded securities, which include commercial mortgage loans, private placements and alternative investments, are determined using generally accepted valuation methodologies and inputs, and assumptions appropriate to each security. For example, the valuation of commercial mortgage loans is based on a discounted cash flow valuation approach, where the cash flows used in the calculation consider the regular interest, amortisation and prepayment provisions of the loan.

### 4.1.3 Investment funds

Certain of the Group's investment funds are priced based on market-accepted valuation models and use significant unobservable inputs, which include material non-public financial information, estimated future cash flows and demographic assumptions.

### 4.1.4 Cash and cash equivalents

This category includes cash on hand, amounts due from banks, and certain money market securities, held in the ordinary course of business with maturities of three months or less when purchased. The carrying amount of cash equals fair value. The fair value of cash equivalents is based on quoted market prices.

### 4.1.5 Derivative instruments

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices (current bid price or current offer price). The fair value of financial instruments not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques. Valuation techniques include net present value techniques, option pricing models, discounted cash flow methods, and comparison to quoted market prices or dealer quotes for similar instruments. The models use a number of inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying instruments. Some derivative contracts are significantly cash collateralised, thereby minimising both counterparty risk and the Group's own non-performance risk.

### 4.1.6 Segregated assets

The assets held in separate accounts are reported at the fair values of the underlying investments in the segregated accounts. The underlying investments include investment funds, short-term investments, equities, cash and fixed maturities.

## 4.2 Technical provisions valuation bases

Technical Provisions represent the value of in-force liabilities as at 31 December 2021, which are calculated in line with the Economic Balance Sheet valuation principles as defined in the BMA's 'Guidance Note for Statutory Reporting Regime'. The Technical Provisions are the sum of a Best Estimate Liability (BEL) and a Risk Margin (RM). The BEL is intended to represent an average expectation of insurance cash flows, both inflows and outflows, while the RM reflects an allowance for the risk of uncertainty inherent in the best estimate cash flows and is intended to reflect the compensation that an insurer requires to bear this risk. The Technical Provisions employ techniques and principles that are in accordance with BMA guidance.

As at 31 December 2021, the Technical Provisions are as follows, which for presentational purposes also include policyholder balances and other similar segregated account balances:

\$m	Total
Gross BEL	89,520
Reinsurance Rec.	(15,668)
Net BEL	73,852
Risk Margin	938
Total	74,790

The valuation methods used to determine the BEL vary by Platform. In particular, each Platform has utilised existing projection models used for local statutory reporting, with appropriate adjustments to reflect BMA requirements.

Regardless of the method employed, the same types of cash flows are used in determining the BEL:

- Future policyholder premiums.
- Benefit payments to cedants, policyholders, and beneficiaries, including an allowance for any discretionary benefits.
- Various expenses (administrative, claims management, acquisition, investment, overhead).

RLUS and Res Re primarily used the BMA's Scenario Based Approach (SBA), using best estimate cash flows and the projected performance of the Group's assets under eight interest rate stress scenarios. The SBA is most appropriate for blocks of business with a well-defined asset/liability management programme, allowing for use of the asset portfolios backing the liabilities to be projected in accordance with local investment practices. The discount rates are defined based upon both the existing asset pools as well as reinvested assets throughout the projection. The BEL is set as the most severe scenario of the eight scenarios.

RLUS holds a small variable annuity block which is valued using risk neutral stochastic calculations to adequately capture the cost of market related guarantees.

RLA employs the 'standard scenario' approach, which represents a liability-only model with discount rates consistent with the BMA requirements.

A key factor in calculating the BEL is the determination of the lifetime of the contract, which is the earlier of the date that the insurer can unilaterally terminate cover, or the date that the insurer can unilaterally adjust the contract (e.g. benefits or premiums) to fully reflect emerging risk in the portfolio. Only RLA has needed to apply shortened contract boundaries relative to the approach taken in the statutory financial statements.

The risk margin is calculated using the cost of capital approach and a risk-free discount rate term structure.

The BEL for the Group is the sum of BEL from the individual Platforms while the RM is calculated at a Group level, taking into consideration diversification benefits.

### **4.3 Recoverables from reinsurance contracts valuation bases**

Reinsurance recoverables are calculated using the same principles as those used to calculate the gross reserves. The cash flows underlying the recoverable are based on unbiased prevailing assumptions and take into account all future cash flows needed to settle future insurance obligations. In addition, per the BMA guidance, an explicit addition to BEL is required to reflect the probability of reinsurer default and the associated loss given such default.

### **4.4 Valuation bases, assumptions and methods of other liabilities**

All of the following are held using US GAAP principles:

- Financial liabilities (collateral held, deposits, repurchase agreements and borrowings).
- Insurance and reinsurance payables. These payables relate to claims arising out of insurance and reinsurance operations and other operational payables.
- Other accounts such as accounts payable, accruals, tax payable, deferred tax assets/liabilities.

Deferred tax assets/liabilities use US GAAP as a basis and then adjust for BEL differences to arrive at the deferred tax assets/liabilities for EBS reporting.

### **4.5 Other information to report**

There is no other material information to report.

# Capital management

## 5

### 5.1 Eligible capital

#### 5.1.1 Capital management policy

Resolution Life's primary capital management objectives are to prudently manage its capital resources in order to meet regulatory capital requirements, ensure payment of policyholder and other obligations in defined stress scenarios, and generally to maintain the confidence of stakeholders.

The BMA has established rules for the Minimum Solvency Margin (MSM) as well as for the Enhanced Capital Requirements (ECR) via the promulgation of its Insurance Prudential Standards. The Group recognises that, in order to maintain the confidence of stakeholders and to effectively pursue its business strategy, it will need to maintain capital in excess of the minimum regulatory capital requirements.

The Group needs to maintain minimum operating capital at a level of more than 120% of the ECR at all times. The Group aims, however, to maintain operating capital at levels significantly higher than the 120% threshold, which ensures a high likelihood that this minimum will continue to be met even after stress events as set out within the Group risk appetite and stress-testing policies. The Board-approved target operating capital ranges allow the Group to operate within a range which it believes would be considered reasonable for a regulated life insurance group.

The Group recognises that capital provides a buffer that is expected to absorb variations in experience. Actual capital ratios may fall below the target level during and following periods of stress, and target capital levels are set accordingly. For business planning purposes, capital needs are determined through stress testing under the pre-defined stress-test scenarios described in the Group's risk appetite and stress-testing policy. For each pre-defined stress-test scenario, the Group is required to meet minimum capital levels after such a scenario. Resolution Life performs stress testing on a regular basis and reports the forecasted level of capital and capital ratios to the Board Risk Committee. If a potential breach of the target capital levels were anticipated, remedial strategies will be activated.



### 5.1.2 Categorisation of eligible capital

The BMA has a three-tiered capital system to assess the quality of capital resources that an insurance group has available to meet its capital requirements. The tiered capital system classifies all capital instruments into one of three tiers based on their 'loss absorbency' characteristics, with the highest quality capital classified as Tier 1 capital and lesser quality capital classified as either Tier 2 capital or Tier 3 capital. Only Tier 1 and Tier 2 capital are admissible to cover the Minimum Margin of Solvency (MSM), whereas all tiers of capital are admissible to cover the ECR, subject to percentage admissibility limits defined by the BMA.

Available capital has been adjusted to reflect, where applicable, the limited accessibility of the assets. As at 31 December 2021, Resolution Life's eligible capital was categorised as shown in the table below:

Eligible capital	\$m
Tier 1	4,467
Tier 2	395
Tier 3	251
	<b>5,113</b>

At 31 December 2021, Resolution Life's eligible capital was primarily categorised as Tier 1, the highest quality capital, mainly consisting of common share capital and share premium, and statutory surplus. Tier 2 capital of \$395m related to two subordinated debt instruments and preferred shares. Tier 3 capital of \$251m related to a subordinated debt instrument.

As at 31 December 2021, the Group's eligible capital for its MSM and ECR was categorised as follows:

	MSM Limit	ECR Limit	MSM, \$m	ECR, \$m
Tier 1	80% (min)	60% (min)	4,467	4,467
Tier 2	20% (max)	40% (max)	395	395
Tier 3		15% (max)	0	251
			<b>4,862</b>	<b>5,113</b>

Under the percentage admissibility limits for the ECR defined by the BMA as at 31 December 2021, the Group has unused incremental Tier 2 capacity available of \$576m and unused incremental Tier 3 capacity available of \$207m.

### 5.1.3 Eligible capital that is subject to transitional arrangements

No eligible capital is subject to transitional arrangements.

### 5.1.4 Factors affecting encumbrances on the availability and transferability of capital to meet the ECR

The Group has a number of inward reinsurance agreements which operate with collateral requirements and a ring-fenced participating long-term insurance fund in RLA. Encumbrances have been allowed for in respect of these in line with BMA requirements when determining the eligible capital available to meet the ECR.

### 5.1.5 Identification of ancillary capital instruments approved by the BMA

As at 31 December 2021, \$770m of Tier 1 capital related to long-term investment credit approved by the BMA as ancillary capital.

The following debt facilities were also approved by the BMA as being Tier 2 ancillary capital:

- A\$300m (c.\$218m) 15 year Tier 2 subordinated debt facility issued by AMP Life Limited in December 2020, with a first call date five years from issuance. As at 31 December 2021, the facility contributed \$172m to the Tier 2 ancillary amount.
- \$123m 15 year subordinated debt facility issued by Security Life of Denver Insurance Company Ltd in January 2021, with a first call date five years from issuance. As at 31 December 2021, the facility contributed \$123m to the Tier 2 ancillary amount.
- \$100m perpetual preference shares issued by Resolution Life U.S. Intermediate Holdings Ltd in January 2021. As at 31 December 2021 the facility contributed \$100m to the Tier 2 ancillary amount.

The BMA has also approved a \$251m three-year bridge loan facility issued by Resolution Re Finance (Bermuda) Ltd on 30 June 2021 as being Tier 3 Ancillary capital.

### 5.1.6 Differences in shareholder equity as stated in the financial statements versus the available capital and surplus

A reconciliation between the total equity balance as per the Group's US GAAP financial statements and total eligible own funds as at 31 December 2021 is shown below. The most significant differences are due to the impact of employing statutory-based technical provision valuation techniques, the reclassification of subordinated liabilities and the non-admissibility of deferred acquisition costs.

	\$m
<b>US GAAP total shareholder equity</b>	<b>5,463</b>
Reclassification of NCI interests	564
Non-admitted assets net of tax	(108)
Debt instruments approved as statutory capital	547
Insurance and financial asset and liabilities valuation differences	2,010
Non-admissibility of deferred acquisition costs	(3,091)
Net deferred tax on valuation differences	(87)
Other	(185)
<b>Eligible own funds on an EBS basis</b>	<b>5,113</b>

## Capital management

### 5.2 Regulatory capital requirements

The table below shows the Group's regulatory capital requirement as at 31 December 2021:

Regulatory capital requirements	\$m
BSCR	3,056
MSM	1,674
ECR	3,056

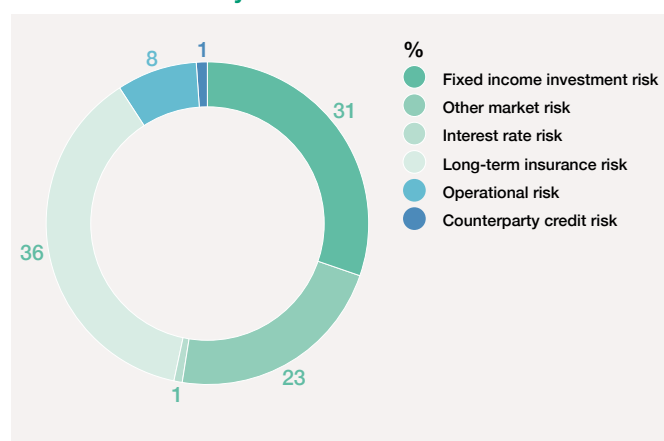
The ECR is determined based on the maximum of the MSM and the Bermuda Solvency Capital Requirement (BSCR).

The MSM is assessed as the aggregate MSM for each of the qualifying entities in the Group. The MSM for each qualifying entity is given by the minimum solvency requirements, calculated in accordance with the local regulatory capital regime.

Resolution Life uses the BMA BSCR Model to determine the ECR. The BSCR regime is a risk-based assessment of capital requirements. The capital requirements are calculated by applying factors of stresses to a measure of exposure, where those factors or stresses are prescribed by the BMA. The capital requirements are then aggregated using a correlation matrix to allow for covariance between risk factors. The correlation factors used are prescribed by the BMA. The BSCR model includes risk modules for market, credit, property & casualty (P&C) insurance, long-term insurance and operational risk. Resolution Life does not write any P&C risk, and as such the P&C risk module is not used. The Group uses only the new capital regime to determine the capital requirements.

The chart below shows the composition of the Group's undiversified ECR by BSCR risk category as at 31 December 2021.

#### Undiversified ECR by risk



The largest component of the undiversified ECR is market risk, which is dominated by fixed income risk. Other market risks include equity, property and concentration risk. There are only low levels of interest rate risk in the ECR.

Long-term insurance risk is the second-largest component and covers mortality, longevity, morbidity, variable annuity guarantee and other long-term risks.

Operational risk and credit risk represent smaller proportions of the overall undiversified ECR.

#### 5.2.1 Identification of any non-compliance with the MSM and the ECR

Not applicable.

#### 5.2.2 Description of the amount and circumstances surrounding the non-compliance, the remedial measures and their effectiveness

Not applicable.

#### 5.2.3 Where the non-compliance is not resolved, a description of the amount of the non-compliance

Not applicable.

#### 5.2.4 Approved internal capital model

Not applicable. The Group has not applied to use an internal capital model to determine its regulatory capital requirements.

#### 5.2.5 Capital coverage ratio

The table below shows the Group's capital coverage ratio as at 31 December 2021.

EBS solvency position, \$m	MSM	ECR
Eligible capital	4,862	5,113
Capital requirement	1,674	3,056
Coverage ratio	290%	167%

At the reporting date, the capital coverage ratio comfortably exceeds the minimum solvency target level set by the BMA (120% of ECR).

### 5.3 Any other material information

There is no other material information to report.



# Description of subsequent events

## 6

### 6.1 Transactions pending completion

The Group has signed agreements in respect of the following transactions:

- In November 2021, the Group entered into an agreement to acquire AMP Ltd's minority equity interest in RLA for a total consideration of A\$534m (c.\$380m). The acquisition includes settlement of a number of warranty and indemnity claims with AMP Ltd. It is subject to regulatory approvals and expected to complete by 30th June 2022.
- In February 2022, RLA announced that it entered into an agreement with AIA Australia Limited to acquire its superannuation and investments business. The transaction will increase RLA's funds under management and administration by approximately A\$8bn (c.\$6bn) and will result in c.162,000 AIA Australia customers joining Resolution Life's existing 1.1 million Australasian customer base.

The financial results of these transactions are not included in the Group's financial statements because they either remained subject to regulatory approval at the reporting date or were signed after the reporting date, in line with customary practice. For the purposes of this FCR, the pro-forma impact of the acquisition of AMP Ltd's minority equity interest has been reflected.

These transactions will have the following impacts on the Group FCR:

- **Business and performance** – The Group will expand its geographical presence in Australia.
- **Governance structure** – Risk management, internal controls and other functions and processes will be affected.
- **Risk profile** – The risk profile will change. It is expected that the transactions will introduce a greater proportion of market and life insurance risk, aligned to our strategy, which will allow the Group to further diversify its business.
- **Capital management** – The Group's internal calculations indicate that it will be able to meet all regulatory requirements post-acquisition, and the Group will be in full adherence to its Capital Management Policy.

### 6.2 Other material subsequent events

On 24 February 2022, Russia launched a military invasion of Ukraine. The Russia-Ukraine war has increased geopolitical and economic uncertainty. The Group had immaterial exposure in its investment portfolio to Russia (approximately \$37m) and to Ukraine (approximately \$6m) as of 31 December 2021.

# Declaration

*We declare that to the best of our knowledge and belief, the information in this FCR fairly represents the financial condition of the Group in all material respects.*

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**Clive Cowdery**  
Founder and Executive Chairman

16 June 2022



**Jonathan Moss**  
Group Chief Risk Officer

16 June 2022

# Glossary

## Best Estimate Liability

The BEL represents the expected present value of future cash flows related to insurance and reinsurance obligations in force at reporting date. The best estimate liability is calculated on a gross and net of reinsurance basis, i.e. with and without a deduction for a recoverable amount from reinsurance contracts.

## Bermuda Solvency Capital Requirement

The BSCR regime is a risk-based assessment of capital requirements that an insurance company is to hold. The capital requirements are calculated by applying factors of stresses to a measure of exposure, where those factors or stresses are prescribed by the BMA. The capital requirements are then aggregated using a correlation matrix to allow for covariance between risk factors. The correlation factors used are prescribed by the BMA. The BSCR model includes risk modules for market, credit, property & casualty (P&C) insurance, long-term insurance and operational risk. Resolution Life does not write any P&C risk, and as such the P&C risk module is not used. The Group uses only the new capital regime to determine the capital requirements.

## Designated Insurer

The Designated Insurer is the lead insurer for the members of the insurance group operating in Bermuda. The Designated Insurer has the duty to facilitate and maintain compliance by the group with the BMA requirements, and thus is integral to the BMA's framework for group supervision.

## Economic Balance Sheet

Capital regime promulgated by the BMA, where assets and liabilities are determined on a best-estimate fair market value basis.

## Eligible Capital

Relates to the value of the Group's total statutory economic capital and surplus, as defined and calculated in accordance with Schedule XIV of the Group Prudential Standards, and is available to support the Company's Enhanced Capital Requirement (ECR).

## Enhanced Capital Requirement

Maximum of BSCR and MSM.

## Group Solvency Self Assessment

The GSSA is a governance, risk management and solvency assessment exercise with its findings documented in a report to the Board, and submitted to the BMA annually. The objective of the GSSA is to deliver a set of processes constituting a tool for decision-making and strategic analysis for Board and management, in line with the BMA's Group Solvency Rules and Resolution Life's internal requirements.

## Minimum Solvency Margin

The prescribed minimum amount by which the value of the assets of the Company must exceed the value of its liabilities.

## Risk appetite

Risk appetite refers to the Group's relative desire to take specific risks in its pursuit of the objectives it deems to have value or reward. It comprises a set of qualitative principles and quantitative limits that establish the Group's risk preferences, risk tolerances and risk limits.

## Risk Margin

The Risk Margin is an allowance for the risk of non-hedgeable uncertainty inherent in the best estimate cash flows, and is intended to reflect the compensation that an insurer needs to bear this risk.

## Scenario Based Approach

An approach for determining the BEL using best estimate cash flows and the projected performance of the Group's assets under the most severe of eight interest rate stress scenarios. The SBA is most appropriate for blocks of business with a well-defined asset/liability management programme, allowing for use of the asset portfolios backing the liabilities to be projected in accordance with local investment practices. The discount rates are defined based upon both the existing asset pools as well as reinvested assets throughout the projection.

## Standard Scenario Approach

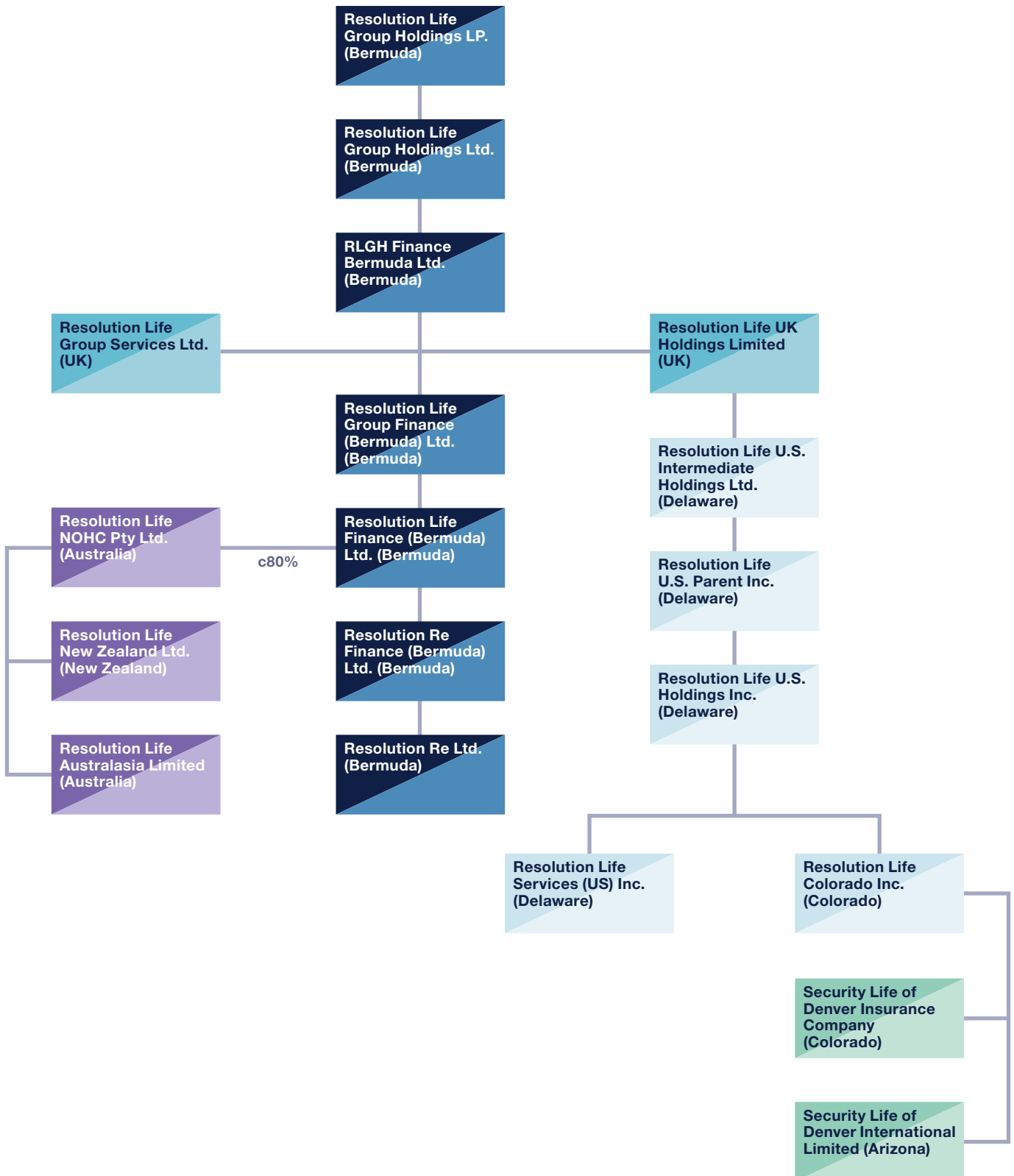
An approach for determining the BEL that uses best estimate cash flows and a discount rate consistent with the BMA requirements. Such an approach is appropriate for blocks of business where asset/liability management is less pertinent.

## Technical Provisions

The sum of the BEL and the RM.

# Appendix Group structure chart

## Simplified Resolution Life Group Structure<sup>1</sup>



<sup>1</sup> Simplified. Shareholdings indicate 100% ownership unless stated otherwise.

**Resolution Life**

[www.resolutionlife.com](http://www.resolutionlife.com)