

Risk overview

For more detailed risks, see our [Financial Condition Report](#)

Risk management is central to everything we do as a life insurance company. It informs how we grow and manage the business; how we give comfort to our policyholders, debt investors, and other stakeholders that we are a safe, responsible insurer that honours promises; and how we deliver stable returns over the long term.

We have a conservative approach to risk that differentiates us from many of our competitors. We manage risk through a clearly defined risk strategy: the choices we make when dealing with risk, and risk appetite, which is the level of risk we are prepared to accept in the business.

Our risk strategy can be summarised as follows:

- We will only make acquisitions and do reinsurance deals that are aligned with our business strategy, and where the risk and potential returns are within our risk appetite
- We will manage the businesses we acquire according to those same standards of risk and potential returns

Our highly experienced Board sets the risk appetite and approves the risk strategy annually. We express our risk appetite by reference to a number of qualitative statements which capture the outcomes we expect to deliver under different circumstances. These are then re-expressed as tangible limits, set to ensure that actual financial performance is in line with those qualitative statements. These limits determine the target surplus capital we expect within each of our insurance subsidiaries, as well as the acceptable range of value we would expect to deliver to investors in the circumstances of material stress events.

The following considerations underpin our risk appetite:

- Aligning to our business plans, which includes our medium-term objectives to grow and transform the business
- Delivering policyholder benefits in a secure, well-capitalised and well-governed environment
- Building a global business through acquiring complementary risks
- Maintaining appropriate capital levels to support our target credit ratings

Principal risk types

The Chief Risk Officer works with each function to ensure that we properly identify, assess and manage all material risks. The Chief Risk Officer partners with business leaders in each function to ensure material risks are properly identified, assessed, and managed, and regularly reports to the Board's Risk Committee and the Board, as part of the risk report.

Resolution Life has a diversified risk exposure:

- 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 and counterparty risk. The Company holds capital for operational risk and, additionally, we mitigate risk through strong processes and controls.
- Risks that we are not explicitly required to hold capital for but that we monitor and control, given their significance. These largely include liquidity, regulatory and compliance, M&A and transaction, refinancing, strategic, and sustainability risk. Specifically for liquidity risk, we hold significant cash and cash equivalent buffers as well as revolving credit facilities to ensure the Company has ample liquidity even in severe market stress.