



Group and Solo Solvency & Financial Condition Report

31 December 2018

Unum Limited
Unum European Holding Company Limited

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Summary

Background

Unum EEA Group (“the Group” or “Unum EEA”) is an Employee Benefits Insurance Group; the ultimate EEA (“European Economic Area”) insurance parent company is Unum European Holding Company Limited (UEHCL), the principal and only EEA insurance entity in the Group being Unum Limited. Unum Group Inc, located in Chattanooga, Tennessee, USA, owns all of the class A ordinary shares in UEHCL and is the ultimate worldwide insurance parent. Unum Group Inc. is the leading disability insurer in the US.

As there are no significant differences between the nature of the Unum EEA Group and Unum Limited (“the Company” or “Solo entity”) businesses, and the governance and risk management systems are consistent, we have produced a combined Solvency and Financial Condition Report (“SFCR”) covering both the Group and the Solo entity. This SFCR has been prepared in accordance with Prudential Regulation Authority (“PRA”) requirements and provides key information relating to the performance, system of governance, risk profile, valuation for Solvency and capital profile of the business.

The Group operates primarily in the UK through Unum Limited which is the UK authorised insurer. UEHCL owns 72% of the share capital of Unum Limited (the remaining 28% is owned elsewhere within the wider Group, shown in section A.1).

Unum Limited is an employee benefits provider offering financial protection through the workplace focused on Income Protection, Life Insurance, Critical Illness, and Dental cover. We are committed to workplace wellbeing for both employees and employers, and have a wide range of tools designed to help businesses or enhance their employee wellbeing strategy. We primarily distribute these products through insurance intermediaries to employers who in turn offer the benefits purchased under our policies to their workforce as an employee benefit.

Our strategy is to become a broader employee benefits provider. Our focus is on helping employers remove the volatility on their business by managing staff absence costs, and on providing financial security for individuals through our product offerings. We believe that the best place to offer income protection and employee benefits is through the workplace and we seek to provide innovative solutions and product offerings to meet this need.

Our strategic development programme will see us continue testing new initiatives and building technology in order to quickly bring solutions to the market. By better understanding our customers’ needs and partnering with key brokers, we will drive sustainable long term growth. In 2019, Unum Limited is expected to benefit from the recently launched distribution channel, “Benni”, an education and enrolment service providing access to a range of Unum Limited products, communication and enrolment services to individuals through their employers.

We remain committed to driving growth in the UK Risk and Employee Benefits market, by:

- Continuing to educate employers and workplace benefits decision-makers about the critical role employee benefits play in supporting and caring for their workforce;
- Continuing to explore ways to provide education and support to employees looking to enrol in employee paid benefits through their employers;
- Investing in technology solutions to better support all our broker partners and employers; and
- Remaining focused on being a customer centric organisation.

We are an established employee benefits provider and the partner of choice for distribution partners across all group risk products and adjacent areas:

- We will continue to grow our portfolio with products that are relevant to, and valued by our customers, like our Dental Insurance;
- We will continue to introduce simpler propositions to make it easy for distributors and employers with limited experience with group risk products to derive value from our offering;
- We will continue to invest in alternative distribution whilst maximising our current distribution; and
- We will grow the Dental business by exploring opportunities to increase sales through Unum's strong distribution relationships and by increasing the number of employees who take up this valuable benefit, driven by Unum's expertise in worksite education and communication.

Business review

In 2018, Unum Limited's gross written premium across the four complementary product lines was £455.7m (2017: £440.2m). Unum Limited insures 31 of the FTSE 100, and has a financial strength rating of A- (Strong) from Standard & Poor's. The Company has performed well on the underlying business (excluding unrealised gains and losses) for the year ended 31 December 2018, and has recorded UK GAAP profits of £15.1m (2017: £81.1m) before tax.

The Company holds fixed and index-linked bonds as assets to match insurance liabilities. Over 2018 we saw a widening of credit spreads and changes in risk-free yields which reduced the market prices of our fixed and variable securities in our portfolio. Whilst these unrealised losses reduced the recorded profits, in line with the Company's investment strategy to buy-and-hold investments to maturity, these losses are not expected to be realised.

The Company will continually seek out new investment opportunities which have the potential for greater returns. In December 2018, the Company invested less than 0.1% of total funds in a Private Equity Partnership.

From a customer perspective, the total number of lives the Company protected at 31 December 2018 was 1.81 million. In 2018, we assisted 1,260 individuals in returning to work (2017: 1,106), with the support of our vocational rehabilitation teams. This increase of 13.9% on the prior year reflects our ongoing commitment to returning people to work wherever appropriate.

Unum EEA Group update

Unum EEA's 2018 gross written premium was £455.7m (2017: £440.2m) with a UK GAAP profit before tax of £19.4m (2017: £92.6m).

System of Governance

The Boards of UEHCL and Unum Limited provide governance and oversight either directly or through the operation of its Board committees. They bring independent judgment on all issues of strategy, performance, resources and standards of conduct. The Boards monitor the corporate governance continuously through its activities, ensuring there are clear lines of accountability for management. They also monitor and input into the corporate strategy, key business decisions, the risk policies and performance.

We place our regulatory responsibilities at the heart of the way we operate and drive this approach through our culture, which is promoted from the Board downwards, with Executive and Senior

Management expected to be role models in the organisation. This culture is supported and reinforced through our Enterprise Risk Management framework (ERM) and corporate governance model. In common with many other organisations, Unum EEA operates a “three lines of defence” approach to risk governance, overseen by the Board and its committees, as detailed in the following table:

	1st line of defence	2nd line of defence	3rd line of defence
WHO	<ul style="list-style-type: none"> All Unum EEA employees and management Executive Committee ('ExCo') Divisional Risk Co-ordinators 	<ul style="list-style-type: none"> Risk Team Risk Committee Compliance Services Risk Capital and Solvency Committee ('RCSC') 	<ul style="list-style-type: none"> Internal Audit External Auditors Audit Committee
WHAT	<ul style="list-style-type: none"> All Unum EEA employees are responsible for ensuring the risks in their business area are understood and managed. Unum EEA maintains and regularly reviews a Register of all its risks. It uses a Risk Event process to ensure timely escalation and mitigation of any risks that crystallise. 	<ul style="list-style-type: none"> The Risk Team is responsible for overseeing the processes that Unum EEA uses to manage risk. The Risk Committee provides executive challenge and oversight that Unum EEA is managing its risks effectively. 	<ul style="list-style-type: none"> Unum EEA uses Internal Audit reviews to gain independent assurance as to the effectiveness of its risk framework. External auditors provide additional assurance on the risk framework on request. These reviews are assessed at Unum EEA's Audit Committee.

Further detail about the system of governance is given in Section B.

Risk Profile

Unum EEA's risk and capital vision is to “Building a sustainable and competitive business where risk and capital are carefully considered in all business decisions.”

Through its risk management and capital strategy Unum EEA aims to achieve the following:

- Competitive advantage by understanding the drivers of risk; pricing through capital efficiency; quicker and more informed decision making; flexibility and responsiveness.
- Honouring our commitments and promises to customers, in particular by ensuring that we manage our risk within the parameters of our risk appetite.
- Embedding risk within the business through a sustained programme of managed cultural change, with the outcome that risk analysis and capital management are used in all key business decisions.

Unum EEA's risk appetite is summarised in the company's Risk Appetite Statement which is reviewed and recommended to the Board for approval by the Risk Committee on an annual basis. The Risk Appetite Statement articulates the categories of risk and key tolerances that Unum EEA has consciously decided to accept in our day to day activities.

There has been no material change in Unum EEA's risk profile over the reporting period and our high materiality risks remain as: Insurance Risk, Credit Risk and Operational Risk/Conduct Risk. (Further detail is provided in Section C). Unum EEA are compliant with the enhanced data protection

requirements following the implementation of the General Data Protection Regulations (GDPR) which came into effect on 25th May 2018. Brexit remains on our emerging risk radar and has the potential to impact our risk profile as explained in Section A.1.

Capital management

Unum Limited and Unum EEA calculate Solvency Capital Requirements using a full internal model approved by the Prudential Regulation Authority in accordance with Solvency II regulations.

The objective of the Group's capital management is to maintain sufficient own funds to cover the Solvency Capital Requirement (SCR) with an appropriate surplus. The Group and Company carry out a regular review of the solvency ratio as part of the risk management and capital management system.

The following tables provide a high level summary of the solvency ratio and capital requirements for Unum Limited and Unum EEA Group respectively:

Figures in £000's

Unum Limited	31 December 2018	31 December 2017
Own Funds (all tier 1)	584,053	637,282
Solvency Capital Requirement (SCR)	427,227	451,724
Minimum Capital Requirement (MCR)	192,252	192,809
Solvency Ratio	137%	141%

Figures in £000's

Unum EEA Group	31 December 2018	31 December 2017
Own Funds (all tier 1)	566,911	606,073
Solvency Capital Requirement (SCR)	427,467	452,034
Minimum Consolidated Group Solvency Capital Requirement (MGSCR)	192,252	192,809
Solvency Ratio	133%	134%

There have been no periods of non-compliance with the MCR or non-compliance with the SCR during the 2018 reporting period.

Unum Limited has approval from the PRA to utilise the Transitional Measure on Technical Provisions ("TMTP") and the Volatility Adjustment ("VA"). The solvency ratio without allowance for the TMTP is 113% (Unum Limited) and 115% (Unum EEA Group), and without both the TMTP and VA is 102% (Unum Limited) and 108% (Unum EEA Group). Unum does not use the transitional risk-free interest rate term structure.

There have been no material changes to Unum Limited's or Unum EEA Group's valuation for solvency purposes and capital management over the reporting period.

During the year, the Company paid a final dividend in respect of 2017 of £35million. Interim and final dividends in respect of 2018 totalling £80m were also paid.

Directors' Report

The Directors are responsible for preparing the Group and Solo SFCR in accordance with the Prudential Regulation Authority (PRA) rules and Solvency II regulations.

Each of the Directors, whose names and functions are listed in Directors' Report of the UK GAAP financial statements, confirm that, to the best of their knowledge:

- (a) Throughout the financial year in question, the Group and the Company have complied in all material respects with the requirements of the PRA rules and SII regulations as applicable; and
- (b) It is reasonable to believe that, at the date of the publication of the SFCR, the Group and the Company continues to comply, and will continue to comply in the future in all material respects.

On behalf of the Board

Jonathan Fletcher
Chief Financial Officer

Report of the independent external auditor to the Directors of Unum European Holding Company Limited pursuant to Rule 4.1(2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Group Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Unum EEA Group ('The Group'), comprising Unum European Holding Company Limited (UEHCL) and the authorised insurance entity Unum Limited ('The Company') as at 31 December 2018:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report as at 31 December 2018 ('the Narrative Disclosures subject to audit');
- Group templates of Unum European Holding Company Limited S.02.01.02, S.22.01.22, S.23.01.22, S.32.01.22 ('the Group Templates subject to audit'); and
- Company templates of Unum Limited S.02.01.02, S.12.01.02, S.17.01.02, S.22.01.21, S.23.01.01, S.28.02.01 ('the Company Templates subject to audit').

The Narrative Disclosures subject to audit and the Group and Company Templates subject to audit are collectively referred to as the 'relevant elements of the Group and Company Solvency and Financial Condition Report'.

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

- Information contained within the relevant elements of the Group Solvency and Financial Condition Report set out above which are, or derive from, the Solvency Capital Requirement, as identified in the Appendix to this report;
- The 'Business and performance', 'System of governance' and 'Risk profile' sections of the Group Solvency and Financial Condition Report;
- Group templates of Unum European Holding Company Limited S.05.01.02, S.05.02.01, S.25.03.22;
- Company templates of Unum Limited S.05.01.02, S.05.02.01, S.19.01.21, S.25.03.21;
- Information calculated in accordance with the previous solvency regime used in the calculation of the transitional measures on technical provisions, and as a consequence all information relating to the transitional measures on technical provisions as set out in the Appendix to this report; and
- The written acknowledgement by the Directors of their responsibilities, including for the preparation of the Group Solvency and Financial Condition Report ('the Responsibility Statement');

To the extent the information subject to audit in the relevant elements of the Group Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Group Solvency and Financial Condition Report of the Unum EEA Group as at 31 December 2018 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

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

Conclusions relating to going concern

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

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

Emphasis of Matter – Basis of Accounting & Restriction on Use

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

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of the External Audit Part of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose.

Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the Other Information. Our opinion on the relevant elements of the Group Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

Responsibilities of Directors for the Group Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Group Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II Regulations 2015 on which they are based, which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of the Financial Services and Markets Act 2000 as disclosed in Section D.2 of the Group Solvency and Financial Condition Report.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Group Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Group Solvency and Financial Condition Report are prepared, in all material respects, with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Group Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Group Solvency and Financial Condition Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. The same responsibilities apply to the audit of the Group Solvency and Financial Condition Report.

Other Matter

The Group has authority to calculate its Group and Company Solvency Capital Requirements using an internal model ("the Model") approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations 2015. In forming our opinion and in accordance with PRA Rules, we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Model, or whether the Model is being applied in accordance with the Group's application or approval order.

Report on Other Legal and Regulatory Requirements.

Other Information

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

Ernst & Young LLP
London

The maintenance and integrity of the Unum Limited/Unum European Holding Company Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the website.

Appendix – relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit

Unum European Holding Company Limited

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of Group template S.02.01.02:
 - Row R0550: Technical provisions – non-life (excluding health) – risk margin
 - Row R0590: Technical provisions – health (similar to non-life) – risk margin
 - Row R0640: Technical provisions – health (similar to life) – risk margin
 - Row R0680: Technical provisions – life (excluding health and index-linked and unit-linked) – risk margin
 - Row R0720: Technical provisions – Index-linked and unit-linked – risk margin
- The following elements of Group template S.22.01.22
 - Column C0030 – Impact of transitional on technical provisions
 - Row R0010 – Technical provisions
 - Row R0090 – Solvency Capital Requirement
- The following elements of Group template S.23.01.22
 - Row R0020: Non-available called but not paid in ordinary share capital at group level
 - Row R0060: Non-available subordinated mutual member accounts at group level
 - level
 - Row R0080: Non-available surplus at group level
 - Row R0100: Non-available preference shares at group level
 - Row R0120: Non-available share premium account related to preference shares at group level
 - Row R0150: Non-available subordinated liabilities at group level
 - Row R0170: The amount equal to the value of net deferred tax assets not available at the group level
 - Row R0190: Non-available own funds related to other own funds items approved by supervisory authority
 - Row R0210: Non-available minority interests at group level
 - Row R0380: Non-available ancillary own funds at group level
 - Rows R0410 to R0440 – Own funds of other financial sectors
 - Row R0680: Group SCR
 - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
 - Row R0750: Other non-available own funds

Unum Limited

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

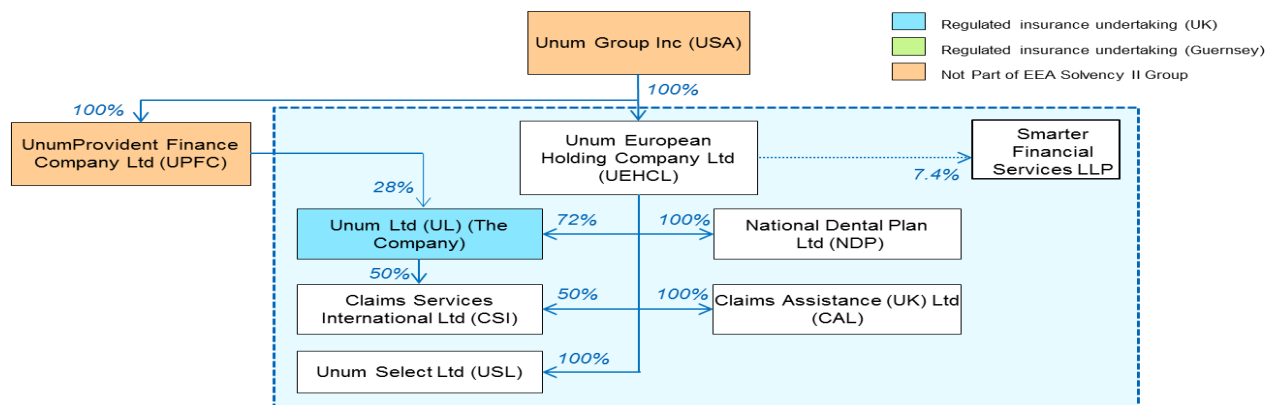
- The following elements of template S.02.01.02:
 - Row R0550: Technical provisions – non-life (excluding health) – risk margin
 - Row R0590: Technical provisions – health (similar to non-life) – risk margin
 - Row R0640: Technical provisions – health (similar to life) – risk margin
 - Row R0680: Technical provisions – life (excluding health and index-linked and unit-linked) – risk margin
 - Row R0720: Technical provisions – Index-linked and unit-linked – risk margin
- The following elements of template S.12.01.02
 - Row R0100: Technical provisions calculated as a sum of BE and RM – Risk margin
 - Rows R0110 to R0130 – Amount of transitional measure on technical provisions
- The following elements of template S.17.01.02
 - Row R0280: Technical provisions calculated as a sum of BE and RM – Risk margin
 - Rows R0290 to R0310 – Amount of transitional measure on technical provisions
- The following elements of template S.22.01.21
 - Column C0030 – Impact of transitional measure on technical provisions
 - Row R0010 – Technical provisions
 - Row R0090 – Solvency Capital Requirement
- The following elements of template S.23.01.01
 - Row R0580: SCR
 - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
- The following elements of template S.28.02.01
 - Row R0310: SCR

A. Business and Performance

A.1 Business

A.1.1 Unum EEA Group

Unum European Economic Area (EEA) Group: Simplified Solvency II Group Structure



Unum European Holding Company Limited (UEHCL)

UEHCL is incorporated in the United Kingdom and is a company limited by shares. It is the immediate parent of Unum Limited (UL) through UEHCL's ownership of the UL Class A ordinary share capital which confers 100% of voting rights. UEHCL operates as a Service Company and does not make strategic, commercial or financial decisions for or on behalf of UL.

UEHCL's parent company is Unum Group Inc., located in Chattanooga, Tennessee, USA. Unum Group Inc. owns all of the class A ordinary shares in UEHCL. Unum Group Inc. is a Fortune 500 insurance company and is the leading disability insurer in the USA. It had revenues of \$11.6bn in 2018 (2017: \$11.3bn) and has a financial strength composite rating across the US entities of A.

UEHCL does not prepare consolidated group accounts under the exemption allowed by Section 401 of the Companies Act 2006, as it is itself a subsidiary undertaking of a parent company not established under the law of an EEA state and the Company and all of its subsidiaries are included in the consolidated accounts of the parent company.

Where consolidated financial data is presented for UEHCL in this document, the scope of the Group is the same as that used to prepare consolidated data for the calculation of group solvency.

Unum Limited (UL) (The Company)

UL is incorporated in the United Kingdom and is a company limited by shares. UEHCL owns 72% of the total share capital (100% of the ordinary Class A shares of UL), UnumProvident Finance Company Limited (UPFC) owns 28% of the total share capital (100% of the ordinary Class B shares of UL). UPFC is a subsidiary of Unum Group Inc.

UL is the only regulated insurance company within the EEA Group. UL is the principal UK-managed insurance subsidiary of the publicly-quoted US Unum Group.

Unum Select Limited (USL)

USL is incorporated in the United Kingdom and is authorised and regulated by the Financial Conduct Authority (FCA) as an intermediary. USL provides an education and enrolment service called "Benni" to UL. Activities carried out and risks identified for USL, are managed and mitigated in the course of UL's core activities. It is not a regulated insurance entity and has no regulatory capital requirements.

Claims Services International Limited (CSI)

CSI is incorporated in the United Kingdom and provides claims administration services for third parties. It is not a regulated insurance entity and has no regulatory capital requirements.

National Dental Plan Limited (NDP)

NDP is incorporated in the United Kingdom and provides marketing and managing services in relation to health insurance programmes. It is not a regulated insurance entity and has no regulatory capital requirements.

Claims Assistance (UK) Limited (CAL)

CAL is incorporated in the United Kingdom and provides a specialised claims handling service for insurance companies operating medical and dental care insurance schemes. It is not a regulated insurance entity.

Smarter Financial Services LLP

Smarter Financial Services LLP is a limited liability partnership registered in the United Kingdom. The Company holds a 7.4% share in the partnership and has no active involvement in the partnership. Smarter Financial Services LLP provides employees access to workplace ISA's. It is not a regulated insurance entity and has no regulatory capital requirement.

UEHCL and UL have no other material related undertakings or significant branches outside of the Group structure described above.

UEHCL provides a number of services to UL and the other operating subsidiaries including:

- Holding all of the employment contracts and managing the payroll; and
- Incurring the cost of all operating expenses which are then recharged to the subsidiaries.

Principal Activity

Unum Limited specialises in offering employer-paid protection products in what is best known as the "Group Risk" market. That means we sell Income Protection, Life Insurance, Critical Illness and Dental Cover. UL distributes these products through insurance intermediaries to employers who in turn offer the benefits purchased under our policies to their workforce as an employee benefit.

Unum Limited has four lines of business, health insurance (Group Income Protection and Group Critical Illness insurance), other life insurance (Group Life and Dependents insurance), health reinsurance (Group Income Protection and Critical Illness insurance) and dental insurance. Business is transacted primarily in the United Kingdom.

We protected 1.81m (2017: 1.75m) employees in the UK and paid £314.7m (2017: £306m) in benefits to our customers. Typically, claims payments take the form of regular monthly payments for Income Protection, lump sum payments for Life Insurance and Critical Illness, and ad-hoc payments for Dental as claims arise.

In 2018, our gross written premium across these four complementary product lines was £455.7m (2017: £440.2m). Unum Limited insures 31 of the FTSE 100 and has a financial strength rating of A- (Strong) from Standard & Poor's.

Our Head Office is based in Dorking, Surrey, with another main office situated in Basingstoke. We also have a number of strategically located regional sales offices throughout the UK, including Birmingham, Glasgow and London. In total, we employ approximately 780 staff.

Unum Limited is the only regulated insurance company within the Unum European Economic Area (EEA) Group. The Unum Group Structure is set out in this section A1.1 and includes a description of each entity within the EEA Group.

Governance

Unum Limited's governance (as set out in section B.1) rests ultimately with our Board, who are supported in this by the Audit, Risk, Regulatory & Compliance and Nomination and Remuneration sub committees, with all independent non-executive Board members sitting on each sub-committee in addition to their main Board responsibilities.

Regulation

Unum Limited is authorised by the Prudential Regulation Authority (PRA) and regulated by the Prudential Regulation Authority and the Financial Conduct Authority (FCA). They can be contacted at:

Prudential Regulation Authority
Bank of England
Threadneedle Street
London
EC2R 8AH

Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

The registered external auditor of the Unum EEA Group is:

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Any significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking

There have been no significant business or other events that have had a material impact on the Unum EEA Group or Unum Limited in the reporting period.

There is considerable uncertainty surrounding the potential financial, regulatory, legal, and tax implications of the UK's withdrawal of membership from the European Union ('Brexit').

Unum Limited has assessed the potential impact for its business, and considers the general outlook being the potential for slower economic growth, and profit pressure from lower interest rates over longer periods.

Unum Limited does not foresee any direct challenges to its business model and operations from the broader economic uncertainties surrounding Brexit, due to our predominantly UK customer base. However, there is the potential for slower economic growth, volatility in the markets and lower interest rates for longer periods. There is also the potential for some minor disruption from suppliers. These risks are managed within our Risk and Capital Management Framework and mitigated by our strong capital position. We believe Unum is well placed to be able to meet any challenges as a result of an EU exit.

In the event of a no deal Brexit Unum Ltd will continue to be able to provide our products and services to UK based employees. We have not been required to and will not need to make any changes to our current business model. We will monitor the impacts of a no deal Brexit on the external environment including the economy, our brokers and our customers.

While we remain confident in our strategy and are fully committed to delivery of our growth aspirations, we continue to closely monitor and respond to the changes in our external environment.

A.2 Underwriting performance: Unum Limited

Year ended 31 December 2018	Life insurance		Life Reinsurance	Non-life Insurance	Total £000
	Health Insurance £000	Other Life Insurance £000	Health Reinsurance £000	Medical expense insurance £000	
Gross Written Premiums	309,666	120,013	2,882	23,159	455,720
Net Written Premiums	308,405	84,409	2,748	23,159	418,721
Net Earned Premiums	305,703	83,358	2,757	22,544	414,362
Net Claims Incurred	211,479	46,577	6,620	16,522	281,198
Net Change in Technical Provision	5,839	(10,368)	(1,539)	-	(6,068)
Expenses	87,499	26,315	345	3,842	118,001
Underwriting performance	886	20,834	(2,669)	2,180	21,231

Year ended 31 December 2017	Life insurance		Life Reinsurance	Non-life Insurance	Total £000
	Health Insurance £000	Other Life Insurance £000	Health Reinsurance £000	Medical expense insurance £000	
Gross Written Premiums	299,493	116,864	3,144	20,717	440,218
Net Written Premiums	298,412	79,880	2,999	20,717	402,008
Net Earned Premiums	296,461	80,377	3,013	19,290	399,141
Net Claims Incurred	223,341	42,867	7,286	12,774	286,268
Net Change in Technical Provision	23,387	(38,361)	(374)	546	(14,802)
Expenses	92,247	23,690	413	3,134	119,484
Underwriting performance	(42,514)	52,181	(4,312)	2,836	8,191

**Prepared in accordance with UK GAAP with the exception of claims management expenses which under Solvency II are classified as expenses*

Note: Underwriting performance does not include the income received and the market value movements in the assets held to match our liabilities which is disclosed in section A4.

The Company currently carries out all of its business from offices situated within the United Kingdom. The impact of transactions with non-UK policyholders on gross premiums written, net assets and profit before taxation is not material. The Company has no material exposure to insurance risks outside of the British Isles. No geographical analysis has therefore been produced.

Gross premiums written reported an increase year on year. Premiums written in 2018 were £455.7million (2017: £440.2million), reflecting an increase of 3.5%, supported by existing sales growth and strong retention, whilst maintaining a disciplined approach to underwriting and pricing.

Premium persistency was strong across all product lines through 2018 finishing the year at 88.6%, compared to a prior year position of 86.9%.

Net earned premiums for the Company totalled £414.4million in 2018 compared to £399.1million in 2017, an increase of 3.8%, driven by increases in Dental and Group Critical Illness (GCI) products particularly.

Overall the underwriting performance in 2018 was strong and has improved since 2017 (£31.2million in 2018 compared to £8.2million in 2017) mainly as a result of strong premium growth.

A.3 Underwriting performance: Unum EEA Group

The underwriting performance for Unum EEA Group is as follows:

Year ended 31 December 2018	Life insurance		Life Reinsurance	Non-life Insurance	Total £000
	Health Insurance £000	Other Life Insurance £000	Health Reinsurance £000	Medical expense insurance £000	
Gross Written Premiums	309,666	120,013	2,882	23,302	455,863
Net Written Premiums	308,405	84,409	2,748	23,159	418,721
Net Earned Premiums	305,703	83,358	2,757	22,544	414,362
Net Claims Incurred	211,479	46,577	6,620	16,522	281,198
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	Health Insurance £000	Other Life Insurance £000	Health Reinsurance £000	Medical expense insurance £000	
Gross Written Premiums	299,493	116,864	3,144	20,717	440,218
Net Written Premiums	298,412	79,880	2,999	20,717	402,008
Net Earned Premiums	296,461	80,377	3,013	19,290	399,141
Net Claims Incurred	223,341	42,867	7,286	12,774	286,268
Net Change in Technical Provision	23,387	(38,361)	(374)	546	(14,802)
Expenses	92,247	23,690	413	3,134	119,484
Underwriting performance	(42,514)	52,181	(4,312)	2,836	8,191

**Prepared in accordance with UK GAAP with the exception of claims management expenses which under Solvency II are classified as expenses*

A.4 Investment performance: Unum Limited

A.4.1 Income and expenses by asset class

The interest and gains on assets are included below for each asset class disclosed on the Statement of Financial Position in the Company's financial statements.

There are no material expenses in relation to loans and receivables and cash and cash equivalents. The only fees incurred are on investments in financial assets at fair value through profit and loss.

There are no gains or losses recognised directly in equity. There are no investments in securitisations.

Investment Income - Year ended 31 December 2018 (£000)	Government bonds	Corporate bonds	Collateralised securities	Derivatives	Cash	Property	Total
Interest income from financial assets at fair value through profit or loss	4,655	79,614	1,031	(82)	-	-	85,218
Interest income from financial assets not at fair value through profit or loss	-	-	-	-	78	-	78
Gains on the realisation of investments	-	1,950	(12)	8,472	-	-	10,410
Movement in unrealised gains on investments	468	(98,806)	(1,029)	(552)	-	-	(99,919)
Rent	-	-	-	-	-	1,155	1,155

Investment Income - Year ended 31 December 2017 (£000)	Government bonds	Corporate bonds	Collateralised securities	Derivatives	Cash	Property	Total
Interest income from financial assets at fair value through profit or loss	4,931	82,472	1,071	(33)	-	-	88,441
Interest income from financial assets not at fair value through profit or loss	-	-	-	-	11	-	11
Gains on the realisation of investments	13,728	(985)	(12)	(4,788)	-	-	7,943
Movement in unrealised gains on investments	(23,301)	128	3,828	4	-	-	(19,341)
Rent	-	-	-	-	-	1,344	1,344

**Prepared in accordance with UK GAAP*

The investment management charges highlighted in the table below are included in the expenses within the underwriting performance table in section A.3 in alignment with form S.05.01.

Investment Expenses	31 December 2018 £000	31 December 2017 £000
Investment management expenses	2,830	4,359

**Prepared in accordance with UK GAAP*

The Company holds fixed and index-linked bonds as assets both to match liabilities and as surplus funds. Over 2018 we saw a widening of credit spreads and changes in risk-free yields which reduced the market prices of our fixed and variable securities in our portfolio. As a result unrealised losses on investments of £99.9m were reported in 2018. This compared to losses of £19.3m in 2017, a year which also saw market prices for fixed and variable securities in our portfolio decrease.

As the Company's investment strategy is to buy-and-hold these investments to maturity, unrealised losses are not expected to be realised.

A.4.2 Impact of amortisation and impairments on investment performance: Unum Limited and Unum EEA Group

There was no impact of amortisation and impairment on investment performance.

A.5 Investment performance: Unum EEA Group

Investment Income - Year ended 31 December 2018 (£000)	Government bonds	Corporate bonds	Collateralised securities	Derivatives	Cash	Property	Total
Interest income from financial assets at fair value through profit or loss	4,655	79,614	1,031	(82)	-	-	85,218
Interest income from financial assets not at fair value through profit or loss	-	-	-	-	78	-	78
Gains on the realisation of investments	-	1,950	(12)	8,472	-	-	10,410
Movement in unrealised gains on investments	468	(98,806)	(1,029)	(552)	-	-	(99,919)

Investment Income - Year ended 31 December 2017 (£000)	Government bonds	Corporate bonds	Collateralised securities	Derivatives	Cash	Property	Total
Interest income from financial assets at fair value through profit or loss	4,931	82,472	1,071	(33)	-	-	88,441
Interest income from financial assets not at fair value through profit or loss	-	-	-	-	18	-	18
Gains on the realisation of investments	13,728	(985)	(12)	(4,788)	-	-	7,943
Movement in unrealised gains on investments	(23,301)	128	3,828	4	-	-	(19,341)

**Prepared in accordance with UK GAAP*

Investment performance, both income and expenses, is materially the same as for Unum Limited. The other Group entities do not partake in investment activities and solely hold additional cash balances.

Investment Expenses	31 December 2018 £000	31 December 2017 £000
Investment management expenses	2,830	4,359

**Prepared in accordance with UK GAAP*

A.6 Performance of other activities: Unum Limited and Unum EEA Group

There are no other material items of income or expenditure for the Company or the EEA Group. There are no material finance or operating lease arrangements for the Company or the EEA Group.

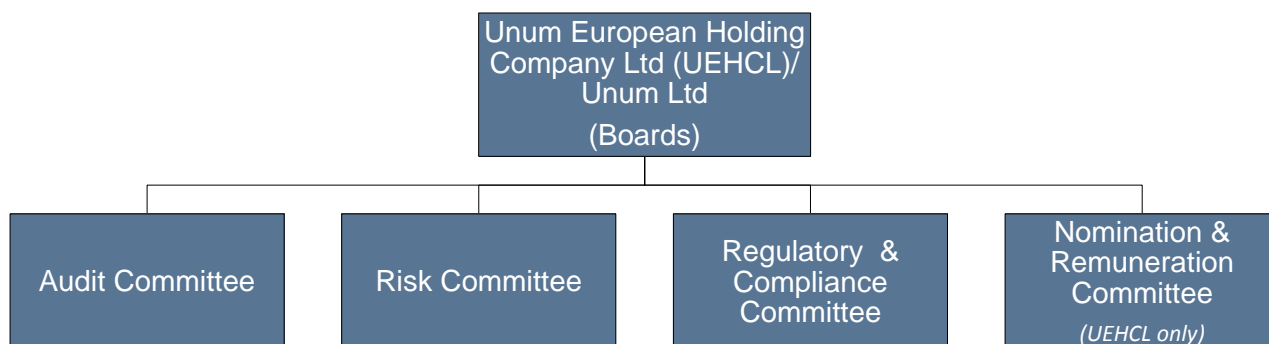
A.7 Any other information: Unum Limited and Unum EEA Group

There is no further material information regarding the business of Unum Limited or Unum EEA Group and their performance to disclose.

B System of Governance

B.1 General information on the system of governance

Structure of the Administrative Management or Supervisory Board:



Unum European Holding Company Limited and Unum Limited's governance rests ultimately with the joint Boards who are supported by the Audit, Risk, Regulatory & Compliance committees of both entities and by the Nomination & Remuneration Committee of Unum European Holding Company Limited. The membership of the Boards and sub-committees of Unum European Holding Company Limited and Unum Limited mirror each other.

The Boards are committed to strong corporate governance and the application of the highest levels of industry best practice where appropriate and suitable. For example, the Board Committees are all chaired by non-executive directors. The appropriateness of the governance structure and associated framework are continually under review. The Company has a clear governance structure and defined roles and responsibilities at all levels, supported by the Executive Committee and its sub-committees shown above (which are described, where relevant, in later sections of this document).

Board of Directors

The role of the Boards

The Boards provide governance and oversight either directly or through the operation of its Board committees. They bring independent judgment on all issues of strategy, performance, resources and standards of conduct. At Board meetings, the Board deals with matters specifically reserved for its consideration which are set out within its terms of reference.

The Board meets at least five times a year. Additional meetings are convened as required.

Responsibility for implementing strategy and managing day-to-day business operations is delegated to the Chief Executive Officer, who operates through the Executive Committee which meets weekly and is comprised of two executive directors and other executive management.

The composition of the Boards

The Boards comprise two executive directors (the Chief Executive Officer and Chief Financial Officer) and five non-executive directors, four of whom are independent and one of whom is the Chief Executive Officer of Unum Group.

Nomination and Remuneration Committee

The main objective of the Unum European Holding Company Ltd Nomination and Remuneration Committee is to ensure that there is a robust process around appointments to the Board (and other Committees) and to approve overall remuneration policy.

The Nomination and Remuneration Committee is chaired by a non-executive director. The Committee meets at least once a year. Additional meetings are convened as required.

New non-executive directors are appointed for an initial term of three years. This is extendable by no more than two additional three year periods. In exceptional circumstances non-executive directors can be extended beyond nine years subject to annual reappointment.

Senior executives' remuneration levels are reviewed by the Nomination and Remuneration Committee and set by the Human Capital Committee of Unum Group in accordance with the approved remuneration framework and policy.

Audit Committee

The purpose of the Audit Committee is to independently and robustly review and challenge the decisions of the company's executive so as to be able to give assurance that the interests of the

stakeholders are properly protected in relation to financial reporting and internal controls. The committee is also responsible for reviewing the Company's financial plans, including the financial reporting of capital adequacy and projections, and dividend recommendations to the Board.

The Audit Committee is chaired by a non-executive director. The Committee meets at least four times a year. Additional meetings are convened as required.

The Head of Internal Audit and the external auditors have unrestricted access to the Chairman of the Audit Committee and have at least one closed session with the Audit Committee members each year.

The Committee also makes recommendations to the Audit Committee of Unum Group, via the Company's Board, in relation to (i) the appointment of the Company's external auditors and (ii) seeking approval from the US for material non-audit services to be carried out for the Company by its external auditors. All such assignments are reviewed and referred to the Audit Committee of Unum Group to ensure that the auditor independence requirements of the Sarbanes-Oxley Act 2002 (as amended), Audit Directive and other regulatory requirements are not breached or compromised.

Risk Committee

The Risk Committee's main objective is to provide oversight of the nature and extent of significant risk faced by the Company and Unum EEA and their capital requirements. The Committee recommends the risk management strategy and appetite to the Boards and oversees appropriate risk frameworks, within which the Company's risk and capital management processes and annual risk plan can be tracked and monitored.

The Risk Committee is chaired by a non-executive director. The Committee meets at least four times a year. Additional meetings are convened as required.

The Chief Risk Officer has unrestricted access to the Chairman of the Risk Committee and has at least one closed session with the Risk Committee members each year.

Risk Committee is supported by the Risk, Capital and Solvency Committee (RCSC), a quarterly Executive Committee meeting whose responsibilities include challenging the company's risk profile and controls; reviewing/challenging risk appetite tolerances; and planning and assessing the adequacy of the Company's capital requirements.

Regulatory and Compliance Committee

The Regulatory and Compliance Committee's main objective is to provide oversight of the regulatory and legislative framework that the Company operates within. The Committee monitors and reviews compliance, legal and regulatory requirements including financial crime, data protection, human resources, conduct risk, Treating Customers Fairly requirements and health and safety.

The Regulatory and Compliance Committee is chaired by a non-executive director. The Committee meets at least four times a year. Additional meetings are convened as required.

B.1.1 Material changes

The Senior Managers and Certification Regime (SM&CR) came into force from the 10th December 2018. This replaced the previous Approved Persons Regime and Senior Insurance Managers Regime and places additional requirements on firms around how accountability of key functions is apportioned within the firm and how the individuals will be held to account. The relevant policies, procedures and control documents have been updated to ensure that the company remains compliant with the new requirements.

B.1.2 Remuneration policy and practices

We seek to operate remuneration policy and practices that are in line with the Group's long-term interests and performance.

Our principal means of rewarding our staff is through basic salaries which are regularly reviewed to ensure market competitiveness using comprehensive Financial Services and other relevant survey data. Individuals are paid within salary ranges with actual salary and salary increases related to individual performance as measured against performance objectives.

We also operate a company bonus scheme, Annual Incentive Plan (also known as Performance Based Incentive or "PBI") which is designed so that the Group can reward and encourage its staff by providing a link between the company's performance and their individual performance.

There are longer-term performance measures and incentives for our Executive Directors including links to operation within risk appetite. There is a corporate earnings threshold that must be met before any long term incentive award can be granted. Additionally, there is a deferral component to these awards since each is subject to a vesting period. Under the conditions of the award the directors have to have been continuously employed with Unum Group and its subsidiaries from the award date to the date of the stock vesting to the directors.

There is no supplementary pension or early retirement scheme available for members of the management body or key function holders.

B.1.3 Related Party Transactions

During 2018 Unum EEA Group and Unum Limited entered into various transactions with fellow participating interests which are subject to common control from Unum Group including Unum European Holding Company Ltd, Unum Limited, Claims Services International Ltd, Unum Select Limited and National Dental Plan Ltd. All transactions are conducted within the normal course of business.

The only material transactions between Unum EEA Group and the shareholder Unum Group Inc. was in relation to expense recharges and dividends.

There were no material transactions during the reporting period between the Company and the Board members and members of the administrative, management or supervisory body.

B.2 Fit and proper requirements

Unum EEA Group has policies and procedures to ensure that the persons effectively running the business or who have other key functions are fit and proper to do so. Unum Limited defines these persons as Senior Management Functions (SMFs) and Certification Functions.

Specific requirements

There are prescribed responsibilities allocated to SMFs which relate to training. These are shown as part of the Management Responsibilities Map. The Chief Executive Officer is responsible for:

- Ensuring that the firm has complied with its obligation to ensure that every person who performs a key function is a fit and proper person; and
- Monitoring effective implementation of policies and procedures for the Induction, training and professional development of all persons performing designated senior management functions on behalf of the firm other than members of the governing body and key function holders.

The Chairman is responsible for leading the development and monitoring effective implementation of policies and procedures for the induction, training and professional development of all members of the firm's governing body.

Fitness for a role is based on a combination of management competence, core knowledge (as prescribed by Compulsory Annual Training (CAT) framework) and technical competence which is detailed in the role description. The Statement of Responsibilities document (SoR) is a summary of the significant responsibilities allocated to that person. The individual carrying out this role must have the skills and knowledge to discharge the responsibilities. Following the implementation of the Insurance Distribution Directive, our objective is for all UK staff to complete and formally record at least 15 hours of training annually.

B.2.1 Process for assessing fitness and propriety

Unum Ltd ensures that the persons effectively running the business are fit and proper. This includes demonstrating on appointment and on an ongoing basis that the individual:

- (1) Has the personal characteristics (including being of good repute and integrity)
- (2) Possesses the level of competence, knowledge and experience
- (3) Has the relevant qualifications or is progressing towards achieving qualifications and
- (4) Has undergone or is undergoing all training.

The Senior Managers & Certification Regime Fitness and Propriety and Conduct Rules Policy outlines the policy for establishing fitness and propriety at recruitment and on an ongoing basis thereafter.

The assessment within the recruitment process includes:

- A review of CV, qualifications and experience;
- A skills and competence gap analysis that details the core role requirements and the individual's match to these;
- A fit and proper declaration from the individual;
- Regulatory references for SMF and Certification Functions, from employers for at least the previous 6 years;
- Background checks including criminal background and financial soundness; and
- Consideration of how the individual's appointment will advance the firm's strategy and objectives.

Unum monitors ongoing fitness and propriety on a regular basis through:

- Regular one to one meetings with line manager and formal reviews once a year

- Annual self-attestation of fitness and propriety
- Regular criminal background and financial soundness checks

Individuals are required to maintain training records and supporting training plans and these are reviewed by their manager at the formal annual review. Following the implementation of the Insurance Distribution Directive, all UK staff have an objective to complete and formally record at least 15 hours of training annually.

Following the annual review HR assess the ongoing fitness and propriety of the individual, the results of this review are approved by the CEO.

Persons effectively running the business or carrying out other key functions are required to notify Unum should there be any change in their fitness and propriety.

B.3 Risk management system including the own risk and solvency assessment

B.3.1 Risk management system

This section applies to both the Unum EEA Group (Unum EEA) and the Solo entity Unum Limited, as the same risk management system is applied consistently to all entities within Unum EEA.

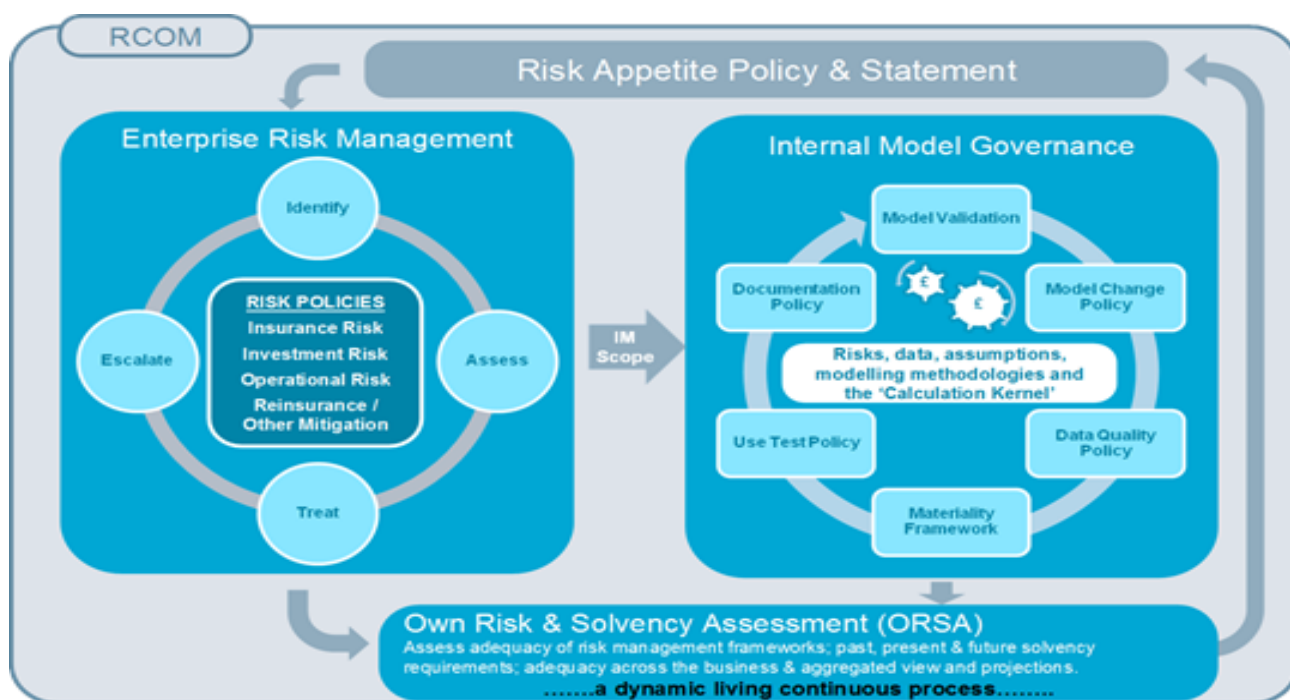
This consistency is achieved by UEHCL having the same Board members (including independent non-executive directors) as that of UL using the same corporate governance framework, including shared corporate functions such as Risk Management, Finance, Compliance and Internal Audit. In addition, all the material risks for the Unum EEA Group reside within Unum Limited which is the only insurance undertaking in the Group. The only risks that reside at Group level are immaterial in comparison to UL and represent: the people and pension obligation risks in UEHCL, the expense risk of Unum Select Limited (USL), and the risk of the failure of USL (as a risk to UL) in terms of the execution of its strategy).

The Unum EEA Risk and Capital Operating Model (RCOM) sets out Unum EEA's risk management system and notably its governance structure, capital management framework and the policies, processes and tools used to manage it. At the heart of the RCOM are Unum EEA's Internal Model and Own Risk and Solvency Assessment (ORSA) which combine to provide the internal assessment process and quantification of risk which feed into Unum EEA's strategic decision making, the management of solvency, continued compliance with capital requirements and any action required due to a change in risk profile.

Within Unum EEA's Enterprise Risk Management (ERM) framework, the ORSA is a critical process that drives the corporate risk profile and assessment of both current and prospective solvency capital requirements. This is achieved by the identification, assessment, control and monitoring of both identified and emerging risks. Within the ORSA process, the Internal Model is used as the tool for quantifying the capital impact of key risks and therefore forms an integral part of RCOM.

RCOM also provides the framework and governance structure for communication and consideration of risks within corporate decision making, specifically the quarterly scrutiny of risks and agreement of the quarterly risk profile and quarterly capital forecast by the RCSC, the Risk Committee and the Board.

To ensure that Unum EEA has a resilient and integrated ORSA framework, the RCOM is embedded in the business. The diagram below shows how the Internal Model fits within Unum EEA's system of governance, RCOM and its overall ERM framework.



Business strategy and risk appetite

Unum EEA uses its Risk Appetite to help achieve the business strategy as set out in Section A of this document. Business will only be written in product areas where a high level of insurance risk management expertise and reliable data exists, or where current expertise can be utilised in an adjacent market to our competitive advantage. We are willing to consider new products, enter into new markets and distribution channels, entertain new business partners, and consider corporate development opportunities. Non-insurance risks are either tolerated or accepted, as part of undertaking an insurance business.

Setting risk appetite

Unum EEA's risk appetite is summarised in the company's Risk Appetite Statement which is reviewed and recommended to the Board for approval by the Risk Committee on an annual basis. The Risk Appetite Statement articulates the categories of risk and key tolerances that Unum EEA has consciously decided to accept in its day to day activities.

By setting an appetite and tolerances (both quantitative and qualitative) we ensure a consistent approach to identifying and assessing risk, and that appropriate controls are in place to mitigate risk within that appetite. The risk appetite therefore forms an integral part of the overall ERM framework and gives direction to calibrate the Internal Model.

The setting of risk appetites considers the following areas:

- Aggregate risk exposure in relation to available capital;
- Any particular areas of risk concentration; and
- Whether risks are consistent with the overall strategy.

Risk identification and categorisation

Unum EEA ensures a systematic approach to the identification and categorisation of risks within its risk taxonomy. This framework starts with a universe of possible risks and apportions these into different risk categories, ensuring that risk definitions are suitably broad to capture all possible risks but are not so broad as to result in overlap. Unum EEA's risk taxonomy can therefore be examined at differing levels of granularity (see Section E of this document).

On a quarterly basis, the Risk function undertakes a formal review of its corporate risks and control attestations that have been submitted by control owners. Every six months, there is a divisional "deep dive" (the Risk and Control Assessment or RACA process) to reconsider the risk profile of each business area with the results reported to the RCSC and Risk Committee. This includes consideration of the results of the quarterly review process and significant risk events that have been escalated within the management chain.

These exercises allow the update of the corporate risk profile, including quantification of capital as a result of any revised data that was fed into the Unum EEA Internal Model. This ensures that the threats are understood and managed at both Executive Committee and Board level, including appropriate consideration of capital requirements.

From a bottom-up perspective, the ERM process ensures business divisions feed information on a daily basis into Unum EEA's risk register and operating performance results are discussed monthly by the executive with a focus on emerging trends and pressures. All of these components directly feed into the production of the quarterly capital forecast with a five year projection.

B.3.2 Risk management system implementation and integration

This section applies to both the Unum EEA Group and the Solo entity of Unum Limited as the same risk management system applies consistently to all entities within the Unum EEA Group.

Roles, responsibilities & accountabilities

The Risk Committee is responsible for ensuring the ongoing appropriateness of the design and operations of the Internal Model, and that the Internal Model continues to appropriately reflect Unum EEA's risk profile. The Risk Committee is supported by RCSC and the Risk, Finance and Compliance functions in this regard.

The Risk Committee ensures that:

- Each of the functions listed above possesses sufficient resources to develop, monitor and maintain the Internal Model; and
- There are adequate independent review procedures in place around the Internal Model design, operation and validation.

The Risk Committee is authorised to take independent advice where such advice is required in order to meet their responsibilities for the Internal Model.

The Board is responsible for ensuring that the Risk Committee possesses sufficient professional qualifications, knowledge and experience in all the relevant areas of the business to give adequate

assurance that they are collectively able to provide a sound and prudent management of the Internal Model.

Role of the Risk function

The Risk function is responsible for:

- The ERM framework, risk taxonomy and provision of assurance to the Risk Committee;
- Design of RCOM and the Internal Model Scope, in consultation with the wider firm;
- Governance of policies relating to the Internal Model;
- Ensuring implementation of Solvency II in accordance with the Solvency requirements;
- In conjunction with the Finance Function, ensuring the Board, executive and senior management have, and demonstrate, an appropriate understanding of Solvency II and the role of the Internal Model; and
- Carrying out the regulatory responsibilities of the Actuarial Function with the UK Chief Actuary reporting to the UK Chief Risk Officer (See Section B8).

On an ongoing basis, the Risk function:

- Reviews the Internal Model Governance Framework, at least once a year;
- Identifies and challenges the need for model change to reflect material changes in the corporate risk profile;
- Monitors and manages operational risk and ensures the modelling of operational risk within the Internal Model reflects the Unum EEA's operational risks;
- Carries out quarterly review of risks and controls within RCOM and the Internal Model;
- Reviews the policies owned by the UK Chief Risk Officer (CRO) at least once a year;
- Oversees divisional "deep dives" into the risk profile of each business area;
- Oversees ongoing independent validation of the Internal Model, including managing plans for future development of the model; and
- Promotes a corporate culture that reflects Unum EEA's risk and capital vision.

The UK Chief Risk Officer has a matrix reporting line both to the Group Chief Risk Officer and the UK Chief Executive Officer, as well as regular direct contact with the non-executive Risk Committee chairman.

B.4 Own Risk and Solvency Assessment

This section applies to both the Unum EEA Group and the Solo entity of Unum Limited as the same ORSA processes apply consistently to all entities within the Unum EEA Group.

Process and integration

Unum EEA's ORSA encompasses all the risk and capital management processes that allow the company to identify the material risks to the business, to manage the risk profile within our risk appetite limits and to form an internal view of the capital required.

The Unum Limited Board is responsible for the ORSA on behalf of Unum EEA and ensures it takes account of the information coming from the ORSA process in its key decisions. The ORSA brings

together information across the enterprise, in particular Risk and Finance. Consequently the ORSA framework is managed and coordinated by the CRO (on behalf of the Board).

ORSA process activities can be grouped into the following categories:

- Performing the underlying risk and capital management processes
- Compiling the ORSA Annual Results Report
- Using ORSA information in decision-making
- Performing the above activities in response to significant events.

Frequency

Unum EEA operates a quarterly ORSA process with outputs consolidated into an annual ORSA Annual Results Report containing the latest information from the underlying risk and capital management processes. The ORSA Annual Results Report is scrutinised by RCSC and is approved by the Risk Committee on behalf of the Board.

Unum EEA has made use of the option provided for in the third subparagraph of Article 246(4) of Directive 2009/138/EC and has received a waiver from the PRA to produce a single ORSA Report to cover the EEA Group and the firm-level ORSA for all the firms in the group. This is consistent with Unum EEA's approach to use a single Internal Model for both the solo entity, Unum Limited and the EEA Group.

Own solvency needs

Unum EEA quantifies risks for a sufficiently wide range of outcomes, using appropriate techniques to provide an adequate basis for risk and capital management purposes.

The assessment of the overall solvency:

- Reflects the risks arising from all assets and liabilities, including intra-group and off-balance sheet arrangements;
- Reflects Unum EEA's management practices, systems and controls;
- Assesses the quality of processes and inputs, in particular the adequacy of the system of governance, taking into consideration risks that may arise from inadequacies or deficiencies;
- Connects business planning to solvency needs;
- Includes explicit identification of possible future scenarios;
- Addresses potential external stress;
- Uses a valuation basis that is consistent throughout the overall solvency needs assessment.

Unum EEA's assessment of its overall solvency needs employs economic capital modelling techniques, including the use of the Internal Model. The level of sophistication of the methods and techniques employed is appropriate to the risk profile at the time of the assessment and takes into account management actions that may be adopted in adverse circumstances.

B.5 Governance of the Internal Model

Responsible roles and committees

The high level Internal Model governance responsibilities of the administrative, management or supervisory body as defined in the Directive and guidance are carried out by a combination of the

Boards of UEHCL and UL, the Risk Committees (RC) of UEHCL and UL and the Executive Committee (ExCo).

Ultimate responsibility for the management of the Internal Model lies with the Board, which means ensuring that all risks are understood and managed effectively. For day-to-day management purposes, the Board has delegated authority for risk management to key individuals, and to key Board and management committees. The RCSC includes a sub-committee, the Internal Model Governance Committee (IMGC), which is responsible for Internal Model governance, embedding model use and ongoing development and overseeing the Unum EEA expert judgment process.

The Risk Committee is responsible for ensuring that the design and operation of the Internal Model remain appropriate at all times, including whether there are adequate independent review procedures in place around the Internal Model Design, operation and validation.

RCSC will satisfy itself that recommendations on model development and model changes are aligned to current and future business strategy, and provide preliminary approval. Final approval of the Internal Model and recommendations for major change is the responsibility of the Board.

Both the RC and the RCSC may, at any time, recommend changes to the strategic direction of the Internal Model.

Changes to Internal Model Governance

In December 2017, Unum Limited received approval from the Prudential Regulation Authority for a Major Model Change to rationalise the scope of the Internal Model. In order to recognise that Technical Provisions are now covered by 2nd line Chief Actuary reviews, they have been removed from the scope of the Internal Model. Internal Model governance remained unchanged during the reporting period but from 31 December 2017, it excluded governance relating to Technical Provisions.

Validation process

Unum EEA's Risk Function retains overall responsibility and accountability for the validation of the Internal Model.

This validation is designed to ensure that the Internal Model and the respective capital (SCR) are fit for use. An independent validation report is provided (at least annually) by the CRO to the Board on the performance of the Internal Model, which asserts that the Internal Model continues to meet the Solvency II requirements for Internal Model approval.

Validation of the production of Internal Model results follows the "three lines of defence" model. This includes the validation of the calculation tools and data that are used to implement the Internal Model methodology.

First line validation is carried out by the appropriate Business area using a peer review and challenge process to ensure a consistent and justifiable approach. Second line validation is managed by the Risk Function and is carried out by a combination of internal risk resource in the UK and US and external parties. Internal Audit perform reviews of the overall Validation process.

The three lines are segregated so that the personnel providing opinions on the validity of the Internal Model are independent from the running of the processes. Appropriate independence between the first and second line of defence is maintained in validating the Internal Model, whilst ensuring there

is sufficient expertise in the second line of defence to provide rigorous review and challenge to the first line of defence.

For each annual cycle of validation, results are reported to the RCSC and Risk Committee. Agreed remediation actions are recorded within the Governance Action Tracker which is administered by the Risk Function.

B.6 Internal control system

This section applies to both the Unum EEA Group and the Solo entity (Unum Limited) as the same internal control system is applied consistently to all entities within the Unum EEA Group.

This consistency is achieved by UEHCL having the same Board (including independent directors) as that of UL using the same corporate governance framework, including shared corporate functions such as Risk Management, Finance, Compliance and Internal Audit.

Unum EEA has a robust system of governance with a clear and well defined organisational structure that has clear lines of responsibilities through the organisation which are documented. The System of Governance is designed to establish, implement and maintain effective cooperation, internal reporting and communication for information at all relevant levels as well as establishing decision making frameworks. Proper corporate governance is achieved by:

- Monitoring by the Board: the Board monitors the corporate governance continuously through its activities, ensuring there are clear lines of accountability for management. It will also monitor and input into the corporate strategy, key business decisions, the risk policies, performance;
- Internal audits, risk, compliance assurance and quality assurance: a programme of internal audits assess the standard of governance processes, operational activities and financial controls;
- Policies and procedures documenting the approach, risk appetite and controls;
- Sarbanes-Oxley Act controls: a subset of our control environment which have been mapped, where applicable, to appropriate corporate risks;
- Performance based remuneration: the Board oversee the application of the compensation and succession planning of Executives;
- Monitoring by the ultimate parent company, Unum Group Inc, and other stakeholders.

Article 46(1) requires undertakings to have in place a Compliance Function as part of the internal control system. The role of this function is to identify, assess, monitor and report the compliance risk exposure of the undertaking.

In accordance with Article 46(2) the Compliance Function advises the administrative, management or supervisory body on compliance with the applicable laws and regulations. In order to assess the possible impact of significant changes in the legal and regulatory environment that the undertaking operates in, as well as identify and assess the compliance risk that could arise from such changes, the Compliance Function monitors relevant regulatory legislation, changes to regulation and assesses its potential impact on the undertaking.

B.7 Internal Audit Function

This section applies to both the Unum EEA Group and the Solo entity (Unum Limited) as the same Internal Audit Function operates for all entities within the Unum EEA Group.

B.7.1 Implementation of Internal Audit Function

Internal Audit is the 3rd line in the three lines of defence model operating within the Unum EEA Group. It is responsible for providing the Audit Committee of the Board of Directors and management with independent, objective controls assurance and consulting advice designed to add value and improve the operations of the Group. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to the evaluation of key controls, risk management procedures and governance processes.

The function operates in accordance with the Definition of Internal Auditing, Code of Ethics, the International Professional Practices Framework, and the UK Code for Internal Audit functions operating in the financial services industry, as published by the Chartered Institute of Internal Auditors.

The role of Internal Audit is to understand the key risks of the Group and to examine and evaluate the adequacy and effectiveness of the system of risk management and internal control as operated by the Group. In so doing, Internal Audit provides recommendations, advice and guidance to facilitate management in discharging its responsibilities.

Internal Audit also assesses the evidence supporting the cultural behaviours that underpin the 'We are Unum' and Code of Conduct principles. This assessment is performed on every audit and is based on four key factors relevant to a culture assessment: the tone from the top, the application of 'SMART risk' decision-making, the metrics and management information available, and the engagement and support received from management and staff during the audit.

The Head of Audit is responsible for developing an annual audit plan based on an understanding of the significant risks facing the Group, submitting the plan to the UK Audit Committee for review and approval, implementing the approved plan through delivery of timely audit reports, and flexing the plan where required for unplanned events and emerging risks, providing appropriate justification.

B.7.2 Independence and objectivity of the Internal Audit Function

The independence of Internal Audit is embodied in the Internal Audit Charter. It is approved by the Audit Committee annually and reinforces the independence of the function.

Internal Audit has unrestricted access to all records, property and personnel (including contractors and others acting on behalf of the Group). There is no impediment to Internal Audit's ability to challenge executive management and to report its concerns. All staff and management within the Group are required to provide the necessary assistance to, and co-operate with, the staff of Internal Audit in the performance of their duties.

Internal Audit is unrestricted in setting its scope and independently assesses the key risks that face the Group, including emerging and systemic risks, and how effectively these risks are being managed.

On a periodic basis, and in accordance with internal auditing standards, the function is independently assessed in terms of effectiveness and performance, and at least once every five years. The assessment includes an evaluation of the function's compliance with the agreed audit methodology and internal auditing standards, the efficiency and effectiveness of the function, stakeholder management processes, and opportunities for improvement.

To reinforce the function's independence, the Head of Audit reports directly to the Chair of the Audit Committee and the Unum Group Chief Auditor.

B.8 Actuarial Function

This section only applies to Unum Limited as the rest of the Unum EEA Group are not required to have an Actuarial Function.

The tasks Unum Limited's Actuarial function is required to perform, as per the Solvency II regulations, include:

- Ensuring appropriateness of the underlying methodologies, assumptions and data in the calculation of technical provisions;
- Assessing the sufficiency and quality of data used to determine the technical provisions and informing the Board of the reliability and adequacy of the calculation of technical provisions;
- Opining on overall underwriting policy and reinsurance adequacy; and
- Contributing to the effective implementation of the risk management system, particularly in the modelling of risks and capital requirements.

The tasks are performed at least annually. An Actuarial Function Report is produced annually covering the technical provisions and opinions on underwriting and reinsurance arrangements and presented to the Audit Committee and Board for approval.

Throughout the period, the Actuarial function was appropriately resourced with personnel of relevant actuarial skills, qualification and experience. There is an ongoing programme of training and development. Continuous Professional Development by the actuarial resources supports that the techniques applied are relevant and current. The roles and responsibilities of those within the function are documented and any conflicts are adequately managed via segregation of personnel, independent review, etc.

Where the Actuarial function performs other roles outside those outlined in the Solvency II regulations, process and procedures are in place to manage any conflict of interest, including external review and committee oversight. Within the second line, the UK Chief Actuary performs other roles in relation to Internal Model Governance, Validation and the RCOM.

The tasks relating to the coordination, oversight and calculation of the technical provisions are performed internally within the first line Finance function and are implemented by having robust control and governance around the methodologies, models and assumptions to minimise the risk of any error being introduced into the calculation. The assumptions used reflect past experience appropriately where this is available, along with industry information via benchmarking and expert judgment about how the future maybe different than the past. The expert judgment assumed in the models are sufficiently documented and recorded within the expert judgment log and reviewed on a

regular basis for their continued application. From time to time independent expert opinion may be sought on material risk calibrations to validate the judgments made by our own business experts.

Unum Limited has a data management policy that applies to all data used within the Solvency II reporting processes. Each data set used has a defined owner responsible for the accuracy of the data provided and the reporting of any issues. The data management officer has overall responsibility for the quality of data used in the valuation of technical provisions and any adjustment to technical provisions to mitigate against data issues. Any data issues discovered are logged and reported to the data issues meeting, where the issues are monitored and addressed.

Sensitivity analysis is also performed within the first line Finance function to compliment understanding of the materiality of the various assumptions and the uncertainty it presents.

The Revenue Strategy team operates separately from the Actuarial function and sets pricing bases and works with the Underwriting department to determine premiums. Through regular formal interactions and executive pricing committees, it provides recommendations on the appropriate strategy in view of consistency of underwriting practices with the product pricing, potential impact on future profitability to key risk factors and potential changes in terms and conditions. There is regular interaction between the Revenue Strategy team and the Actuarial function, and framework and metrics have been developed for establishing underwriting opinion.

The Actuarial function has appropriate skills and experience in reinsurance to review arrangements to ensure that reinsurance is meeting the risk appetite objective, that it remains effective in mitigating the balance sheet volatility and that its commercial terms remain competitive. A framework and metrics have been developed for establishing reinsurance opinion.

As part of the Risk function, the Actuarial function contributes to the effective implementation of the risk management system. It reviews experience and recommends calibration for all material risks annually and also supports the ORSA and risk management process by reviewing forward looking capital forecast and stress and scenario test results.

B.9 Outsourcing

This section applies to both the Unum EEA Group and the Solo entity of Unum Limited as the same Material Outsourcing Policy operates for all entities within the Unum EEA Group

The Material Outsourcing Policy for the whole of the Unum EEA Group sets out the approach to managing the operational risk of the delegation or transfer of a materially important activity defined as “a critical or important function or activity on the basis of whether it is essential to the operation of the undertaking as it would be unable to deliver its services to policyholders without the function of activity”.

This includes:

- All arrangements whereby an important operational service or function is performed by a third party on behalf of Unum EEA; and
- All intra-Group arrangements whereby one Group company performs an important operational service or function for another Group company.

(each a “Material Outsourcing Contract”).

When Unum EEA is considering whether a particular function is to be outsourced, the Policy provides that an assessment should be undertaken as to whether the function would be appropriate for outsourcing. The decision to outsource comprises an assessment of the potential economic benefits against any possible increased risks. Benefits may include greater expertise, speed to market, technological benefits and cost efficiencies. The risks may include those associated with loss of control, decrease in operational expertise and the cost of management oversight.

The Chief Legal and Compliance Officer is responsible on behalf of the ExCo for reporting material outsourcing arrangements to the Board. Reporting will include any exceptions of a material outsourcing service in complying with Unum EEA's Material Outsourcing Policy and Procedures. Any material issues, defined in terms of the inherent impact that data has on identifying and managing Unum EEA's Risk and Capital profile, must be notified to the (RCSC) which also receives a quarterly report of the delivery of services.

The Chief Legal and Compliance Officer is responsible for ensuring that the Material Outsourcing Policy complies with Solvency II, the PRA and FCA and other relevant regulatory and legal requirements. The Chief Legal and Compliance Officer is responsible for notifying the PRA and the FCA of all material outsourcing contracts.

Intragroup Outsourcing	
Outsourced service	Jurisdiction of
Human Resources (enterprise wide services)	US
Investment Management	US
Information technology services (enterprise wide services)	US
Business Critical	
Claim payments for specified customer segments	UK
New Business and existing business administration for specified products	UK

The above intra-group arrangements relate to the wider Unum Group in the US. There are currently no material intra-group arrangements between entities within the Unum EEA Group save for that whereby the employer, UEHCL makes its staff available to UL.

B.10 Any other information

B.10.1 Assessment of adequacy of the system of governance

The Chief Legal and Compliance Officer has reviewed the systems of governance for Unum EEA Group and Unum Limited as at 31 December 2018 and has confirmed the adequacy of the systems of governance given the nature, scale and complexity of risks inherent in the business and its compliance with EIOPA guidelines to the Board members.

B.10.2 Any other material information

There is no other information regarding the system of governance of Unum EEA that is considered material to this SFCR.

C. Risk profile

This section applies to both Unum EEA and the Solo entity (Unum Limited) as the same Risk categorisation exists for all entities within Unum EEA. All the material risks reside within Unum Limited as explained in Section C1.

Categories of risk

In order to manage risk effectively, Unum EEA classifies its identified risks within its Risk taxonomy using three levels of definition:

- Risk Type: The highest level of aggregation for homogeneous risk categories;
- Risk Category: The intermediate level of aggregation for homogeneous corporate risks;
- Corporate Risks: The detailed level of risk categorisation.

Unum EEA's Risk Categories map to the 6 areas from SII requirements (Directive Article 44) as follows:

Unum Risk Category	Article 44 Risk Management Area
Insurance	Underwriting and reserving
Credit, Market	Asset-liability management
Credit, Market	Investment, in particular derivatives and similar commitments
Liquidity	Liquidity and concentration risk management
Operational, Conduct	Operational risk management
All	Reinsurance and other risk-mitigation techniques

The 8 Risk Categories are defined as follows:

- **Insurance Risk:** the risk that actual claims and expenses experience varies from that assumed in product pricing including mispricing and reserving assumptions.
- **Market Risk:** the risk of loss, or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and volatility of market prices of assets, liabilities and financial instruments.
- **Credit Risk:** the risk from another party failing to perform its debt or reinsurance obligations, or failing to perform them in a timely fashion, including the risk of reductions in the market value of corporate bonds due to:
 - Failure to meet principal or interest payments in full and on time (Default Risk).
 - Reduction in the credit rating of a bond issuer (Transition Risk).
 - Widening of spread over a comparable risk free rate due to changes in the expectation of default, liquidity or other causes (Credit Spread Risk).
- **Liquidity Risk:** the risk that insurance and reinsurance undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due.
- **Operational Risk:** the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.
- **Conduct Risk:** the risk of not ensuring good outcomes for customers, and/or that the conduct of staff and third parties is inappropriate.
- **Group Risk:** the risk associated with being part of a group of companies.
- **Strategy Risk:** risk of exposure to loss resulting from a defective or inappropriate strategy.

Unum EEA has identified Group and Strategy risks in addition to the risk areas stipulated by Article 44.

Materiality of risks

Unum EEA's Materiality and Proportionality Framework classifies the materiality of each risk category as follows:

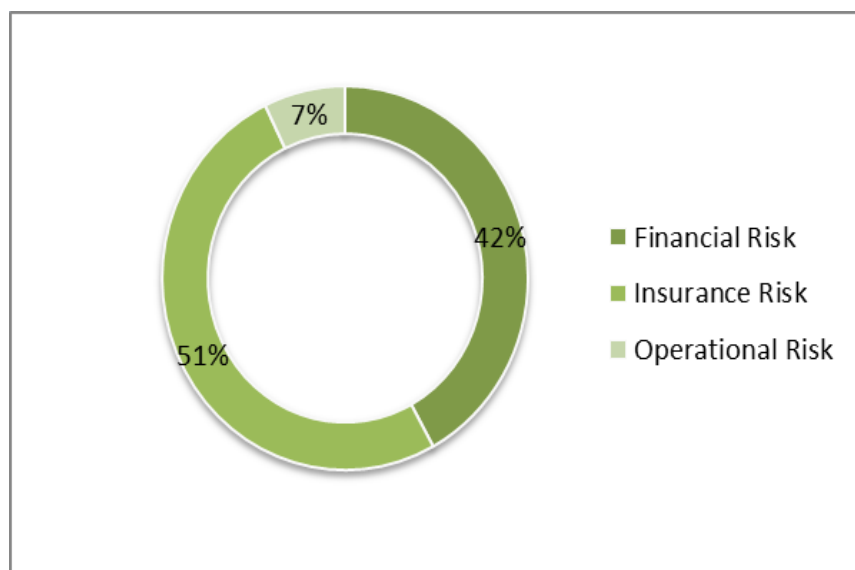
- Insurance Risk: High materiality
- Market Risk: Medium materiality
- Credit Risk: High materiality
- Liquidity Risk: Low materiality
- Operational Risk/Conduct Risk: High materiality
- Group Risk: Low materiality
- Strategy Risk: Low materiality.

There has been no change in this classification over the reporting period.

The classification depends on a number of factors such as the pre-diversified and post-diversified SCR for each category, the complexity of modelling that risk and Unum EEA's appetite for that risk including any competitive advantage and how the risk can be controlled and mitigated.

The split of pre-diversified SCR by high-level risk type for Unum Limited as at 31 December 2018 is shown below (with Market Risk, Credit Risk and Liquidity Risk being classified as "Financial").

Capital Requirements by Risk



C.1 Underwriting Risk

This is equivalent to Insurance Risk in the Unum EEA risk categories above.

C.1.1 Assessment measures, concentration and mitigation

The sections below describe the assessment measures for the most significant risks within the Insurance Risk category, which all reside within Unum Limited. There have been no material

changes in these assessment measures or in the concentrations and mitigations over the reporting period.

The Insurance Risk category also includes other risks for Unum EEA which are less material than those discussed below, including the risk of higher than expected claims on the dental business, persistency risk, expense risk and mortality risk.

Termination and Inception Risks

Unum EEA specialises in employer paid 'Group Risk' products. This results in the inception and termination risks within Unum Limited being relatively significant within the Underwriting risk category.

Termination risk refers to the risk of incapacity claims lasting longer than expected. This is Unum Limited's biggest insurance risk, due to the significant size of the claims in payment portfolio in Unum Limited as well as the active policies. Inception risk is the risk of higher than expected incapacity/morbidity claims.

Both these risks are assessed using a consistent method. Specifically, it is recognised that the potential risk is captured by either:

- Random fluctuation: the risk of having a "bad year" despite the best estimate assumption being correct; and
- Permanent step-change: the risk of a long term, systematic shift in the underlying experience due to changes in the level and trend risk drivers.

Unum Limited has high volumes of internal experience data with the required level of granularity giving it a large degree of flexibility in the analysis. The assessment of random fluctuation risk is therefore based on internal data as it ensures higher relevance to existing risk exposure relative to using external data (which is not available with sufficient granularity).

In the absence of relevant internal past experience for calibrating step change risks, judgment is formed based on scenario analysis and a number of factors such as relevant external research, historical data and medical opinion.

Pandemic Risk

Pandemic Risk is the risk that a potential pandemic results in mortality being higher than expected for Unum Limited's Group Life and Group Dependents product and / or morbidity inceptions being higher than expected on the Income Protection products. All material exposure to pandemic risk is expected to arise from the Group Life and Dependents products as the potential impact of a pandemic on the income protection business is deemed to be immaterial.

The assessment of this risk is focussed on the type of infection or disease which could potentially lead to a pandemic outbreak.

As no internal data exists to model pandemic risk, calibration is based on an assessment of three separate key factors which are determined based on past pandemics and publications giving consideration to medical advancements. The factors relate to the proportion of the general

population that becomes infected during a pandemic, the death rate among those infected and the incidence in the insured workforce. Each of the factors is set based on judgments given past external pandemic experience.

Catastrophe Concentration

Catastrophe Concentration Risk is the risk of a one-off catastrophe occurring in a geographical area where Unum EEA has significant insured exposure, leading to a large accumulation of claims.

The main sources of catastrophe concentration risk are the active Group Risk products in Unum Limited where the exposures are concentrated in specific locations.

External data is used to assess this risk, since no internal data is available; no catastrophe has occurred to date in any location that Unum Limited has written business. Analysis of historic events has been conducted, namely terrorist attacks, industrial catastrophes and natural disasters. From this, it is concluded that a terrorist attack delivered in densely populated city centres at large buildings, could potentially lead to the greatest casualties. The likely mortality and injury rates are then assessed for this scenario.

Longevity Risk

Longevity risk is the risk of fewer than expected deaths among the Group Dependents claimants, leading to higher reserves for these claims.

In the absence of sufficient internal past experience for calibrating the longevity risk stress, judgment is formed based on scenario analysis and a number of factors such as relevant external research, industry benchmarking and medical opinion.

C.1.2 Risk mitigation

In view of the materiality of the above risks, Unum EEA makes extensive use of risk mitigation techniques. Reinsurance is the primary risk mitigating technique and includes a variety of treaties from quota share to surplus to catastrophe providing different levels of risk mitigation across the risks.

The RCSC has the overall responsibility for management of risk mitigation techniques including reinsurance exposure against risk appetite. Two management committees are used to manage reinsurance to ensure that strategic and operational obligations are continually met. Each group is made up of members with an appropriate mix of skills and experience. These are:

- Reinsurance Strategy Group (“RSG”)
- Reinsurance Management Group (“RMG”)

The RSG reports into the RCSC, and is responsible for setting reinsurance strategy, and monitoring and managing the reinsurance process. It meets at least quarterly and monitors the continued effectiveness of the current reinsurance arrangements on a regular basis against the agreed reinsurance criteria such as reducing volatility, gaining reinsurance expertise, reducing exposure to concentration risks, improving solvency capital and profits, as well as the reinsurer selection criteria

such as credit rating, experience and expertise as set out in the relevant policy document and reviews / re-tenders the arrangements on a periodic basis, where relevant.

The RMG reports to the RSG and has the day to day responsibility for the management of reinsurance.

Other risk mitigation techniques include:

- review of premium rates if the experience has been poor;
- control over the type and mix of business; and
- strict application of underwriting and claims approval process.

C.2 Market Risk

C.2.1 Assessment measures, concentration and mitigation

The sections below describe the assessment measures for the most significant risks within the Market Risk category, which all reside within Unum Limited. There have been no material changes in these assessment measures or in the concentrations and mitigations over the reporting period.

External data is used in the assessment of these risks. This is felt to be reasonable because:

- It is the standard practice across the industry for market risk calibration; and
- Higher volume of data is available relative to internal data leading to better credibility of the stress.

Unum EEA has limited exposure to equity, property and currency risks hence on materiality grounds a sophisticated approach to assessing these risks is not required. The risks are assessed by analysing historic annual movements in relevant indices in addition to industry benchmarking.

Interest rate risk

Interest rate risk is the risk of adverse interest rate movements, such that the value of Unum EEA's assets reduces/increases by more/less than the value of Unum EEA's liabilities.

This risk currently applies to Unum Limited, whose assets are primarily invested in bonds, and to the defined benefit pension scheme for Unum Limited employees (the Pension Fund) where the risk resides within UEHCL.

The risk is assessed by analysing the variation in the relative movement in the Bank of England (BoE) interest rate term structure data from 1970.

Principal Component Analysis (PCA), an industry standard proven statistical technique, is used to determine the various independent patterns implied by the underlying dataset. This approach allows modelling of changes in the shape of the yield curve (i.e. shift, tilt and bend in the term structure of interest rates). The shift stresses (relative) are supplemented by an absolute floor to ensure the stresses remain appropriate under low yields environment.

Inflation rate risk

Inflation risk is the risk of adverse movements in inflation, such that the value of Unum EEA's inflation-linked assets reduces/increases by more/less than the value of Unum Limited's inflation-linked liabilities. In addition, the Pension Fund's Assets and Liabilities are also exposed to inflation risk.

This risk is assessed by analysing the variation in historic spot rates for implied inflation by analysing the difference between the nominal forward rates and real forward rates. The methodology for assessing the risk follows a similar method to that of interest rates.

Gilt/swap spread risk

The gilt swap spread risk is the basis risk that arises for Unum Limited when the UK government and other sovereign bonds are used to back insurance liabilities that are discounted using rates based on swap.

The risk is assessed by analysing the variation in the relative movement in the UK government bonds and swap data from 1999.

Market concentration risk

This is the risk of being over-exposed to individual investment counterparties and consequently to the specific risks of the failure of those counterparties (on top of the systematic risk relating to the overall market). This risk is assessed based on concentration thresholds.

C.2.2 Risk Mitigation

The main risk mitigation technique used for market risk is to manage and limit the exposure by matching the duration of assets and liabilities, separately for fixed and index linked portfolios. There are limits on the acceptable level of mismatches and these are monitored regularly for continued appropriateness. Furthermore, there are limits on the amount of investments by individual counterparties, class of asset and issuer as set out in Unum Limited's Investment Limits and Restriction document.

C.3 Credit Risk

C.3.1 Assessment measures, concentration and mitigation

The sections below describe the assessment measures for the most significant risk within the Credit Risk category. Other counterparty risk is considerably less material for the Unum EEA Group. There have been no material changes in these assessment measures or in the concentrations and mitigations over the reporting period.

Corporate bond credit risk

Unum Limited mainly invests in corporate bonds and gilts to back its liabilities. The corporate bond credit risk reflects the risk of loss in the market value of a corporate bond due to:

- Default risk: Bond issuer failing to meet its principal or interest payments in full and on time;
- Transition risk: Reduction in the credit rating of an issuer.

The assessment of this risk uses external UK corporate bond data that allows for transition risk. The data includes financial and non-financial bond data. The credit risks for financial and non-financial bonds are assessed separately.

The data contains bond information by bond duration and credit rating. Within each duration / rating bucket a distribution is fitted to the data. The best fitting distribution and parameters are chosen. The process is repeated for each duration / rating bucket to derive the 'raw' 1-in-200 stresses.

Once the 'raw' stresses are derived, an expert judgment overlay is applied to ensure the final stresses are appropriate in light of the historical spread movements, and in line with industry

benchmarking. This sometimes results in different stresses being recommended other than the 'raw' stresses that fall out of the distribution fitting process.

C.3.2 Risk mitigation

The main risk mitigation technique used to manage corporate bond credit risk to ensure that no material risk concentrations arise, is to impose limits on the amount of investments by asset classes, investment grade bonds, individual counterparties, sectors as set out in Unum Limited's Investment Limits and Restrictions. The performance of the bond portfolio is actively monitored and managed by the monthly Investment Management Committee meeting.

In addition, reinsurance and credit derivatives (Total Return Swaps) are used to manage exposures to credit risks.

C.4 Liquidity Risk

Liquidity risk is not considered to be a material issue for Unum EEA as the policyholder liabilities of Unum Limited are very illiquid with no surrender options and no liquidity risk exists in the rest of the Group. There have been no material changes in the assessment measures or in the concentrations and mitigations over the reporting period.

The risk is assessed for Unum Limited by considering a range of scenarios on an annual basis, covering both the short term and long term liquidity needs under both best estimate and stressed scenarios. The most recent analysis demonstrated that the expected cash flows from the asset portfolio consisting of bond maturities and coupons, together with the substantial portfolio of liquid Gilts would provide sufficient liquidity under the various scenarios.

The mitigations include the requirement to hold a minimum proportion of the investment portfolio for Unum Limited in gilts. In addition, one of Unum EEA's key investment objectives is to match the asset cash flows with the cash flows expected to arise from policyholder obligations by nature, term and currency. Further the investment policy requires bonds to be held to their maturity, unless there are concerns regarding meeting insurance payments amongst other considerations. This ensures that no material concentration of risk occurs in respect of liquidity.

C.4.1 Expected profit included in future premiums

The total amount of expected profit included in future premiums ("EPIFP") at the valuation date is £107.8m (2017: £93.0m) for Unum EEA.

In line with the Solvency II rules, the EPIFP has been calculated as the difference between the technical provisions without a risk margin and a calculation of the technical provisions without a risk margin under the assumption that the premiums that are expected to be received within the contract boundary are not received. The EPIFP is gross of reinsurance.

For assessing liquidity risk and for the purpose of liquidity planning, Unum EEA does not include future premiums and associated claims beyond the contract boundary. This is considered to be a prudent assumption as we expect future new business to generate additional liquidity.

C.5 Operational Risk and Conduct Risk

C.5.1 Assessment measures, concentration and mitigation

The assessment of operational risk and conduct risk relies on the input from the internal risk assessment process including historic loss data where relevant for validation purposes. This is a well-established process across the Unum EEA Group whereby risk owners and subject matter experts estimate the likelihood and the potential financial impact of each risk, taking into consideration historic experience, internal and industry knowledge, legal/regulatory environments, as well as the current business model, processes and controls. In forming these views, internal and external data are also considered (e.g. past precedents of regulatory fines are considered in formulating the loss distribution of relevant regulatory risks). Assessments also consider the occurrence of external events, such as a cyber-attack, which may compromise data and systems, disrupt the performance of key business processes and our ability to serve our customers, and damage our reputation.

The operational risks that Unum EEA is exposed to are all captured by the following Operational Risk Consortium (ORIC) standard definitions, with the largest exposure in the “Execution, delivery and process management” category.

Operational Risk Category	Definition
Internal fraud	Losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity/discrimination events, which involves at least one internal party.
External fraud	Losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party.
Employment practices and workspace safety	Losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims or from diversity/discrimination events.
Damage to physical assets	Losses arising from loss or damage to physical assets from natural disaster or other events.
Business disruption and system failures	Losses arising from disruption of business or system failures.
Clients, products and business practices	Losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product.
Execution, delivery and process management	Losses from failed transaction processing or process management, from relations with trade counterparties and vendors.

A variety of measures are used to mitigate the risks including active monitoring and analysis of any breaches for lessons learnt and improving future controls to considering operational risk mitigation arrangement such as fraud or building insurance to limit exposure.

In addition, the material operational and conduct risk events are regularly monitored. The mitigation of unnecessary operational risk is also an inherent consideration throughout Unum EEA's decision making, this applies across a wide range of areas including, for example decisions relating to remuneration policy and IT systems. This ensures that no material concentration of risk occurs in respect of operational or conduct issues.

There have been no material changes in the assessment measures or in the concentrations and mitigations over the reporting period.

C.6 Other material risks

Group risk is defined as the potential loss arising from connection to a related party. Unum EEA has assessed the risks it faces as a result of being part of the Unum Group, and concluded that there is no need to hold additional capital against this risk, on top of any relevant allowance in the operation risk and counterparty risk modules.

The current credit standing, reputation and financial position of Unum Group are seen as a potential asset, which is expected to remain an asset even under stress scenarios. The value of this asset has not been allowed in the Solvency II balance sheet. Hence the risk of potential reduction in the value of this asset should not contribute to capital requirements.

Strategic opportunity risk does not impact the financial security of current policyholders or expected new business written within the next year, and therefore has a zero capital requirement.

There have been no material changes in the assessment measures or in the concentrations and mitigations for these risks over the reporting period.

C.7 Prudent Person Principle

All of Unum EEA Group's assets are invested in accordance with the Investment Management Policy, which requires that the Prudent Person Principles are met. In addition, the Investment Limits and Restrictions document for Unum Limited specifies requirements for the investment of assets covering technical provisions and capital requirements. There are limits for investing in certain types of assets with restrictions on the currency, credit rating, duration and amounts of assets with single issuers. The document also defines the assessment of non-routine investment activities, managing any potential conflict of interests, treatment of assets not admitted for trading on a regulated financial market and derivatives. These are reviewed annually and approved by Board / appropriate committees.

C.8 Stress testing and sensitivity analysis

C.8.1 Overview of stress and scenario analysis

Stress and scenario analysis is conducted at least annually to assess Unum EEA's ability to meet capital and liquidity requirements in stressed conditions, and is used as a key component of effective risk management. The stress and scenario analysis focuses on the key risks within Unum Limited and helps the business to develop appropriate risk mitigation actions and continuously monitor and manage these risks.

Stress and scenario analysis includes sensitivity analysis, stress testing, scenario analysis and reverse stress tests. Stress testing and sensitivity analysis both illustrate the balance sheet impact of stressing individual assumptions for Unum Limited. They are used to assess the materiality of key assumptions as well as to annually validate understanding of Unum EEA's risk profile. Stress testing looks at a 1 in 20 year (95th percentile) stress level as it is considered to be consistent with an 'extreme but plausible' event. Sensitivity analysis is conducted assuming a range of sensitivities e.g. +10% change in assumption.

Scenario testing illustrates the impact of real world scenarios that may affect multiple assumptions simultaneously. It is used to assess the inter-dependence of risks within the Internal Model and the impact of scenarios beyond the normal business plan assumptions. Scenario testing also includes reverse stress testing of Unum Limited's business mode. Reverse stress tests are defined as stress tests that would render Unum's business model unviable, thereby identifying potential business vulnerabilities.

C.8.2 The assumptions underlying the analysis

The results of the tests show the movement in the excess own funds and solvency ratio for each material risk and each scenario. The tests are performed at various points in the year based on the latest Solvency II balance sheet. For stress testing, sensitivity analysis and reverse stress tests, the stresses/sensitivities have been assumed to apply immediately and permanently at the balance sheet date. For scenario testing, the impacts are based on a combination of an immediate impact on the balance sheet and our future expectation following the stress.

As appropriate for each stress or scenario, allowance is made for the impact of the stress or scenario on best estimate liabilities, risk margin, own funds, and the SCR. No allowance is made for a re-calculation of the transitional measure on technical provisions (which would be subject to PRA approval). It is also assumed that the 1 in 200 year SCR calibrations remain unchanged as a result of the stress or scenario. No other management actions are assumed in applying the stresses and scenarios.

C.8.3 The impact of sensitivities performed as part of stress and scenario analysis

The table below illustrates the sensitivities to a range of risks performed on Unum Limited's balance sheet as at 31 December 2018. The results are shown net of tax and make no allowance for recalculation of the transitional measure on technical provisions or any other management actions:

Risk	Impact on Own Funds £m	Impact % change in SCR coverage ratio
Credit spread widening by 50bps	(37)	(7)%
Property market values fall by 10%	(1)	0%
Equity market values fall by 10%	(5)	(1)%
Morbidity termination rates fall by 5%	(34)	(8)%
Morbidity inception rates rise by 10%	(16)	(4)%
Mortality rates rise by 10%	(6)	(1)%

C.8.4 Interpretation of the results

The results of the most recent stress and scenario analysis confirmed that the risks previously considered the most material produced the largest expected losses. As shown in the sensitivities above, the most material risks are credit spread risk and morbidity termination risk.

We have also conducted 1-in-20-year level stress tests which show that the Company is expected to withstand a shock at a 1-in-20 year level, as a solvency ratio of over 100% is maintained in all stresses.

One of the key outcomes is the impact on the Capital Management Strategy. The analysis is a key input in the ongoing refinement of monitoring and prevention actions that would be taken by management as well as potential actions to apply post-stress. These actions are split into different levels depending on their potential impact, timing and ease of execution.

The outcome of the reverse stress testing demonstrated that the likelihood of the scenarios occurring and causing business model failure is extremely remote. The test results show adverse performance in areas routinely monitored by management, so it is expected that early warning signs would trigger management response to mitigate the impacts and ultimately the risk of business failure from such an extreme scenario.

D. Valuation for Solvency Purposes: Unum Limited

The Unum Limited (Solo) Solvency II Balance Sheet valuation as at 31 December 2018 is presented below: There have been no changes made to the recognition and valuation bases used or to estimations during the reporting period.

As at 31 December 2018	SII Solo Balance Sheet £000	Unum Ltd Financial Statements £000	Variance £000
ASSETS			
Intangible assets	-	27,541	(27,541)
Property, plant & equipment held for own use	17,260	17,260	-
Investments	2,399,968	2,399,580	388
Reinsurance assets	151,343	173,464	(22,121)
Other Assets	112,902	185,706	(72,804)
Total Assets	2,681,473	2,803,551	(122,078)
LIABILITIES			
Technical provisions	1,942,919	2,223,241	(280,322)
Other provisions	-	-	-
Deferred tax liabilities	28,050	1,231	26,819
Insurance & intermediaries payables	30,779	30,779	-
Reinsurance payables	74,096	74,096	-
Other liabilities	21,576	21,349	227
Total Liabilities	2,097,420	2,350,696	(253,276)
Excess of assets over liabilities	584,053	452,855	131,198

D.1 Valuation of assets: Unum Limited

D.1.1 Intangible assets

Intangible assets in the financial statements consist of computer software. Computer software is stated at cost less accumulated amortisation and accumulated impairment losses.

Computer software has been valued at nil for the purposes of the Solvency II Balance sheet as there is no market for the asset. As the value is nil estimations and judgments are not relevant.

D.1.2 Valuation of property, plant and equipment

Property

Unum Limited does not hold any investment properties. It has a one owner occupied property serving as the Company Head Office.

Property is required to be measured at fair value. For this purpose the revaluation model in UK GAAP is accepted as a reasonable approximation of fair value.

Freehold property is valued by a chartered surveyor every 3 years at fair value.

Plant and equipment

Plant and equipment is required to be valued at fair value. Plant and equipment consists of computer hardware and 'fixtures, fittings and equipment'.

Unum considers fair value to be not materially different from the valuation in the UK GAAP accounts at historic cost less depreciation, a significant proportion of these assets have been acquired in the past few years thereby reducing the likelihood that fair value would be materially different from depreciated cost. There are no material estimations or judgments made due to the nature of the assets.

D.1.3 Valuation of investments

Investments As at 31 December 2018	SII Solo Balance Sheet £000	Unum Limited Financial Statements £000	Variance £000
Holdings in related undertakings	160	-	160
Bonds	2,389,208	2,389,208	-
Derivatives (SII gross basis, UK GAAP net basis)	9,781	9,554	227
Alternative Investments	818	818	-
Total	2,399,968	2,399,580	388

Holdings in related undertakings

Unum Limited does not participate in joint ventures or associates. The only type of participation that needs to be valued is that of investments in unlisted subsidiaries. Unum Limited holds a single £1 share in Claims Services International Limited (CSI), which amounts to 50% holding in that company. In Unum Limited, this is treated as a participation in net assets at 50%, and is fully consolidated for the purposes of the Unum EEA Group. CSI has been valued at the Solvency II values of its underlying assets and liabilities.

Investments in bonds

There is no difference in the valuation of the investments in bonds between the Unum Limited Financial Statements and the Solvency II Balance Sheet.

Unum's bond holdings consist substantially of corporate bonds and government bonds.

The bond portfolio is valued consistently with the Solvency II regulations Rule 2.1(1) of the Valuation Part of the PRA Rulebook for Solvency II Firms and the valuation hierarchy in Article 10 of the Solvency II Delegated Regulation.

The majority (c.96%) of Unum Limited's investment securities are valued at fair value based on market prices at the reporting date, which are quoted prices in active markets for identical assets per

Article 10(2) of the Delegated Regulation. As these are publicly traded securities, the market prices are readily available.

There are no material assumptions, judgments and estimates made in the valuation. The criteria for assessing market activity, and therefore the ability to rely on market values, include reviewing the issuers, reviewing the availability of market prices, and reviewing the ratings of the assets. Gains or losses arising from the sale of investments and changes in the market value of investments are included in the value of the portfolio.

Bonds valued using alternative valuation methods

Within the bond portfolio Unum Limited holds private placement securities. A private placement security is a corporate or asset-backed bond that is sold directly to a single or small group of qualified institutional investors, generally insurance companies. They share many characteristics with both public bonds and bank debt, and in many ways they are a hybrid of the two. Private placement securities tend to be less liquid than public bonds and may not have quoted prices. These assets are valued using alternative valuation methods as described in section D.4.

The private placement securities are estimated to have a market value of approximately £230.4m as at 31st December 2018 (2017: £227.2m). Exposure to private placement securities is approximately 9.1% (2017: 9.0%) of the overall asset portfolio. Unum's investment team ensures that exposure to a single counterparty within these securities is less than 1% of the total corporate bond portfolio.

Valuation of derivatives

Unum has some foreign currency bond holdings. They constitute less than 2.0% of the overall bond portfolio with the exchange rate risk mitigated by holding cross currency swaps.

Cross currency swaps are initially recognised at fair value on the date on which a derivative contract is entered into, which usually represents their cost, and are subsequently re-measured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

Unum also has transacted approximately £300m notional Total Return Swaps to mitigate the credit risk on its bond portfolio.

The Total Return Swaps are valued based on inputs observed in the market using a bespoke valuation model. Daily collateral posting is required based on the movement in the value of the Total Return Swap to minimise the counterparty risk.

Alternative Assets

In December 2018, the Company invested less than 0.1% of total funds in a Private Equity Partnership. The market value of these alternative assets is provided quarterly by external fund managers.

D.1.4 Valuation of reinsurance assets

Unum's primary risk mitigation tool is reinsurance. The valuation methodologies and assumptions for valuing the reinsurance assets are described in section D.2.8.

D.1.5 Valuation of other assets

Other Assets As at 31 December 2018	SII Solo Balance Sheet £000	Unum Limited Financial Statements £000	Variance £000
Insurance and intermediaries receivables	58,866	58,866	-
Reinsurance receivables	175	175	-
Receivables (trade, not insurance)	1,967	1,967	-
Cash and cash equivalents	51,894	51,894	-
Deferred acquisition costs	-	72,802	(72,802)
Any other assets, not elsewhere shown	-	-	-
Total	112,902	185,704	(72,802)

The other material assets considered within the Solvency II balance sheet are as follows:

Receivables

This includes policyholder, reinsurance receivables, intermediary receivables and other receivables. These are valued at cost on initial recognition with each receivable subject to impairment review. Due to the short term nature of the receivables there are no differences between the financial statement and the Solvency II balance sheet valuations. There is no adjustment required for amounts not past due, as receivables are only recognised when due.

There are no significant assumptions or judgments made about the future as all of the receivables are short term receivables and therefore no material assumptions have been made for future events.

Cash and cash equivalents

This is the amount of cash valued simply as the amount on demand. There is no difference between the financial statement and the Solvency II balance sheet valuation.

There are no significant assumptions or judgments used in valuing the cash holdings due to the nature of valuing cash in pounds sterling.

Deferred acquisition costs

In accordance with UK GAAP the costs of acquiring new business which are incurred during a financial year but expected to be recoverable out of future revenue margins are deferred. Such costs are disclosed, as an asset, gross of tax, in the balance sheet and are determined explicitly. The asset is amortised over the period during which costs are expected to be recoverable out of revenue margins from the related policies. The rate of amortisation is consistent with the pattern of emergence of such margins.

This asset is valued at nil for the purposes of the Solvency II balance sheet.

D.2 Technical provisions: Unum Limited

D.2.1 Technical provisions

Technical provisions are valued in accordance with the relevant Solvency II regulations as the sum of the best estimate liability (“BEL”) and the risk margin. Technical provisions are gross of reinsurance recoverables as, under Solvency II regulations, these are treated as a reinsurance asset rather than a deduction to technical provisions. The BEL represents the amount of funds set aside to meet the expected future pay-outs for insurance obligations taking into account any cash inflows such as premiums. The risk margin reflects the cost of capital required by a third party to support taking over Unum Limited’s business in addition to the best estimate liabilities.

The table below presents the amount of the best estimate liability, the risk margin and the value of technical provisions at the valuation date by material lines of business. The figures include volatility adjustment (see section D.2.5) and transitional measure on technical provisions (“TMTP”) (see section D.2.7). In the balance sheet disclosure S.02.01.02 the BEL and Risk Margin is shown net of the TMTP. In order to see how the TMTP is split, by life and health business, between BEL and Risk Margin, please refer to template S.12.01.02.

Line of Business Year ended 31 December 2018 (£000)	Best Estimate Liability (A)	Risk Margin (B)	Technical Provisions (A+B)	TMTP (C)	Technical Provisions after TMTP (A+B+C)
<i>Life Insurance Obligations</i>					
Other Life Insurance	547,589	17,709	565,298	(67,812)	497,486
<i>Health SLT Obligations</i>					
Health Insurance SLT	1,352,831	70,230	1,423,061	(53,519)	1,369,542
Health Reinsurance	72,883	3,792	76,675	(3,125)	73,550
<i>Non-life Insurance Obligations</i>					
Medical Expense Insurance	2,204	137	2,341	-	2,341
Total	1,975,507	91,868	2,067,375	(124,456)	1,942,919

Best Estimate Liability (“BEL”)

Lines of business

To accurately calculate the technical provisions, the insurance obligations have been segmented into the following Solvency II lines of business. No unbundling of obligations has been required.

Solvency II Line of Business	Products
Health Insurance SLT	Obligations from group and individual income protection and critical illness contracts
Health Reinsurance	Obligations from reinsurance accepted from group and individual income protection and critical illness contracts
Other Life Insurance	Obligations from group life and dependants contracts
Medical Expense Insurance	Obligations from dental insurance business

Contract boundary

In accordance with the Solvency II regulations, only those cash flows that are within the contract boundary have been included in the BEL calculation. Unum Limited has reviewed the terms and conditions for each contract to establish its boundary. The contract boundary is either the next premium review date or the next premium payment date depending on the nature of the contract.

Valuation methodology

For all business except dental insurance, the best estimate liability is determined using a gross premium valuation method, as the present value of the best estimate future net cash flows, using the risk free discount curve.

The calculations are performed at the policy / claim level and there is no grouping of schemes / policies / claims. The methodology involves determining a fixed set of assumptions which are used to project all contractual cash flows.

The calculation includes all contractual cash flows within the contract boundary arising from the insurance obligations, including premiums received, claims paid and expenses incurred. The cash flows are calculated gross of reinsurance recoveries expected from the reinsurance arrangements.

Negative reserves have been allowed where the discounted value of future expected premiums exceeds that of the benefit and expenses.

No future management actions are assumed in the calculation of technical provision because they are immaterial.

The following approach has been used for all lines of business (except for dental business):

- For in-force policies, BEL is calculated by projecting cash flows from the valuation date up to the contract boundary (with expected claims and expenses projected for the full best estimate claim duration) and discounted back.
- An allowance for claims that were incurred but not reported at the valuation date has been made using tables of the probability of delay in events being reported and recorded relative to the valuation date.
- For claims in payment, BEL is calculated by summing the projection of all expected claim payment and expense cash flows discounted back to the valuation date.
- An allowance for claims that were terminated but not reported at the valuation has also been made.

A simplified approach is taken for calculating the technical provisions for dental insurance business.

Valuation assumptions

The assumptions underlying the BEL calculation are best estimate without any margin for prudence and include the economic and non-economic assumptions.

Economic assumptions

The economic assumptions are market based and set with reference to available market information at the valuation date. The main economic assumptions are:

- Risk free interest rate term structure: The discount curves used to value future cash flow are published by the European Insurance and Occupational Pension's Authority ("EIOPA"), part of the European system of financial supervision. Separate discount rates are used

depending on the currency of obligations. The discount rates are the same for all products within that currency.

- Benefit indexation: Where claims are linked to external indices such as Retail Price Index (RPI) or Limited Price Index (LPI), appropriate inflation curve (based on RPI expectation) published by the Bank of England is used. Where LPI inflation is capped at 2.5% per annum the benefit is assumed to escalate at a fixed 2.5% per annum.

Non-Economic assumptions

The non-economic assumptions have been set with reference to Unum Limited's recent experience and available industry data, along with expert judgment on how the future might be different than the past.

The main non-economic assumptions are:

- Mortality / Longevity assumption: a proportion of WA00 and AF80 / AM80 Ultimate tables that varied by age, gender, smoker status and amount of coverage. Further allowance is made for future improvement in the annuitants' mortality.
- Morbidity inception assumption: a proportion of CMIR7 industry table that varied by type of contract, deferred period, gender, smoker status and occupational class.
- Morbidity termination (recovery, death and net settlement liability release) assumptions: a proportion of CMIR12 industry table that varied by the incapacity group, duration of disability and the age at next birthday of disability.
- Expense assumption: the level of expenses included in the valuation is based on the study of the most recent expenses by the type of expense (acquisition, administration, claims, etc.) along with expectations of future cost inflation.
- Lapse assumption: The assumption of whether the policyholder continues coverage and paying premiums is based on recent experience and future expectations.
- Incurred But Not Reported ("IBNR") Delay tables: The assumption about reporting delays for new claims, reopening of declined claims, reinstatement of recovered claims and termination of claims in payment are based on recent experience and future expectations.

Risk margin

The calculation for the risk margin is performed net of reinsurance using the approach outlined in the Solvency II rules. This requires estimating the eligible own funds the third party would need to raise to support the taken over business and would be equal to the Solvency Capital Requirement ("SCR") applicable to the third party and is different than Unum Limited's SCR.

The third party's SCR is then projected for each future time period until the existing insurance business runs-off. A simplified method is used to project the third party's SCR. Under this method, each individual risk capital for non-hedgeable risks is projected in line with a suitable risk driver such as value of benefits, sum assured, premiums, BEL, etc. The individual risk capitals are then aggregated after allowing for diversification of risks to give the third party's SCR at each future time period. This is the most sophisticated of the hierarchy of simplified methods as per the Solvency II guidelines.

No allowance has been assumed for the loss-absorbing capacity of deferred taxes.

The expected cost of capital is then calculated for each future time period based on a cost of capital rate prescribed in the Solvency II regulations. The present value of these expected costs, discounted by applying the relevant risk free interest rate term structure without any allowance for the SII Volatility Adjustment, represents the risk margin.

D.2.2 Level of uncertainty associated with the value of technical provisions

There is a level of uncertainty in the value of technical provisions associated with the uncertainty in the policyholder data, methodology (including the approach to modelling future management actions and future policyholder behaviour) and the assumptions (including assumptions relating to future premiums) used in the valuation of best estimate liabilities and risk margin. The sensitivity of the own funds and SCR coverage ratio to changes in assumptions is illustrated in section C.8.3. Appropriate controls and governance are in place to minimise any possible uncertainty.

The data used in the calculation is monitored quarterly for quality against the requirements of being complete, appropriate and accurate.

The methodologies are well established and proportional to the nature, scale and complexity of the risks inherent in the business. There are no complicated policyholder behaviours or management actions to model, and therefore any variation between reality and the modelling for policyholder behaviours or management actions is not a material source of uncertainty in the technical provisions.

The valuation of technical provisions is based on certain economic (e.g. discount rates) and non-economic (e.g. termination rates) assumptions. The methodology makes allowance for future premiums within the contract boundary, and the assumptions (both economic and non-economic) determine the level of expected profits in future premiums which are allowed for in the valuation of the technical provisions. The economic assumptions are largely prescribed by the regulator with very limited uncertainty. The non-economic assumptions are set annually based on the experience investigation exercise. In setting these assumptions, we took into account Unum's past experience and the best forward looking view to reflect the long term nature of the technical provisions. Sensitivity analysis is carried out to identify the financial impact of alternative assumptions.

D.2.3 Main difference between bases for solvency and financial statement valuation

The main differences between the valuation of technical provisions for solvency and financial statement purposes arise from the differences in the methodologies and the assumptions used in the calculations. There is no material difference in the underlying policyholder data and the system used in the calculations.

The following table summarises the Company's gross technical provisions split by Solvency II line of business and the differences with UK GAAP technical provisions. The technical provisions are shown gross of reinsurance and the Solvency II figures include the impact of any transitional measures.

Valuation methodology

There are a number of differences between the valuation methodologies for solvency and financial statements. Unum Limited uses the Solvency I Pillar 1 rules for valuing its technical provisions for financial statements as allowed under FRS 103.

Line of Business	Valuation for Solvency	Valuation for Financial Statements
All	Risk Margin ("RM") is calculated and included in the technical provisions.	RM is not included but other margins are included within UK GAAP to cover uncertainty.
Other Life Insurance / Health SLT	Transitional Measure on Technical Provisions ("TMTP") is part of the technical provisions.	TMTP is not included.
Other Life Insurance / Health SLT	<p>For in-force policies, the valuation is performed using a gross premium cash flow method. The cash flows are projected from the valuation date up to the contract boundary (with expected claims and expenses projected for the full best estimate claim duration). As policies are expected to be profitable the present value of future premiums is expected to exceed the present value of future benefits and expenses giving negative policy BEL. Allowance is made for IBNR claims.</p> <p>For claims in payment, the BEL is calculated by summing the projection of all expected claim payment and expense cash flows discounted back to the valuation date.</p>	<p>For group business in-force policies, the valuation includes unearned premium reserve, IBNR reserve and an expense reserve. Policy reserves will be positive.</p> <p>For individual business in-force policies, the valuation is performed using a gross premium cash flow method. All expected future premiums, claim payments and expenses from the valuation date up to the end of the term of the contract are taken into account allowing for an appropriate lapse assumption. Policy reserves may be negative.</p> <p>For claims in payment, the reserves are calculated using broadly the same methodology as in Solvency II.</p>
Medical Expense Insurance	<p>For in-force policies the BEL is the unexpired risk reserve. The unexpired risk reserve covers the claims and expenses, whether in respect of settling claims or the normal business activity, arising in future.</p> <p>An explicit allowance for claims that were incurred but not reported (IBNR) at the valuation date has been made using historic patterns of reporting delays.</p>	For in-force policies, the valuation includes unearned premium reserve and an IBNR reserve.

Valuation assumptions

The material differences between the assumptions used relate to discount rates, termination rates, loss ratios, inception rates, mortality rates and expense assumptions. These differences are outlined in this section.

Key areas of difference between the methods used to calculate Solvency II technical provisions and the methods used to calculate UK GAAP technical provisions are:

UK GAAP margins

Under UK GAAP, explicit margins for uncertainty are added to various best estimate assumptions including discount rates, termination rates, loss ratios, inception rates, mortality rates, lapse rates, expense assumptions and reinsurance counterparty default rates. Margins for uncertainty are not included in the Solvency II BEL. This results in a decrease in Solvency II BEL relative to UK GAAP technical provisions in respect of this adjustment.

Discount Rates

The Solvency II BEL is valued using a risk-free rate curve with an allowance for a credit risk adjustment and a Volatility Adjustment ("VA") where applicable.

UK GAAP technical provisions are valued using a valuation interest rate which reflects the yields available on the underlying assets, with an allowance for credit risk based on internal analysis and a margin for adverse deviation.

The table below shows the differences between Solvency II and UK GAAP technical provisions.

Line of Business 2018 (£000)	Best Estimate Liability (A)	Risk Margin (B)	TMTP (C)	Technical Provisions after TMTP (A+B+C)	UK GAAP Technical Provisions (D)	Difference (A+B+C-D)
Life Insurance Obligations						
Other Life Insurance	547,589	17,709	(67,812)	497,487	610,443	(112,957)
Health SLT Obligations						
Health Reinsurance	1,425,714	74,021	(56,644)	1,443,091	1,610,108	(167,017)
Non-life Insurance Obligations						
Medical Expense Insurance	2,204	137	-	2,341	2,689	(349)
Total	1,975,507	91,868	(124,456)	1,942,919	2,223,241	(280,323)

D.2.4 Matching adjustment

Matching adjustment (as referred to in Article 77b of the Directive) has not been applied by Unum Limited to calculate its financial position. Unlike other annuity providers Unum has been deemed by the PRA not to meet the eligibility criteria for matching adjustment.

D.2.5 Volatility adjustment

Unum Limited has approval from the PRA to utilise Volatility Adjustment (“VA”). The VA is an adjustment to the risk free interest rate curve used to discount future cash flows and is determined and published by EIOPA for all major European currencies.

The VA is designed to protect insurers with long-term liabilities from the impact of volatility on the insurers’ solvency position.

The VA is applied to all life insurance obligations using the relevant currency specific curves to calculate the BEL. However, in accordance with the Solvency II regulations, the VA has not been used in the calculation of the risk margin or used in the calculation of the SCR.

The table below shows the impact of a change to zero of the volatility adjustment on Unum Limited’s financial position at the valuation date. The technical provisions presented in the table below exclude the Transitional Measure on Technical Provisions (“TMTP”).

Financial Position Indicators at 31 December 2018	Solvency Position with VA and without TMTP(A) £000s	Without VA (B) £000s	Impact of VA (A-B) £000s
Technical Provisions (excluding TMTP)	2,067,375	2,125,529	(58,154)
Basic Own Funds	480,755	436,594	44,161
Eligible Own Funds	480,755	436,594	44,161
Solvency Capital Requirement (SCR)	427,227	427,227	-
SCR coverage ratio	113%	102%	11%
Minimum Capital Requirement (MCR)	192,252	192,252	-
MCR coverage ratio	250%	227%	23%

For more details on the SCR see E.2.1

D.2.6 Transitional: Interest rate

The transitional risk-free interest rate term structure has not been applied by Unum Limited to calculate its financial position.

D.2.7 Transitional: Technical provisions

Like many of Unum’s peers, the Transitional Measure on Technical Provisions (“TMTP”) has been applied by Unum Limited to its Solvency II Balance Sheet.

The purpose of the TMTP is to allow Unum Limited to make a gradual and smooth transition into the Solvency II regime over a period of 16 years (by the end of 2032).

The TMTP is applied to total technical provisions arising from all of Unum Limited’s insurance business. In line with regulatory requirements to recalculate every 2 years (unless there is a material change in the risk profile), the TMTP was last recalculated as at 31 December 2017. Between calculations the TMTP is run-off linearly so it would reach zero by the end of 2032.

The table below quantifies the impact of not applying the transitional measure on technical provisions on Unum Limited’s financial position at the valuation date in £000’s. The Technical Provisions (both with and without TMTP) include the impact of Volatility Adjustment.

Financial Position Indicators	Solvency Position with TMTP (A)	Without TMTP (B)	Impact of TMTP (A-B)
	£000	£000	£000
Technical Provisions	1,942,919	2,067,375	(124,456)
Basic Own Funds	584,053	480,755	103,298
Eligible Own Funds	584,053	480,755	103,298
Solvency Capital Requirement (SCR)	427,227	427,227	-
SCR coverage ratio	137%	113%	24%
Minimum Capital Requirement (MCR)	192,252	192,252	-
MCR coverage ratio	304%	250%	54%

D.2.8 Description of recoverable from reinsurance

Unum Limited makes use of reinsurance as a risk mitigation tool, which recovers part of Unum Limited's incurred claims, and has a number of reinsurance treaties in place that limit the exposure to insurance loss. There is no insurance special purpose vehicle.

The amount recoverable from reinsurance arrangements is calculated separately and reported as reinsurance asset. The technical provisions are calculated on a gross basis without deduction of the amount recoverable from reinsurance arrangements.

Reinsurance recoverable

The Solvency II rules require that reinsurance contracts should be valued in a consistent way to insurance obligations. The amount recoverable from reinsurance arrangements is therefore calculated using similar methodology and assumptions as that used for the calculation of best estimate liability described in the technical provisions section.

The methodology follows the gross premium valuation method. This method projects all contractual reinsurance claim and premium cash flows arising from each reinsurance treaty, and discounts the net projected payments or receivables at the Solvency II risk free curve used for discounting cash flows to give the reinsurance recoverable.

Default adjustment (Solvency II valuation)

The reinsurance recoverable is then adjusted to take account of expected losses due to default of the counterparty, in line with Solvency II rules, to determine the reinsurance asset held on the Solvency II balance sheet.

There is no explicit adjustment for the default of reinsurance counterparty under the valuation for financial statements.

D.2.9 Material changes in assumptions

The key Non-Economic assumptions underlying technical provisions have been updated with reference to Unum Limited's recent experience and available industry data. This includes updating the termination rate assumptions for Group Income Protection business to reflect emerging experience by claim durations and incapacity groups, resetting loss ratio assumptions for all Group policies to reflect our best view of the claim inception rates and for Group Income Protection policies in particular, the severity and duration of the claims. The longevity assumptions for our Group Dependent claims have also been updated to be based on CMI 2017 projection model which reflects the industry's up to date view on future mortality improvement.

The overall impact of the changes is a small reduction to the Solvency II Technical Provisions.

D.3 Other liabilities: Unum Limited

D.3.1 Deferred tax liabilities

Deferred tax balances arise due to differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses/credits. They are determined by reference to the other assets and liabilities (other than in respect of unused tax credits/ losses) on the deferred tax balance sheet and are valued in accordance with IFRS and included within the Solvency II balance sheet.

Where the calculation of deferred tax in respect of unused tax losses and unused tax credits carried forward results in a deferred tax asset it is only recognised on the Solvency II balance sheet if the UK Group considers that sufficient evidence exists such that it can be demonstrated to the Prudential Regulatory Authority that the future profits required to realise the deferred tax asset are probable. Deferred tax balances are not discounted.

The rate used to calculate deferred tax balances is the rate at which they were expected to unwind at the reporting date. No account is taken of any changes in tax rates that were not substantively enacted at the reporting date.

The difference between the deferred tax liability calculated under accounting standards and under Solvency II arises as a result of the following adjustments:

- Intangible assets and deferred acquisition costs are excluded under Solvency II, resulting in a reduction in the deferred tax liability of £17.1m. Technical provisions, including reserves for claims and unearned premiums, are adjusted in accordance with the Solvency II guidelines, and result in an increase in the deferred tax liability under Solvency II of £43.9m

D.3.2 Insurance and Reinsurance payables

Insurance and Intermediaries payable, and Reinsurance payables are amounts due to policy claimants and reinsurers respectively and are valued as the amount expected to be paid. There are no differences between the valuation under Solvency II and UK GAAP. There is no adjustment required for amounts not past due, as payables are only recognised when due.

D.3.3 Valuation of Other Liabilities

Other Liabilities As at 31 December 2018	SII Solo Balance Sheet £000	Unum Limited UK GAAP Financial Statements £000	Variance £000
Derivatives	2,710	2,483	227
Debts owed to credit institutions	-	-	-
Payables (trade, not insurance)	18,866	18,866	-
Any other liabilities, not elsewhere shown	-	-	-
Total	21,576	21,349	227

Payables (trade not insurance)

Payables (trade not insurance) relate to balances owed to other group companies in respect of salaries and other services recharged to the Company; no estimation methods, adjustments for future value or valuation judgments are required for these balances.

Leases

There are no material liabilities arising from finance or operating leases.

There are no estimations or judgments in the valuations in the other liabilities above, nor have there been any changes in the bases in the period. There are no differences in the valuation basis between the financial statements and the Solvency II balance sheet.

D.4 Alternative valuation methods

D.4.1 Property

As described in D.1.2, property is valued using the revaluation model in IFRS as this is a reasonable approximation of fair value.

D.4.2 Derivatives

The alternative valuation methods for derivatives are described in D.1.3.

Cross currency swaps are initially recognised at fair value on the date on which a derivative contract is entered into, which usually represents their cost, and are subsequently re-measured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

Total Return Swaps are valued based on inputs observed in the market using a bespoke valuation model.

D.4.3 Private Placement Securities

As described in D.1.3, market valuations for private placement securities are not readily available. To estimate the fair value, internal prices are determined utilising internal pricing methods which may use observable and unobservable market inputs and assumptions to estimate the underlying values. Investment inputs include spread adjustments to account for credit risk, liquidity, collateral, prepayments, and analogous amendments.

Comparable prices are determined by utilizing information about similar securities with terms that are similar to the unpriced security. Once a comparable price has been identified for a security, the Company will maintain that relationship unless conditions change the nature of the relationship. Additionally, prices may be obtained from independent third-party brokers to aid in establishing valuations for certain securities.

D.4.4 Alternative Assets

As described in D.1.3, the market values of alternative assets are provided quarterly by external fund managers.

D.5 Valuation for Group Solvency Purposes: Unum EEA Group

There are no differences between the valuation bases methods and assumptions applied at a Unum EEA Group level and those applied at a Solo level for assets, technical provisions and liabilities except as disclosed below. There are no additional categories of assets or liabilities held by Unum EEA Group whose valuation bases, methods and assumptions are not covered by the disclosures in the previous section. There have been no changes made to the recognition and valuation bases used or to estimations during the reporting period for the group.

Unum Limited's Investments in Subsidiaries are held at cost in accordance with UK GAAP. For Unum EEA Group's Solvency II consolidated balance sheet, all non-insurance subsidiaries come under the definition of ancillary services undertakings and are therefore required to be fully consolidated.

As at 31 December 2018	Unum EEA Group SII Balance Sheet £000	Unum EEA Group UK GAAP Balance Sheet £000	Variance £000
ASSETS			
Intangible assets	-	27,793	(27,793)
Property, plant & equipment held for own use	19,417	19,417	-
Investments	2,400,247	2,400,019	228
Reinsurance assets	151,343	173,464	(22,121)
Other Assets	141,848	215,177	(73,329)
Total Assets	2,712,855	2,835,870	(123,015)
LIABILITIES			
Technical provisions	1,942,919	2,223,241	(280,322)
Other provisions	-	-	-
Deferred tax liabilities	27,481	1,231	26,250
Insurance & intermediaries payables	30,779	30,779	-
Reinsurance payables	74,096	74,096	-
Other liabilities	26,758	26,531	227
Total Liabilities	2,102,033	2,355,878	(253,845)
Excess of assets over liabilities	610,822	479,992	130,830

As mentioned previously UEHCL does not prepare consolidated financial statements as it has taken advantage of the exemption under section 401A of the Companies Act 2006. The Balance Sheet above has been prepared on a consolidated basis as if a consolidated set of financial statements were being prepared, using accounting policies that are consistent with Unum Limited. A reconciliation is provided in section E.1 between the Unum Limited and Unum EEA Group own funds.

D.5.1 Technical provisions: Unum EEA

As described earlier, Unum Limited is the only regulated insurance company within the Unum EEA Group. As at 31 December 2018, there is no additional insurance business written in Unum EEA Group. The Technical Provisions for Unum EEA are the same as for Unum Limited.

D.5.2 Volatility adjustment: Unum EEA Group

As for Unum Limited, the volatility adjustment ("VA") is used by Unum EEA Group.

The table below shows the impact of a change to zero of the volatility adjustment on Unum EEA Group's financial position at the valuation date. The technical provisions presented in the table below exclude the Transitional Measure on Technical Provisions ("TMTP").

Financial Position Indicators at 31 December 2018	Solvency Position with VA (A)	Without VA (B)	Impact of VA (A-B)
	£000	£000	£000
Technical Provisions (excluding TMTP)	2,067,375	2,125,529	(58,154)
Basic Own Funds	492,536	460,740	31,796
Eligible Own Funds	492,536	460,740	31,796
Group Solvency Capital Requirement (SCR)	427,467	427,467	-
SCR coverage ratio	115%	108%	7%
Minimum consolidated Group SCR (MGSCR)	192,252	192,252	-
MGSCR coverage ratio	256%	240%	16%

The impact of the VA on Own Funds for Unum EEA Group is less than the impact on Own Funds for Unum Limited due to the minority interest restriction (28% of Unum Limited's surplus Own Funds are owned by UPFC, see section A.1.1 for details).

D.5.3 Transitional technical provisions: Unum EEA Group

As for Unum Limited, the Transitional Measure on Technical Provisions ("TMTP") is used by Unum EEA Group.

The table below quantifies the impact of not applying the TMTP on Unum Limited's financial position at the valuation date in £000's. The Technical Provisions (both with and without TMTP) include the impact of Volatility Adjustment.

Financial Position Indicators at 31 December 2018	Solvency Position with TMTP (A)	Without TMTP (B)	Impact of TMTP (A-B)
	£000	£000	£000
Technical Provisions	1,942,919	2,067,375	(124,456)
Basic Own Funds	566,911	492,536	74,375
Eligible Own Funds	566,911	492,536	74,375
Solvency Capital Requirement (SCR)	427,467	427,467	-
SCR coverage ratio	133%	115%	18%
Minimum consolidated Group SCR (MGSCR)	192,252	192,252	-
MGSCR coverage ratio	295%	256%	39%

The impact of the TMTP on Own Funds for Unum EEA Group is less than the impact on Own Funds for Unum Limited due to the minority interest restriction (28% of Unum Limited's surplus Own Funds are owned by UPFC, see section A.1.1 for details).

E. Capital Management

E.1 Own funds

E.1.1 Capital policy: Unum EEA Group and Unum Limited

Unum EEA Group and Unum Limited's Capital strategy is to maintain an appropriate quantity and quality of capital consistent with its overall business strategy and prevailing regulatory requirements to provide the shareholder with an appropriate return for the level of risk taken. Unum Limited maintains a Capital Management Framework, which is used to ensure that the company retains sufficient capital to meet obligations as they fall due. The Framework also sets out the capital contingency plan in the event that capital risk appetite and limits are breached.

Unum Limited monitors its performance against a three year business plan. There have been no material changes over the reporting period.

Capital Management Framework

- Unum EEA Group takes a proactive approach to managing its risk profile and corresponding capital impacts. As part of the Capital Management Framework Unum Limited has a capital contingency plan. This sets out management actions dependent on the Solvency Capital Requirement ("SCR") and incorporates a buffer for balance sheet volatility.
- Unum EEA Group's Capital Management Framework is anchored on meeting a risk appetite defined in terms of reported solvency ratios. Unum Limited has defined trigger points for management actions at different solvency ratios.
- Unum EEA Group targets an appropriate dividend amount after ensuring that its current and projected solvency targets are met (in line with the capital management framework).
- If the capital ratio exceeds the capital management framework targets (and their projected levels for future new business and planned operating experience) then the company will seek to return any excess capital to shareholders over a period of time.
- If the capital ratio falls below the capital management framework targets then the company will consider a range of management actions, such as recalculating the Transitional Measure (subject to PRA approval), reducing dividend payments, increasing reinsurance, increasing the use of total return swaps or raising capital. The exact management actions to be deployed depend on the solvency ratio at the time and the general market condition.
- The Board will consider the Solvency II balance sheet and projected balance sheet, stresses and scenarios and in light of this will consider the appropriateness of any proposed dividend in conjunction with the Capital Management Framework.

In addition to the regulatory view, the Company also calculates an internal Economic Capital measure (unaudited) which represents the economic view of the capital required. This measure is used in business and investment decisions.

E.1.2 Own funds: Unum Limited

Own Funds as at 31 December 2018	Total £000	Tier 1 unrestricted £000
Ordinary share capital (gross of own shares)	12,000	12,000
Reconciliation reserve	572,053	572,053
An amount equal to the value of net deferred tax assets	-	-
Deductions		
Deductions for participations in financial and credit institutions	-	-
Total basic own funds after deductions	584,053	584,053

Own Funds as at 31 December 2017	Total £000	Tier 1 unrestricted £000
Ordinary share capital (gross of own shares)	12,000	12,000
Reconciliation reserve	625,282	625,282
An amount equal to the value of net deferred tax assets	-	-
Deductions		
Deductions for participations in financial and credit institutions	-	-
Total basic own funds after deductions	637,282	637,282

Unum Limited's ordinary share capital and reconciliation reserve are all available as Tier 1 unrestricted own funds as per Article 69 (a)(i) of the Delegated Regulation. The ordinary share capital has full voting, dividend and capital distribution (on winding up) rights; it does not confer any rights of redemption, is not subordinated and has no restricted duration. The reconciliation reserve equals the excess of assets over liabilities less other basic own fund items, and foreseeable dividends as at the reporting date. There are no own shares held.

Unum Limited has no Tier one restricted own funds (per Article 80 of the Delegated Regulations), no Tier 2 own funds (per Article 72 of the Delegated Regulations) and no Tier 3 own funds (per Article 76 of the Delegated Regulations).

The change in Tier 1 Own Funds over the year is analysed in the Profit and Loss Attribution analysis which is presented to Unum Limited's Board. From 31 December 2017 to 31 December 2018, Own Funds reduced from £637m to £584m. The key sources of profit over the period i.e. increase in Own Funds, are:

- Investment returns on surplus assets and investment returns in excess of risk free on assets backing Technical Provisions; and
- Profits on new business and renewals of business.

However these were more than offset by the following key sources of change:

- Dividends paid over the period (which reduced the Own Funds shown above by £80m);
- Experience variances on existing business; and
- Economic variances, in particular a widening of credit spreads over the period.

The significant differences between Unum Limited's equity as shown on its audited financial statements and the excess of assets over liabilities as calculated for solvency purpose are as follows:

- Deferred acquisition costs are not recognised under Solvency II;
- Intangibles are disallowed unless they can be readily sold;
- Technical provisions are calculated in accordance with the Solvency II requirements (see section D.2.1);
- Amounts recoverable from reinsurers is recalculated (see section D.2.8); and
- A deferred tax adjustment in relation to the above.

These are quantified in the table below:

Equity per Financial Statements to Solvency II reconciliation as at 31 December 2018	31 December 2018 £000	31 December 2017 £000
Ordinary Share Capital	12,000	12,000
Capital contribution	29,973	29,973
Retained earnings	404,970	506,251
Revaluation reserve	5,912	6,064
Total Equity	452,855	554,288
Adjustments for Solvency II		
Intangible assets	(27,541)	(24,565)
Other including participation in CSI	160	158
SII adjustment for reinsurance assets	(22,121)	(18,803)
Deferred acquisition costs	(72,802)	(73,934)
SII adjustment for technical provisions	280,322	259,227
Deferred tax as a result of SII adjustments	(26,820)	(24,089)
Solvency II excess of assets over liabilities	584,053	672,282

Assets representing own funds are invested in gilts, corporate bonds, alternative investments and cash or cash equivalents with the remainder being working capital held in debtor and creditor balances.

None of Unum Limited's own funds are subject to transitional arrangements and Unum Limited has no ancillary own funds. No deductions are applied to own funds and there are no significant restrictions affecting their availability and transferability.

Unum Limited's own funds are all Tier 1 unrestricted and available to cover the SCR and the MCR.

Reconciliation reserve (£000)	31 December 2018	31 December 2017
Excess of assets over liabilities	584,053	672,282
Own shares (held directly and indirectly)	-	-
Foreseeable dividends, distributions and charges	-	(35,000)
Other basic own fund items	(12,000)	(12,000)
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-	-
Reconciliation reserve	572,053	625,282

The key elements of the reconciliation reserve are the investments and the Solvency II technical provisions; see section D for a description of the valuation of these items in the Solvency II balance sheet.

The level of the Reconciliation Reserve can change dependent on a number of factors including market movements (for example in credit spreads), and the underwriting experience of the business. The sensitivity of the balance sheet (and solvency coverage ratio) and the mitigation actions are discussed in Section C. The risk mitigation actions mainly include reinsurance, asset liability matching and adhering to strict investment limits and restrictions.

There are no eligibility restrictions hence eligible own funds are the same as basic own funds.

Eligible Own Funds (£000)	31 December 2018	31 December 2017
SCR	427,227	451,724
MCR	192,252	192,809
Ratio of Eligible Own Funds to SCR	137%	141%
Ratio of Eligible Own Funds to MCR	304%	331%

Own funds: Unum EEA Group

Own Funds as at 31 December 2018	Total £000	Tier 1 unrestricted £000	Tier 1 restricted £000
Ordinary share capital (gross of own shares)	10,266	10,266	-
Share premium account	5,932	5,932	-
Preference shares	14,000	-	14,000
Reconciliation reserve	580,625	580,625	-
An amount equal to the value of net deferred tax assets	-	-	-
Non-available minority interests at group level	(43,911)	(43,911)	-
Deductions			
Deductions for participations in financial and credit institutions	-	-	-
Total basic own funds after deductions	566,912	552,912	14,000

Own Funds as at 31 December 2017	Total £000	Tier 1 unrestricted £000	Tier 1 restricted £000
Ordinary share capital (gross of own shares)	24,903	24,903	-
Share premium account	7,812	7,812	-
Preference shares	14,000	-	14,000
Reconciliation reserve	611,315	611,315	-
An amount equal to the value of net deferred tax assets	-	-	-
Non-available minority interests at group level	(51,956)	(51,956)	-
Deductions			
Deductions for participations in financial and credit institutions	-	-	-
Total basic own funds after deductions	606,073	592,073	14,000

Unum EEA Group's ordinary share capital and reconciliation reserve are all available as Tier 1 unrestricted own funds as per Article 69 (a)(i) of the Delegated Regulation. The ordinary share capital has full voting, dividend and capital distribution (on winding up) rights; it does not confer any rights of redemption is not subordinated and has no restricted duration. The reconciliation reserve equals the excess of assets over liabilities less other basic own fund items, and foreseeable dividends as at the reporting date. There are no own shares held.

UEHCL has issued 14m £1 preference shares. The perpetual non-cumulative preference shares qualified as Tier 1 capital under the Solvency I regime, but did not meet the full criteria set out in the regulations in order to be treated as either Tier 1 or Tier 2 capital under Solvency II. Under the regulations, the preference shares have transitioned into Solvency II as Tier 1 own funds. The transitional period ends 31 December 2025.

Unum EEA Group has no Tier 3 own funds (per Article 76 of the Delegated Regulations).

The Group solvency position has been calculated using the accounting consolidation based method (Method 1) per Article 230 of EU Directive 2009/138/EC). As Unum EEA Group owns 72% of Unum Limited, a minority interest adjustment is required. The Unum EEA Group balance sheet therefore has a Minority Interest restriction which is 28% of the Unum Limited surplus own funds. All intra group transactions are eliminated on consolidation.

The significant differences between Unum EEA Group's equity as shown on its consolidated balance sheet and the excess of assets over liabilities as calculated for solvency purpose are as follows:

- Deferred acquisition costs are not recognised under Solvency II,
- Intangibles are disallowed unless they can be readily sold;
- Technical provisions are calculated in accordance with the Solvency II requirements (see section D.2.1);
- Amounts recoverable from reinsurers is recalculated (see section D.2.8); and
- A deferred tax adjustment in relation to the above.

Equity per Financial Statements to Solvency II reconciliation	31 December 2018 £000	31 December 2017 £000
Ordinary Share Capital	10,266	24,903
Share capital - non-equity interests	14,000	14,000
Share premium	5,932	7,812
Retained earnings	317,083	368,415
Revaluation reserve	5,912	6,064
Minority Interest	126,799	154,465
Total Equity	479,992	575,659
Adjustments for Solvency II		
Intangible assets	(27,793)	(25,128)
SII adjustment for reinsurance assets	(22,121)	(18,803)
Deferred acquisition costs	(72,802)	(73,933)
Deferred tax assets	(527)	(490)
SII adjustment for technical provisions	280,323	259,227
Deferred tax liabilities as a result of SII adjustments	(26,250)	(23,502)
Solvency II excess of assets over liabilities	610,822	693,030

Unum EEA Groups own funds are all Tier 1 and available to cover the SCR and the Minimum Consolidated Group Solvency Capital Requirement (MGSCR). No deductions are applied to own funds and there are no significant restrictions affecting their availability and transferability.

Reconciliation reserves	31 December 2018 £000	31 December 2017 £000
Excess of assets over liabilities	610,822	693,030
Own shares (held directly and indirectly)	-	-
Foreseeable dividends, distributions and charges	-	(35,000)
Other basic own fund items	(30,198)	(46,715)
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-	-
Reconciliation reserve	580,625	611,315

The key elements of the reconciliation reserve are the investments and the Solvency II technical provisions; see section D for a description of the valuation of these items in the Solvency II balance sheet.

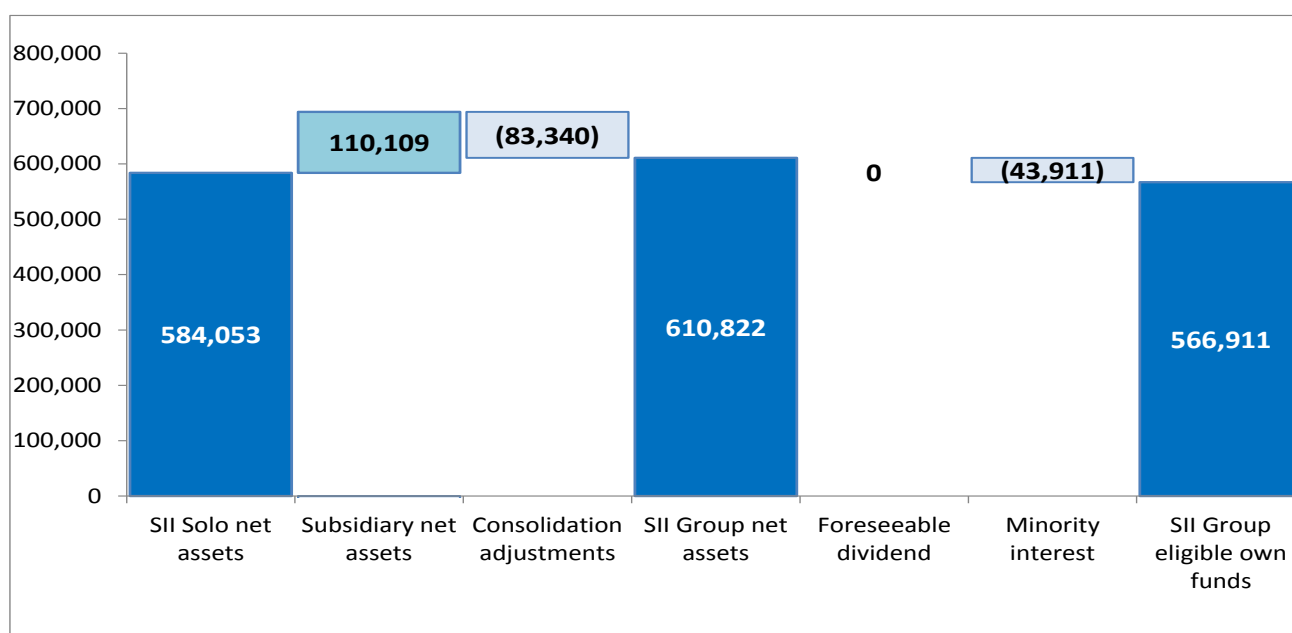
The level of the Reconciliation Reserve can change dependent on a number of factors including market movements (for example in credit spreads), and the underwriting experience of the business. The sensitivity of the balance sheet (and solvency coverage ratio) and the mitigation actions are discussed in Section C. The risk mitigation actions mainly include reinsurance, asset liability matching and adhering to strict investment limits and restrictions.

There are no eligibility restrictions hence eligible own funds are the same as basic own funds.

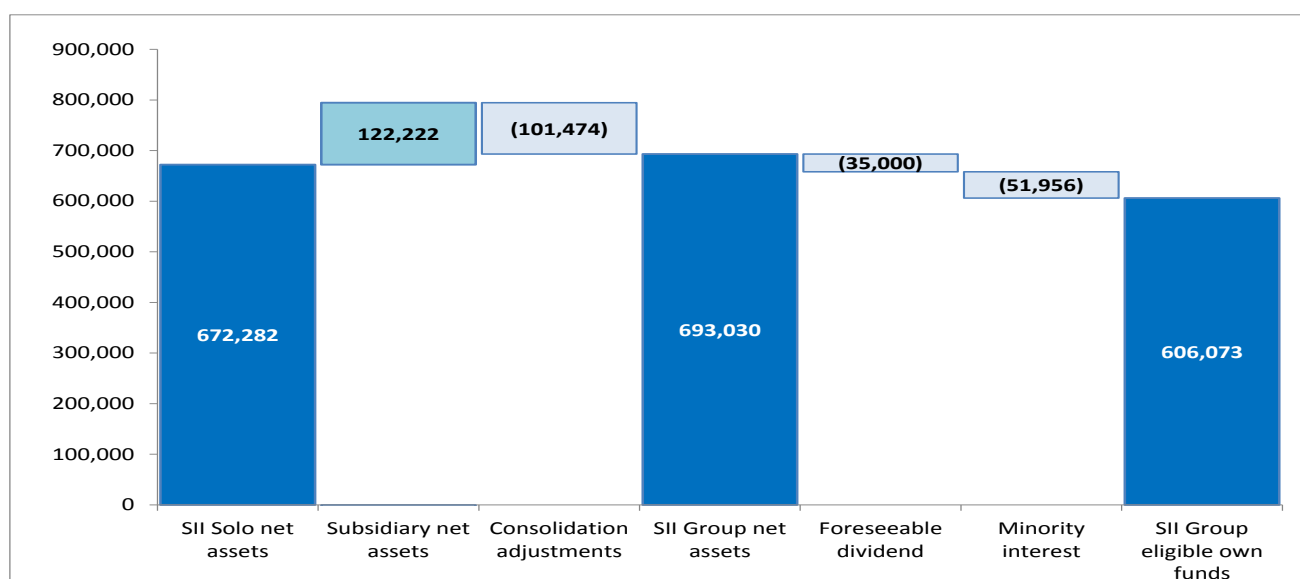
Eligible Own Funds (£000)	31 December 2018	31 December 2017
SCR	427,467	452,034
Minimum consolidated SCR	192,252	192,809
Ratio of Eligible Own Funds to SCR	133%	134%
Ratio of Eligible Own Funds to minimum consolidated SCR	295%	314%

The graph below illustrates the movement in the Unum Limited Solo Solvency II net assets to the Group Solvency II Own Funds.

31 December 2018 (£000)



31 December 2017 (£000)



E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Solvency Capital Requirement: Unum Limited

The table below presents the amount of Unum Limited's Solvency Capital Requirement by risk categories as per the Internal Model at the valuation date and previous valuation date.

Internal Model Risk Categories (£000)	31 December 2018	31 December 2017
Insurance Risks	524,418	528,988
Market Risk	140,470	131,695
Credit Risk	293,623	333,021
Operational Risk	74,100	72,100
<i>Total Pre-diversified Capital</i>	1,032,611	1,065,804
<i>Risk Diversification</i>	(522,463)	(520,175)
<i>Other Adjustments</i>	(82,920)	(93,905)
Solvency Capital Requirement (SCR)	427,227	451,724

Note:

- The insurance risk category includes capital requirements arising from both the life and health risks;
- The credit risk category includes capital requirements from bond spread risk and counterparty default risk;
- The pre-diversified capital figures do not allow for any diversification between different risks within each risk category;
- Unum aggregates its capital requirements via the correlation matrix approach using multi-tiered correlation matrices, which is a common approach adopted in the insurance industry. The correlation matrix is developed using historical data analyses and considerable emphasis is placed on overlaying expert judgment;
- 'Other Adjustments' include allowance for non-linearity and the loss-absorbing capacity of deferred tax;
- The final SCR as at 31 December 2018 is still subject to supervisory assessment.

E.2.2 Solvency Capital Requirement: Unum EEA Group

The table below presents the amount of Solvency Capital Requirement by risk categories as per the Unum EEA' Internal Model at the valuation date and previous valuation date.

Internal Model Risk Categories at 31 December 2018	31 December 2018 (£000)	31 December 2017 (£000)
Insurance Risks	524,418	528,988
Market Risk	140,470	131,695
Credit Risk	294,202	333,779
Operational Risk	74,100	72,100
Total Pre-diversified Capital	1,033,190	1,066,562
Risk Diversification	(522,802)	(520,623)
Other Adjustments	(82,920)	(93,905)
Solvency Capital Requirement (SCR)	427,467	452,034

Unum Limited's SCR includes all the material risks that are within the Unum EEA Group.

The Unum EEA SCR includes additional capital as a result of additional counterparty default risk capital which arises from holding more assets giving exposure to additional counterparties.

This additional capital is aggregated with the capital held by Unum Limited to determine the final Group SCR. The Group diversification benefit realised is not material.

Unum Limited uses a full Internal Model to calculate the Solvency Capital Requirement. Therefore, simplifications to the Standard Formula and undertaking-specific parameters are not relevant to Unum Limited and have not been applied in calculating the SCR.

Unum Limited and Unum EEA Group have not applied any capital add-on to the SCR.

The final SCR as at 31 December 2018 is still subject to supervisory assessment.

E.2.3 Minimum Capital Requirement: Unum Limited

The Minimum Capital Requirement ("MCR") reflects the minimum level of security below which the amount of financial resources should not fall. The formulae to calculate MCR are specified in the Solvency II rules. The MCR is calculated using a linear formula that applies prescribed factors to the technical provisions and capital at risk. The MCR for Unum Limited is calculated as the sum of 2.1% of life technical provisions, 0.07% of the life capital at risk and 4.7% of the non-life technical provisions and net of reinsurance written premiums. The MCR is then restricted to a minimum of 25% and a maximum of 45% of SCR. Moreover an absolute floor is applied as per Article 129 of the Solvency Directive equal to €6.2m as Unum Limited writes both life and non-life business (€2.5m minimum is applied to non-life activities and €3.7m minimum to life activities).

The technical provisions used in the MCR calculation are calculated as best estimate liability calculated after applying the volatility adjustment; less reinsurance recoverables; less the amount of the transitional measure on technical provisions in excess of the risk margin.

The technical provisions are calculated on bases specified in the valuation section.

The capital at risk is the sum of the value of benefits, net of reinsurance recoverables, that Unum Limited would pay in case of insured event, death or disability, under each contract at the valuation date less the best estimate liability net of reinsurance. For products with annuity benefits, such as Income Protection and Group Dependant contracts, the value of benefit is calculated using the best estimate duration over which the payment is likely to be made.

The calculated value of MCR at the valuation date is £192.3m (2017: £192.8m). At 31 December 2018 the restriction of the MCR being a maximum of 45% of the SCR applied.

E.2.4 Minimum Capital Requirement: Unum EEA Group

The minimum consolidated group solvency capital requirement (MGSCR) is the MCR for Unum Limited because Unum Limited is the only insurer in the Group.

E.2.5 Material changes in SCR & MCR: Unum Limited

Over the reporting period, the SCR and MCR for Unum Limited have changed as follows:

Internal Model Risk Categories	Current Period (A) £'000	Previous Period (B) £'000	Difference (A- B) £'000	% Difference [(A-B)/B]
Insurance Risks	524,418	528,988	(4,570)	-1%
Market Risk	140,470	131,695	8,775	7%
Credit Risk	293,623	333,021	(39,398)	-12%
Operational Risk	74,100	72,100	2,000	3%
Total Pre-diversified Capital	1,032,611	1,065,804	(33,193)	-3%
Risk Diversification	(522,463)	(520,175)	(2,288)	0%
Other Adjustments	(82,920)	(93,905)	10,984	-12%
Solvency Capital Requirement (SCR)	427,227	451,724	(24,496)	-5%
Minimum Capital Requirement	192,252	192,809	(557)	0%

Details of the material changes to components of the SCR over the reporting period are given below by Internal Model risk categories:

- Insurance risk – overall, a small decrease in insurance risk capital which is mainly driven by a small reduction in morbidity inception and termination risk capital.
- Market risk – overall, an increase in market risk capital which is mainly driven by an increase in inflation risk capital.
- Credit risk – a decrease in credit risk capital which is driven by a fall in the market value of assets and increase in the size of the Total Return Swap which reduces credit risk in the bond portfolio (see Section D.1.3).
- Risk Diversification – a small decrease in the benefit from risk diversification, which is materially driven by changes in the undiversified risk capital.

Over the reporting period, there was a very small decrease in the MCR which is mainly driven by the restriction applied to the MCR.

E.2.6 Material changes in SCR & MCR: Unum EEA Group

Internal Model Risk Categories	Current Period (A) £'000	Previous Period (B) £'000	Difference (A-B) £'000	% Difference [(A-B)/B]
Insurance Risks	524,418	528,988	(4,570)	-1%
Market Risk	140,470	131,695	8,775	7%
Credit Risk	294,202	333,779	(39,578)	-12%
Operational Risk	74,100	72,100	2,000	3%
Total Pre-diversified Capital	1,033,190	1,066,562	(33,373)	-3%
Risk Diversification	(522,802)	(520,623)	(2,178)	0%
Other Adjustments	(82,920)	(93,905)	10,984	-12%
Solvency Capital Requirement (SCR)	427,467	452,034	(24,567)	-5%
Minimum consolidated Group SCR	192,252	192,809	(557)	0%

As a result of the group structure, the comments on movements in individual components of the Unum Limited SCR and MCR apply equally to Unum EEA's SCR and MGSCR.

E.3 Differences between the Standard Formula and any Internal Model used

E.3.1 Uses of the Internal Model

The Internal Model is being used widely in key decision making across the company. The key business processes that use output from the Internal Model are shown below:

Business Process

- Risk strategy setting & management
- Risk Assessment & Mitigation
- Risk appetite setting & management
- Regulatory Reporting
- Solvency Management
- Dividend policy and setting
- Efficient management of capital
- Reinsurance strategy
- Product development and pricing
- Business Planning
- M&A & Special Projects
- ALM & Investment Management
- Profit and Loss Attribution
- Performance Management
- Senior Management & Responsible-Individual Understanding
- Cultural Awareness and Embedding

E.3.2 Scope of Internal Model in terms of business units/risk categories

The Internal Model covers the Unum EEA Group comprising (i) the Group entity UEHCL and (ii) the Solo entity of UL. The same single Internal Model is used to calculate the Solvency Capital Requirements (SCR) for both Solo and Group positions.

All lines of business planned to be written in the forthcoming year, or with non-zero claims reserves held as at the date of running the model are considered within scope. The Internal Model covers all identifiable risks for these lines of business according to the risk categories described in Section C. The only risks in Section C which are not modelled are Group Risk and Strategic Opportunity Risk as we have judged that no capital needs to be held for these risks.

E.3.3 Technique which has been used to integrate any partial internal model into the standard formula

This is not applicable.

E.3.4 Probability distribution forecast and Solvency Capital Requirement

In principle, the calculation of probability distribution forecast can be decomposed into a number of steps such as initial valuation, a projection step and a re-valuation step depending on the risk types and the design of the Internal Model. For Unum Limited, these steps are implicitly performed in the underlying theoretical framework of the Internal Model.

The implicit allowance is made by applying all risk stress tests instantaneously and in full at the valuation date, rather than progressively over the following year, where the:

- Risk stresses are developed for each individual risk using various statistical analysis (time series, distribution fitting, stochastic modelling, principal component analysis, etc. on internal and/or external data) to derive the risk distributions and the required stresses; and
- Profits or losses are calculated as differences in the Solvency II balance sheet from the best estimate assumption and relate to change in basic own funds.

The approach means that the assets and liabilities used in the initial valuation are used directly as an input for the Internal Model and are completely consistent, as no transition and proxy modelling are used for projecting assets and liabilities values, with re-valuation of the change in basic own funds. The approach assumes that the risk profile of Unum Limited will not change significantly over the next year.

The individual capital requirements are aggregated using correlation matrices, reflecting dependencies among risks under stressed conditions to determine the Solvency Capital Requirement.

E.3.5 Main difference between the standard formula and Unum Limited's model

Model structure & general methodology

The overall structure of the Internal Model is similar to Standard Formula in that the risks within the scope are grouped under a few risks categories. The individual capital requirements are aggregated using a tiered approach using linear correlation metrics, reflecting the expected dependencies under extreme conditions, based on data where relevant and expert judgment, to generate the Solvency Capital Requirement.

The general approach to determining the individual capital requirement for each risk is to calculate the difference between the own funds in the stressed and the base positions, using the same actuarial models and processes, and fully allowing for the impact on the employees' pension scheme.

Non-linearity among risks is assessed and is applied as a capital adjustment if necessary.

Risk calibration

In general, the risks under the Internal Model have been calibrated based on internal experience and data, where available and supplemented by external / industry data with adjustments to reflect the characteristics of risks relevant to Unum Limited, with expert judgment applied in a prudent manner to ensure that the risk calibration is proportionate and appropriate.

For material insurance risks, Unum Limited's approach separately considers a short term random fluctuation as well as a long term systematic change in experience to capture the potential risk appropriately.

The main differences in the methodology and assumptions are given below, for each relevant Standard Formula risk modules.

<i>Risk Module</i>	<i>Unum Limited's Internal Model</i>	<i>Standard Formula</i>
Life underwriting risk		
Catastrophe risk	Dynamic and granular modelling by separately considering geographic concentration and pandemic risks	Fixed additional mortality stress
Longevity risk	Bespoke mortality reduction stress	Fixed mortality stress
Other risks (Lapse & Expenses)	Own calibration	Standard calibration
Health underwriting risk		
Disability: Morbidity risk	More granular analysis and modelling using high volumes of internal data, by separately considering the risk of new claims and the risk of claims being paid longer	Fixed stress to morbidity and recover rates
Market risk		
Credit risk	Modelled by analysing data relevant to own portfolio, allowing for default, transition and spread risks and considering duration, credit rating, sectors	Stress based on credit rating / duration / types of instruments
Interest rate risk	Captures material changes in the shape of yield curve (shift, tilt and bend) by performing Principal Component Analysis of relevant historical data	Permanent increase or decrease
Inflation rate risk	Captures material changes in the shape of inflation curve (shift, tilt and bend) by performing Principal Component Analysis of relevant historical data	Not Covered
Gilt-Swap spread risk	Captures basis risk when sovereign debt is used to back liabilities by performing analysis on relevant historical data	Not Covered
Counterparty default risk	Combination of historical analysis of corporate bond spread/default for reinsurance counterparties and standard formula approach for other counterparties	Stress by type of counterparty / loss given default approach
Operational risk	Stochastic modelling based on input from internal risk assessment and considering the likelihood and severity across a large number of simulations	Formula based on stress on technical provisions / capital at risk

E.3.6 Main difference between the Standard Formula and Unum EEA's model

There are no material additional differences between the Standard Formula and Unum EEA's Internal Model other than those mentioned in the Unum Limited section.

E.3.7 Risk measure and time period

Unum Limited's Internal Model is calibrated using the same risk measure, time period, and confidence level as prescribed in the Solvency II rules and covers all relevant quantifiable risks that impact Unum Limited's Solvency II balance sheet.

The Solvency Capital Requirement takes an approach, which corresponds to a value at risk of the basic own funds, subject to a confidence level of a 1 in 200 year event over a one-year period and assumes the business remains a going concern.

E.3.8 Internal Model Data

Nature of data

The Internal Model data has been categorised into broad data sets. The data is held in a consistent manner, covering both current and historical information, and holds the key risk factors at claim / policy record level – as such the data can be split into homogeneous groups and closely reflects the underlying risks.

The capital specific data set includes a number of different data items that are used in the calculation of the SCR and cover areas such as financial data (yields and credit spreads), operational risk, pension risk and catastrophe risk.

Data for all insurance risks and operational risk is primarily internal, while data for market and concentration risks tends to be external.

Unum Limited has had a large market share for many years in its core market and therefore has a significant amount of data which relates directly to the insurance risks and can be used to analyse extreme past events. Data in respect of market risk comes from Unum Limited's asset managers and other well recognised industry sources such as Barclays credit indices and the Bank of England.

Appropriateness of data

As required under the Solvency II regulations, Unum Limited maintains a directory of data. All material data used in the Internal Model has been analysed for accuracy and base lined and the results of this are included in the Directory of Data.

The data sets have controls and processes in place to ensure that the data is accurate, appropriate and complete. Additionally the Data Quality Governance framework provides a mechanism to monitor data quality coming into the Internal Model and ensure that data quality is maintained. It uses a combination of approaches including data profiling, systematic checks and validation and governance structure, with the overall assessment that there are no material limitations in the data and that the data is appropriate for use in the Internal Model.

E.3.9 Non-compliance with the Minimum Capital Requirement and Solvency Capital Requirement

Unum Limited and Unum EEA Group have continuously complied with both the Minimum Capital Requirement and Solvency Capital Requirement throughout the reporting period.

E.3.10 Capital management: any other information

There is no other information regarding the capital management of Unum EEA that is considered material to this SFCR.

F. Appendices: Glossary and Public QRTs

F.1.1 Glossary

A

ALM	Asset Liability Matching
AMSB	Administrative Management or Supervisory Board

B

BEL	Best Estimate Liability
BoE	Bank of England

C

CAL	Claims Assistance Limited
CAT	Compulsory Annual Training
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMIR	Continuous Mortality Investigation Report
COCON	Code of Conduct
CRO	Chief Risk Officer
CSI	Claims Services International Limited

E

ECM	Economic Capital Model
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ERM	Enterprise Risk Management
EPIFP	Expected Profit in Future Premiums
ExCo	Executive Committee

F

FCA	Financial Conduct Authority
FRS	Financial Reporting Standard
FSMA	Financial Services and Markets Act 2000
FTSE	Financial Times Stock Exchange

G

GAAP	Generally Accepted Accounting Principles
GCI	Group Critical Illness
GDEP	Group Dependents
GIP	Group Income Protection

H

HR	Human Resources
----	-----------------

I

IA	Internal Audit
IBNR	Incurred but not reported
IFRS	International Financial Reporting Standards
IMGC	Internal Model Governance Committee
ISA	Individual Savings Account

K

KFH	Key Function Holder
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L	
LPI	Limited Price Index
M	
MCR	Minimum Capital Requirement
MGSCR	Minimum consolidated Group SCR
MIC	Minorities Insurance PCC Limited
N	
NDP	National Dental Plan
O	
ORIC	Operational Risk Consortium
ORSA	Own Risk Solvency Assessment
P	
PCA	Principal Component Analysis
PPKF	Persons Performing Key Functions
PPP	Prudent Person Principle
PRA	Prudential Regulatory Authority
Q	
QRT	Quantitative Reporting Template
R	
RACA	Risk and Control Assessment
RC	Risk Committee
RCC	Regulatory and Compliance Committee
RCSC	Risk, Capital and Solvency Committee
RCOM	Risk and Capital Operating Model
RI	Reinsurance
RMG	Reinsurance Management Group
RPI	Retail Price Index
RSG	Revenue Strategy Group
S	
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SIL	Smarter Investments Limited
SFS	Smarter Financial Services LLP
SII	Solvency II
SIMFs	Senior Insurance Management Functions
SIMR	Senior Insurance Managers Regime
SLT	Similar to Life Techniques
SOX	Sarbanes-Oxley Act
T	
TMTTP	Transitional Measure on Technical Provision
U	
UEHCL	Unum European Holding Company Limited
UK	United Kingdom
UL	Unum Limited
US	United States
USL	Unum Select Limited

V
VA

Volatility Adjustment

Unum European Holding Company Limited

Solvency and Financial Condition Report

Disclosures

31 December

2018

(Monetary amounts in GBP thousands)

General information

Participating undertaking name	Unum European Holding Company Limited
Group identification code	213800XTPRRAIOHWFL32
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	31 December 2018
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Full internal model
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	Use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	Use of transitional measure on technical provisions

List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.05.02.01 - Premiums, claims and expenses by country
- S.22.01.22 - Impact of long term guarantees measures and transitionals
- S.23.01.22 - Own Funds
- S.25.03.22 - Solvency Capital Requirement - for groups on Full Internal Models
- S.25.03.22 - Solvency Capital Requirement - for groups on Full Internal Models
- S.32.01.22 - Undertakings in the scope of the group

S.02.01.02

Balance sheet

Solvency II value	
C0010	
	19,417
	2,400,247
	0
	0
	0
	2,389,208
	465,276
	1,903,176
	0
	20,756
	818
	9,781
	0
	439
	0
	0
	151,343
	0
	151,343
	78,312
	73,031
	0
	0
	58,866
	175
	5,707
	0
	77,099
	2,712,855

Assets

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

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Liabilities		
R0510	Technical provisions - non-life	2,341
R0520	<i>Technical provisions - non-life (excluding health)</i>	0
R0530	<i>TP calculated as a whole</i>	
R0540	<i>Best Estimate</i>	
R0550	<i>Risk margin</i>	
R0560	<i>Technical provisions - health (similar to non-life)</i>	2,341
R0570	<i>TP calculated as a whole</i>	
R0580	<i>Best Estimate</i>	2,204
R0590	<i>Risk margin</i>	137
R0600	Technical provisions - life (excluding index-linked and unit-linked)	1,940,578
R0610	<i>Technical provisions - health (similar to life)</i>	1,443,091
R0620	<i>TP calculated as a whole</i>	0
R0630	<i>Best Estimate</i>	1,425,714
R0640	<i>Risk margin</i>	17,378
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	497,487
R0660	<i>TP calculated as a whole</i>	0
R0670	<i>Best Estimate</i>	497,487
R0680	<i>Risk margin</i>	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	0
R0710	<i>Best Estimate</i>	0
R0720	<i>Risk margin</i>	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	27,481
R0790	Derivatives	2,710
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	30,779
R0830	Reinsurance payables	74,096
R0840	Payables (trade, not insurance)	24,048
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	
R0900	Total liabilities	2,102,033
R1000	Excess of assets over liabilities	610,822

Premiums, claims and expenses by line of business

[illegible]

Premiums, claims and expenses by line of business

[illegible]

S.05.02.01

Premiums, claims and expenses by country

Non-life

R0010

C0010	C0020	C0030	C0040	C0050	C0060	C0070
Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
C0080	C0090	C0100	C0110	C0120	C0130	C0140

Premiums written

R0110 Gross - Direct Business

R0120 Gross - Proportional reinsurance accepted

R0130 Gross - Non-proportional reinsurance accepted

R0140 Reinsurers' share

R0200 Net

23,302						23,302
-143						-143
						0
						0
23,159	0	0	0	0	0	23,159

Premiums earned

R0210 Gross - Direct Business

R0220 Gross - Proportional reinsurance accepted

R0230 Gross - Non-proportional reinsurance accepted

R0240 Reinsurers' share

R0300 Net

22,687						22,687
-143						-143
						0
						0
22,544	0	0	0	0	0	22,544

Claims incurred

R0310 Gross - Direct Business

R0320 Gross - Proportional reinsurance accepted

R0330 Gross - Non-proportional reinsurance accepted

R0340 Reinsurers' share

R0400 Net

15,983						15,983
539						539
						0
						0
16,522	0	0	0	0	0	16,522

Changes in other technical provisions

R0410 Gross - Direct Business

R0420 Gross - Proportional reinsurance accepted

R0430 Gross - Non-proportional reinsurance accepted

R0440 Reinsurers' share

R0500 Net

0						0
0						0
						0
						0
0	0	0	0	0	0	0

R0550 Expenses incurred

R1200 Other expenses

R1300 Total expenses

3,842						3,842
						3,842

S.05.02.01
Premiums, claims and expenses by country

Life

R1400

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations			Total Top 5 and home country	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
R1410	Gross	432,561						432,561
R1420	Reinsurers' share	36,998						36,998
R1500	Net	395,562	0	0	0	0	0	395,562
Premiums earned								
R1510	Gross	429,605						429,605
R1520	Reinsurers' share	37,787						37,787
R1600	Net	391,817	0	0	0	0	0	391,817
Claims incurred								
R1610	Gross	302,349						302,349
R1620	Reinsurers' share	37,674						37,674
R1700	Net	264,676	0	0	0	0	0	264,676
Changes in other technical provisions								
R1710	Gross	-10,687						-10,687
R1720	Reinsurers' share	-4,619						-4,619
R1800	Net	-6,068	0	0	0	0	0	-6,068
R1900	Expenses incurred	114,159						114,159
R2500	Other expenses							
R2600	Total expenses							114,159

S.22.01.22

Impact of long term guarantees measures and transitionals

	Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
	C0010	C0030	C0050	C0070	C0090
R0010 Technical provisions	1,942,919	124,456	0	58,154	0
R0020 Basic own funds	566,911	-74,375	0	-31,796	0
R0050 Eligible own funds to meet Solvency Capital Requirement	566,911	-74,375	0	-31,796	0
R0090 Solvency Capital Requirement	427,467	0	0	0	0

S.23.01.22

Own Funds

Basic own funds before deduction for participations in other financial sector

R0010	Ordinary share capital (gross of own shares)
R0020	<i>Non-available called but not paid in ordinary share capital at group level</i>
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0060	<i>Non-available subordinated mutual member accounts at group level</i>
R0070	Surplus funds
R0080	<i>Non-available surplus funds at group level</i>
R0090	Preference shares
R0100	<i>Non-available preference shares at group level</i>
R0110	Share premium account related to preference shares
R0120	<i>Non-available share premium account related to preference shares at group level</i>
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0150	<i>Non-available subordinated liabilities at group level</i>
R0160	An amount equal to the value of net deferred tax assets
R0170	<i>The amount equal to the value of net deferred tax assets not available at the group level</i>
R0180	Other items approved by supervisory authority as basic own funds not specified above
R0190	<i>Non available own funds related to other own funds items approved by supervisory authority</i>
R0200	Minority interests (if not reported as part of a specific own fund item)
R0210	<i>Non-available minority interests at group level</i>
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds
R0230	Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities
R0240	<i>whereof deducted according to art 228 of the Directive 2009/138/EC</i>
R0250	Deductions for participations where there is non-availability of information (Article 229)
R0260	Deduction for participations included by using D&A when a combination of methods is used
R0270	Total of non-available own fund items
R0280	Total deductions
R0290	Total basic own funds after deductions

Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0380	Non available ancillary own funds at group level
R0390	Other ancillary own funds
R0400	Total ancillary own funds

Own funds of other financial sectors

R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies
R0420	Institutions for occupational retirement provision
R0430	Non regulated entities carrying out financial activities
R0440	Total own funds of other financial sectors

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
10,266	10,266		0	
0				
5,932	5,932		0	
0	0		0	
0		0	0	0
0				
0	0			
0	0			
14,000		14,000	0	0
0				
0		0	0	0
0				
580,625	580,625			
0		0	0	0
0				
0				0
0				0
0	0	0	0	0
0				
0				
43,911	43,911			
43,911	43,911	0	0	0
566,911	552,911	14,000	0	0
0				
0				
0				
0				
0				
0				
0				
0				
0				
0			0	0
0				
0				
0				
0	0	0	0	0

5.23.01.22
Own Funds

Basic own funds before deduction for participations in other financial sector

Own funds when using the D&A, exclusively or in combination of method 1

R0450 Own funds aggregated when using the D&A and combination of method

R0460 Own funds aggregated when using the D&A and combination of method net of IGT

R0520 Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)

R0530 Total available own funds to meet the minimum consolidated group SCR

R0560 Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)

R0570 Total eligible own funds to meet the minimum consolidated group SCR (group)

R0610 Minimum consolidated Group SCR

R0650 Ratio of Eligible own funds to Minimum Consolidated Group SCR

R0660 Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)

R0680 Group SCR

R0690 Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A

Reconciliation reserve

R0700 Excess of assets over liabilities

R0710 Own shares (held directly and indirectly)

R0720 Forseeable dividends, distributions and charges

R0730 Other basic own fund items

R0740 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

R0750 Other non available own funds

R0760 Reconciliation reserve

Expected profits

R0770 Expected profits included in future premiums (EPIFP) - Life business

R0780 Expected profits included in future premiums (EPIFP) - Non- life business

R0790 Total Expected profits included in future premiums (EPIFP)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050

0				
0				

566,911	552,911	14,000	0	0
566,911	552,911	14,000	0	
566,911	552,911	14,000	0	0
566,911	552,911	14,000	0	

192,252				
294.88%				
566,911	552,911	14,000	0	0
427,467				
132.62%				

C0060

610,822
30,198
0
580,625

107,706
107,706

S.25.03.22

Solvency Capital Requirement - for groups on Full Internal Models

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement
	C0010	C0020	C0030
1	100	Market Risk	293,939
2	200	Counterparty Default Risk	27,308
3	300	Life underwriting and catastrophe risk	146,930
4	400	Health underwriting and catastrophe risk	220,506
5	500	Non-Life underwriting and catastrophe risk	792
6	601	Intangible asset risk	0
7	701	Operational Risk	74,100
8	803	Loss-absorbing capacity of deferred tax	-82,920
9	804	Other (Non-linearity)	0

S.25.03.22

Solvency Capital Requirement - for groups on Full Internal Models

Calculation of Solvency Capital Requirement

R0110	Total undiversified components
R0060	Diversification
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
R0200	Solvency capital requirement excluding capital add-on
R0210	Capital add-ons already set
R0220	Solvency capital requirement

C0100

680,655
-253,188
427,467
427,467

Other information on SCR

R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions
R0310	Amount/estimate of the overall loss-absorbing capacity of deferred taxes
R0410	Total amount of Notional Solvency Capital Requirements for remaining part
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios
R0440	Diversification effects due to RFF nSCR aggregation for article 304
R0470	Minimum consolidated group solvency capital requirement

-82,920
420,881
6,586
192,252

Information on other entities

R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)
R0510	<i>Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies</i>
R0520	<i>Institutions for occupational retirement provisions</i>
R0530	<i>Capital requirement for non-regulated entities carrying out financial activities</i>
R0540	Capital requirement for non-controlled participation requirements
R0550	Capital requirement for residual undertakings

0

5.32.01.22

Undertakings in the scope of the group

	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	GB	213800XTPRAIOHWFL32	LEI	Unum European Holding Company Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	Non-mutual	
2	GB	5493004P4HMCZ2OY093	LEI	Unum Limited	Composite undertaking	Company limited by shares	Non-mutual	Prudential Regulation Authority
3	GB	213800SAD5ORMGAMBW91	LEI	Claims Services International Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual	
4	GB	213800IFXMGHG9MINM90	LEI	Unum Select Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual	Financial Conduct Authority
5	GB	309173	Specific code	National Dental Plan Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual	Financial Conduct Authority
6	GB	213800T6SBD9M6L15962	LEI	Claims Assistance (UK) Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual	

Undertakings in the scope of the group

			Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation	
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking	
Row	C0010	C0020	C0030	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	213800XTPRRAIOHWFL32	LEI							Included in the scope		Method 1: Full consolidation
2	GB	5493004P4HMCZ2OY093	LEI	72.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
3	GB	2138005AD5ORMGAMBW91	LEI	86.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
4	GB	213800IFXMGHG9MINM90	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
5	GB	309173	Specific code	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
6	GB	213800T6SBD9M6L15962	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation

Unum Limited

Solvency and Financial Condition Report

Disclosures

31 December

2018

(Monetary amounts in GBP thousands)

General information

Undertaking name	Unum Limited
Undertaking identification code	5493004P4HMCZZOY093
Type of code of undertaking	LEI
Type of undertaking	Undertakings pursuing both life and non-life insurance activity - article 73 (2)
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2018
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Full internal model
Matching adjustment	No use of matching adjustment
Volatility adjustment	Use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	Use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
 S.05.01.02 - Premiums, claims and expenses by line of business
 S.05.01.02 - Premiums, claims and expenses by line of business
 S.05.02.01 - Premiums, claims and expenses by country
 S.05.02.01 - Premiums, claims and expenses by country
 S.12.01.02 - Life and Health SLT Technical Provisions
 S.17.01.02 - Non-Life Technical Provisions
 S.19.01.21 - Non-Life insurance claims
 S.22.01.21 - Impact of long term guarantees measures and transitionals
 S.23.01.01 - Own Funds
 S.25.03.21 - Solvency Capital Requirement - for undertakings on Full Internal Models
 S.25.03.21 - Solvency Capital Requirement - for undertakings on Full Internal Models
 S.28.02.01 - Minimum Capital Requirement - Both life and non-life insurance activity

S.02.01.02

Balance sheet

Solvency II value	
C0010	
	17,260
	2,399,968
	0
	160
	0
	2,389,208
	465,276
	1,903,176
	0
	20,756
	818
	9,781
	0
	0
	0
	0
	151,343
	0
	0
	0
	151,343
	78,312
	73,031
	0
	0
	58,866
	175
	1,967
	0
	51,894
	2,681,473

Assets

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

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Liabilities		
R0510	Technical provisions - non-life	2,341
R0520	<i>Technical provisions - non-life (excluding health)</i>	0
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	0
R0550	<i>Risk margin</i>	0
R0560	<i>Technical provisions - health (similar to non-life)</i>	2,341
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	2,204
R0590	<i>Risk margin</i>	137
R0600	Technical provisions - life (excluding index-linked and unit-linked)	1,940,578
R0610	<i>Technical provisions - health (similar to life)</i>	1,443,091
R0620	<i>TP calculated as a whole</i>	0
R0630	<i>Best Estimate</i>	1,425,714
R0640	<i>Risk margin</i>	17,378
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	497,487
R0660	<i>TP calculated as a whole</i>	0
R0670	<i>Best Estimate</i>	497,487
R0680	<i>Risk margin</i>	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	0
R0710	<i>Best Estimate</i>	0
R0720	<i>Risk margin</i>	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	28,050
R0790	Derivatives	2,710
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	30,779
R0830	Reinsurance payables	74,096
R0840	Payables (trade, not insurance)	18,866
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	
R0900	Total liabilities	2,097,420
R1000	Excess of assets over liabilities	584,053

Premiums, claims and expenses by line of business

[illegible]

Premiums, claims and expenses by line of business

[illegible]

S.05.02.01

Premiums, claims and expenses by country

Non-life

R0010

C0010	C0020	C0030	C0040	C0050	C0060	C0070
Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
C0080	C0090	C0100	C0110	C0120	C0130	C0140

Premiums written

R0110 Gross - Direct Business

R0120 Gross - Proportional reinsurance accepted

R0130 Gross - Non-proportional reinsurance accepted

R0140 Reinsurers' share

R0200 Net

23,302						23,302
-143						-143
						0
						0
23,159	0	0	0	0	0	23,159

Premiums earned

R0210 Gross - Direct Business

R0220 Gross - Proportional reinsurance accepted

R0230 Gross - Non-proportional reinsurance accepted

R0240 Reinsurers' share

R0300 Net

22,687						22,687
-143						-143
						0
						0
22,544	0	0	0	0	0	22,544

Claims incurred

R0310 Gross - Direct Business

R0320 Gross - Proportional reinsurance accepted

R0330 Gross - Non-proportional reinsurance accepted

R0340 Reinsurers' share

R0400 Net

15,983						15,983
539						539
						0
						0
16,522	0	0	0	0	0	16,522

Changes in other technical provisions

R0410 Gross - Direct Business

R0420 Gross - Proportional reinsurance accepted

R0430 Gross - Non-proportional reinsurance accepted

R0440 Reinsurers' share

R0500 Net

0						0
0						0
						0
						0
0	0	0	0	0	0	0

R0550 Expenses incurred

R1200 Other expenses

R1300 Total expenses

3,842						3,842
						3,842

S.05.02.01
Premiums, claims and expenses by country

Life

R1400

C0150	C0160	C0170	C0180	C0190	C0200	C0210
Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
C0220	C0230	C0240	C0250	C0260	C0270	C0280
432,561						432,561
36,998						36,998
395,562	0	0	0	0	0	395,562
429,605						429,605
37,787						37,787
391,817	0	0	0	0	0	391,817
302,349						302,349
37,674						37,674
264,676	0	0	0	0	0	264,676
-10,687						-10,687
-4,619						-4,619
-6,068	0	0	0	0	0	-6,068
114,159						114,159
						114,159

S.12.01.02
Life and Health SLT Technical Provisions

	Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	Technical provisions calculated as a whole															
	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole															
R0020										0						0
										0						0
Technical provisions calculated as a sum of BE and RM																
Best estimate																
R0030	Gross Best Estimate															
						547,589				547,589		1,352,831			72,883	1,425,714
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default															
						73,031				73,031		75,968			2,345	78,312
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re															
						474,559	0			474,559		1,276,863	0		70,538	1,347,401
R0100	Risk margin															
					17,709					17,709	70,230				3,792	74,021
Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole															
R0120	Best estimate															
R0130	Risk margin															
					-17,709	-50,103				-50,103		0			0	0
										-17,709	-53,519				-3,125	-56,644
R0200	Technical provisions - total															
					497,487					497,487	1,369,542				73,550	1,443,091

Non-Life Technical Provisions

[illegible]

Non-Life insurance claims

Accident year / underwriting year	Underwriting Year
-----------------------------------	-------------------

R0260R0260

S.22.01.21

Impact of long term guarantees measures and transitionals

R0010	Technical provisions
R0020	Basic own funds
R0050	Eligible own funds to meet Solvency Capital Requirement
R0090	Solvency Capital Requirement
R0100	Eligible own funds to meet Minimum Capital Requirement
R0110	Minimum Capital Requirement

Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
C0010	C0030	C0050	C0070	C0090
1,942,919	124,456	0	58,154	0
584,053	-103,298	0	-44,161	0
584,053	-103,298	0	-44,161	0
427,227	0	0	0	0
584,053	-103,298	0	-44,161	0
192,252	0	0	0	0

S.23.01.01

Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds
R0230	Deductions for participations in financial and credit institutions
R0290	Total basic own funds after deductions

Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	Total ancillary own funds

Available and eligible own funds

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

R0580 SCR

R0600 MCR

R0620 Ratio of Eligible own funds to SCR

R0640 Ratio of Eligible own funds to MCR

Reconciliation reserve

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	Reconciliation reserve

Expected profits

R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	Total Expected profits included in future premiums (EPIFP)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
12,000	12,000		0	
0	0		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
572,053	572,053			
0		0	0	0
0				0
0	0	0	0	0
0				

0			
0			
0			
0			
0			
0			
0			
0			
0			
0		0	0

584,053	584,053	0	0	0
584,053	584,053	0	0	
584,053	584,053	0	0	0
584,053	584,053	0	0	

427,227
192,252
136.71%
303.80%

C0060
584,053
0
12,000
0
572,053

107,706
107,706

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement
	C0010	C0020	C0030
1	100	Market Risk	293,939
2	200	Counterparty Default Risk	26,729
3	300	Life underwriting and catastrophe risk	146,930
4	400	Health underwriting and catastrophe risk	220,506
5	500	Non-Life underwriting and catastrophe risk	792
6	601	Intangible asset risk	0
7	701	Operational Risk	74,100
8	803	Loss-absorbing capacity of deferred tax	-82,920
9	804	Other (Non-linearity)	0

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

Calculation of Solvency Capital Requirement

R0110	Total undiversified components
R0060	Diversification
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
R0200	Solvency capital requirement excluding capital add-on
R0210	Capital add-ons already set
R0220	Solvency capital requirement

C0100

680,076
-252,849
427,227
427,227

Other information on SCR

R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions
R0310	Amount/estimate of the overall loss-absorbing capacity of deferred taxes
R0410	Total amount of Notional Solvency Capital Requirements for remaining part
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios
R0440	Diversification effects due to RFF nSCR aggregation for article 304

-82,920
420,642
6,585

Minimum Capital Requirement - Both life and non-life insurance activity

		Non-life activities	Life activities	Non-life activities	Life activities
		MCR _(NL,NL) Result	MCR _(NL,L) Result		
		C0010	C0020		
R0010	Linear formula component for non-life insurance and reinsurance obligations	1,198	0		
				Net (of reinsurance/S PV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
				C0030	C0040
R0020	Medical expense insurance and proportional reinsurance	2,341	23,159		
R0030	Income protection insurance and proportional reinsurance				
R0040	Workers' compensation insurance and proportional reinsurance				
R0050	Motor vehicle liability insurance and proportional reinsurance				
R0060	Other motor insurance and proportional reinsurance				
R0070	Marine, aviation and transport insurance and proportional reinsurance				
R0080	Fire and other damage to property insurance and proportional reinsurance				
R0090	General liability insurance and proportional reinsurance				
R0100	Credit and suretyship insurance and proportional reinsurance				
R0110	Legal expenses insurance and proportional reinsurance				
R0120	Assistance and proportional reinsurance				
R0130	Miscellaneous financial loss insurance and proportional reinsurance				
R0140	Non-proportional health reinsurance				
R0150	Non-proportional casualty reinsurance				
R0160	Non-proportional marine, aviation and transport reinsurance				
R0170	Non-proportional property reinsurance				
		MCR _(L,NL) Result	MCR _(L,L) Result		
		C0070	C0080		
R0200	Linear formula component for life insurance and reinsurance obligations	0	196,884		
				Net (of reinsurance/S PV) best estimate and TP calculated as a whole	Net (of reinsurance/S PV) total capital at risk
				C0090	C0100
R0210	Obligations with profit participation - guaranteed benefits				
R0220	Obligations with profit participation - future discretionary benefits				
R0230	Index-linked and unit-linked insurance obligations				
R0240	Other life (re)insurance and health (re)insurance obligations			1,789,235	
R0250	Total capital at risk for all life (re)insurance obligations				227,585,632
Overall MCR calculation		C0130			
R0300	Linear MCR	198,082			
R0310	SCR	427,227			
R0320	MCR cap	192,252			
R0330	MCR floor	106,807			
R0340	Combined MCR	192,252			
R0350	Absolute floor of the MCR	5,510			
R0400	Minimum Capital Requirement	192,252			
Notional non-life and life MCR calculation		C0140	C0150		
R0500	Notional linear MCR	1,198	196,884		
R0510	Notional SCR excluding add-on (annual or latest calculation)	2,585	424,642		
R0520	Notional MCR cap	1,163	191,089		
R0530	Notional MCR floor	646	106,161		
R0540	Notional combined MCR	1,163	191,089		
R0550	Absolute floor of the notional MCR	2,222	3,288		
R0560	Notional MCR	2,222	191,089		