Group and Solo Solvency & Financial Condition Report

31 December 2021

Unum Limited
Unum European Holding Company Limited

Contents

Summary

The SFCR has been prepared in accordance with Prudential Regulation Authority ("PRA") Rules and Solvency II ("SII") Regulations and provides key information relating to the business and performance (Section A), system of governance (Section B), risk profile (Section C), valuation for solvency purposes (Section D) and capital management (Section E) of the business.

Unum UK SII Group is an Employee Benefits Insurance Group; the ultimate UK SII insurance parent company is Unum European Holding Company Limited ("UEHCL"), the principal and only UK SII regulated insurance company in the Unum UK SII Group being Unum Limited ("UL," "the Company" or "Solo entity"). 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.

As there are no significant differences between the nature of the Unum UK SII Group and UL businesses, and the governance and risk management systems are consistent, we have produced a combined SFCR covering both the Unum UK SII Group and the Solo entity. As UL is the only regulated insurance company in the Unum UK SII Group, the data relating to underwriting and investment performance (in Sections A2 and A3) are broadly aligned for both the Company and the Unum UK SII Group and are presented together. Within investment performance, the other Unum UK SII Group entities hold cash and cash equivalent balances generating some interest income. The only other investments are UEHCL's investment in subsidiaries which are held at cost, and do not generate investment income.

Unum UK SII Group operates primarily in the UK through UL which is the UK authorised insurer.

Strategy and business model

The principal activities of the Company continue to be the provision of employee benefits including Group Income Protection insurance, Group Life insurance, Group Critical Illness insurance and Dental insurance to UK employers.

Our products support people when they are feeling vulnerable and help them when they need us the most. We help employers to manage the impacts of absence, support their employees' health and wellbeing and provide financial security to our customers in times of ill health.

We believe the best place to offer products is through the workplace, and our strategy leverages our strengths and expertise as a specialist employee benefits provider. Our products are primarily distributed through our established broker relationships, ensuring that employers and employees purchasing the products are appropriately advised throughout the process. We keep the customer at the centre of what we do, in our mission to help and protect more people, and we continually seek to provide innovative solutions and propositions that meet the needs of employers and the working population alike.

We have a strong capital management approach, responding effectively and promptly to changes in the market to protect our policyholder and shareholder interests. Our robust framework enables us to utilise our capital efficiently and maintain sufficient funds for future growth.

We will drive growth in our business by:

- Focusing on delivering high quality broker service and developing strategic broker relationships leveraging our expertise and digital tools to become easier to do business with;
- Increasing customer engagement by putting the customer at the centre of our product and proposition innovation, providing relevant products and delivering best in class health and wellbeing services, and developing deep and long-lasting relationships with our customers.
- Educating employers and workplace benefits decision-makers about the critical role our products and services play in supporting and caring for their workforce, and developing our multi-product proposition, helping us to reach and protect people in more ways; and
- Enhancing our risk and pricing methodologies through data-driven analytics, helping us to protect more people through the workplaces of large employers.

Importantly, we will aim to expand our reach, whilst protecting financial returns, so that we can achieve sustainable growth in lives covered, premiums and earnings.

Our Responsible Business Strategy is a key enabler of our overall strategy and is centred on three critical action areas:

- **Inclusive products & services** - *Doing the right thing for our customers and society*
  Prioritising those in need of our support and expertise by providing products, services, and practices that reflect the needs of our customers and the societies they live in.

- **Responsible employer -** *Doing the right thing for our employees*
  Creating an environment that supports a healthy, diverse, and inclusive workforce. A workplace where every employee is valued and respected, and one that provides people with opportunities to give back to their communities through our leading outreach and volunteering programmes.

- **Environmental impact-** *Doing the right thing for our planet*
  Systemically reducing our environmental impact every year and ensuring a minimal impact from environmental issues on our business.

This strategy is underpinned by our strong focus on responsible investing, ethics, governance and compliance, privacy and cybersecurity and community outreach. Furthermore, we have embedded our Responsible Business commitments into our business growth strategy as a key enabler.

Business and performance

<u>Unum Limited</u>

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

For UK GAAP reporting purposes, during 2021 the Company adopted IFRS 9 'Financial Instruments' as its accounting policy for applicable investments utilising a combination of amortised cost and fair value through other comprehensive income (FVOCI). Under Solvency II, financial instruments continue to be measured at fair value through profit and loss (FVPL).

Gross premiums written in 2021 increased by 6% to £518.8 million (2020: £489.8 million). This growth in premium was achieved whilst maintaining our disciplined approach to underwriting and pricing.

Net earned premiums were £457.7 million (2020: £104.9 million). Excluding the effect of the 2020 extension of the Company's Group Income Protection reinsurance, net earned premiums increased by 2% to £457.7 million (2020: £446.6 million).

The Company made a UK GAAP profit on ordinary activities before tax in 2021 of £121.8 million (2020 restated: £114.0 million loss). The 2021 result was significantly higher than 2020 mainly due to the impact of market movements. In 2020, risk-free yields reduced significantly, which materially increased reserves. In 2021, reserves reduced due to discount rate movements (driven by an increase in nominal yields, partially offset by a fall in real yields at shorter durations). In addition to the effect of market movements, the 2021 result also benefited from higher underwriting profits compared to 2020 due to higher premiums, lower expenses and favourable underlying claims experience, excluding market movements.

In December 2021, S&P Global ratings reconfirmed the Company's financial strength rating of A- (Stable).

From a customer perspective, the Company protected 1,895,549 lives (2020: 1,892,829 lives) across all of its products at 31 December 2021. In 2021, we paid £366.6 million (2020: £360.1 million) in gross claims and helped 1,299 individuals in returning to work (2020: 1,124 individuals).

Further details about UL's business and performance are noted in Section A.2.

Unum UK SII Group

Unum UK SII Group's 2021 gross written premiums totalled £518.8m (2020: £489.8m) with a UK GAAP profit before tax of £125.1m (2020: restated loss before tax of £(110.6)m).

System of Governance

The Boards of UL and the Unum UK SII Group provide governance and oversight either directly or through the delegation to their various Board committees. They bring independent judgement on all issues of strategy, performance and standards of conduct. The Boards monitor corporate governance continuously through their 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.

The Boards place regulatory responsibilities at the heart of the way they operate and drive this approach though their culture, which is promoted from the Boards downwards, with Executive and Senior Management expected to be role models in the organisation. This culture is supported and reinforced through its Enterprise Risk Management (ERM) framework and corporate governance model. In common with many other organisations, the Unum UK SII Group operates a "three lines of defence" approach to risk governance, overseen by the Boards and their committees, as detailed in the following table:

	1st line of defence	2nd line of defence	3rd line of defence
WHO	▪ All Unum UK SII Group employees and management ▪ Executive Committee ('ExCo') ▪ Divisional Risk Co-ordinators	▪ Risk Function ▪ Risk Committee ▪ Risk Capital and Solvency Committee ('RCSC') ▪ Compliance Function ▪ Regulatory and Compliance Committee ('RCC')	▪ Internal Audit ▪ Audit Committee
WHAT	▪ All Unum UK SII Group employees are responsible for ensuring the risks in their business area are understood and managed. ▪ Unum UK SII Group 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.	▪ The Risk Function is responsible for overseeing the processes that Unum UK SII Group uses to manage risk. ▪ The Risk Committee provides executive challenge and oversight that Unum UK SII Group is managing its risks effectively. ▪ The RCC provides oversight of the regulatory and legislative framework within which the Company operates. It monitors current and emerging regulatory, compliance, policy and legal and related risks.	▪ Unum UK SII Group uses Internal Audit reviews to gain independent assurance as to the effectiveness of its risk and controls framework. ▪ These reviews are assessed at Unum UK SII Group's Audit Committee.

There has been no material change in Unum UK SII Group's system of governance over the reporting period.

In 2020, a robust process was undertaken leading to the appointment of a new Chief Executive Officer ("CEO"), who joined with effect from 1 April 2021.

On 24 February 2021, an existing Independent Non-Executive Director was appointed as Senior Independent Director. A new Independent Non-Executive Director and Chair of the Audit Committee joined with effect from 1 June 2021, with regulatory approval received on 27 October 2021.

On 23 November 2021, the Boards agreed new terms of reference for separate Nomination and Remuneration Committees, having previously agreed that the Chair of the Board be appointed as Chair of the UEHCL Nomination Committee and the Senior Independent Director be appointed as Chair of the UEHCL Remuneration Committee. These appointments are subject to pending regulatory approvals.

Mike Simonds joined the Boards as a Non-Executive Director with effect from 2 December 2021.

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

Risk Profile

Through its risk management and capital strategy Unum UK SII Group 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 its commitments and promises to customers, in particular by ensuring that it manages its risk within the parameters of its risk appetite; and
- 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 UK SII Group'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 UK SII Group has consciously decided to accept in its day to day activities.

Unum UK SII Group's high materiality risks are: Underwriting/Insurance Risk, Credit Risk, Market Risk and Operational Risk/Conduct Risk (further details are in Section C).

UL and Unum UK SII Group continue to monitor the potential impact to its risk profile from external factors, including Economic, Geopolitical, Covid-19 and Climate change, as detailed in Section C.6.2.

UL and Unum UK SII Group's risk profile has been kept under review throughout the Covid-19 pandemic to assess the ongoing impact it could have on our customers, our employees and our business plans. Changes to the drivers of risk have resulted in additional monitoring of our solvency, liquidity, investments, claims experience, staff absence and wellbeing, performance of suppliers, servicing and claims handling, as well as IT stability and security incidents. This additional monitoring has evidenced that our risks are being effectively managed.

During 2021, the approach to assessing Climate Change Risk has been developed, and the requirements of Supervisory Statement (SS) 3/19 have been met. The UL Board Risk Committee approved the assessment of current risk exposures and the integration of ongoing risk assessment into the governance model (as detailed in section B.8.2).

The Board agreed Unum Limited's definitions of Important Business Services and respective Impact Tolerances, in relation to Operational Resilience (as detailed in Section C.5).

Valuation for solvency purposes and Capital management

UL and Unum UK SII Group calculate Solvency Capital Requirements (SCR) using a full internal model approved by the PRA in accordance with SII regulations.

The objective of the Unum UK SII Group's capital management framework is to maintain sufficient own funds to cover the SCR with an appropriate surplus in the context of its risk appetite. The Unum UK SII Group and Company carry out a regular review of the solvency ratio (available regulatory assets over its capital requirement) 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 UL and Unum UK SII Group respectively:

Figures in £000's

Unum Limited	**31 December 2021**	**31 December 2020**
Basic Own Funds (all tier 1)	611,013	608,332
Eligible Own Funds	678,379	608,332
Solvency Capital Requirement (SCR)	449,105	404,142
Minimum Capital Requirement (MCR)	202,097	181,864
Solvency Ratio	**151%**	**151%**

Figures in £000's

Unum UK SII Group	**31 December 2021**	**31 December 2020**
Own Funds (all tier 1)	647,541	637,242
Eligible Own Funds	714,907	637,242
Solvency Capital Requirement (SCR)	449,371	404,409
Minimum Consolidated Group Solvency Capital Requirement (MGSCR)	202,097	181,864
Solvency Ratio	**159%**	**158%**

At 31 December 2021, the Company's solvency ratio was 151% post dividend (2020: 151% post dividend). The solvency ratio remains in line with our Capital Management Framework and our risk appetite. There have been no periods of non-compliance with the MCR or non-compliance with the SCR during the 2021 reporting period.

During the reporting period Unum US Group entered into a Subscription Agreement with UL under which it committed to subscribe, on demand, for £75 million of loan notes. This commitment, which is guaranteed by Letters of Credit from two major banks, is treated as Ancillary Own Funds ('AOF') under Solvency II. These AOF are classified as Tier 3 capital of which £67.4 million (15% of Unum Limited's Solvency Capital Requirement (SCR)) as at 31 December 2021 is eligible to cover the SCR. Should management exercise its right to request issuance of the loan notes, this will convert the AOF item into a funded Tier 2 capital instrument. No loan notes have been issued at the reporting date. Further details are provided in the Capital Management section E of this report.

UL has approval from the PRA to utilise the Transitional Measure on Technical Provisions ("TMTP") and the Volatility Adjustment ("VA"). The solvency ratio at 31 December 2021 without allowance for the TMTP is 133% (UL) and 141% (Unum UK SII Group), and without both the TMTP and VA is 126% (UL) and 134% (Unum UK SII Group).

The Company's SCR increased over the year with the main drivers including bond purchases, which act to increase credit capital, and capital strain from new policies sold and renewals, which acts to increase insurance capital.

The PRA approved a recalculation of the TMTP as at 31 December 2021, which reduced the TMTP and had a negative impact on the solvency ratio. UL does not apply a matching adjustment to the risk-free interest rate term structure under Rule 6 of the Technical Provisions Part of the PRA Rulebook for Solvency II Firms to calculate the best estimate of its insurance or reinsurance obligations.

A dividend of £20m for the 2021 year-end was approved by the Board in February 2022 and paid in March 2022. There have been no other material changes to UL's or Unum UK SII Group's valuation for solvency purposes and capital management over the reporting period.

Directors' Report

The Directors of UL and UEHCL are responsible for preparing the Unum UK SII Group and Solo SFCR in accordance with the PRA rules and SII regulations.

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

(a) Throughout the financial year in question, the Unum UK SII 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 Unum UK SII Group and the Company continues to comply, and will continue to comply in the future in all material respects.

On behalf of the Boards

Jonathan Fletcher
Chief Financial Officer

April 2022

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 Part 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 Unum UK SII Group (‘the Group’), comprising of Unum European Holding Company Limited and the authorised insurance entity Unum Limited (‘the Company’) as at 31 December 2021**:**

- The ‘Valuation for solvency purposes’ and ‘Capital Management’ sections of the Group Solvency and Financial Condition Report of the Group as at 31 December 2021, (‘the Narrative Disclosures subject to audit’); and
- Group templates 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 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 about 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’ elements of the Group Solvency and Financial Condition Report;
- Group templates 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 regime used in the calculation of the transitional measure 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 management 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 UK SII Group as at 31 December 2021 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 (Revised) Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks' and 'ISA (UK) 805 (Revised) Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement', 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

In auditing the relevant elements of the Group Solvency and Financial Condition Report, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the Group Solvency and Financial Condition Report is appropriate. Our evaluation of the Directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included:

- understanding management's going concern assessment process, which covers the period to 1 April 2023, being twelve months from the date of authorisation of the Group Solvency Financial and Condition Report;
- evaluated the liquidity and solvency position of the Group and Company by Company by reviewing the Company's strategic plans and updated forecasts, its future capital including credit facilities, and its operational risk framework. We assessed whether the base forecast was realistic by comparison with historic performance and our understanding of the business;
- we evaluated the Group and Company's results of its capital stress scenarios on its capital position and risk appetite, including reverse stresses considered on its cash position in the preparation of its cash forecasts;
- we considered management's assessment of the impact of volatility in investment markets, including the effect of management actions, on the Group and Company's forecast solvency position;
- we considered whether management actions identified by the company were realistically achievable, based on our knowledge of the business;
- we considered management's continuing assessment of the operational impact on the business of COVID-19 by reference to the measures they have currently implemented;

- reviewed correspondence with prudential regulators and authorities for matters that may impact the going concern assessment;

- performed enquiries of management and those charged with governance to identify risks or events that may impact the Group and Company's ability to continue as a going concern. We also reviewed management's assessment approved by the Board, minutes of meetings of the Board and its committees, and made enquiries as to the continuing impact of COVID-19 on the business; and

- we read the disclosures in respect of going concern in Section E.3.7, to determine whether they were consistent with the results of management's forecasts and in conformity with the reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Company's ability to continue as a going concern for a period of twelve months from when the relevant elements of the Group Solvency and Financial Condition Report are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Emphasis of matter – basis of accounting and 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. 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. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose.

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 these matters.

Other information

The Directors are responsible for the Other Information contained within the Group Solvency and Financial Condition Report.

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.

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 course of 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 this gives rise to a material misstatement in the relevant elements of the Group Solvency and Financial Condition Report themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the 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 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, the PRA Rules and the Solvency II Regulations 2015.

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.

In preparing the Group Solvency and Financial Condition Report, the Directors are responsible for assessing the Company's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the Directors either intend to cease to operate the Company, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.
However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and company and determined that the direct laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

- We understood how the Group and Company is complying with these legal and regulatory frameworks by making enquiries of management, internal audit and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and the FCA and PRA, reviewed minutes of the Group and Company's Risk Committee ('RC') and Regulatory and Compliance Committee ('RCC'); and gained an understanding of the Group and Company's approach to governance and risk management.

- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

- For both direct and other laws and regulations, our procedures involved: making enquiry of those charged with governance and senior management as to their awareness of any non-compliance with laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees and inquiring about the company's methods of enforcing and monitoring compliance with such policies.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group and Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgment, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher i.e. within the valuation of insurance liabilities, we performed audit procedures to address the identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

- The Group and Company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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/auditorsresponsibilities. This description forms part of our auditor's Report on the Group Solvency and Financial Condition Report.

Other matter

The Group has authority to calculate its Group Solvency Capital Requirement using an internal model (‘‘the Model’’) approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. 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 audits 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

April 2022

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
  - 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

- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

Unum Limited

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

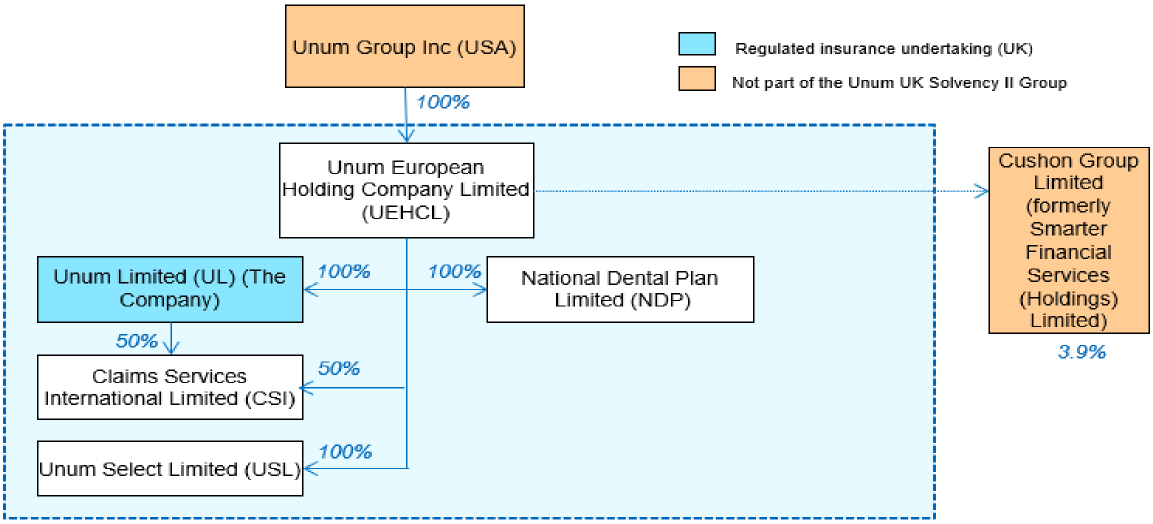
- The following elements of template S.02.01.02:
  - Row R0550: Technical provisions – non-life (excluding health) – risk margin
  - Row R0590: Technical provisions – health (similar to non-life) – risk margin
  - Row R0640: Technical provisions – health (similar to life) – risk margin
  - Row R0680: 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
- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

A Business and Performance

A.1 Business

A.1.1 Unum UK SII Group

A simplified SII Group Structure for the Unum UK SII Group is presented below:



Unum UK SII Group comprises the following entities as at 31 December 2021:

Name	Principal activity and material lines of business	Country of incorporation and material geographic area of operations	Class of shares held	Percentage holdings	Parent Company	Classification for purposes of SII consolidation
Unum European Holding Company Limited (UEHCL)	Provision of management services to other companies of which Unum Group is parent	England and Wales	Ordinary	100%	Unum Group Inc.	Full consolidation
Unum Limited (UL)	GIP, Group Life insurance, Group critical illness insurance and Dental insurance	England and Wales	Ordinary	100%	UEHCL	Full consolidation/ Only regulated insurance company within the Unum UK SII Group
Claims Services International Limited (CSI)	Provision of claims management services	England and Wales	Ordinary	50% 50%	UEHCL UL	Full consolidation
Unum Select Limited (USL)	Provision of education and enrolment services	England and Wales	Ordinary	100%	UEHCL	Full consolidation
National Dental Plan Limited (NDP)	Activity has ceased in this entity, currently in the process of applying for deregulation	England and Wales	Ordinary	100%	UEHCL	Full consolidation

UEHCL holds a 3.9% investment in Cushon Group Limited (formerly Smarter Financial Services (Holdings) Limited). This investment is held at cost of £0.4m and disclosed on UEHCL's Balance Sheet as 'Other investments'. It does not form part of the Unum UK SII Group.

During Q4 2021, as part of a capital reduction in NDP, UEHCL reduced its holding in NDP from 17,915 shares down to 1 share. NDP has now ceased trading and is currently in the process of applying for deregulation.

UEHCL and UL have no other material related undertakings or significant branches outside of the Group structure described above. There are no qualifying holdings of over 10% in Unum Group Inc. which would require disclosure.

UL is the only regulated insurance company within the Unum UK SII Group. As a result, the underwriting and investment performance data of UL and Unum UK SII Group are aligned and presented together in the tables in sections A2 and A3.

A1.2 Regulation

UL and UEHCL are authorised by the PRA and regulated by the PRA and the Financial Conduct Authority (FCA). The addresses are:

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 UK SII Group is:

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

A1.3 Any significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking

During 2021, Unum US Group entered into an AOF agreement with UL under which it committed to subscribe for £75 million of loan notes. This AOF is classified as Tier 3 capital of which £67.4 million (15% of the Solvency Capital Requirement) is eligible to cover the solvency capital requirements. No loan notes have been issued at the reporting date.

No dividends were paid by the Company in 2021 (2020: £30 million). A final dividend of £20m in respect of 2021 was approved by the Board in February 2022 and paid in the first quarter of 2022.

A1.4 Future outlook

The Directors consider that the business will continue in its present form to meet the growing need for financial protection, employee benefits and health and wellbeing services provided to employees via the workplace.

We remain confident that we can continue to provide key products and services to our customers and protect the Company's financial strength despite a challenging environment. We will continue to closely monitor and respond to changes in our external environment, notably related to Covid-19 and Brexit.

The UK formally left the EU on 31 January 2020 having reached a basic agreement on the parties' future trading relationship. Negotiations continue in respect of the financial services sector and determination of regulatory equivalence. In addition, the UK government and regulators are independently reviewing the regulatory framework for insurance and financial services, which is likely to result in increasing divergence between the UK and EU over time. Unum will continue to be able to provide its products and services as a UK insurance company. We are not required, and do not plan to, make any changes to our current business model.

The wider impact of Covid-19 has caused some fluctuations in the level of claims payments and volatility in investment returns. However, we have maintained service levels and have not suffered any significant disruption to our business. We believe we are well positioned to capitalise on future growth opportunities as the external environment improves. Our protection products and services remain relevant and valuable to customers and the active management by the UK and global governments to contain the impact is expected to mitigate the impact of the pandemic on our business, customers and employees.

We know that our customers are being impacted by resource and supply shortages, rising inflation and the possibility of higher interest rates. Although the latter do not represent material risks to the Company's balance sheet, the impact of these factors on our customers could affect our sales and persistency in 2022. The business continues to carefully monitor risks arising from these factors.

We will look to achieve improvements to the business whilst maintaining a disciplined stance on pricing, claims management and financial management. Strong expense management will be key given the external pressures, whilst ensuring that we continue to manage our key risks and invest in our key strategic initiatives.

A.2 Underwriting performance: Unum Limited and Unum UK SII Group

As UL is the only regulated insurance company within the Unum UK SII Group, the underwriting performance data is aligned for both the Unum UK SII Group and Solo entity, and presented in the same tables below, with any differences noted.

Year ended 31 December 2021	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	350,209	136,771	2,238	29,548	**518,766**
Net Written Premiums	347,906	84,117	2,139	29,548	**463,710**
Net Earned Premiums	344,219	82,292	2,143	29,016	**457,670**
Net Claims Incurred	188,552	33,562	2,716	20,888	**245,719**
Net Change in Technical Provision	36,181	35,641	(810)	-	**71,013**
Expenses	94,861	26,706	309	3,721	**125,597**
Underwriting performance	**24,624**	**(13,617)**	**(73)**	**4,407**	**15,341**
Reconciliation to profit/(loss) before tax per Unum Limited UK GAAP statutory accounts for year ended 31 December 2021					
Investment and other technical income					**90,842**
Market value gains/(losses) on investment income					**16,105**
Other income and expenses					**(441)**
Profit/(loss) before tax per Unum Limited UK GAAP statutory accounts					**121,847**

Net earned premiums for 2021 were £457.7 million (2020: £104.9 million). Excluding the effect of the 2020 extension of the Company's Group Income Protection reinsurance, net earned premiums increased by 2% to £457.7 million (2020: £446.6 million).

Year ended 31 December 2020 (restated)	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	329,334	131,405	2,450	26,589	**489,779**
Net Written Premiums	(14,481)	81,504	2,337	26,589	**95,950**
Net Earned Premiums	(8,904)	84,858	2,348	26,564	**104,866**
Net Claims Incurred	(46,821)	81,199	8,011	15,317	**57,705**
Net Change in Technical Provision	31,658	42,505	(568)	-	**73,595**
Expenses	97,905	28,416	335	7,666	**134,322**
Underwriting performance	**(91,646)**	**(67,262)**	**(5,430)**	**3,582**	**(160,756)**
Reconciliation to restated (loss)/profit before tax per Unum Limited UK GAAP statutory accounts for year ended 31 December 2020					
Investment and other technical income					**75,517**
Market value (losses)/gains on investment income					**(28,295)**
Other income and expenses					**(432)**
Restated (loss)/profit before tax per Unum Limited UK GAAP statutory accounts					**(113,966)**

2020 numbers are restated following the adoption of IFRS 9 for the valuation of financial instruments for UK GAAP reporting.

For UK GAAP reporting purposes, during 2021 the Company adopted IFRS 9 ‘Financial Instruments’ as its accounting policy for applicable investments to a combination of amortised cost and fair value through other comprehensive income (FVOCI). Under Solvency II, financial instruments continue to be measured at fair value through profit and loss (FVPL).

Underwriting performance presented in the tables above does not include investment income received of £90.8m (2020: £75.5m restated) or market value gains of £16.1m (2020: restated losses of £(28.3)m). It also excludes other income and expenses of £(0.4)m (2020: £(0.4)m). Including these items, UL made a profit on ordinary activities before tax of £121.8m (2020: restated loss before tax of £(114.0m).

UL 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. UL has no material exposure to insurance risks outside of the United Kingdom. No geographical analysis has therefore been produced.

Gross premiums written in 2021 increased by 6% to £518.8 million (2020: £489.8 million). This growth in premium was achieved whilst maintaining our disciplined approach to underwriting and pricing.

Net earned premiums were £457.7 million (2020: £104.9 million). Excluding the effect of the 2020 extension of the Company’s Group Income Protection reinsurance, net earned premiums increased by 2% to £457.7 million (2020: £446.6 million).

The Company made a profit on ordinary activities before tax in 2021 of £121.8 million (2020 restated: £114.0 million loss). The 2021 result was significantly higher than 2020 mainly due to the impact of market movements. In 2020, risk-free yields reduced significantly, which materially increased reserves. In 2021, reserves reduced due to discount rate movements (driven by an increase in nominal yields, partially offset by a fall in real yields at shorter durations). In addition to the effect of market movements, the 2021 result also benefited from higher underwriting profits compared to 2020 due to higher premiums, lower expenses and favourable underlying claims experience, excluding market movements.

A.3 Investment performance: Unum Limited and Unum UK SII Group

As UL is the only regulated insurance company within the Unum UK SII Group, unless specified, the investment performance data is aligned for both the Unum UK SII Group and Solo entity, and presented in the same tables below.

The other Unum UK SII Group entities do not partake in investment activities and solely hold additional cash balances. UEHCL does not have any investments other than investments in subsidiaries and its investment in Cushon Group Limited, which are detailed in the table in Section A.1.1.

Total investments under management comprise fixed rate and index-linked securities which match liabilities and support our surplus, together with operational and investment cash balances. At 31 December 2021, investments under management were £2,783 million (2020: £ 2,770 million).

A.3.1 Income and expenses by asset class: Unum Limited and Unum UK SII Group

The interest and gains on assets are included below for each asset class included in the Solvency II financials.

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 for Solvency II. There are no investments in securitisations.

Investment Income - Year ended 31 December 2021	Government bonds	Corporate bonds	Collective investment undertakings	Collateralised securities	Derivatives	Cash	Property	Total £000
Interest income from financial assets at fair value through profit or loss	4,841	66,792	993	264	(6,833)	-	-	**66,057**
Interest income from financial assets not at fair value through profit or loss	-	-	-	-	-	4	-	**4**
Gains/ (losses) on the realisation of investments	1,395	9,460	-	-	(1,124)	-	-	**9,730**
Movement in unrealised gains on investments	15,009	(118,278)	502	(331)	6,919	-	-	**(96,178)**
Rent-UL only	-	-	-	-	-	-	1,104	**1,104**

**Rent is intercompany and relates to UL only as it is eliminated on consolidation at Unum UK SII Group level.*

Investment Income - Year ended 31 December 2020	Government bonds	Corporate bonds	Collective investment undertakings	Collateralised securities	Derivatives	Cash	Property	Total £000
Interest income from financial assets at fair value through profit or loss	4,689	69,573	-	564	(385)	-	-	**74,441**
Interest income from financial assets not at fair value through profit or loss	-	-	-	-	-	87	-	**87**
Gains/ (losses) on the realisation of investments	-	7,659	-	-	(5,384)	-	-	**2,275**
Movement in unrealised gains on investments	24,394	46,656	612	164	(17,770)	-	-	**54,056**
Rent-UL only	-	-	-	-	-	-	1,155	**1,155**

**Rent is intercompany and relates to UL only as it is eliminated on consolidation at Unum UK SII Group level.*

During 2021 £96.2m of unrealised losses on investments were reported compared to £54.1m of unrealised gains in 2020. The Company views these unrealised gains and losses on bond securities as timing differences which are largely expected to reverse as we generally hold investments to maturity. There was no impact of amortisation and impairment on investment performance.

The investment management charges highlighted in the table below are included in the expenses within the underwriting performance table in section A.2 in alignment with form S.05.01.

Investment Expenses	31 December 2021 £000	31 December 2020 £000
Investment management expenses	3,007	3,004

**Prepared in accordance with UK GAAP*

A.4 Performance of other activities: Unum Limited and Unum UK SII Group

There are no other material items of income or expenditure for UL or the Unum UK SII Group.

A.5 Any other information: Unum Limited and Unum UK SII Group

A.5.1 Subsequent events

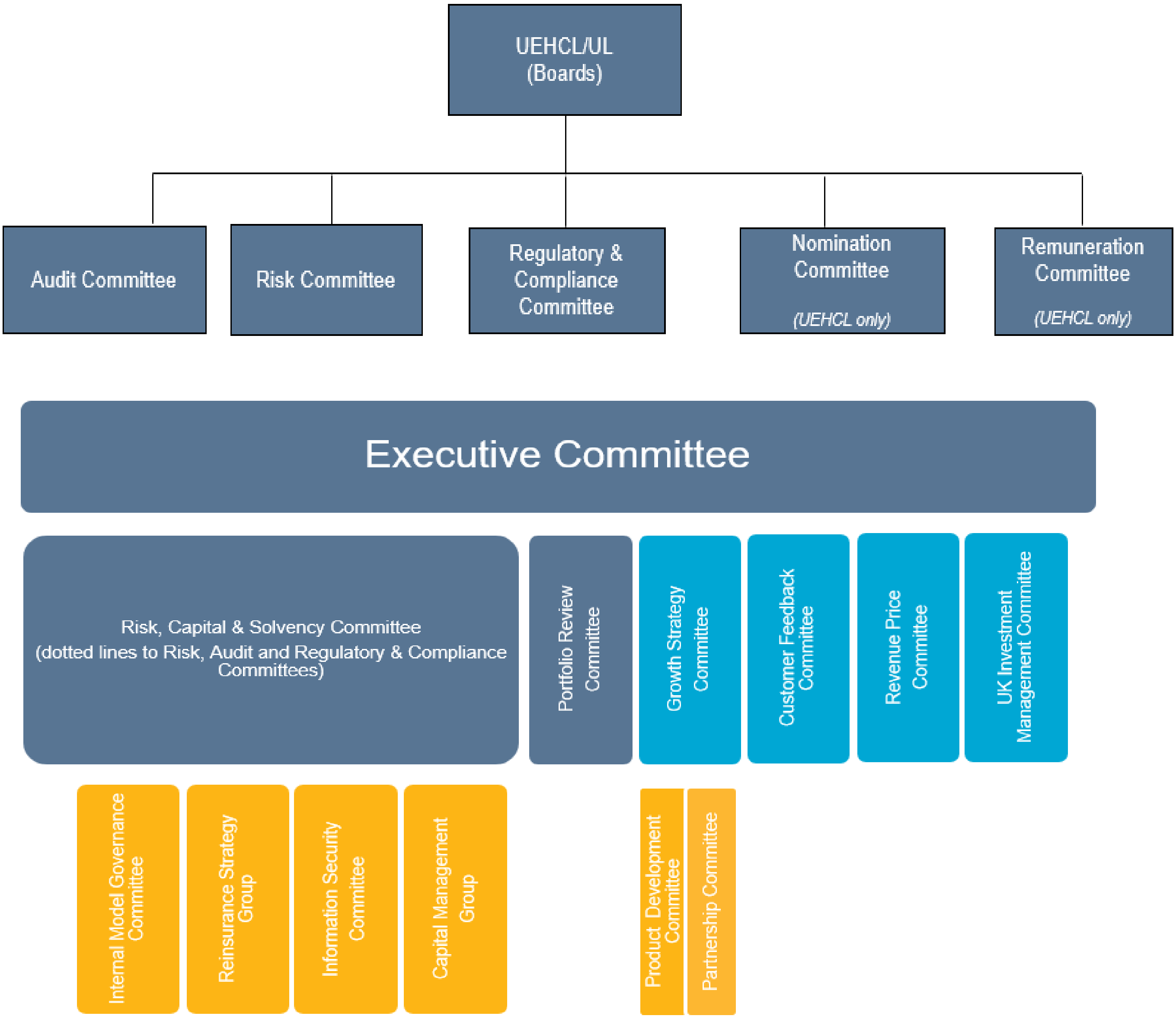
We continue to monitor the conflict in Ukraine closely, including any related sanctions arising thereto, to assess the potential impact to our business. While Unum UK SII Group businesses have no material direct exposure to Ukraine and Russia, there will be wider economic impacts from the disruption in energy supplies and weaker confidence in financial markets which will be a trigger for inflation and growth pressures.We will respond to the changing external environment to ensure that our businesses are in a position to continue to provide key products and services to our customers and partners and to protect our Solvency position.

There is no further material information regarding the business of UL or the Unum UK SII 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:



UEHCL and UL'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 and the Remuneration committees of UEHCL. The membership of the Boards and sub-committees of UEHCL and UL mirror each other.

The Boards are focused on strong corporate governance and the application 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 is 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 in B.1 (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 judgement 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 ("CEO"), 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 (at the date of signing of this report) two executive directors, being the CEO, Chief Financial Officer ("CFO"), four independent non-executive directors (including the Chair) and one non-executive director.

Audit Committee

The purpose of the Audit Committee is to provide assurance on the integrity of financial reporting, controls and plans. The Committee is responsible for monitoring the effectiveness of the internal audit function, external auditor's independence, the external audit process and the supply of non-audit services. It 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 an independent 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 Chair 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 ("SOX") Act 2002 (as amended), Audit Directive, FRC Ethical Standard and other regulatory requirements are not breached or compromised.

Risk Committee

The Risk Committee's ('RC') main objective is to provide oversight of the nature and extent of significant risk faced by the Company and Unum UK SII Group 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 RC is chaired by an independent 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 Chair of the RC and has at least one closed session with the RC members each year.

The RC 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 SMCR, financial crime, data protection, human resources, conduct risk, culture, Treating Customers Fairly requirements and health and safety.

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

Nomination Committee

The main objective of the UEHCL Nomination Committee is to ensure that there is a robust process around appointments to the Board (and other Committees) and to ensure that succession planning for senior roles is appropriate.

The Nomination Committee is chaired by an independent non-executive director. The Committee meets at least two times 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.

Remuneration Committee

The main objective of the UEHCL Remuneration Committee is to approve overall remuneration policy.

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

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

B.1.1 Material changes

In 2020, a robust process was undertaken leading to the appointment of a new Chief Executive Officer ("CEO"), who joined with effect from 1 April 2021.

On 24 February 2021, an existing Independent Non-Executive Director was appointed as Senior Independent Director.

A new Independent Non-Executive Director and Chair of the Audit Committee joined with effect from 1 June 2021, with regulatory approval received on 27 October 2021.

A new Non-Executive Director was appointed to the Board on 2 December 2021.

On 23 November 2021, the Boards agreed new terms of reference for separate Nomination and Remuneration Committees, having previously agreed that the Chair of the Board be appointed as Chair of the UEHCL Nomination Committee and the Senior Independent Director be appointed as Chair of the UEHCL Remuneration Committee. These appointments are subject to pending regulatory approvals.

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 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 is a corporate earnings threshold that must be met before any PBI award is approved.

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 2021 Unum UK SII Group and UL 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, and all intra-group transactions are eliminated in preparation of the Unum UK SII Group Solvency Balance Sheet.

During 2021, UL agreed an Ancillary Own Fund arrangement with Unum Group (further details are noted in Section E1).

UL has also entered into a series of Total Return Swaps, with its ultimate parent company, Unum Group in the US, to mitigate the credit risk on a portion of its portfolio of bonds. At 31 December 2021, these Total Return Swaps had a notional value of £421m (2020: notional value of £430m).

In Q4 2021, a capital reduction was carried out in NDP Limited to cancel out the whole of the share premium account of NDP Limited and to reduce the share capital from of 17,915 ordinary shares to 1 ordinary share. UEHCL's investment in NDP has therefore reduced down to 1 ordinary share at 31 December 2021.

The only other material transactions between Unum UK SII 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 UK SII 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. UL defines these persons as Senior Management Functions (SMFs) and Certification Functions.

B.2.1 Process for assessing fitness and propriety

UL 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:

- Has the personal characteristics (including being of good repute and integrity);
- Possesses the level of competence, knowledge and experience;
- Has the relevant qualifications or is progressing towards achieving qualifications; and
- 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 reviewing 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;
- 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; and
- Reviews of ongoing training.

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 UK SII Group and UL as the same risk management system is applied consistently to all entities within the Unum UK SII Group.

The Unum UK SII Group Risk and Capital Operating Model (RCOM) sets out the 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 the Internal Model and Own Risk and Solvency Assessment (ORSA) which combine to provide the internal assessment process and quantification of risk which feed into strategic decision making, the management of solvency, continued compliance with capital requirements and any action required due to a change in risk profile.

To support delivery of the RCOM and ORSA, the Risk function has the following objectives, as detailed in the Board-approved Risk Mandate:

1. Oversee that all risks are identified, assessed, managed, monitored and reported, with oversight and challenge from the Risk Function;
2. Oversee that risk exposure is managed in line with the Board approved risk appetite across sustainability, solvency and operational pillars;
3. Provide effective risk processes and tools to the business to enable consistent implementation of the Enterprise Risk Management Framework;
4. Promote the long-term sustainability of the business model through assessing its resilience to a range of events over the medium term and ensuring the strategy agreed by Board takes into account potential impact on the risk profile and the associated impact on capital;
5. Ensure risk-based decision making is embedded throughout the business;
6. Promote a strong risk culture, with all stakeholders playing an active role in relation to managing risk;
7. Oversee that the Internal Model is fit-for-purpose and utilised as a key tool in the Enterprise Risk Management Framework.

Risk identification

Risk identification is an ongoing activity and Unum UK SII Group maintains a register of known risks, as well as capturing emerging risks, external and internal headwinds and tailwinds. These are reviewed regularly to ensure they reflect the current risk profile of the organisation, recognising that changes occur over time. This part of the RCOM is captured through the Risk Identification and Emerging Risk Process.

Risk measurement

Risk effectiveness is measured against Unum UK SII Group's Risk Appetite. This 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 UK SII Group has consciously decided to accept in its day to day activities in order to meet its overall business strategy.

Risk management

The treatment of Unum UK SII Group's risks include risk acceptance, risk avoidance, risk transfer and application of internal controls. A governance framework is established within the RCOM to provide oversight and day-to-day management of risk, along with a suite of sub-risk policies which are designed to provide mandatory approaches to managing each of Unum's Risk Categories. The risk mitigation techniques implemented vary by risk and more detail can be found in section C.

Risk monitoring

Risk monitoring is a fundamental concept of effective risk management. Regular monitoring of risk across Unum UK SII Group is the responsibility of the Risk function. Unum UK SII Group's risk profile is monitored using Key Risk Indicators, the Risk and Control Assessment process, analysing Risk Events and via the Emerging Risk Process.

Risk reporting

Regular risk reporting to RCSC and RC presents a summary of the monitoring activity described above. Where required, more detailed reporting is provided by the Risk function to meet specific ad-hoc requirements. The main risk reporting channels are through the annual Own Risk and Solvency Report and quarterly CRO report which are both presented to RCSC and RC. The CRO report includes reporting the current risk profile against agreed appetite and a forward looking view including emerging risks and headwinds.

B.3.2 Risk management system implementation and integration

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

Roles, responsibilities & accountabilities for the Internal Model

In addition to the responsibilities outlined in Section B1, the following roles are assigned in relation to Unum UK SII Group's Internal Model.

The Board

Ultimate responsibility for the management of the Internal Model lies with the Board, which means:

- Ensuring that all risks are understood and managed effectively;
- 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; and
- Final approval of the Internal Model and recommendations for major change.

For day-to-day management purposes, the Board has delegated authority for risk management to key individuals, and to key Board and management committees.

Risk Committee

The Risk Committee (RC) 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 UK SII Group's risk profile by ensuring that:

- Each of the functions involved in Internal Model governance 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 RC is authorised to take independent advice where such advice is required in order to meet their responsibilities for the Internal Model.

RCSC

The Risk Capital Solvency Committee (RCSC) is intended to provide governance of the Internal Model and will:

- satisfy itself that recommendations on model development and model changes are aligned to current and future business strategy; and
- provide preliminary approval on major model changes.

Both the RC and the RCSC may recommend changes to the strategic direction of the Internal Model.

IMGC

The Internal Model Governance Committee (IMGC) is a subcommittee of the RCSC and is responsible for:

- Internal Model governance;
- embedding model use and ongoing development; and
- overseeing the Unum UK SII Group expert judgement process.

Role of the Risk function

The Risk function is responsible for:

- The Enterprise Risk Management (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 SII in accordance with the Solvency requirements;
- Independent validation of the Internal Model to ensure it remains fit for use;
- In conjunction with the Finance Function, ensuring the Board, executive and senior management have, and demonstrate, an appropriate understanding of SII 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 B6).

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 operational risk and ensures the modelling of operational risk within the Internal Model reflects the Unum UK SII Group'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;
- Manages plans for future development of the Internal Model including tracking any remediation actions;
- Promotes a corporate culture that reflects Unum UK SII Group’s risk and capital vision; and
- Monitors the financial risks from climate change.

The UK CRO has a matrix reporting line both to the Group CRO and the UK CEO as well as regular direct contact with the non-executive Risk Committee chair.

B.3.3 Process and integration

Unum UK SII Group’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 UL Board is responsible for the ORSA on behalf of Unum UK SII Group 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; and
- Performing the above activities in response to significant events.

B.3.4 Frequency of ORSA reviews and approval

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

Unum UK SII Group 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 Unum UK SII Group and the firm-level ORSA for all the firms in the Unum UK SII Group. This is consistent with Unum UK SII Group’s approach to use a single Internal Model for both the solo entity, UL and the Unum UK SII Group.

B.3.5 Determination of own solvency needs

Unum UK SII Group 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 UK SII Group’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; and
- Uses a valuation basis that is consistent throughout the overall solvency needs assessment.

Unum UK SII Group's assessment of its overall solvency needs uses 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.4 Internal control system

This section applies to both the Unum UK SII Group and the Solo entity of UL as the same internal control system is applied consistently to all entities within the Unum UK SII 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 UK SII Group 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, and performance;
- Review of the effectiveness of internal controls by the Controlled Function Heads who regularly review the effectiveness of the internal controls through the first, second and third lines of defence;
- 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;
- External independent Board evaluations being undertaken every 3 years (report delivered in May 2021 and action plan largely implemented within 2021);
- SOX 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; and
- Monitoring by the ultimate parent company, Unum Group Inc, and other stakeholders.

Rule 4.1 of the PRA Rulebook 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 Rule 4.2 of the PRA Rulebook, 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 identifying and assessing 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.5 Internal Audit Function

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

Internal Audit is the 3rd line in the three lines of defence model operating within the Unum UK SII Group. It is responsible for providing the Audit Committee of the Board of Directors and management with independent, objective controls assurance and advice designed to add value and improve the operations of the Unum UK SII 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. A primary objective is to protect the reputation and sustainability of the organization.

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 Unum UK SII Group and to examine and evaluate the design and effectiveness of the system of risk management and internal control managed by the Unum UK SII Group. Internal Audit provides recommendations, advice and guidance to help management discharge its operational and control 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 Unum UK SII Group, submitting the plan to the UK Audit Committee for review and approval, and implementing the approved plan through delivery of timely audit reports. The Head of Audit flexes the plan where required for unplanned events and emerging risks and provides the rationale for any changes to the plan to the Audit Committee for approval.

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 Unum UK SII 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 Unum UK SII 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 Unum UK SII 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 Internal Audit function itself 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. The last time this external review was completed was in August 2021.

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.6 Actuarial Function

This section only applies to UL as the rest of the Unum UK SII Group are not required to have an Actuarial Function.

The tasks that UL's Actuarial function is required to perform, as per the SII 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 by the UK Chief Actuary 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. The roles and responsibilities of those within the function are documented and there is an ongoing programme of training and development.

Where the Actuarial function performs other roles outside those outlined in the SII regulations, process and procedures are in place to manage any conflict of interest, including external review and committee oversight. Within the second line Risk function, the UK Chief Actuary also contributed during 2021 to the effective implementation of the risk management system in relation to Internal Model Governance, Validation and supported the ORSA and risk management process by reviewing forward looking capital forecast and stress and scenario test results.

The tasks relating to the coordination and calculation of the technical provisions, the deriving of assumptions and ensuring the sufficiency and quality of data are performed internally within the first line Finance function (as described further in Section D) with oversight from the UK Chief Actuary. Sensitivity analysis is also performed within the first line Finance function to compliment understanding of the materiality of the various assumptions and the uncertainty they present (as described in Section C).

The first line Finance team sets pricing bases and implements reinsurance arrangements. They provide recommendations on the appropriate strategy to ensure consistency of underwriting practices with product pricing, the potential impact on future profitability to key risk factors and potential changes in terms and conditions. They also recommend reinsurance arrangements to meet risk appetite objectives including mitigating balance sheet volatility whilst ensuring commercial terms remain competitive. There is regular interaction between the Finance team and the Actuarial function, and framework and metrics have been developed for establishing underwriting and reinsurance opinions.

B.7 Outsourcing

This section applies to both the Unum UK SII Group and the Solo entity of UL as the same Material Outsourcing Policy and Critical Supplier framework operates for all entities within the Unum UK SII Group.

The Material Outsourcing Policy and Critical Supplier framework for the whole of the Unum UK SII Group sets out the approaches 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 a critical operational service or function is performed by a third party on behalf of Unum UK SII Group; and
- All intra-Group arrangements whereby one Group company performs an important operational service or function for another Group company.

When Unum UK SII Group is considering whether a particular function or activity is to be outsourced, the Policy and framework provides that an assessment should be undertaken as to whether the function or activity would be appropriate for outsourcing. The decision to outsource comprises an assessment of the potential benefits against any possible increased risks and includes consideration of the impact of outsourcing on the business. 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 Operating Officer is responsible on behalf of the ExCo for reporting material outsourcing and critical supplier arrangements to the Board. Reporting will include any significant exceptions of a material outsourcing or critical supplier service in complying with Unum UK SII Group's Material Outsourcing Policy and Procedures or Critical Supplier framework. Any material issues, defined in terms of the inherent impact that data has on identifying and managing Unum UK SII Group's Risk and Capital profile, must be notified to the (RCSC) which also receives a quarterly report of the delivery of services. The Chief Operating Officer is responsible for ensuring that the Material Outsourcing Policy and Critical Supplier framework complies with SII, the PRA and FCA and other relevant regulatory and legal requirements. The Chief Operating Officer is responsible for notifying the PRA and the FCA of all material outsourcing contracts.

Intragroup Outsourcing	Jurisdiction of outsourced activity
Human Resources (enterprise wide services)	US
Investment Management	US
Information technology services (enterprise wide services)	US

Outsourced Service	
Claim payments for specified customer segments	UK
System based administration platform for specified products	UK

The above intra-group arrangements relate to the wider Unum Group in the US. The intra-group arrangements between entities in the Unum UK SII Group are detailed in Section B.1.3 on related party transactions.

B.8 Any other information

B.8.1 Assessment of adequacy of the system of governance

The Chief Risk Officer reviews the systems of governance for Unum UK SII Group and UL annually 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.8.2 Climate change

Under the requirements of the PRA's SS 3/19, UL has allocated SMF responsibility for the financial risks from climate change to the CRO. In addition, the Chair has taken on Director responsibility for the same in a Board capacity.

During 2021, the UL Board Risk Committee reviewed and challenged Unum's approach to assessing Climate Change Risk and approved the final assessment of current risk exposures and the integration of ongoing risk assessment into the governance model.

As part of this assessment, the Board were also presented with the outcomes of climate change scenario analysis conducted by an external professional services company on Unum Limited's investment portfolio.

In order to continue to oversee climate related financial risks within the context of UL's overall business strategy and risk appetite, the Board Risk Committee will receive regular ongoing reports on:

- Adherence to Appetite in the CRO report; and
- Investments including our approach to incorporation and assessment of ESG factors/ risks.

In addition, the Board receives regular updates on our Responsible Business Strategy, and the Audit Committee reviews updates to the development of climate change disclosures for our financial statements.

Further details on climate change risk are noted in Section C.6.2.

B.8.3 Any other material information

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

C. Risk profile

This section applies to both Unum UK SII Group and UL as the same Risk categorisation exists for all entities within the Unum UK SII Group. All the material risks reside within UL as explained in Section C1.

Materiality of risks

UL and Unum UK SII Group have ranked all of their risks covered by the Internal Model, into three categories (High, Medium, Low), according to their materiality. This is primarily based on the size of the exposure as indicated by the SCR. However, the following considerations are also taken into account:

- Unum UK SII Group's risk appetite, competitive advantage and control over each risk (reflecting the risk-reward dynamic and the internal expertise relating to each risk);
- Reliance on risk mitigation techniques (e.g.reinsurance and derivatives) to reduce the exposure; and
- The level of complexity of underlying factors affecting the risk, and the level of sophistication required to support asset-liability modelling, risk management and business decisions.

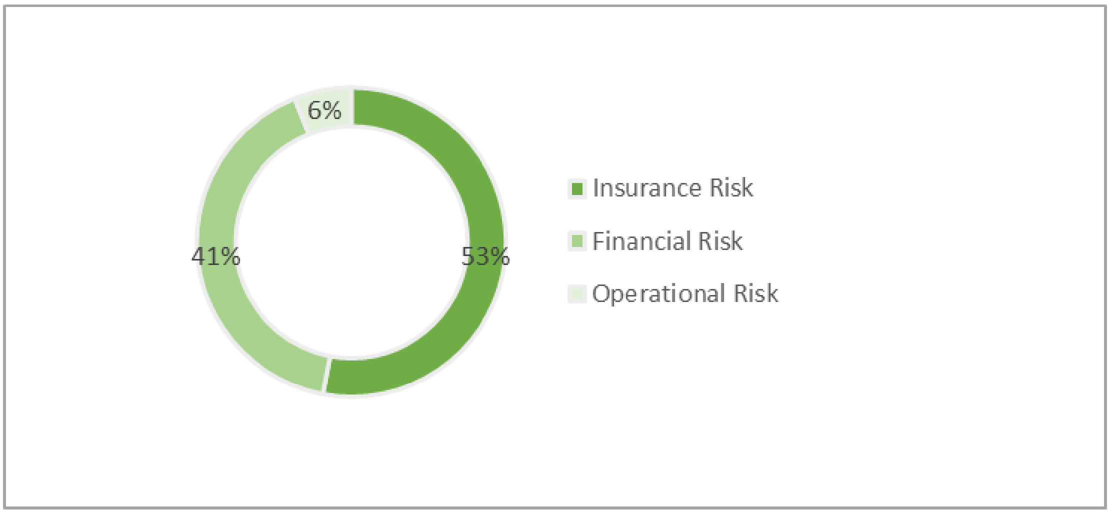
The overall classification for each risk category is as follows:

- Underwriting/ Insurance Risk: High materiality (C.1)
- Market Risk: High materiality (C.2)
- Credit Risk: High materiality (C.3)
- Liquidity Risk: Low materiality (C.4)
- Operational Risk/ Conduct Risk: High materiality (C.5)
- Other risks- Group Risk and Strategy Risk: Low materiality (C.6)

Market Risk has increased to High materiality over the reporting period to reflect the increased importance of interest rate risk due to the relative reduction in exposure to credit risk (so that interest rate movements now have a proportionately larger impact on the Solvency II balance sheet).

The split of pre-diversified SCR by high-level risk type for UL and Unum UK SII Group as at 31 December 2021 is shown below (with Market Risk and Credit Risk being classified as "Financial"):

Capital Requirements by Risk



C.1 Underwriting/Insurance Risk

This is the risk that actual claims and expenses experience varies from that assumed in product pricing including mispricing and reserving assumptions.

C.1.1 Assessment measures, concentration and mitigation

The sections below describe the assessment measures, concentration and mitigation for the most significant risks within the Insurance Risk category, which all reside within UL. 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 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 UK SII Group specialises in employer paid ‘Group Risk’ products. This results in the termination and inception risks within UL being relatively significant within the Underwriting risk category.

Termination risk refers to the risk of incapacity claims lasting longer than expected. This is UL’s biggest insurance risk, due to the significant size of the claims in payment portfolio in UL 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.

UL 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, judgement 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 UL’s Group Life and Group Dependants product, morbidity inceptions being higher than expected on the Income Protection and Critical Illness products and/or terminations being lower than expected on the Income Protection products. This is classified as a high materiality risk for Unum within the Underwriting/Insurance risk category. All short-term material exposure to pandemic risk is expected to arise from the Group Life and Dependants products as any impact of a pandemic on the income protection business is likely to emerge over a longer time period.

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

As limited 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 judgements 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 UK SII Group 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 UL 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 UL 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 based on where the employers for our largest schemes are located with a judgement regarding the likely occupancy rate of those buildings.

Longevity Risk

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

In the absence of sufficient internal past experience for calibrating the longevity risk stress, judgement 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 UK SII Group 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 Reinsurance Strategy Group (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.

Other risk mitigation techniques include:

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

C.2 Market Risk

Market risk is 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.

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 UL. Interest Rate Risk has increased to high materiality over the reporting period due to the relative reduction in exposure to credit risk (so that interest rate movements now have a proportionately larger impact on the Solvency II balance sheet).

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 UK SII Group has limited exposure to equity, property and currency risks. 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 UK SII Group's assets reduces/increases by more/less than the value of Unum UK SII Group's liabilities.

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

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

Principal Component Analysis (PCA), an industry standard proven statistical technique, is used to determine the various independent patterns implied by the underlying data set. 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 absolute stresses allow for the possibility of negative interest rates.

Inflation rate risk

Inflation risk is the risk of adverse movements in inflation, such that the value of Unum UK SII Group's inflation-linked assets reduces/increases by more/less than the value of UL'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.

Gilt/ swap spread risk

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

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

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 UL's Investment Limits and Restriction document.

C.3 Credit Risk

Credit risk is 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); and/or
- Widening of spread over a comparable risk free rate due to changes in the expectation of default, liquidity or other causes (Credit Spread 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 UK SII 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

UL mainly invests in corporate bonds and gilts to back its liabilities. The assessment of credit risk for corporate bonds uses external UK data that allows for default, transition and spread risk. 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. The process is carried out separately for financial and non-financial bonds.

Once the 'raw' stresses are derived, an expert judgement 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 and sectors as set out in UL'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 (and are themselves assessed for counterparty risk). The previous expansion of the GIP reinsurance has reduced the exposure to credit risk although it remains a high materiality risk (a knock-on impact of the reduction in credit risk exposure was a relative increase in interest risk exposure).

C.4 Liquidity Risk

Liquidity risk is 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.

Liquidity risk is not considered to be a material issue for Unum UK SII Group as the policyholder liabilities of UL 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 concentrations and mitigations over the reporting period.

The Liquidity Risk Framework defines tolerances with respect to a set of liquidity risk metrics. A minimum cash buffer is in place, as well as two stressed buffers that consider 1-in-200 year stress events over the short and medium term. The most recent analysis demonstrated that UL is comfortably within all these tolerances, and this is monitored and reported to the Investment Management Committee on a quarterly basis. Forecasted cash positions and early warning indicators are also discussed.

Further mitigations include the intercompany agreement with Unum Group to provide additional credit to UL if there are any exceptional short-term liquidity needs, however the Directors consider the likelihood of the facility being called upon as remote. In addition, one of UL'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. 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 £111.3m (2020: £106.8m) for Unum UK SII Group.

In line with the SII 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 UK SII Group 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

Operational risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events, such as a cyber-attack.

Conduct risk is the risk of failing to provide good outcomes for customers, and/or that the conduct of staff and third parties is inappropriate.

In March 2021, the FCA and PRA published Regulatory Change Notice 98 on Operational Resilience. During 2021, the Board agreed Unum Limited's definitions of Important Business Services which had the potential to cause intolerable harm to our customers if they materially failed. These services arose in relation to administering and paying claims:

- payments which replace a person's income, that is regular monthly payments under Income Protection policies, and
- lump sum payments made in connection with critical illness given that they may be used to access urgent medical treatment or enable someone to make arrangements at a time of great emotional distress, and payments in relation to life insurance. These payments can be made at any point in the month, once the claim has been admitted.

Customer contact was also confirmed as an Important Business Service given that it might relate to the delivery of the payments described above.

The Board also agreed Impact Tolerances relating to these services which define the period of time after which intolerable harm would occur. Work has progressed on assessing the resilience of our Important Business Services, no significant weaknesses were noted however a number of areas that need strengthening have been identified. A plan to address these has been agreed with the Board in line with the regulatory guidelines.

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 UK SII 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 UK SII Group 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,or a cyber-attack .
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 of control performance, analysis of risk events for lessons learnt and improving control design, and considering operational risk mitigation arrangements such building insurance to limit exposure.

Internal and external scenarios (e.g. loss of site or failure of a material outsourcer or third party) are also considered, to evaluate resilience and identify appropriate monitoring and actions.

In addition, the material operational and conduct risk events are regularly monitored. The mitigation of excessive operational risk is also an inherent consideration throughout Unum UK SII Group'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. It is accepted that some operational risk will be experienced as part of doing business and, where appropriate, the cost of control is balanced against decisions on the desired level of mitigation.

There have been no material changes in the assessment measures or in risk concentrations and mitigations over the reporting period. However, due to the Covid-19 pandemic, changes to the drivers of risk such as the threat to the health and safety of employees, potential disruption to material outsourcers, reliance on homeworking and increased exposure to cyber-attack have resulted in additional monitoring being put in place. Overall, our operational risk exposure has not materially increased because of the actions taken to manage necessary changes to operational practices.

C.6 Other risks and external factors

C.6.1 Other material risks

Unum UK SII Group has identified Group and Strategy risks in addition to the risk areas stipulated by SII requirements (rule 3.1(c) of PRA rulebook).

Group risk is defined as the risk associated with being part of a group of companies. Unum UK SII Group 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 operational risk and counterparty risk modules. During the reporting period, a new standalone Group risk policy was introduced and the Group risk appetite and monitoring of applicable tolerances has been strengthened so that the existing appetite is more clearly articulated and the tolerances are more granular.

The current credit standing, reputation and financial position of Unum Group are seen as a potential benefit, which is expected to remain the case even under stress scenarios. No value has been allowed for this in the SII balance sheet. Hence the risk of potential reduction in the value of this asset should not contribute to capital requirements.

Strategy risk is the risk of exposure to loss resulting from a defective or inappropriate strategy. 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.

Other than the changes outlined above for Group Risk, there have been no material changes in the assessment measures or in the concentrations and mitigations for these risks over the reporting period.

C.6.2 External factors

Covid-19

We continue to monitor Covid-19 closely to assess the ongoing impact it could have on both our customers, our employees and our business plans. This includes monitoring our liquidity, investments, staff absence and wellbeing, performance of suppliers, servicing and claims handling and IT stability and security incidents.

Covid-19 has reduced our growth expectations in the near-term, caused some fluctuations in the level of claims payments and volatility in investment returns. However, we have maintained service levels and have not suffered any significant disruption to our business. We believe we are well positioned to capitalise on future growth opportunities as the external environment improves. Our protection products and services remain relevant and valuable to customers and the active management by the UK and global governments to contain the impact is expected to mitigate the impact of the pandemic on our business, customers and employees.

Climate change risk

The core requirement of SS 3/19 is to assess Unum Limited's exposure to the financial risks of climate change and take proportionate actions in response to that assessment. While Unum Limited's products and operating activities result in us having a lower risk exposure to climate change, we have some exposure to physical, transition and liability risks, and have evaluated the nature of various risks in accordance with our regulatory obligations under SS 3/19.

During 2021, in partnership with an external professional services company, an assessment of climate-related financial risks was undertaken for the whole of Unum Group including Unum Limited. The findings were disclosed in line with the Task Force on Climate-related Financial Disclosures' (TCFD) recommended disclosure framework, and the full disclosures contained within Unum Group's annual Environmental, Social, and Governance (ESG) reports, which are published on its external website.

This groupwide assessment of climate-related financial risks included qualitative risk assessments across all of Unum Limited's business functions, quantitative scenario analysis of transition risk within Unum Limited's investment portfolio, and quantitative scenario analysis of underwriting practices, to model climate change impacts on the portfolio's projected underlying cashflows at <2 degree C and >2 degree C scenarios across short, medium, and long-term time horizons.

The assessment demonstrated that Unum Limited's investment portfolios are well balanced in various climate scenarios. Additionally, climate-related risks within Unum Limited's underwriting portfolio are significantly mitigated by our ability to reprice group contracts, and our exposure to higher risk industries is relatively limited.

Overall, the assessment confirmed our determinations that financial risks related to climate change are not material to Unum Limited, as we believe that we can effectively manage the impacts of these risks as they materialise over time, therefore no mitigation of current exposures is required.

Following this assessment, we have taken steps to address climate-related risks more formally within our risk procedures, including incorporating ESG risks within our investment decisions, highlighting how ESG risks are addressed within our risk appetite statements, and addressing climate-related risks within the emerging risks section of our annual ORSA.

We consider all relevant ESG factors, including risks due to climate change, when making investment decisions. Our analysis uses a variety of data and information to determine material ESG factors and assign internal ESG risk ratings to the securities that we invest in. The Investment Manager monitors and assesses every security in the portfolio at least twice a year, including ESG risks, and on an ad hoc basis as events materialize. While scenario analysis was undertaken in 2021 to establish the baseline position in investment portfolio, given nature and duration of assets held, we do not consider that it is proportionate to undertake regular scenario analysis.

For the Unum Limited UK GAAP report and accounts, reporting under the TCFD framework is expected to become a mandatory requirement by the 2023 year-end. Unum Limited is included in Unum Group's reporting under the TCFD framework. Unum Limited will continue to align with all regulations in respect to climate-related risk disclosures and other ESG topics.

C.7 Prudent Person Principle

All of Unum UK SII Group's assets are invested in accordance with the Investment Risk Management Policy, which requires that the Prudent Person Principle is met as set out in Chapters 2 to 5 of the Investments Part of the PRA Rulebook (which transpose Article 132 of the Solvency II Directive (2009/138/EC)) and have been transposed by the PRA into the Investments section of the PRA Rulebook. Consideration is also given to the requirements of the PRA Supervisory Statement (SS) 1/20, which sets out further details around PRA expectations in relation to the Prudent Person Principle.

In addition, the Investment Limits and Restrictions document for UL 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 at least annually and approved by the Board Risk Committee.

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 UL'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 UL 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 UL. They are used to assess the materiality of key assumptions as well as to annually validate understanding of UL'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 UL's business model. Reverse stress tests are defined as stress tests that would render UL'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 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 SII 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 TMTP (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. The impact on eligible AOF has been allowed for. 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 UL's balance sheet as at 31 December 2021. The results are shown net of tax and make no allowance for recalculation of the TMTP or other management actions but they do allow for the impact on eligible AOF:

Risk	Impact on Own Funds £m	Impact on SCR £m	Impact % change in SCR coverage ratio
Interest rate decreasing by 50bps	(16)	22	-10%
Credit spread widening by 50bps	(19)	(9)	-1%
Equity market values fall by 10%	(2)	(0)	0%
Property market values fall by 10%	(1)	(0)	0%
Morbidity termination rates fall by 5%	(36)	0	-8%
Morbidity inception rates rise by 10%	(16)	0	-4%
Mortality rates rise by 10%	(5)	0	-1%

C.8.4 Interpretation of the results

The results of the most recent stress and scenario confirmed that the risks previously considered the most material continue to produce the largest expected losses. As shown in the sensitivities above, the most material risks are interest rate risk and morbidity termination risk.

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

One of the key outcomes is the impact on the Capital Management and Reinsurance 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 demonstrates that the likelihood of the scenarios occurring and causing business model failure is 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 UL (Solo) SII Balance Sheet valuation as at 31 December 2021 is presented below.

As at 31 December 2021	SII Solo Balance Sheet £000	Unum Ltd UK GAAP Financial Statements £000	Variance £000
ASSETS			
Intangible assets	-	25,288	(25,288)
Property, plant & equipment held for own use	17,591	12,821	4,770
Investments	2,566,741	2,448,309	118,432
Reinsurance assets	404,027	452,107	(48,080)
Deferred tax asset	-	41,025	(41,025)
Other Assets	269,126	337,455	(68,329)
Total Assets	**3,257,486**	**3,317,006**	**(59,521)**
LIABILITIES			
Technical provisions	2,153,617	2,510,028	(356,411)
Other provisions	-	-	-
Deferred tax liabilities	42,138	-	42,138
Insurance & intermediaries payables	43,653	43,653	-
Reinsurance payables	347,127	347,127	-
Other liabilities	39,938	34,844	5,094
Total Liabilities	**2,626,472**	**2,935,651**	**(309,179)**
Excess of assets over liabilities	**631,013**	**381,355**	**249,658**

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 SII Balance sheet as there is no market for the asset. As the value is £nil estimations and judgements are not relevant.

D.1.2 Valuation of property, plant and equipment

Property, plant and equipment

UL does not hold any investment properties. It has 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 at regular intervals (usually every two-three years) at fair value. An interim valuation of the freehold land and buildings was carried out as at 31 December 2020 by a firm of independent Chartered Surveyors and the property was revalued to £12.1m. During 2021, £0.6m of depreciation was recognised on the building resulting in a carrying value of £11.5m for the property at 31 December 2021.

Plant and equipment is required to be valued at fair value under SII rules. 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 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 judgements made due to the nature of the assets.

IFRS 16: Leases

For Solvency II reporting, UL applies IFRS 16: Leases for its leased assets, resulting in a right of use asset of £4.8m and a lease liability of £5.1m being recognised on the SII Balance Sheet.

The right of use asset (presented within property, plant and equipment within the SII Balance Sheet) is calculated as the present value of future lease payments, less cumulative depreciation for the year. The valuation is not considered to be materially different to the market consistent valuation basis.

Within the UL financial statements for the year ended 31 December 2021, the leases continue to be prepared on a UK GAAP basis, with the operating lease rental for the year expensed to the Profit and Loss account, and no Balance Sheet impact.

D.1.3 Valuation of investments

Investments as at 31 December 2021	SII Solo Balance Sheet £000	Unum Ltd UK GAAP Financial Statements £000	Variance £000
Holdings in related undertakings	170	-	170
Bonds	2,556,478	2,438,249	118,229
Derivatives	1,209	1,175	33
Alternative Investments	8,884	8,884	-
Total	**2,556,741**	**2,448,309**	**118,432**

Holdings in related undertakings

UL 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. UL holds a single £1 share in Claims Services International Limited (CSI), which amounts to a 50% holding in that company. In UL, this is treated as a participation in net assets at 50%, and is fully consolidated for the purposes of the Unum UK SII Group. CSI has been valued at the SII values of its underlying assets and liabilities.

Investments in bonds

For year end 2021 UK GAAP reporting, Unum Limited has adopted IFRS 9: Financial Instruments where financial instruments are classified as either fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI) or amortised cost.

For Solvency II reporting, financial instruments continue to be valued at market consistent value, and therefore there now exists a difference on the bond valuation between the two reporting bases.

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

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

At 31 December 2021, 99.6% of our fixed maturity securities were valued based on non-binding quotes or other observable and unobservable inputs, as discussed below:

- In line with Article 10(3) of the Delegated Regulation, approximately 87.9 percent of our securities were valued based on prices from pricing services that generally use observable inputs such as prices for securities or comparable securities in active markets in their valuation techniques. These assets were classified as Level 2. Level 2 assets or liabilities are those valued using inputs (other than prices included in Level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- Approximately 11.7 percent of our securities were valued based on prices of comparable securities, matrix pricing, internal models, or were valued based on non-binding quotes with no other observable market data. These assets were classified as either Level 2 or Level 3, with the categorization dependent on whether there was other observable market data. Level 3 is the lowest category of the fair value hierarchy and reflects the judgement of management regarding what market participants would use in pricing assets or liabilities at the measurement date. Financial assets and liabilities categorized as Level 3 are generally those that are valued using unobservable inputs to extrapolate an estimated fair value.

We consider transactions in inactive or disorderly markets to be less representative of fair value. We use all available observable inputs when measuring fair value, but when significant other unobservable inputs and adjustments are necessary, we classify these assets or liabilities as Level 3.

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 UL 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 £257.8m as at 31st December 2021 (2020: £293.5m). Exposure to private placement securities is approximately 10.6% (2020: 11.8%) 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 1% 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.

The Company has also entered into a series of Total Return Swaps with its ultimate parent company, Unum Group in the US, to mitigate the credit risk on a portion of its portfolio of bonds.

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

The Company's investment in Private Equity Partnerships represents 0.3% (2020: 0.2%) of the Company's total investments under management. 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 Deferred tax asset

Deferred tax assets and liabilities are considered together in section D.3.1.

D.1.6 Valuation of other assets

Other assets as at 31 December 2021	SII Solo Balance Sheet £000	Unum Ltd UK GAAP Financial Statements £000	Variance £000
Insurance and intermediaries receivables	47,579	47,579	-
Reinsurance receivables	950	950	-
Receivables (trade, not insurance)	4,244	4,244	-
Cash and cash equivalents	216,353	216,353	-
Deferred acquisition costs	-	68,329	(68,329)
Total	**269,126**	**337,455**	**(68,329)**

The other material assets considered within the SII 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 SII 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 judgements 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 and cash equivalents valued as the amount on demand. There is no difference between the financial statement and the SII balance sheet valuation.

There are no significant assumptions or judgements 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 SII balance sheet due to the different basis of recognition of expenses under SII.

D.2 Technical provisions: Unum Limited

D.2.1 Technical provisions

Technical provisions are valued in accordance with the relevant SII regulations as the sum of the best estimate liability ("BEL") and the risk margin, less TMTP. Technical provisions are gross of reinsurance recoverables as, under SII 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 UL's business in addition to the best estimate liabilities.

The table below presents the amount of the BEL, the risk margin and the value of technical provisions at the valuation date by material lines of business. The figures include VA (see section D.2.5) and TMTP (see section D.2.7). In the QRT 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.

	Best Estimate Liability (A)	Risk Margin (B)	Technical Provisions (A+B)	TMTP (C)	Technical Provisions after TMTP (A+B+C)
Life Insurance Obligations					
Other Life Insurance	607,549	66,335	673,884	(93,155)	580,729
Health SLT Obligations					
Health Insurance SLT	1,490,926	39,750	1,530,675	(15,582)	1,515,094
Health Reinsurance	51,243	1,366	52,609	(535)	52,074
Non-life Insurance Obligations					
Medical Expense Insurance	5,711	10	5,721	0	5,721
	2,155,429	107,461	2,262,890	(109,272)	2,153,617

Best Estimate Liability ("BEL")

Lines of business

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

SII Line of Business	Products
Health Insurance Similar to Life ("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 SII regulations, only those cash flows that are within the contract boundary have been included in the BEL calculation. UL 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 BEL 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 provisions 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, reflecting that this business represents less than 0.5% of total technical provisions at 31 December 2021.

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 flows are published by the Prudential Regulation Authority ("PRA"), part of the UK 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 UL's recent experience and available industry data, along with expert judgement on how the future might be different than the past.

The main non-economic assumptions are:

- Mortality / Longevity assumption: a proportion of S3DFA / S3DMA and AF80 / AM80 Ultimate tables that varies by age and gender. Further allowance is made for future improvement in the annuitants' mortality using the industry standard CMI_2019 model;
- Morbidity inception assumption: a proportion of CMIR7 industry table that varies 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 varies 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; and
- 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 SII 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 which is different than UL'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 SII 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 SII 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 VA, 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. The non-economic assumptions are set annually based on the experience investigation exercise. In setting these assumptions, we take 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 SII line of business and the differences to UK GAAP technical provisions. The technical provisions are shown gross of reinsurance and the SII figures include the impact of any transitional measures.

Line of Business 2021 Figures in £000s	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	607,549	66,335	(93,155)	580,729	734,375	(153,646)
Health SLT Obligations						
Health Insurance & Reinsurance	1,542,169	41,116	(16,117)	1,567,167	1,768,276	(201,109)
Non-life Insurance Obligations						
Medical Expense Insurance	5,711	10	0	5,721	7,377	(1,656)
Total	**2,155,429**	**107,461**	**(109,272)**	**2,153,617**	**2,510,028**	**(356,411)**

Valuation methodology

There are a number of differences between the valuation methodologies for solvency and financial statements. These are set out in the table below, and reflect that UL 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. The reinsurance recoverable is adjusted to take account of expected losses due to default of the counterparty, to determine the reinsurance asset held on the SII balance sheet.	RM is not included but other margins are included within UK GAAP to cover uncertainty. There is no explicit adjustment for the default of reinsurance counterparty.
Other Life Insurance / Health SLT	TMTP is part of the technical provisions.	TMTP is not included.
Other Life Insurance / Health SLT	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. 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.	For group business in-force policies, the valuation includes unearned premium reserve, IBNR reserve and an expense reserve. Policy reserves will be positive. 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. For claims in payment, the reserves are calculated using broadly the same methodology as in SII.
Medical Expense Insurance	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. 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.	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 SII technical provisions and the methods used to calculate UK GAAP technical provisions are noted below.

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, all other things being equal, in a lower SII BEL relative to UK GAAP technical provisions.

Discount Rates

The SII BEL is valued using a risk-free rate curve with an allowance for a credit risk adjustment and a 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.

D.2.4 Matching adjustment

The matching adjustment (as referred to in Rule 6 of the Technical Provisions Part of the PRA Rulebook for Solvency II firms) has not been applied by UL to calculate its SII technical provisions.

D.2.5 Volatility adjustment

UL has approval from the PRA to utilise the 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 the PRA for selected global currencies, which cover those relevant to UL.

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 and SCR. The VA has not been used in the calculation of the risk margin.

The table below shows the impact of a change to zero of the VA on UL's financial position at the valuation date. The own funds presented in the table below are post dividends and exclude the TMTP.

Financial Position Indicators (£000)	Solvency Position with VA and without TMTP (A)	Without TMTP and without VA (B)	Impact of VA (A-B)
Technical Provisions	2,262,890	2,301,595	(38,705)
Basic Own Funds	529,059	503,557	25,502
Eligible Own Funds	596,425	571,604	24,821
Solvency Capital Requirement (SCR)	449,105	453,646	(4,541)
SCR coverage ratio	133%	126%	7%
Minimum Capital Requirement (MCR)	202,097	204,141	(2,043)
MCR coverage ratio	262%	247%	15%

The impact of the VA is lower on Basic Own Funds than on technical provisions due to a £4,702k reduction in the reinsurance asset and an £8,501k increase in deferred tax. Eligible Own Funds increase by less than Basic Own Funds when the VA is included because the eligible AOF is restricted to 15% of the SCR and the SCR is reduced by the inclusion of the VA.

D.2.6 Transitional: Interest rate

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

D.2.7 Transitional: Technical provisions

Like many of Unum's peers, the TMTP has been applied by UL to its SII Balance Sheet.
The purpose of the TMTP is to allow UL to make a gradual and smooth transition into the Solvency II regime over a period of 16 years from 2016 (i.e. by the start of 2032).

The TMTP is applied to total technical provisions arising from all of UL's insurance business written before 1/1/2016. In line with regulatory requirements to recalculate every 2 years (unless there is a material change in the risk profile), the TMTP was recalculated as at 31 December 2021. Between calculations the TMTP is run-off linearly so it will reach zero by the start of 2032.

The table below quantifies the impact of not applying the TMTP on UL's financial position at the valuation date in £000's.

Financial Position Indicators (£000)	Solvency Position with TMTP (A)	Without TMTP (B)	Impact of TMTP (A-B)
Technical Provisions	2,153,617	2,262,890	(109,272)
Basic Own Funds	611,013	529,059	81,954
Eligible Own Funds	678,379	596,425	81,954
Solvency Capital Requirement (SCR)	449,105	449,105	0
SCR coverage ratio	151%	133%	18%
Minimum Capital Requirement (MCR)	202,097	202,097	0
MCR coverage ratio	302%	262%	41%

The impact of the TMTP is lower on own funds than on technical provisions because the TMTP increases deferred tax.

D.2.8 Description of recoverable from reinsurance

UL makes use of reinsurance as a risk mitigation tool, which recovers part of UL'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 those used for the calculation of BEL 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 SII risk free curve used for discounting cash flows to give the reinsurance recoverable.

Default adjustment

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

D.2.9 Material changes in assumptions

The key non-economic assumptions underlying technical provisions have been reviewed and updated, where appropriate, with reference to UL's recent experience and available industry data. Changes in experience observed during the Covid-19 pandemic are not expected to be representative of longer-term experience and as a result this period of experience has been excluded when setting long term assumptions. Termination rate assumptions for GIP business have been updated to reflect our best view of future experience by claim durations and incapacity groups. Loss ratio assumptions for all Group policies have been updated to reflect our best view of the claim inception rates and for GIP policies in particular, the severity and duration of the claims. Assumptions for longevity, inception rates, IBNR for all Group policies and Individual Income Protection and the proportion of pending claims which subsequently come into payment remain unchanged from their values at the previous year end. Lapse rates were updated to reflect our realistic expectations of experience up to the contract boundaries. Expense assumptions were updated to reflect our best view of future experience. For all assumptions, where it was felt appropriate, there was an expert judgement overlay to allow for the expected short-term impact of the Covid-19 pandemic.

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 valued in accordance with IFRS and included within the SII 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 SII balance sheet if the Unum UK SII Group considers that sufficient evidence exists such that it can demonstrated to the PRA that the future profits required to realise the deferred tax asset are probable. Deferred tax balances are not discounted.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023, the corporation tax rate would increase to 25% (rather than 19% as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The difference between the deferred tax asset calculated under accounting standards of £41.0m and the deferred tax liability under SII of £(42.1)m is mainly attributable to the following adjustments:

- Intangible assets and deferred acquisition costs are excluded under SII, resulting in a reduction in the deferred tax liability of £23.4m;
- Valuation of reinsurance assets are calculated in accordance with SII guidelines resulting in a reduction in the deferred tax liability of £12.0m;
- Technical provisions, including reserves for claims and unearned premiums, are adjusted in accordance with the SII guidelines, and result in an increase in the deferred tax liability under SII of £(89.1)m; and
- Investments are valued as FVPL under SII, whereas some investments are valued at FVOCI and amortised cost for UK GAAP following the adoption of IFRS 9. The effect is to increase the deferred tax liability by £(29.5)m.

The amount of unused tax losses is £nil (2020: £nil).

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 SII 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 2021	SII Solo Balance Sheet £000	Unum Ltd UK GAAP Financial Statements £000	Variance £000
Derivatives	15,729	15,696	33
Payables (trade, not insurance)	24,209	19,148	5,061
Other liabilities	**39,938**	**34,844**	**5,094**

Payables (trade not insurance)

Payables comprise: £9.3m of balances owed to other group companies in respect of salaries and other services recharged to the Company, £2.9m relating to other taxes and social security, £5.6m relating to other creditors and £1.3m relating to accruals and deferred income. No estimation methods, adjustments for future value or valuation judgements are required for these balances.

The remaining £5.1m relates to the lease liability recognised on the SII Balance Sheet following the adoption of IFRS 16: Leases during the year as noted below.

Leases

For Solvency II reporting, UL applies IFRS 16: Leases for its leased assets, resulting in a right of use asset of £4.8m and a lease liability of £5.1m being recognised on the SII Solo Balance Sheet.

The lease liability at 31 December 2021 (presented within other liabilities in the SII Balance Sheet) is calculated as the present value of future lease payments at 1 January 2021 less the operating lease expense (reduced for interest) in the year. The valuation methodology is not considered to be materially different from the market consistent valuation basis.

The operating leases in the UL financial statements for the year ended 31 December 2021 continue to be prepared on a UK GAAP basis, with the operating lease rental for the year expensed to the Profit and Loss account, and no Balance Sheet impact.

D.3.4. Other Commitments

UL provides a professional indemnity insurance guarantee to its fellow subsidiaries, USL and NDP, in respect of their Insurance Mediation activity, as required by the Insurance Distribution Directive. The aggregate annual amount covered under the guarantee for all claims is a maximum of €3.3m, for each company, with the likelihood of a claim being remote.

UL provides a guarantee to UEHCL with regard to that company’s current and future liabilities and obligations to the Unum Pension Scheme. This is a final salary plan providing defined benefits to certain current and former employees of UEHCL which is closed to future service accrual. At 31 December 2021, the plan was in a surplus on an accounting basis and a deficit on a funding basis. The Directors consider the likelihood of the guarantee being called remote, as UEHCL has sufficient liquid resources to continue to fund the scheme. The fund will continue to be funded by UEHCL if required.

As noted, the Directors consider the likelihood of either the guarantee for claims being called upon or the guarantee for the pension scheme being called upon as remote. These guarantees are not recognised as liabilities in the Balance Sheet, however we do hold capital as part of UL’s SCR for the potential costs.

In 2019, UL established a liquidity facility in the form of an intercompany agreement with its ultimate parent company, Unum Group. The agreement is in place to provide additional credit to UL if there are any exceptional short-term liquidity needs.

In 2020, UL entered into a Capital Maintenance Agreement with Unum Group. The agreement will provide Solvency II Tier 2 capital in the form of subordinated loan notes in the event contractual solvency ratio triggers arise.

Neither of the above have been utilised as at the Balance Sheet date or date of the signing of the SFCR.

During 2021, UL agreed an Ancillary Own Fund arrangement with Unum Group which provides UL with an unconditional commitment from Unum Group (UG) to subscribe, on demand, for fixed rate subordinated debt securities, in the form of loan notes, up to a principal amount of £75m. The aggregate amount of the parent company's commitment to the subscription agreement constitutes Tier 3 capital under Solvency II regulations, or in the event that loan notes are issued, the undrawn commitment. Notes issued under the agreement are classified as Tier 2 capital. At 31 December 2021, no loan notes were issued.

D.4 Alternative valuation methods

D.4.1 Property

As described in D.1.2, property is valued using the revaluation model in UK GAAP 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 utilising 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 in arrears by external fund managers.

D.5 Valuation for Solvency Purposes: Unum UK SII Group

There are no differences between the valuation bases methods and assumptions applied at a Unum UK SII Group level and those applied at a Solo level for assets, technical provisions and liabilities except as disclosed below.

UEHCL operates a defined benefit pension scheme, the Unum Pension Scheme, which is closed to new members. At 31 December 2021, the scheme was in a surplus position on an accounting basis, which is restricted to £nil (2020: deficit of £4.3m), on the balance sheet under UK GAAP and Solvency II. There are no differences between the assumptions used for the valuation of the Unum Pension Scheme for Solvency purposes and those used in the Financial Statements of UEHCL for the year ended 31 December 2021.

There are no additional categories of assets or liabilities held by Unum UK SII 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 Unum UK SII Group.

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

As noted 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 below 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 UL.

As at 31 December 2021	Unum UK SII Group Balance Sheet £000	Unum UK Group UK GAAP Financial Statements £000	Variance
ASSETS			
Intangible assets	-	25,294	(25,294)
Property, plant & equipment held for own use	20,059	15,181	4,877
Investments	2,567,011	2,448,749	118,262
Reinsurance assets	404,027	452,107	(48,080)
Other Assets	309,800	420,086	(110,286)
Total Assets	**3,300,897**	**3,361,418**	**(60,521)**
LIABILITIES			
Technical provisions	2,153,617	2,509,846	(356,228)
Other provisions- Defined Benefit Pension Scheme deficit	-	-	-
Deferred tax liabilities	41,157	-	41,157
Insurance & intermediaries payables	43,659	43,659	-
Reinsurance payables	347,127	347,127	-
Other liabilities	47,796	42,588	5,208
Total Liabilities	**2,633,355**	**2,943,219**	**(309,863)**
Excess of assets over liabilities	**667,541**	**418,199**	**249,342**

D.5.1 Technical provisions: Unum UK SII Group

As described earlier, UL is the only regulated insurance company within the Unum UK SII Group. As at 31 December 2021, there is no additional insurance business written in Unum UK SII Group. The Technical Provisions for Unum UK SII Group are the same as for UL.

D.5.2 Volatility adjustment: Unum UK SII Group

As for UL, the VA is used by Unum UK SII Group.

The table below shows the impact of a change to zero of the VA on Unum UK SII Group's financial position at the valuation date. The own funds presented in the table below are post dividends and exclude the TMTP.

Financial Position Indicators (£000)	Solvency Position Without TMTP (A)	Without TMTP and without VA (B)	Impact of VA (A-B)
Technical Provisions	2,262,890	2,301,595	(38,705)
Basic Own Funds	565,587	540,085	25,502
Eligible Own Funds	632,953	608,132	24,821
Solvency Capital Requirement (SCR)	449,371	453,912	(4,541)
SCR coverage ratio	141%	134%	7%
Minimum Capital Requirement (MCR)	202,097	204,141	(2,043)
MCR coverage ratio	280%	265%	15%

D.5.3 Transitional technical provisions: Unum UK SII Group

As for UL, the TMTP is used by Unum UK SII Group.

The table below quantifies the impact of not applying the TMTP on Unum UK SII Group's financial position at the valuation date. The own funds (both with and without TMTP) are post dividends and include the impact of the VA.

Financial Position Indicators (£000)	Solvency Position with TMTP (A)	Without TMTP (B)	Impact of TMTP (A-B)
Technical Provisions	2,153,617	2,262,890	(109,272)
Basic Own Funds	647,541	565,587	81,954
Eligible Own Funds	714,907	632,953	81,954
Solvency Capital Requirement (SCR)	449,371	449,371	0
SCR coverage ratio	159%	141%	18%
Minimum Capital Requirement (MCR)	202,097	202,097	0
MCR coverage ratio	320%	280%	41%

D.6 Any other information

Other than the assumption changes in the measurement of technical provisions as detailed in Section D.2.9. there have been no other changes made to the recognition and valuation bases used or to estimations during the reporting period.

E. Capital Management

E.1 Own funds

E.1.1 Capital policy: Unum UK SII Group and Unum Limited

Unum UK SII Group and UL's Capital strategy is to maintain an appropriate quantity and quality of capital consistent with its overall business strategy and prevailing regulatory requirements to protect policyholders and provide the shareholder with an appropriate return for the level of risk taken. UL 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 sets the principles, standards and policies to execute the capital management strategy. It also sets out the capital contingency plan in the event that capital risk appetite and limits are breached.

UL monitors its performance against a three year business plan.

UL's capital management framework has been reviewed over the reporting period; there have been no material changes.

Capital Management Framework

- Unum UK SII Group takes a proactive approach to managing its risk profile and corresponding capital impacts. As part of the Capital Management Framework UL has a capital contingency plan. This sets out management actions dependent on the solvency ratio.

- Unum UK SII Group's Capital Management Framework is anchored on meeting a risk appetite defined in terms of solvency ratios. UL has defined trigger points for management actions at different solvency ratios.

- Unum UK SII 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 falls below the capital management framework targets then the Company will consider a range of management actions, such as reducing dividend payments, increasing the use of reinsurance, increasing the use of total return swaps or other changes in investment strategy, or raising capital. The exact management actions to be deployed depend on the solvency ratio at the time and the general market conditions.

- The Board will consider the SII balance sheet and projected balance sheet, as well as the result of stress and scenario testing, 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 takes account of an internal Economic Capital view of the business in assessing business and investment decisions.

In 2019, UL established a liquidity facility in the form of an intercompany agreement with its ultimate parent company, Unum Group. The agreement is in place to provide additional credit to UL if there are any exceptional short-term liquidity needs. In 2020, UL entered into a Capital Maintenance Agreement with Unum Group. The agreement will provide Solvency II Tier 2 capital in the form of subordinated loan notes in the event contractual solvency ratio triggers arise.

In July 2021, UL entered into a 3 year subscription agreement with Unum Group, which allows UL to call, at its discretion, up to £75m of Tier 2 capital in the form of subordinated loan notes. The facility is backed by letters of credit with two well capitalised banks, providing further security to UL in the unlikely event that Unum Group was unable to meet its commitments. Prior to being called, the arrangement is reported as Tier 3 Ancillary Own Funds (AOF).

None of the above facilities have been drawn down on as of the Balance Sheet date or date of the signing of the SFCR.

E.1.2 Own funds: Unum Limited

Structure and quality of own funds

Own funds are split into Tiers in line with the regulations. There are three 'Tiers' based on both 'permanence' and 'loss absorbency' (Tier 1 being the highest quality). Tier 1 is further divided into 'unrestricted' and 'restricted' Tier 1.

Own funds which are classified as 'unrestricted' Tier 1 include share capital, share premium account and the reconciliation reserve. Relevant Own Fund items which are classified as 'restricted' Tier 1 are certain preference shares. Own funds which are classified as Tier 3 are certain ancillary own funds which are available under a subscription agreement with Unum Group. At the reporting date £75 million of funding was available for drawdown; the arrangement was not in place at the previous reporting date. Under the regulations £67.4 million (15% of solo SCR) is available as eligible own funds at 31 December 2021 to cover the solvency capital requirement.

The regulations impose limits on the amount of each Tier that can be held to cover capital requirements with the aim of ensuring that the items will be available if needed to absorb any losses that may arise. Own Funds items need to be sufficient in amount, quality and liquidity to be available when the liabilities they are to cover arise. Items with a fixed duration or a right to redeem early may not be available when needed. Similarly, obligations to pay distributions or interest will reduce the amount available. The rules on 'tiering' are designed to reflect the existence of such features.

Unum Limited: SII Own Funds	Total 2021 £000	Tier 1 unrestricted 2021 £000	Tier 3 2021 £000	Total 2020 £000	Tier 1 unrestricted 2020 £000	Tier 3 2020 £000
Ordinary share capital (gross of own shares)	12,000	12,000	-	12,000	12,000	-
Share premium account	10,000	10,000	-	10,000	10,000	-
Reconciliation reserve	589,013	589,013	-	586,332	586,332	-
Total basic own funds after deductions	**611,013**	**611,013**	**-**	608,332	608,332	**-**
Ancillary own funds Tier 3	67,366	-	67,366	-	-	-
Total eligible UL Solvency II own funds to meet the SCR	**678,379**	**611,013**	**67,366**	608,332	608,332	**-**

UL's ordinary share capital, share premium and reconciliation reserve are all available as Tier 1 unrestricted own funds. 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.

UL has no Tier 1 restricted own funds, or Tier 2 own funds. UL's Tier 3 own funds are the ancillary own funds discussed above.

The change in Own Funds over the year is analysed in the Profit and Loss Attribution analysis which is presented to UL's Board. From 31 December 2020 to 31 December 2021, Basic Own Funds increased from £608m (post-dividend) to £611m (post-foreseeable dividend). The key factors contributing to the increase in Basic Own Funds, are:

- Favourable market movements, in particular increases in the nominal yield curve, which had a favourable impact on own funds;
- 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 (including retests which extend the outstanding duration at risk);

which were partly offset by the following key sources of decreases:

- The foreseeable dividend declared of £20m;
- The recalculation of TMTP as at 31 December 2021 approved by the PRA; and
- The corporation tax rate increase from 19% to 25% in April 2023 substantively enacted in May 2021. This acted to increase the deferred tax liability and thereby reduce own funds.

Eligible Own Funds were further increased by £67.4m of new Tier 3 Capital from the PRA's approval of the Ancillary Own Funds arrangement with Unum US Group.

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

- Deferred acquisition costs are not recognised under SII;
- Intangibles are disallowed unless they can be readily sold;
- Financial instruments are classified as fair value through OCI or amortised cost under UK GAAP reporting following the adoption of IFRS 9 for financial instruments. For Solvency II reporting, financial instruments continue to be valued at FVTPL;
- Technical provisions are calculated in accordance with the SII requirements (see section D.2.1);
- Amounts recoverable from reinsurers are recalculated (see section D.2.8);
- A deferred tax adjustment in relation to the above.

These are quantified in the table below:

Unum Limited: Equity per UK GAAP Financial Statements to Solvency II reconciliation	31 December 2021 £000	31 December 2020 (restated)* £000
Ordinary share capital	12,000	12,000
Share premium	10,000	10,000
Capital contribution	29,973	29,973
Retained earnings	146,109	32,254
Revaluation reserve	183,273	254,112
Total Equity	**381,355**	**338,339**
Adjustments for Solvency II		
Intangible assets	(25,288)	(26,183)
IFRS 16 lease adjustment	(291)	(204)
SII adjustment for reinsurance assets	(48,080)	(42,919)
Deferred acquisition costs	(68,329)	(70,025)
Deferred tax liabilities as a result of SII adjustments	(83,163)	(63,294)
SII adjustment for technical provisions	356,411	324,159
CSI participation	170	161
Financial instruments measured differently under IFRS 9	118,228	148,298
Unum Limited: Solvency II excess of assets over liabilities	**631,013**	**608,332**

** 2020 numbers are restated for the impact of the implementation of IFRS 9: financial instruments for UK GAAP reporting.*

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

None of UL's own funds are subject to transitional arrangements.

No deductions are applied to own funds. While UL has a ring-fenced fund, there are no significant restrictions affecting the own funds availability and transferability.

UL's Tier 1 unrestricted own funds are available to cover the SCR and the MCR. UL's Tier 3 AOF are available to cover the SCR.

Unum Limited: Reconciliation reserve (£000)	31 December 2021	31 December 2020
Excess of assets over liabilities	631,013	608,332
Foreseeable dividends, distributions and charges	(20,000)	-
Other basic own fund items	(22,000)	(22,000)
Reconciliation reserve	**589,013**	**586,332**

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

The level of the Reconciliation Reserve can change depending 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.

Unum Limited: Eligible Own Funds (£000)	31 December 2021	31 December 2020
SCR	449,105	404,142
MCR	202,097	181,864
Ratio of Eligible Own Funds to SCR	**151%**	**151%**
Ratio of Eligible Own Funds to MCR	**302%**	**334%**

At 31 December 2021, the Company's solvency ratio was 151% (2020: 151%). The solvency ratio remains in line with our Capital Management Framework and our risk appetite.

The Company's SCR increased over the year with the main drivers including bond purchases, which act to increase credit capital, and capital strain from new policies sold and renewals, which acts to increase insurance capital. The PRA approved a recalculation of the TMTP as at 31 December 2021, which reduced the TMTP and had a negative impact on the solvency ratio.

E.1.3 Own funds: Unum UK SII Group

Unum UK SII Group: SII Own Funds	Total 2021 £000	Tier 1 unrestricted 2021 £000	Tier 1 restricted 2021 £000	Tier 3 2021 £000	Total 2020 £000	Tier 1 unrestricted 2020 £000	Tier 1 restricted 2020 £000
Ordinary share capital (gross of own shares)	24,903	24,903	-	-	24,903	24,903	-
Share premium account	17,812	17,812	-	-	17,812	17,812	-
Preference shares	14,000	-	14,000	-	14,000	-	14,000
Reconciliation reserve	590,826	590,826	-	-	580,527	580,527	-
Total Unum UK SII basic own funds after deductions	**647,541**	**633,541**	**14,000**	**-**	637,242	623,242	14,000
Ancillary Own Funds Tier 3	67,366	-	-	67,366	-	-	-
Total eligible Unum UK SII Group own funds to meet the SCR	**714,907**	**633,541**	**14,000**	**67,366**	637,242	623,242	14,000

Unum UK SII 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 funds 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 SII. Under the regulations, the preference shares have transitioned into SII as Tier 1 own funds. The transitional period ends 31 December 2025. Unum UK SII Group has Tier 3 own funds in the form of ancillary own funds, as discussed in section E.1.1 above.

The Unum UK SII Group solvency position has been calculated using the accounting consolidation based method (Method 1) per Rule 11 of the Group Supervision Part of the PRA Rulebook for Solvency II Firms. All intra group transactions are eliminated on consolidation.

The movement in the year of Tier 1 Own Funds for Unum UK SII Group from £637.2m to £647.5m (post-foreseeable dividend) is driven by the same factors that drove the movements in UL Own Funds, as desribed in section E1.2 above.

The AOF recognised as available in group is the eligible amount at solo level.

The significant differences between Unum UK SII 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 SII,
- Intangibles are disallowed unless they can be readily sold;
- Financial instruments are classified as fair value through OCI or amortised cost under UK GAAP reporting following the adoption of IFRS 9 for financial instruments. For Solvency II reporting, financial instruments continue to be valued at FVTPL;
- Technical provisions are calculated in accordance with the SII requirements (see section D.2.1);
- Amounts recoverable from reinsurers are recalculated (see section D.2.8);
- A deferred tax adjustment in relation to the above.

Unum UK SII Group: Equity per UK GAAP Financial Statements to Solvency II reconciliation	31 December 2021 £000	31 December 2020 £000
Ordinary share capital	24,903	24,903
Preference shares	14,000	14,000
Share premium	17,812	17,812
Capital contribution	-	-
Retained earnings	178,210	56,608
Revaluation reserve	183,273	254,112
Total Equity	**418,199**	**367,435**
Adjustments for Solvency II		
Intangible assets	(25,294)	(26,209)
IFRS 16 lease adjustment	(297)	(209)
SII adjustment for reinsurance assets	(48,080)	(42,919)
Deferred acquisition costs	(68,329)	(70,025)
Financial instruments measured differently under IFRS 9	118,229	148,298
SII adjustment for technical provisions	356,228	324,159
Deferred tax liabilities as a result of SII adjustments	(83,114)	(63,288)
Solvency II excess of assets over liabilities	**667,541**	**637,242**

Unum UK SII Group's Tier 1 own funds are available to cover the SCR and the Minimum Consolidated Group Solvency Capital Requirement (MGSCR). Unum UK SII Group's Tier 3 AOF are available to cover the SCR. No deductions are applied to own funds. While UL has a ring-fenced fund, there are no significant restrictions affecting the own funds availability and transferability.

Unum UK SII Group reconciliation reserve (£000)	31 December 2021	31 December 2020
Excess of assets over liabilities	667,541	637,242
Own shares (held directly and indirectly)	-	-
Foreseeable dividends, distributions and charges	(20,000)	-
Other basic own fund items	(56,715)	(56,715)
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-	-
Reconciliation reserve	**590,826**	**580,527**

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

The level of the Reconciliation Reserve can change depending 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.

Unum UK SII Group: Eligible Own Funds (£000)	31 December 2021	31 December 2020
SCR	449,371	404,409
Minimum consolidated SCR	202,097	181,864
Ratio of Eligible Own Funds to SCR	**159%**	**158%**
Ratio of Eligible Own Funds to minimum consolidated SCR	**320%**	**350%**

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Solvency Capital Requirement and Minimum Capital Requirement: Unum Limited

The table below presents the amount of UL's SCR and MCR by risk categories as per the Internal Model at the valuation date and previous valuation date.

Unum Limited: Internal Model Risk Categories	Current Period (A) £'000	Previous Period (B) £'000	Difference (A-B) £'000	% Difference [(A-B)/B]
Insurance Risks	623,370	558,200	65,170	12%
Market Risk	229,893	206,159	23,734	12%
Credit Risk	250,522	228,653	21,869	10%
Operational Risk	67,837	67,837	0	0%
Total Pre-diversified Capital	1,171,623	1,060,850	110,773	10%
Risk Diversification	(624,572)	(569,478)	(55,094)	10%
Other Adjustments	(97,946)	(87,230)	(10,716)	12%
Solvency Capital Requirement (SCR)	449,105	404,142	44,963	***11%***
Minimum Capital Requirement	202,097	181,864	20,233	11%

Note:

- The insurance risk category includes capital requirements arising from both 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 judgement;
- The final SCR as at 31 December 2021 is still subject to supervisory assessment; and
- 'Other Adjustments' include allowance for non-linearity and the loss-absorbing capacity of deferred tax ("LACDT").

UL's SCR has been reduced by £97.9m (£87.2m in 2020) to account for the LACDT. After a 1-in-200-year adverse event, we have judged that UL would continue to be a going concern and LACDT reflects the reduced tax UL would be required to pay in the future as a result of incurring a loss equal to its SCR. The following sources are relied upon to demonstrate the materialisation of this benefit:

1. The existing deferred tax liabilities on the Solvency II balance sheet;
2. Carry-back of the loss to offset against profits from the previous year;
3. Future profits from business operations, which includes:
    a. Profit from future new business assumed to be at premium levels and profit margins in line with the business plan;
    b. Profit from invested assets; and
    c. A partial reversal of the widening of credit spreads after 12-months.

The 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 SII rules. The MCR is calculated using a linear formula that applies prescribed factors to the technical provisions and capital at risk. The MCR for UL 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 the SCR. Moreover, an absolute floor is applied as per Rule 3.2 of the PRA Rulebook equal to €6.2m as UL 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 the BEL calculated after applying the VA; less reinsurance recoverables; less the amount of the TMTP 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 UL 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 £202.1m (2020: £181.9m). At 31 December 2021 the restriction of the MCR being a maximum of 45% of the SCR applied.

E.2.2 Material changes in SCR & MCR: Unum Limited

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, an increase in insurance risk capital due to capital strain from new policies sold and renewals of existing business;
- Market risk – overall, there was an increase in market risk over the period primarily caused by market movements and the level of investments;
- Credit risk – an increase in credit risk capital mainly due to an increase in the level of corporate bonds held; and
- Risk Diversification – an increase in the benefit from risk diversification, which is driven by changes in the undiversified risk capital.

Over the reporting period, there was an increase in the MCR which is in line with the increase in the SCR because of the restriction applied to the MCR.

E.2.3 Solvency Capital Requirement and Minimum Capital Requirement:

Unum UK SII Group

The table below presents the amount of Solvency Capital Requirement and Minimum Capital Requirement by risk categories as per the Unum UK SII Group' Internal Model at the valuation date and previous valuation date:

Unum UK SII Group: Internal Model Risk Categories	Current Period (A) £'000	Previous Period (B) £'000	Difference (A-B) £'000	% Difference [(A-B)/B]
Insurance Risks	623,370	558,200	65,170	12%
Market Risk	229,893	206,159	23,734	12%
Credit Risk	251,169	229,288	21,881	10%
Operational Risk	67,837	67,837	0	0%
Total Pre-diversified Capital	1,172,270	1,061,485	110,785	10%
Risk Diversification	(624,953)	(569,846)	(55,107)	10%
Other Adjustments	(97,946)	(87,230)	(10,716)	12%
Solvency Capital Requirement (SCR)	**449,371**	**404,409**	**44,962**	**11%**
Minimum consolidated Group SCR	202,097	181,864	20,233	11%

UL's SCR includes all the material risks that are within the Unum UK SII Group.

The Unum UK SII Group 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 UL to determine the final Unum UK SII Group SCR. The Unum UK SII Group diversification benefit realised is not material.

Other Adjustments includes an allowance for non-linearity and LACDT, consistent with UL.

UL 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 UL and have not been applied in calculating the SCR.

UL and Unum UK SII Group have not applied any capital add-on to the SCR.

The final SCR as at 31 December 2021 is still subject to supervisory assessment. The minimum consolidated group solvency capital requirement (MGSCR) is the MCR for UL because UL is the only insurer in the Unum UK SII Group.

E.2.4 Material changes in SCR & MCR: Unum UK SII Group

As a result of the group structure, the comments on movements in individual components of the UL SCR and MCR also apply to Unum UK SII Group'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 and Special Projects
- ALM and 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 UK SII Group comprising (i) the Unum UK SII 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 Unum UK SII 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. For Group Risk, Liquidity Risk and Strategic Opportunity Risk, we have judged that no capital needs to be held for these risks. However, they are all monitored and managed carefully, in line with the Unum UK SII Group risk policies and frameworks.

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 a 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 UL, 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, 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 SII balance sheet from the best estimate assumption and relate to changes 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 UL 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 UL'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 risk 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 judgement, 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 UL, with expert judgement applied in a prudent manner to ensure that the risk calibration is proportionate and appropriate. For material insurance risks, UL'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 module.

Risk Module	*UL's Internal Model*	*Standard Formula*
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 recovery rates
Market risk		
Credit risk	Modelled by analysing data relevant to own portfolio, allowing for default, transition and spread risks and considering term to maturity, 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	Deterministic approach based on input from internal risk assessment and considering the likelihood and severity across a large number of underlying risks	Formula based on stress on technical provisions / capital at risk

E.3.6 Main difference between the Standard Formula and Unum UK SII Group's model

There are no material additional differences between the Standard Formula and Unum UK SII Group's Internal Model other than those mentioned in the UL section.

E.3.7 Risk measure and time period

UL's Internal Model is calibrated using the same risk measure, time period, and confidence level as prescribed in the SII rules and covers all relevant quantifiable risks that impact UL's SII 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 covers 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.

UL 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 UL'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 SII regulations, UL 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

UL and Unum UK SII 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 UK SII Group that is considered material to this SFCR.

F. Appendices: Glossary and Public QRTs

F.1.1 Glossary

A

ALM	Asset Liability Matching

B

BEL	Best Estimate Liability
BoE	Bank of England

C

CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMA	Capital Maintenance Agreement
CMIR	Continuous Mortality Investigation Report
CRO	Chief Risk Officer
CSI	Claims Services International Limited

E

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

G

GAAP	Generally Accepted Accounting Principles
GIP	Group Income Protection

I

IBNR	Incurred but not reported
IFRS	International Financial Reporting Standards
IMGC	Internal Model Governance Committee

L

LPI	Limited Price Index

M

MCR	Minimum Capital Requirement
MGSCR	Minimum consolidated Group SCR

N

NDP	National Dental Plan

O

ORIC	Operational Risk Consortium
ORSA	Own Risk Solvency Assessment

P

PCA	Principal Component Analysis
PPP	Prudent Person Principle
PRA	Prudential Regulation Authority

Q

QRT	Quantitative Reporting Template

R

RC	Risk Committee
RCC	Regulatory and Compliance Committee
RCSC	Risk, Capital and Solvency Committee
RCOM	Risk and Capital Operating Model
RPI	Retail Price Index
RSG	Revenue Strategy Group

S

SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SII	Solvency II
SLT	Similar to Life Techniques
SOX	Sarbanes-Oxley Act
SS	Supervisory Statement

T

TMTP	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

2021

(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 2021
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
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	20,059
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	2,567,011
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	2,556,478
R0140	*Government Bonds*	590,310
R0150	*Corporate Bonds*	1,960,964
R0160	*Structured notes*	0
R0170	*Collateralised securities*	5,204
R0180	*Collective Investments Undertakings*	8,884
R0190	*Derivatives*	1,209
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	439
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	404,027
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	404,027
R0320	*Health similar to life*	326,298
R0330	*Life excluding health and index-linked and unit-linked*	77,729
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	47,579
R0370	Reinsurance receivables	950
R0380	Receivables (trade, not insurance)	7,032
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	254,239
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	3,300,897

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	5,721
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	0
R0550	*Risk margin*	0
R0560	*Technical provisions - health (similar to non-life)*	5,721
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	5,711
R0590	*Risk margin*	10
R0600	Technical provisions - life (excluding index-linked and unit-linked)	2,147,896
R0610	*Technical provisions - health (similar to life)*	1,567,167
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	1,542,169
R0640	*Risk margin*	24,998
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	580,729
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	580,729
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	41,157
R0790	Derivatives	15,729
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	43,659
R0830	Reinsurance payables	347,127
R0840	Payables (trade, not insurance)	32,066
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	2,633,355
R1000	**Excess of assets over liabilities**	667,541

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	29,548																29,548
R0120	Gross - Proportional reinsurance accepted	0																0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share	0																0
R0200	Net	29,548																29,548
	Premiums earned																	
R0210	Gross - Direct Business	29,016																29,016
R0220	Gross - Proportional reinsurance accepted	0																0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share	0																0
R0300	Net	29,016																29,016
	Claims incurred																	
R0310	Gross - Direct Business	20,888																20,888
R0320	Gross - Proportional reinsurance accepted	0																0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share	0																0
R0400	Net	20,888																20,888
	Changes in other technical provisions																	
R0410	Gross - Direct Business	0																0
R0420	Gross - Proportional reinsurance accepted	0																0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share	0																0
R0500	Net	0																0
R0550	**Expenses incurred**	3,721																3,721
R1200	**Other expenses**																	
R1300	**Total expenses**																	3,721

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross	350,209			136,771			2,238		489,219
R1420	Reinsurers' share	2,304			52,654			99		55,057
R1500	Net	347,906			84,117			2,139		434,162
	Premiums earned									
R1510	Gross	346,475			133,682			2,242		482,399
R1520	Reinsurers' share	2,256			51,390			99		53,745
R1600	Net	344,219			82,292			2,143		428,654
	Claims incurred									
R1610	Gross	178,388			86,697			2,634		267,719
R1620	Reinsurers' share	-10,164			53,135			-82		42,889
R1700	Net	188,552			33,562			2,716		224,830
	Changes in other technical provisions									
R1710	Gross	37,308			39,367			-945		75,731
R1720	Reinsurers' share	1,128			3,726			-135		4,719
R1800	Net	36,180			35,641			-810		71,012
R1900	**Expenses incurred**	94,861			26,706			309		121,877
R2500	**Other expenses**									
R2600	**Total expenses**									121,877

S.05.02.01

Premiums, claims and expenses by country

Non-life

		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
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	29,548						29,548
R0120	Gross - Proportional reinsurance accepted	0						0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share							0
R0200	Net	29,548						29,548
	Premiums earned							
R0210	Gross - Direct Business	29,016						29,016
R0220	Gross - Proportional reinsurance accepted	0						0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share							0
R0300	Net	29,016						29,016
	Claims incurred							
R0310	Gross - Direct Business	20,888						20,888
R0320	Gross - Proportional reinsurance accepted	0						0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share							0
R0400	Net	20,888						20,888
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0						0
R0550	**Expenses incurred**	3,721						3,721
R1200	**Other expenses**							
R1300	**Total expenses**							3,721

S.05.02.01

Premiums, claims and expenses by country

Life

		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
R1400								
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	489,219						489,219
R1420	Reinsurers' share	55,057						55,057
R1500	Net	434,162						434,162
	Premiums earned							
R1510	Gross	482,399						482,399
R1520	Reinsurers' share	53,745						53,745
R1600	Net	428,654						428,654
	Claims incurred							
R1610	Gross	267,719						267,719
R1620	Reinsurers' share	42,889						42,889
R1700	Net	224,830						224,830
	Changes in other technical provisions							
R1710	Gross	75,731						75,731
R1720	Reinsurers' share	4,719						4,719
R1800	Net	71,012						71,012
R1900	**Expenses incurred**	121,877						121,877
R2500	**Other expenses**							
R2600	**Total expenses**							121,877

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	2,153,617	109,272	0	38,705	0
R0020	Basic own funds	647,541	-81,954	0	-25,502	0
R0050	Eligible own funds to meet Solvency Capital Requirement	714,907	-81,954	0	-24,821	0
R0090	Solvency Capital Requirement	449,371	0	0	4,541	0

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	24,903	24,903		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0				
R0030	Share premium account related to ordinary share capital	17,812	17,812		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	0	0			
R0080	*Non-available surplus funds at group level*	0	0			
R0090	Preference shares	14,000		14,000	0	0
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0				
R0130	Reconciliation reserve	590,826	590,826			
R0140	Subordinated liabilities	0		0	0	0
R0150	*Non-available subordinated liabilities at group level*	0				
R0160	An amount equal to the value of net deferred tax assets	0				0
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at group level*	0				
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**	0				
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	647,541	633,541	14,000	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	67,366				67,366
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0380	Non available ancillary own funds at group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	67,366			0	67,366
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	0				
R0420	Institutions for occupational retirement provision	0				
R0430	Non regulated entities carrying out financial activities	0				
R0440	**Total own funds of other financial sectors**	0	0	0	0	0

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	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	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
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)	714,907	633,541	14,000	0	67,366
R0530	Total available own funds to meet the minimum consolidated group SCR	647,541	633,541	14,000	0	
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)	714,907	633,541	14,000	0	67,366
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	647,541	633,541	14,000	0	
R0610	**Minimum consolidated Group SCR**	202,097				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	320.41%				
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)**	714,907	633,541	14,000	0	67,366
R0680	**Group SCR**	449,371				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	159.09%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	667,541
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	20,000
R0730	Other basic own fund items	56,715
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**	590,826
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	111,297
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	111,297

S.25.03.22

Solvency Capital Requirement - for groups on Full Internal Models

Row	Unique number of component	Component description	Calculation of the Solvency Capital Requirement
	C0010	C0020	C0030
1	100	Market Risk	280,921
2	200	Counterparty Default Risk	27,632
3	300	Life underwriting and catastrophe risk	165,750
4	400	Health underwriting and catastrophe risk	270,127
5	500	Non-Life underwriting and catastrophe risk	2,192
6	601	Intangible asset risk	0
7	701	Operational Risk	67,837
8	803	Loss-absorbing capacity of deferred tax	-97,946
9	804	Other (Non-linearity)	0

S.25.03.22

Solvency Capital Requirement - for groups on Full Internal Models

		C0100
	Calculation of Solvency Capital Requirement	
R0110	Total undiversified components	716,513
R0060	Diversification	-267,142
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency capital requirement excluding capital add-on**	449,371
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	449,371
	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 ot deferred taxes	-97,946
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	444,884
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	4,486
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	202,097
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	
R0520	*Institutions for occupational retirement provisions*	
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	
R0540	Capital requirement for non-controlled participation requirements	
R0550	Capital requirement for residual undertakings	

S.32.01.22

Undertakings in the scope of the group

Row	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
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	GB	213800XTPRRAIOHWFL32	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	5493004P4HMCGZ2OY093	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

S.32.01.22

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	Legal Name 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	C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	213800XTPRRAIOHWFL32	LEI	Unum European Holding Company Limited							Included in the scope		Method 1: Full consolidation
2	GB	5493004P4HMCGZ2OY093	LEI	Unum Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
3	GB	213800SAD5ORMGAMBW91	LEI	Claims Services International Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
4	GB	213800IFXMGHG9MINM90	LEI	Unum Select Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
5	GB	309173	Specific code	National Dental Plan Limited	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

2021

(Monetary amounts in GBP thousands)

General information

Undertaking name	Unum Limited
Undertaking identification code	5493004P4HMCGZ2OY093
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 2021
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
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	17,591
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	2,566,741
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	170
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	2,556,478
R0140	*Government Bonds*	590,310
R0150	*Corporate Bonds*	1,960,964
R0160	*Structured notes*	0
R0170	*Collateralised securities*	5,204
R0180	*Collective Investments Undertakings*	8,884
R0190	*Derivatives*	1,209
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	404,027
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	404,027
R0320	*Health similar to life*	326,298
R0330	*Life excluding health and index-linked and unit-linked*	77,729
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	47,579
R0370	Reinsurance receivables	950
R0380	Receivables (trade, not insurance)	4,244
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	216,353
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	3,257,486

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	5,721
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	0
R0550	*Risk margin*	0
R0560	*Technical provisions - health (similar to non-life)*	5,721
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	5,711
R0590	*Risk margin*	10
R0600	Technical provisions - life (excluding index-linked and unit-linked)	2,147,896
R0610	*Technical provisions - health (similar to life)*	1,567,167
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	1,542,169
R0640	*Risk margin*	24,998
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	580,729
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	580,729
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	42,138
R0790	Derivatives	15,729
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	43,653
R0830	Reinsurance payables	347,127
R0840	Payables (trade, not insurance)	24,209
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	2,626,472
R1000	**Excess of assets over liabilities**	631,013

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	29,548																29,548
R0120	Gross - Proportional reinsurance accepted	0																0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share																	0
R0200	Net	29,548																29,548
	Premiums earned																	
R0210	Gross - Direct Business	29,016																29,016
R0220	Gross - Proportional reinsurance accepted	0																0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share																	0
R0300	Net	29,016																29,016
	Claims incurred																	
R0310	Gross - Direct Business	20,888																20,888
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share																	0
R0400	Net	20,888																20,888
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net	0																0
R0550	**Expenses incurred**	3,721																3,721
R1200	**Other expenses**																	
R1300	**Total expenses**																	3,721

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross	350,209			136,771			2,238		489,219
R1420	Reinsurers' share	2,304			52,654			99		55,057
R1500	Net	347,906			84,117			2,139		434,162
	Premiums earned									
R1510	Gross	346,475			133,682			2,242		482,399
R1520	Reinsurers' share	2,256			51,390			99		53,745
R1600	Net	344,219			82,292			2,143		428,654
	Claims incurred									
R1610	Gross	178,388			86,697			2,634		267,719
R1620	Reinsurers' share	-10,164			53,135			-82		42,889
R1700	Net	188,552			33,562			2,716		224,830
	Changes in other technical provisions									
R1710	Gross	37,308			39,367			-945		75,731
R1720	Reinsurers' share	1,128			3,726			-135		4,719
R1800	Net	36,180			35,641			-810		71,012
R1900	**Expenses incurred**	94,861			26,706			309		121,877
R2500	**Other expenses**									
R2600	**Total expenses**									121,877

S.05.02.01

Premiums, claims and expenses by country

Non-life

		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
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	29,548						29,548
R0120	Gross - Proportional reinsurance accepted	0						0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share							0
R0200	Net	29,548						29,548
	Premiums earned							
R0210	Gross - Direct Business	29,016						29,016
R0220	Gross - Proportional reinsurance accepted	0						0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share							0
R0300	Net	29,016						29,016
	Claims incurred							
R0310	Gross - Direct Business	20,888						20,888
R0320	Gross - Proportional reinsurance accepted	0						0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share							0
R0400	Net	20,888						20,888
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0						0
R0550	**Expenses incurred**	3,721						3,721
R1200	**Other expenses**							
R1300	**Total expenses**							3,721

S.05.02.01

Premiums, claims and expenses by country

Life

		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
R1400								
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	489,219						489,219
R1420	Reinsurers' share	55,057						55,057
R1500	Net	434,162						434,162
	Premiums earned							
R1510	Gross	482,399						482,399
R1520	Reinsurers' share	53,745						53,745
R1600	Net	428,654						428,654
	Claims incurred							
R1610	Gross	267,719						267,719
R1620	Reinsurers' share	42,889						42,889
R1700	Net	224,830						224,830
	Changes in other technical provisions							
R1710	Gross	75,731						75,731
R1720	Reinsurers' share	4,719						4,719
R1800	Net	71,012						71,012
R1900	**Expenses incurred**	121,877						121,877
R2500	**Other expenses**							
R2600	**Total expenses**							121,877

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance	Index-linked and unit-linked insurance: Contracts without options and guarantees	Index-linked and unit-linked insurance: Contracts with options or guarantees	Other life insurance	Other life insurance: Contracts without options and guarantees	Other life insurance: Contracts with options or guarantees	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)	Health insurance (direct business): Contracts without options and guarantees	Health insurance (direct business): Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**										0						0
R0020	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										0						0
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**						607,549				607,549		1,490,926			51,243	1,542,169
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						77,729				77,729		324,582			1,716	326,298
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re						529,820	0			529,820		1,166,343	0		49,527	1,215,871
R0100	**Risk margin**					66,335					66,335	39,750				1,366	41,116
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole										0						0
R0120	Best estimate						-26,820				-26,820		0			0	0
R0130	Risk margin					-66,335					-66,335	-15,582				-535	-16,117
R0200	**Technical provisions - total**					580,729					580,729	1,515,094				52,074	1,567,167

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	0																0
R0050	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	0																0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	1,731																1,731
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0																0
R0150	**Net Best Estimate of Premium Provisions**	1,731																1,731
	Claims provisions																	
R0160	Gross	3,980																3,980
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0																0
R0250	**Net Best Estimate of Claims Provisions**	3,980																3,980
R0260	**Total best estimate - gross**	5,711																5,711
R0270	**Total best estimate - net**	5,711																5,711
R0280	**Risk margin**	10																10
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole	0																0
R0300	Best estimate	0																0
R0310	Risk margin	0																0
R0320	**Technical provisions - total**	5,721																5,721
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0																0
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	5,721																5,721

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Non-Life insurance claims

Total Non-life business

Z0020 **Accident year / underwriting year** Underwriting Year

Gross Claims Paid (non-cumulative)
(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	**Development year**											**In Current year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	0
R0160	2012	0	0	0	0	0	0	0	0	0	0		0	0
R0170	2013	0	0	0	0	0	0	0	0	0			0	0
R0180	2014	0	0	0	1	0	0	0	0				0	1
R0190	2015	0	0	35	1	0	0	0					0	36
R0200	2016	0	4,072	29	0	0	0						0	4,101
R0210	2017	9,327	4,937	52	0	0							0	14,316
R0220	2018	11,263	5,242	78	0								0	16,584
R0230	2019	12,331	4,829	60									60	17,219
R0240	2020	8,529	5,537										5,537	14,066
R0250	2021	13,363											13,363	13,363
R0260												**Total**	18,959	79,686

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	**Development year**											**Year end (discounted data)**
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	2012	0	0	0	0	0	0	0	0	0	0		0
R0170	2013	0	0	0	0	0	0	0	0	0			0
R0180	2014	0	0	0	0	0	0	0	0				0
R0190	2015	0	0	0	0	0	0	0					0
R0200	2016	0	0	0	0	0	0						0
R0210	2017	357	0	0	0	0							0
R0220	2018	648	0	0	0								0
R0230	2019	1,480	0	0									0
R0240	2020	2,800	0										0
R0250	2021	3,980											3,980
R0260												**Total**	3,980

S.22.01.21

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**	2,153,617	109,272	0	38,705	0
R0020	**Basic own funds**	611,013	-81,954	0	-25,502	0
R0050	**Eligible own funds to meet Solvency Capital Requirement**	678,379	-81,954	0	-24,821	0
R0090	**Solvency Capital Requirement**	449,105	0	0	4,541	0
R0100	**Eligible own funds to meet Minimum Capital Requirement**	611,013	-81,954	0	-25,502	0
R0110	**Minimum Capital Requirement**	202,097	0	0	2,043	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	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	12,000	12,000		0	
R0030	Share premium account related to ordinary share capital	10,000	10,000		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	589,013	589,013			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
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**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	611,013	611,013	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	75,000				75,000
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	75,000			0	75,000
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	686,013	611,013	0	0	75,000
R0510	Total available own funds to meet the MCR	611,013	611,013	0	0	
R0540	Total eligible own funds to meet the SCR	678,379	611,013	0	0	67,366
R0550	Total eligible own funds to meet the MCR	611,013	611,013	0	0	
R0580	**SCR**	449,105				
R0600	**MCR**	202,097				
R0620	**Ratio of Eligible own funds to SCR**	151.05%				
R0640	**Ratio of Eligible own funds to MCR**	302.34%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	631,013
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	20,000
R0730	Other basic own fund items	22,000
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
R0760	**Reconciliation reserve**	589,013
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	111,297
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	111,297

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Solvency Capital Requirement - for undertakings on Full Internal Models

Row	Unique number of component	Component description	Calculation of the Solvency Capital Requirement
	C0010	C0020	C0030
1	100	Market Risk	280,921
2	200	Counterparty Default Risk	26,985
3	300	Life underwriting and catastrophe risk	165,750
4	400	Health underwriting and catastrophe risk	270,127
5	500	Non-Life underwriting and catastrophe risk	2,192
6	601	Intangible asset risk	0
7	701	Operational Risk	67,837
8	803	Loss-absorbing capacity of deferred tax	-97,946
9	804	Other (Non-linearity)	0

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

	Calculation of Solvency Capital Requirement	C0100
R0110	Total undiversified components	715,866
R0060	Diversification	-266,761
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency capital requirement excluding capital add-on**	449,105
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	449,105
	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 ot deferred taxes	-97,946
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	444,619
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	4,486
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	No

	Calculation of loss absorbing capacity of deferred taxes	**LAC DT**
		C0130
R0640	Amount/estimate of LAC DT	-97,946
R0650	Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	-42,138
R0660	Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	-41,273
R0670	Amount/estimate of AC DT justified by carry back, current year	-14,535
R0680	Amount/estimate of LAC DT justified by carry back, future years	0
R0690	Amount/estimate of Maximum LAC DT	-97,946

S.28.02.01

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

		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**	1,658	0

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	**Net (of reinsurance) written premiums in the last 12 months**	**Net (of reinsurance/SPV) best estimate and TP calculated as a whole**	**Net (of reinsurance) written premiums in the last 12 months**
		C0030	C0040	C0050	C0060
R0020	Medical expense insurance and proportional reinsurance	5,721	29,548		
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	215,292

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	**Net (of reinsurance/SPV) total capital at risk**	**Net (of reinsurance/SPV) best estimate and TP calculated as a whole**	**Net (of reinsurance/SPV) total capital at risk**
		C0090	C0100	C0110	C0120
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			1,743,869	
R0250	Total capital at risk for all life (re)insurance obligations				255,244,632

	Overall MCR calculation	C0130
R0300	Linear MCR	216,950
R0310	SCR	449,105
R0320	MCR cap	202,097
R0330	MCR floor	112,276
R0340	Combined MCR	202,097
R0350	Absolute floor of the MCR	5,238
R0400	**Minimum Capital Requirement**	202,097

	Notional non-life and life MCR calculation	C0140	C0150
R0500	Notional linear MCR	1,658	215,292
R0510	Notional SCR excluding add-on (annual or latest calculation)	3,431	445,674
R0520	Notional MCR cap	1,544	200,553
R0530	Notional MCR floor	858	111,419
R0540	Notional combined MCR	1,544	200,553
R0550	Absolute floor of the notional MCR	2,112	3,126
R0560	**Notional MCR**	2,112	200,553