Single Group Solvency and Financial Condition Report

for the year ended 31 December 2023

ROYAL LONDON

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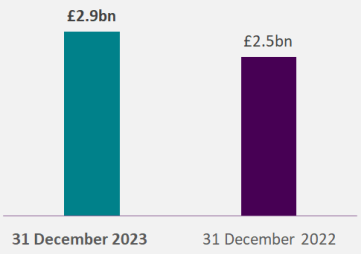
Capital position at a glance

Solvency surplus (Regulatory and Investor Views)[1]

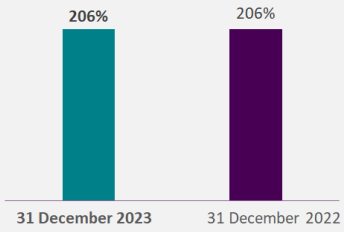
Group



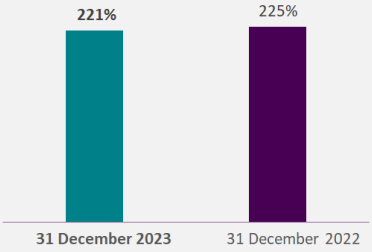
RLMIS

Capital cover ratio (Regulatory View)[2]

Group

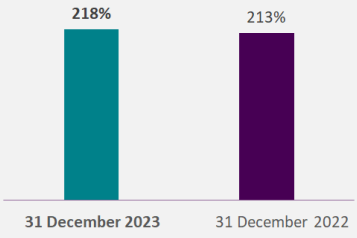


RLMIS

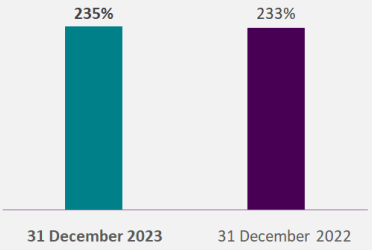


Capital cover ratio (Investor View)[2]

Group

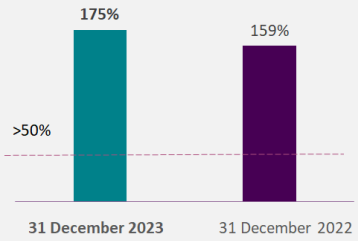


RLMIS

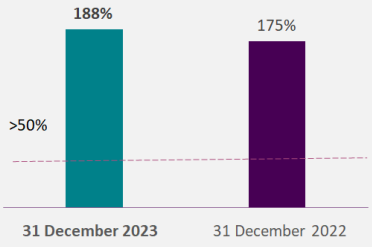


Tier 1 Capital (coverage of Solvency Capital Requirement)

Group



RLMIS



[1] The 'Investor View' capital cover ratio metric is equal to the Royal London Main Fund (RL Main Fund) capital position. The Regulatory View excludes the closed funds' surplus.

[2] Capital cover ratio is the amount of own funds divided by the Solvency Capital Requirement (SCR). The Group capital cover ratios are lower than the ratios for RLMIS because Group own funds are lower than for RLMIS, due to unaudited profits of regulated entities not being permitted to be included, and the Group SCR is higher, due to additional capital requirements for RLI DAC and other subsidiaries. See page 73 for further details.

Executive summary

Introduction

This report relates to The Royal London Mutual Insurance Society Limited (RLMIS), and all of its subsidiary undertakings, together referred to as 'Royal London' or 'the Group'. Royal London is the largest mutual life insurance, pensions and investment company in the United Kingdom (UK), with assets under management of £162bn at 31 December 2023 and around 8.6m policies held. To find out more please visit www.royallondon.com.

The insurance entities of the Group are:

- RLMIS in the UK; and
- Royal London Insurance Designated Activity Company (RLI DAC) in Ireland.

RLMIS is authorised by the PRA and jointly regulated by the FCA and the PRA. RLI DAC is regulated by the Central Bank of Ireland (CBI). The Group is subject to regulation by the PRA and the CBI, since under Solvency II rules an insurance group with headquarters outside the EU is co-regulated at the level of its largest European Union (EU) established entity.

The purpose of the Single Group Solvency and Financial Condition Report (SFCR) is to provide information required by the Solvency II (SII) regulatory framework as at 31 December 2023. The Group has approval from the PRA to produce a Single Group SFCR. This removes the requirement to publish separate SFCRs for the Group and RLMIS. Further details are included in the basis of preparation. Information on RLI DAC has been provided throughout this report and is included within the Group results. A separate Solo SFCR for RLI DAC is also available on our website: visit www.royallondon.ie/about-us/corporate-governance/sfcr.

This report sets out aspects of the Group's business and performance, system of governance, risk profile, valuation methods used for solvency purposes and its capital management practices. The information in this report covers the year ended 31 December 2023 and where relevant, includes comparatives for the year ended 31 December 2022.

Business and performance

Section A describes our business, performance and significant events during the year, our legal structure and regulation.

Business model and strategy

Royal London is a purpose-driven mutual. Our Purpose – 'Protecting today, investing in tomorrow. Together we are mutually responsible' is who we are and why we exist as an organisation. It defines the impact we want to have on the world, for our customers and for society.

Clarity of purpose ensures we are very deliberate about the role we will play and the difference we intend to make for the benefit of our members and customers, and wider society.

Through a clear strategy – to be an insight-led modern mutual, growing sustainably by deepening customer relationships – that is underpinned by our Purpose, we create value for the benefit of our stakeholders. By using our mutuality for good we are focused on achieving three positive outcomes:

Helping build financial resilience – we aim to ensure our customers do not have to worry about their finances in times of ill health or bereavement, help customers to feel confident about making decisions on their long-term savings and investments, support our customers to have sufficient savings to enjoy the retirement they planned, maximise financial inclusion and reduce vulnerability by collaborating with partners.

Moving fairly to a sustainable world – we aim to provide opportunities for customers to use their savings and investments to make a positive impact on climate change, the environment and society, help build a world and society that customers will look forward to retiring into, use our influence to champion the delivery of net zero in a way that is fair and sustainable, ensure customers and communities have the resilience to adapt and thrive as we transition to a sustainable world.

Strengthening the mutual choice for customers – we aim to invest in improving our customer offer by running a profitable and sustainable business, be cost-efficient, so that customers receive the financial benefits of our mutuality, offer a sustainable alternative to companies run for the benefit of shareholders, do what is right for members, customers and for wider society.

Our progress against each of these outcomes is set out in our 2023 Annual Report and Accounts (ARA) on page 11.

Royal London's business model is summarised in the diagram below:

Executive summary (continued)

Access to customers | Our propositions

UK[1]

Providing propositions to customers and employers, primarily through independent financial advisers

1 Long-term savings:
- Workplace Pensions
- Individual Pensions
- Annuities
- Later Life

2,270,000 policies

2 Protection:
- Life Insurance
- Illness and Income Protection
- Business Protection

1,510,000 policies

1-2 Longstanding customers[2]:
- Pensions
- Annuities
- Protection

4,310,000 policies

Asset management

Providing investment propositions to Royal London's life and pensions customers and to external institutional and wholesale clients, primarily through intermediaries

1 Collective investment funds and segregated mandates:
- Equities
- Fixed Income
- Multi asset
- Private Assets

£162.3bn AUM[3]

£105.7bn internal
£56.6bn external

Ireland

Providing propositions to customers through brokers

1 Long-term savings:
- Individual Pensions

2 Protection:
- Life Insurance
- Illness and Income Protection
- Business Protection

477,000 policies

1. Customers of Aegon UK are not included as they are yet to be integrated. Policies are expected to transfer to Royal London in the second half of 2024, subject to the completion of a court-approved Part VII transfer.
2. The products we manage for longstanding customers include those closed to new business.
3. The Group's AUM (assets under management) include external assets managed on behalf of third parties and internal assets managed on behalf of the Royal London Group.

Executive summary (continued)

How we generate revenue

We receive premiums and fees through two primary models:

1. Customers and clients pay fees for investing money with us

2. Customers pay insurance premiums to help protect them from life shocks

Reinvesting profits

We generate value for members, customers, and wider society, not shareholders

We use our profits to improve our propositions and services for customers and financial advisers, to maintain our financial strength and to support social impact initiatives. We also share profits with eligible customers, boosting the value of their savings.

Members, customers and employers

Our products are designed to help customers build their financial resilience – with resources and digital tools to help them engage with our services more easily.

Over
205,000
registered users of our online portal for Protection customers

Our colleagues

We are aware that our colleagues face many of the same challenges and pressures as our customers. We remain committed to supporting their financial resilience and wellbeing.

79%
engagement survey score for 2023

Financial advisers and brokers

We champion the importance of financial advice, and we work to enhance our support and resources for advisers and brokers across the UK and Ireland.

1,274
attendees at our webinar on the importance of protection advice

Society and communities

As well as aiming to influence positive change in the companies where we invest our customers' money, we aim to address some of society's biggest challenges.

£2.4m
committed to social impact initiatives

Executive summary (continued)

Business performance

To manage the Group's performance, the Board of Directors utilise an Alternative Performance Measure (APM) of Group operating profit before tax. The Board considers this measure provides a more meaningful indication of the underlying trading of the Group than UK GAAP statutory profit.

Our results for the year demonstrate the progress we are making in delivering on our strategy as the investments in our business are generating sustainable returns for our members. Group operating profit before tax for the year ended 31 December 2023 increased 19% to £249m (2022: £210m).

New business contribution increased 13% to £184m driven by higher flows into our Workplace Pensions business and an improved contribution in our UK Protection business following our exit from the Over 50s market. These more than offset the impact from the reduction in defined benefit pension transfers following rises in interest rates. As a result, our new business margins have improved by a third across the year.

Our Asset Management business has continued to deliver net inflows supported by strong investment performance in our actively managed funds and the new capabilities we have built. This has allowed us to continue to invest in Royal London Asset Management while investment markets have been volatile. Assets under management have increased 10% to £162bn at the end of the year.

In our in-force books, we have managed the impact on our cost base of higher levels of inflation, with a small benefit from changes to our long-term expense assumptions arising during the year. We have also completed the final transfers into our Matching Adjustment portfolio of existing blocks of annuity business while building capability to enter the bulk annuity market through our first buy-in transaction with the Liver UK pension scheme.

ProfitShare for the year totalled £163m (2022: £155m), with underlying allocation rates maintained at prior year levels, demonstrating our consistent approach to sharing returns with eligible customers.

There was a transfer to the fund for future appropriations (FFA) of £382m (2022: transfer from FFA £162m) reflecting the improvement in operating profit and higher investment returns than our long-term expectations.

Our capital position remains robust with a Solvency II Investor View capital cover ratio of 218% (31 December 2022: 213%) with our hedging programmes ensuring the stability of our capital position through periods of market volatility. The Solvency II Regulatory View capital cover ratio has remained stable at 206% (31 December 2022: 206%).

In May 2023 we successfully issued a new £350m Restricted Tier 1 (RT1) contingent convertible debt instrument, demonstrating our active management of the Group's capital structure. During the year we also completed, as planned, the repurchase and cancellation of our £400m Fixed Rate Reset Callable Guaranteed Subordinated Tier 2 debt. These transactions have increased the Group's financial flexibility by establishing access to the RT1 capital markets and creating additional Tier 2 capital headroom.

System of governance

Section B outlines our system of governance and risk management, and how we are directed and controlled. We also describe our remuneration policy and practices and, our adherence to the 'Fit and Proper Requirements', which are the standards required by the regulators when appointing employees who effectively run the business or have other key functions.

Our system of governance comprises:

- **Governance structure** – we have a formal governance structure of committees to oversee risk reporting to the Board. This encourages constructive challenge on our approach and helps to ensure that our risk exposure remains appropriate and within the defined limits
- **Organisational structure** – the reporting lines, roles and responsibilities of the directors and senior management to support the delivery of the Group's strategy and implement appropriate risk policies and controls
- **Risk Management System (RMS)** – is designed to help us manage our risks effectively and includes our risk appetite and policies. It is underpinned by a strong risk culture
- **Internal Control System (ICS)** – methods and processes put in place to achieve effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

There have been no significant changes to our system of governance during the year.

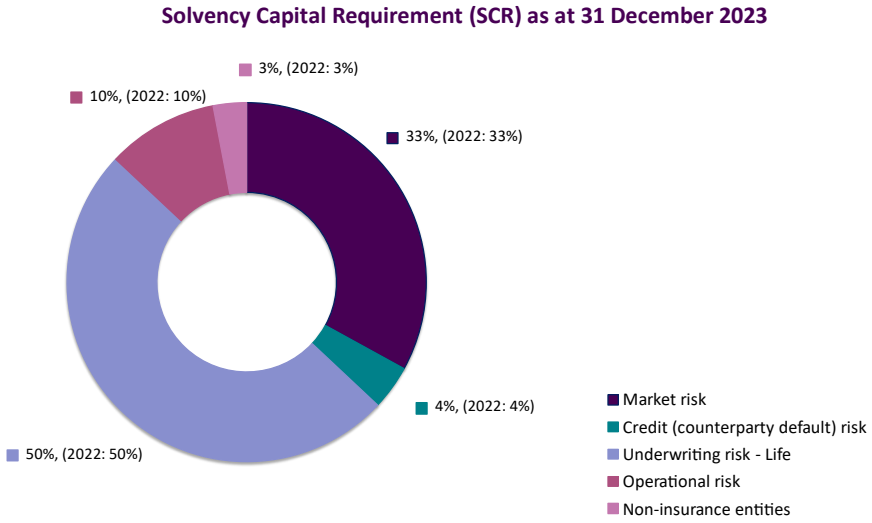
Executive summary (continued)

Risk profile

Section C describes our risk profile, including risk exposures, concentrations, mitigation and sensitivity. Understanding and effectively managing our risk exposure to within agreed boundaries helps us to grow our business safely, meet our regulatory responsibilities and deliver for our customers and members. We use a risk appetite to define the nature and level of risk we are prepared to accept to deliver our strategy. It is aligned to our Group Purpose and strategy and is approved by the Board.

The key risks facing the Group are set out on pages 62 to 66 in the 2023 ARA.

The chart below shows the composition of the Solvency Capital Requirement (SCR) for the Group (Regulatory View), which includes the closed funds, calculated using a Partial Internal Model as at 31 December 2023.



Our risk profile was consistent between 2022 and 2023, reflecting effective risk management through our RMS.

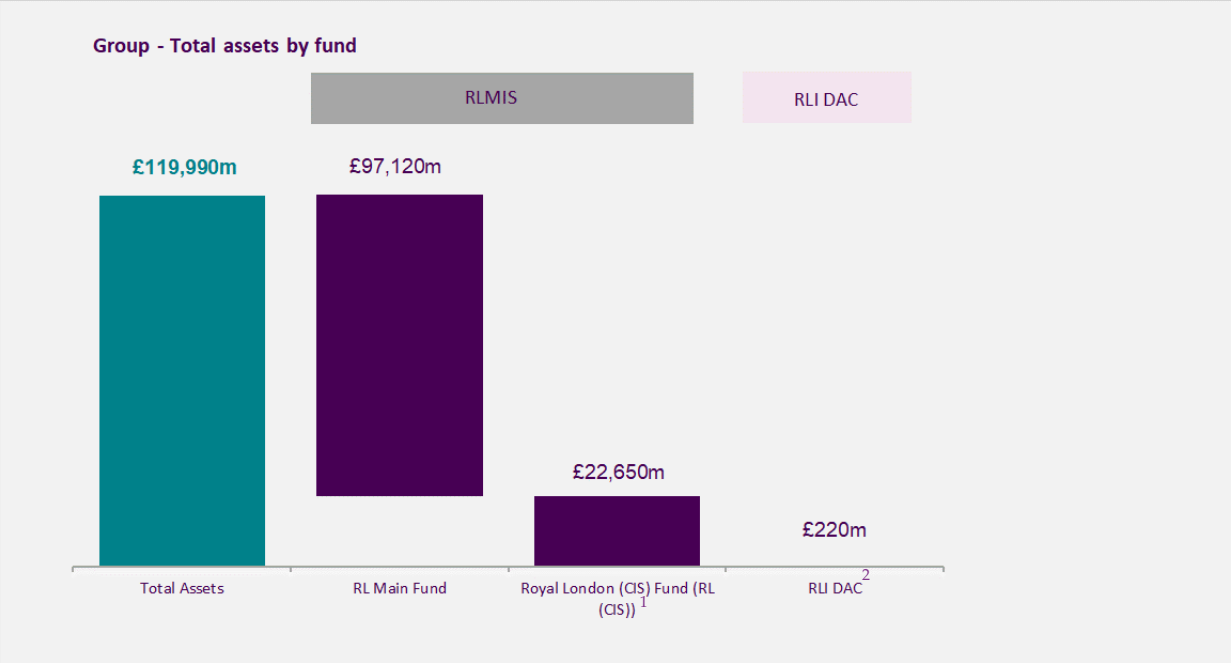
The definitions of the risk categories are provided in section C, with more details on the SCR set out in section E.

Valuation for solvency purposes

Section D describes the valuation of our assets, technical provisions and other liabilities, and material differences between the SII valuations and the UK GAAP valuations used in the 2023 ARA.

The following chart illustrates the relative size of the funds within the Group. New business is only written into the RL Main Fund and the RLI DAC Open Fund, with the other funds being closed to new business and ring fenced for SII purposes. Figures quoted are asset balances within the funds as at 31 December 2023.

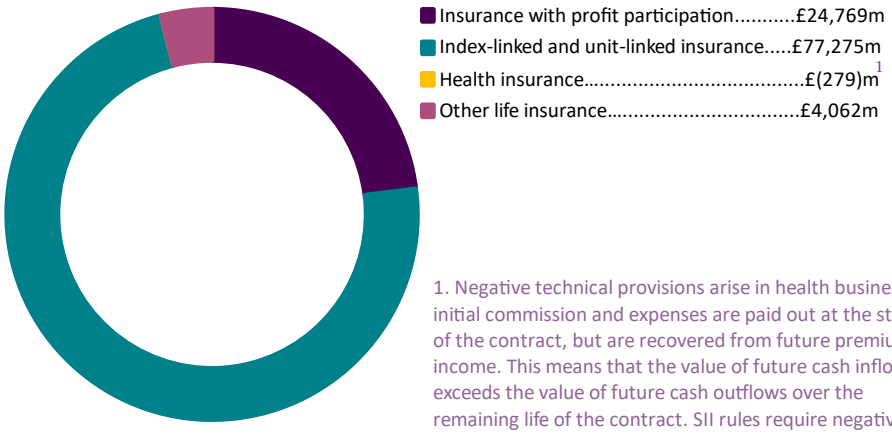
Executive summary (continued)



1 The Royal London (CIS) Fund is closed to new business.
2 RLI DAC is shown on a consolidated basis. It comprises the RLI DAC Open Fund, and the Ireland Liver and German Bond closed funds.

The following chart illustrates the type of business written by the Group, and the relative size of the insurance liabilities (referred to as technical provisions under SII) held at 31 December 2023.

Group - Total technical provisions by line of business



1. Negative technical provisions arise in health business as initial commission and expenses are paid out at the start of the contract, but are recovered from future premium income. This means that the value of future cash inflows exceeds the value of future cash outflows over the remaining life of the contract. SII rules require negative technical provisions to be recorded as a negative liability rather than an asset.

Technical provisions are calculated as the sum of Technical Provisions as a Whole (TPCAW) plus Best Estimate Liabilities (BEL) plus Risk Margin (RM), less adjustments for the Transitional Measure on Technical Provisions (TMTP). The BEL represents our best estimate of future cash flows on the in-force business, taking into account the time value of money, using the Solvency II risk free rate, increased by the Volatility Adjustment (VA) or Matching Adjustment (MA) for appropriate lines of business. RM is the estimated amount of capital needed to support the SCR over the lifetime of the business, which has been calculated in line with the new regulations linked to the Solvency II reforms, leading to a significant reduction compared to prior years. For Royal London, TPCAW is the unit liability on its linked business.

Executive summary (continued)

Transitional Measure on Technical Provisions

The Transitional Measure on Technical Provisions (TMTP) was granted at the inception of SII and provides relief from the increase in technical provisions that arises from SII, in respect of business written prior to 1 January 2016. It is a key capital management tool and particularly important for the capital management of the closed funds, where all the business is pre SII.

The TMTP is calculated as the difference in technical provisions between Solvency I and SII and is applied as a deduction to the SII technical provisions. The TMTP is run off each year until it is completely removed in 2032. The SII Directive allows for a recalculation of the TMTP every two years, or more frequently if there has been a material change in risk profile. The TMTP was last recalculated at 31 December 2023.

At 31 December 2023, the capital benefit from the TMTP contributed 12% points to the Investor View capital cover ratio and 11% points to the Regulatory View cover ratio for the Group.

Volatility Adjustment ('VA')

The VA is an addition to the rate we use to discount future liabilities under SII for certain lines of business. The VA is based on the principle that there is a liquidity premium within bond yields. If bonds are held to back insurance products with long-term guarantees, this liquidity premium can be realised and, through the VA, is used to reduce the value of the liabilities.

The value of the VA increases if the liquidity premium within bond yields increases, i.e. bond values fall. This helps to offset the fall in asset values, and so helps to mitigate artificial volatility in the SII balance sheet.

The VA is not determined by the actual bonds we hold, in the way that the SII MA is determined. Instead, the value is determined by the PRA on a monthly basis and is derived from the spread on a representative portfolio of corporate bonds and gilts.

At 31 December 2023, the capital benefit from the VA contributed 6% points to the Investor View capital cover ratio and 5% points to the Regulatory View cover ratio for the Group.

Matching Adjustment ('MA')

As explained in more detail in section D.2.8, the Group received approval from the PRA in December 2021 to use the MA in relation to certain RL Main Fund non-profit deferred and in payment annuity liabilities which allows the discount rate used in the calculation of BEL for this portfolio to be increased from the relevant risk-free interest rate to a rate more reflective of the income received on the assets backing the liabilities. The resulting benefit to the Group's solvency position is included in the capital information presented throughout this document.

Over 2023, the MA portfolio has continued to expand with the transfer of the Liver UK and Euro denominated annuities in payment and a tranche of Royal London (CIS) partially reinsured annuities in payment. In addition, in November 2023, we transacted a bulk annuity buy-in policy with the trustees of the Royal Liver UK Pension Scheme covering all of the deferred annuity and in payment annuity benefits of the scheme.

At 31 December 2023, the capital benefit from the MA contributed 21% points to the Investor View capital cover ratio and 18% points to the Regulatory View cover ratio for the Group.

The actual Capital Cover Ratio for the Group along with what the ratio would have been without the TMTP, VA and MA being applied is shown in the table below:

	2023				2022			
%	Capital Cover Ratio	Capital Cover Ratio without TMTP	Capital Cover Ratio without TMTP and VA	Capital Cover Ratio without TMTP, VA and MA	Capital Cover Ratio	Capital Cover Ratio without TMTP	Capital Cover Ratio without TMTP and VA	Capital Cover Ratio without TMTP, VA and MA
Investor View	**218%**	**206%**	**200%**	**179%**	213%	187%	184%	174%
Regulatory View	**206%**	**195%**	**190%**	**172%**	206%	182%	176%	167%

Executive summary (continued)

Capital management

Section E includes information on the amount and quality of our own funds, describes our approach to capital management and details the SCR and Minimum Capital Requirement (MCR).

Internal Model

The SCR is the amount of capital needed to pay all liabilities in a very extreme scenario (a 1-in-200 year event). Under the SII regime, there are two bases for calculating the SCR: the Standard Formula and the Internal Model.

The capital requirements of the Group and RLMIS continue to be prepared using a Partial Internal Model (Internal Model), which was approved by the PRA in 2019. The capital requirements of the UK business are calculated using a Partial Internal Model, whereas the capital requirements of RLI DAC is calculated using the Standard Formula.

The use of our Internal Model for the UK business makes our capital requirements more reflective of the nature of our business and how we manage risk and capital. RLI DAC calculates its SCR on a Standard Formula basis, and this remains appropriate due to its size and risks. Over 97% of the Group's capital requirement is calculated using the Internal Model.

Solvency surplus and capital cover ratio

Solvency surplus is the amount by which our capital position, referred to as own funds, exceeds the SCR.

Capital cover ratio is the ratio of our capital position (own funds) compared to the SCR. The capital cover ratio is a good indicator of the ability to withstand tough economic conditions, with a higher ratio indicating more available capital.

We present two views of our capital position: an Investor View and a Regulatory View. The 'Investor View' capital cover ratio metric is equal to the Royal London Main Fund (RL Main Fund) capital position. The definition is considered appropriate given that the RL Main Fund is the primary source of capital for the Group, and the closed funds are ring-fenced and run on a standalone basis. The Regulatory View excludes the closed funds' surplus.

Our capital position is well in excess of the SCR, and the strong capital cover ratio in both the RL Main Fund and closed funds underlines our financial strength and ability to meet our commitments (even in an extreme scenario that occurs once every 200 years) to settle claims for all of our policyholders and support them through unexpected future events.

The following table sets out the capital position and SII metrics for the Group at 31 December 2023.

£m	Investor View[1] (RL Main Fund)	Closed funds	Regulatory View
Own funds:			
Tier 1 Unrestricted	4,105	2,364	6,469
Tier 1 Restricted	375	–	375
Tier 2	846	–	846
Tier 3	10	2	12
Total own funds	**5,336**	**2,366**	**7,702**
Closed funds restriction	–	(2,095)	(2,095)
Subordinated liabilities restriction[2]	–	–	–
Deferred tax asset deduction[2]	(6)	–	(6)
Adjusted own funds	**5,330**	**271**	**5,601**
SCR	**2,450**	**271**	**2,721**
Solvency surplus – 31 December 2023	**2,880**	–	**2,880**
Solvency surplus – 31 December 2022	2,483	–	2,483
Capital cover ratio – 31 December 2023[3]	**218%**		**206%**
Capital cover ratio – 31 December 2022[3]	213%		206%

1 The RL Main Fund is presented on a Group basis and includes subsidiary capital requirements. On a RLMIS solo basis, the RL Main Fund has a capital cover ratio of 235% at 31 December 2023.
2 Under SII rules, the amount of Tier 2 and 3 capital contributing to eligible own funds to cover the SCR is restricted to a maximum of 50% of the entity SCR excluding the capital requirements arising on non-insurance regulated entities. This resulted in a total restriction of £6m comprising £nil Tier 2 (2022: £107m) and £6m Tier 3 (2022: £36m)
3 Figures presented in the table are rounded, and the capital cover ratio is calculated based on exact figures.

The Investor View ratio increased to 218% over 2023 (2022: 213%), reflecting the reduction in the risk margin arising from Solvency II reforms, the acquisition of the Aegon UK protection book and changes to equity hedging within our normal frameworks. Our hedging programmes ensure the stability of our capital position through periods of market volatility. The Regulatory View ratio remained stable at 206%.

There have been no significant changes to the way we manage our capital in 2023.

Executive summary (continued)

Sensitivities

Our capital position is sensitive to changes in economic and non-economic assumptions. Section C.7.2 sets out various sensitivities of the capital cover ratio and the solvency surplus. The sensitivities have been selected to reflect the key risks to which the Group is exposed. The results of the sensitivities show that the Group and RLMIS capital position is not materially impacted even in the event of significant external market volatility. For example, if interest rates were to fall 100 basis points (bps), our Group Regulatory View solvency surplus at 31 December 2023 would decrease by £43m (from £2,880m to £2,837m) and the Group Regulatory View capital cover ratio would decrease by 11% points from 206% to 195%. In this scenario, as a result of our hedging strategies, it means that our own funds would still be well in excess of our SCR.

Further information on the Group and RLMIS capital position and capital management, the amount and quality of our own funds and our capital requirements are set out in Section E of this report.

Basis of preparation

This document is a Single Group SFCR for the Royal London Group. In 2023, the PRA granted a modification of rule 18.1 of the Group Supervision PRA rulebook enabling Royal London to produce a Single Group SFCR covering the Group and its main insurance entity, RLMIS.

The disclosures in the Single Group SFCR, and the QRTs in the Appendices, have been prepared in accordance with the SII regulations and the PRA rules, hereafter referred to as 'the regulations'.

Certain financial information in the Single Group SFCR (excluding financial information in the QRTs) has been rounded. This may result in some presentational differences between the disclosures in the report and the QRTs.

Certain disclosures required by the regulations are not relevant to the Group and have been excluded from this report:

- The Group and RLMIS do not report any non-life business
- The Group and RLMIS have no special purpose vehicles
- The Group and RLMIS do not have any ancillary own funds
- No basic own fund items for the Group and RLMIS were subject to transitional arrangements
- Information on the Standard Formula approach to calculating the SCR. The Group and RLMIS used a Partial Internal Model to calculate the SCR at 31 December 2023. The capital requirement of RLI DAC was calculated on a Standard Formula basis and further information on the Standard Formula approach is included in the RLI DAC Solo SFCR.

Comparatives
Comparatives are presented throughout this report where relevant.

Rounding convention
The SFCR is presented in pounds sterling rounded to the nearest million which is consistent with the presentation in the UK GAAP financial statements. The QRTs are presented in pounds sterling rounded to the nearest thousand. Rounding differences of +/- one unit can occur.

RLI DAC
Information on RLI DAC has been provided throughout this report and is included within the Group result; however, RLI DAC produces a separate Solo SFCR.

Valuation for solvency purposes

The regulations require that assets and liabilities are valued for solvency purposes at fair value unless a specific rule requires otherwise. Fair value is essentially what would be received if an asset was sold, or a liability was settled in an arm's length transaction between willing parties. The majority of assets have the same value on both the UK GAAP and Solvency II balance sheets as the UK GAAP valuation is regarded as consistent with the Solvency II Directive.

Where there are differences in valuation between UK GAAP and SII, these have been separately presented in section D.1.3 (assets and other liabilities) and D.2 (technical provisions). This includes the recognition of UK GAAP operating leases as right-of-use assets as prescribed by IFRS 16.

There have been no material changes affecting the methodology used in the valuation of assets, technical provisions and other liabilities in the SII balance sheet in 2023.

Key assumption changes impacting technical provisions are included in section D.2.7.

Basis of preparation (continued)

Transitional Measure on Technical Provisions
The PRA has authorised the use of TMTP, and it is included in the solvency surplus figures throughout this document. The TMTP provides a capital benefit, however the Group and RLMIS are not reliant on it to meet the capital requirements.

Volatility Adjustment
The VA forms part of the calculation of technical provisions and is made to ensure the appropriate treatment of insurance products with long-term guarantees under SII. The use of the VA has been approved by the PRA for the Group and RLMIS and is included in the capital information presented throughout this document.

Matching Adjustment
The MA forms part of the calculation of technical provisions. The MA allows firms to adjust the relevant risk-free interest rate term structure for the calculation of best estimate liabilities of a portfolio of eligible insurance obligations and is further explained in section D.2.8. The use of the MA has been approved by the PRA for the Group and RLMIS and is included in the capital information presented throughout this document.

Capital management

Calculation of Group own funds and Solvency Capital Requirement
Group own funds and consolidated Group SCR are calculated using the default consolidation approach, referred to as 'method 1' in the regulations.

Under method 1, insurance undertakings, insurance holding undertakings and ancillary service companies are consolidated on a line-by-line basis, with balances between group entities eliminated on consolidation. RLMIS, RLI DAC, and the Group's ancillary service companies, Royal London Management Services Limited (RLMS) and RL Finance Bonds No. 6 plc are consolidated in this manner.

All other entities (non-insurance subsidiaries) are not consolidated on a line-by-line basis, but remain within one line of the SII balance sheet, 'Holdings in related undertakings, including participations'.

Material terms and conditions attached to own funds
The material terms and conditions of the three subordinated liability issues on the balance sheet at 31 December 2023 are set out on page 176 of the 2023 ARA, along with details of the 2043 Notes repurchase and cancellation in the year. Other own funds items (surplus funds, reconciliation reserve and deferred tax asset) do not have explicit terms and conditions attached to them.

A. Business and performance

Plain English introduction
In this section is:

- A description of the Group's legal structure
- An explanation of how Royal London is regulated and who the external auditors are
- A description of how the business has performed during the year.

A.1 Business

A.1.1. Name and legal form

This report relates to RLMIS and all of its subsidiary undertakings, together referred to as the 'Group'. The insurance entities of the Group are:

- RLMIS in the UK; and
- RLI DAC in Ireland.

RLMIS is a private company limited by guarantee, incorporated and registered in England and Wales.

RLI DAC is a private company limited by shares and was incorporated, registered and domiciled in the Republic of Ireland in 2018.

The Group is organised and managed by business units; operating performance is also reported internally at this level. Further information on the business units is set out in sections A.1.5 and A.1.6.

A.1.2. Supervisory authority details

RLMIS is authorised by the PRA and jointly regulated by the FCA and the PRA. RLI DAC is regulated by the CBI. The Group is subject to regulation by the PRA and the CBI, since under Solvency II rules an insurance group with headquarters outside the EU is co-regulated at the level of its largest EU-established entity. The contact details of the relevant authority are set out in the table below.

Supervisory authority	Details
FCA	12 Endeavour Square, London, E20 1JN +44 (0)20 7066 1000
PRA	20 Moorgate, London, EC2R 6DA +44 (0)20 7601 4444
CBI	New Wapping Street, North Wall Quay, Dublin 1 DO1 F7X3 +353 1 224 6000

A.1.3. External auditors

The Group's external auditors are PricewaterhouseCoopers LLP (PwC), based at the following address:

PricewaterhouseCoopers LLP,
7 More London Riverside,
London,
SE1 2RT

KPMG will be appointed as the Group's auditor for the year ending 31 December 2024, subject to this being approved by RLMIS's members at the 2024 Annual General Meeting on 11 June 2024.

A. Business and performance (continued)

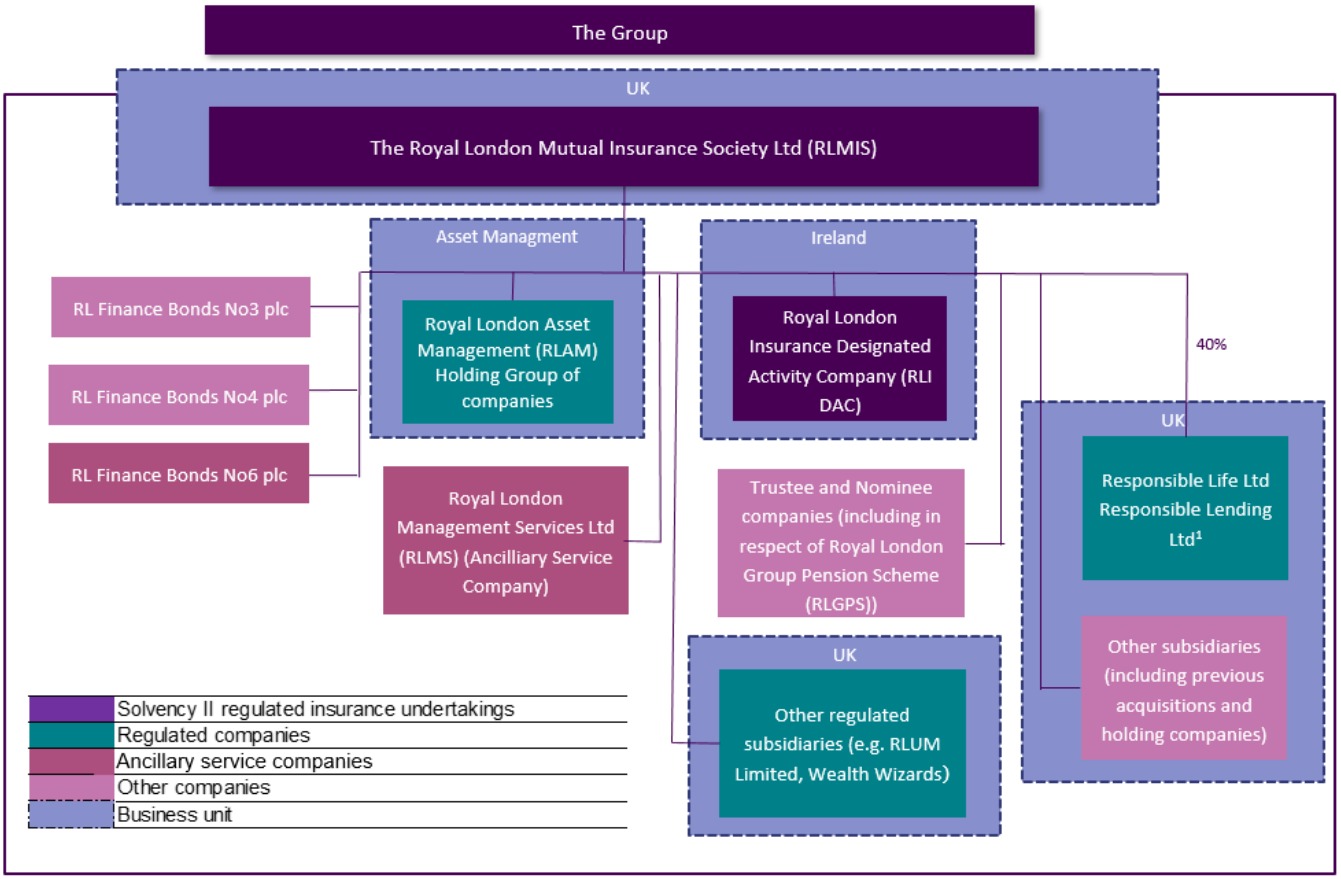
A.1.4. Membership

RLMIS is a private company limited by guarantee without share capital. It is run as a mutual and has members rather than shareholders. Membership is granted to those taking out policies that entitle the holder to participate in the profits. Every member entitled to vote shall have one vote, regardless of the number of qualifying policies held by any one member, and as at 31 December 2023 there were approximately 2.2 million members (2022: 2.0 million).

On an annual basis the Group considers the allocation of a ProfitShare, which shares the benefits of its performance with eligible policyholders. ProfitShare allocation rates were maintained in 2023, with total ProfitShare increasing to £163m (2022: £155m) in line with the aggregate value of eligible policies. In April, the first ValueShare award was announced, in respect of customers in Ireland, resulting in a policy value uplift of 0.13% for all eligible pension customers.

A.1.5. Legal structure

A simplified structure chart of the Group at 31 December 2023 is shown below, and shows the position of the two insurance entities and business units within the Group. An explanation of the business units is provided in section A.1.6.



1 In November 2023 the Group agreed the acquisition of the remaining 60% stake in Responsible Group. This transaction obtained regulatory approval and completed in January 2024.

A full list of the Group's related undertakings including the name, legal form, country and proportion of ownership interest held is set out in S.32.01.22 in Appendix 2.

A.1.6. Material lines of business and geographic areas

The Group operates in the life insurance, pensions and investment markets, predominantly in the UK. It writes protection and pensions business in the Republic of Ireland through its subsidiary RLI DAC.

A. Business and performance (continued)

The Group's segmental reporting aligns to the Group operating structure. The business units are UK, Asset Management and Ireland. As detailed in the below table:

Business Unit	Description
UK	The UK business provides pensions and other retirement products to individuals and to workplace pension schemes, and protection products to individuals in the UK.
Asset Management	The Asset Management segment comprises Royal London Asset Management Holdings Limited and its subsidiaries. RLAM provides investment management services to the other entities within the Group and to external clients, including pension funds, local authorities, universities, and charities, as well as individuals.
Ireland	The Ireland business comprises the Group's Irish subsidiary, RLI DAC. It provides intermediated protection products and unit-linked pensions to individuals in the Republic of Ireland.

The Group operates four lines of insurance business which are based on the characteristics of the different products administered. There is also an internal reinsurance arrangement provided by RLMIS to RLI DAC. In addition, there is as an interim agreement for the Group to reinsure the Aegon UK portfolio ahead of the expected transfer of the Aegon UK policies to Royal London, subject to the Part VII transfer, in the second half of 2024.

The table below shows the relevant lines of business for the Group and its two insurance entities, RLMIS and RLI DAC.

Line of business	Group	RLMIS	RLI DAC
Insurance with-profit participation	✓	✓	✓
Index-linked and unit-linked insurance	✓	✓	✓
Health insurance	✓	✓	✓
Other life insurance	✓	✓	✓
Health reinsurance	✓	✓	–
Life reinsurance	✓	✓	–

A.1.7. Significant events in the reporting period

- In April 2023 an agreement to acquire Aegon UK's protection business was finalised, which will see 400,000 new customers being welcomed over to Royal London. This strengthens the Group's position in the UK protection market. Customers' policies are expected to transfer in 2024, following the completion of a court-approved Part VII transfer process.

- In May 2023 the Group successfully issued a new £350m Restricted Tier 1 ('RT1') contingent convertible debt instrument, demonstrating our active management of the Group's capital structure. During the year the Group also completed, as planned, the repurchase and cancellation of our £400m Fixed Rate Reset Callable Guaranteed Subordinated Tier 2 debt. These transactions have increased the Group's financial flexibility by establishing access to the RT1 capital markets and creating additional Tier 2 capital headroom.

- In November 2023, the trustees of the Royal Liver UK Scheme transacted a bulk annuity buy-in policy with RLMIS. This covered all the benefits of the scheme for all deferred pensioners and current pensions, removing the investment and longevity risk for these members from the scheme.

- In November 2023 the Group agreed the acquisition of the remaining 60% stake in Responsible Group. The Responsible Group is made up of Responsible Life, a market leading later life mortgage broker, and Responsible Lending, a later life mortgage lender. This transaction obtained regulatory approval and completed in January 2024.

- Also in November 2023, the sale of the general insurance and healthcare elements of the Police and Forces Mutual businesses (PMGI Limited and PMHC Limited) to Bspoke Group was agreed in principle and this was completed in February 2024.

A. Business and performance (continued)

A.2 Underwriting performance

A.2.1. Underwriting performance

The profit measure used by the Board of Directors to monitor performance is Group operating profit before tax. The operating profit is shown in the following table.

Operating profit before tax represents profit/(loss) before transfer to/(from) the transfer to the Fund for Future Appropriations (FFA) excluding: short-term investment return variances and economic assumption changes; goodwill (charge)/credit arising from mergers & acquisitions; ProfitShare; ValueShare; tax; and one-off items of an unusual nature that are not related to the underlying trading of the Group. Profits or losses arising within the closed funds are held within the respective closed fund surplus; therefore, operating profit represents the result of the RL Main Fund.

The following table provides a reconciliation of the total Group operating profit before tax to the transfer to the FFA. As a mutual, the transfer to the FFA is a key measure of accumulation of funds available for Royal London to share, at the Group's discretion, with eligible members.

Operating profit and reconciliation to the transfer to/(from) the fund for future appropriations

£m	2023	2022
Long-term business		
New business contribution	**184**	163
Existing business contribution	**236**	181
Contribution from AUM and other businesses	**84**	101
Business development and other costs	**(40)**	(32)
Strategic development costs	**(61)**	(71)
Amortisation of intangibles	**(6)**	–
Result from operating segments	**397**	342
Corporate items	**(63)**	(57)
Financing costs	**(85)**	(75)
Group operating profit before tax	**249**	210
Economic movements	**391**	(446)
Goodwill (charge)/credit arising from mergers and acquisitions	**(10)**	2
ProfitShare	**(163)**	(155)
Profit/(Loss) before tax and before transfer to/(from) the FFA	**467**	(389)
Tax attributable to long-term business	**(85)**	227
Transfer to/(from) the FFA	**382**	(162)

The results for the year demonstrate the progress the Group is making in delivering the strategy as the investments in the business are generating sustainable returns for members. Group operating profit before tax for the year ended 31 December 2023 increased 19% to £249m (2022: £210m).

New business contribution increased 13% to £184m driven by higher flows into the Workplace Pensions business and an improved contribution in the UK Protection business following the exit from the Over 50s market. These more than offset the impact from the reduction in defined benefit pension transfers following rises in interest rates. As a result, the new business margins have improved by a third across the year.

The Asset Management business has continued to deliver net inflows supported by strong investment performance in actively managed funds and the new capabilities which have been built. This has allowed the Group to continue to invest in Royal London Asset Management while investment markets have been volatile. Assets under management have increased 10% to £162bn at the end of the year.

In the in-force books, the Group have managed the impact on the cost base of higher levels of inflation, with a small benefit from changes to the long-term expense assumptions arising during the year. The Group has also completed the final transfers into the Matching Adjustment portfolio of existing blocks of annuity business while building capability to enter the bulk annuity market through the first buy-in transaction with the Liver UK pension scheme.

Premiums, claims and expenses by SII line of business for the Group and RLMIS are included in S.05.01.02 in Appendix 2 and Appendix 3 respectively. The QRT provides details of premiums, claims and changes in technical provisions, which are components of underwriting performance, by SII line of business.

A.3 Investment performance

A.3.1. Investment return split by asset class

The Group and RLMIS use investment return as a measure of investment performance. The investment return is measured both in absolute terms and against benchmarks looking at different asset classes, such as property, equities and bonds.

A. Business and performance (continued)

Over the past 12 months, equity markets have been dominated by interest rates and inflation. Following the emergency support put in place during Covid-19, the global economy has seen a resurgence in inflation, leading major central banks such as the Federal Reserve, European Central Bank and Bank of England to raise rates numerous times.

Equity markets have been focused on the potential end of the rate rising cycle, as well as the possible impact of these rises on global growth and therefore the health of the corporate sector. Most major stock markets produced positive returns over the period in sterling terms, including the US, UK, Europe and Japan.

The backdrop of rising interest rates and inflation meant that global bond yields, including gilts, increased (and therefore prices fell) significantly for most of the period, but rebounded strongly in the final two months of 2023 as markets started to price in interest rate cuts in 2024. Government bonds such as gilts made modest gains. Sterling investment-grade credit markets similarly struggled early in 2023, but a strong final half of the year meant that these outperformed gilts, thanks to the higher yield on corporate bonds.

In this environment, the Royal London Main Fund produced positive returns in 2023, outperforming its benchmark, primarily due to the outperformance of our Global Equity and UK Credit asset classes. As at 31 December 2023, 96% of actively managed funds outperformed their three-year benchmark (2022: 80%)[1].

The following tables show investment return, including income and expense components for the Group and RLMIS by SII asset class, for the year ended 31 December 2023.

Investment return – Group

31 December 2023 £m	Bonds	Equities	Investment property	Other financial Investments[2]	Total
Dividends	–	274	–	948	1,222
Interest	743	–	–	556	1,299
Net realised (losses)/gains	(3)	40	(2)	635	670
Net unrealised gains/(losses)	946	488	(270)	4,051	5,215
Rental income	–	–	276	–	276
Total investment return	1,686	802	4	6,190	8,682
Investment expenses					(346)
Net investment return after deduction of investment management expenses					8,336

31 December 2022 £m	Bonds	Equities	Investment property	Other financial Investments[2]	Total
Dividends	–	208	–	894	1,102
Interest	666	–	–	257	923
Net realised (losses)/gains	(2,119)	(72)	4	117	(2,070)
Net unrealised (losses)	(3,283)	(400)	(668)	(8,771)	(13,122)
Rental income	–	–	253	–	253
Total investment return	(4,736)	(264)	(411)	(7,503)	(12,914)
Investment expenses					(301)
Net investment return after deduction of investment management expenses					(13,215)

[1] Investment performance has been calculated using a weighted average of active assets under management for funds with a defined external benchmark. Benchmarks differ by fund and reflect their mix of assets to ensure direct comparison. Passive funds are excluded from this calculation as, whilst they have a place as part of a balanced portfolio, Royal London believes in the long-term value added by active management.
[2] Other financial investments include unit trusts and collectives, derivatives, deposits with credit institutions and other investments.

A. Business and performance (continued)

Investment return – RLMIS

31 December 2023 £m	Bonds	Equities	Investment property	Other financial investments[2]	Total
Dividends	–	274	–	947	1,221
Interest	742	–	–	558	1,300
Net realised (losses)/gains	(3)	40	(2)	634	669
Net unrealised gains/(losses)	944	505	(270)	4,049	5,228
Rental income	–	–	276	–	276
Total investment return	1,683	819	4	6,188	8,694
Investment expenses					(190)
Net investment return after deduction of investment management expenses					8,504

31 December 2022 £m	Bonds	Equities	Investment property	Other financial investments[2]	Total
Dividends	–	209	–	893	1,102
Interest	667	–	–	256	923
Net realised gains/(losses)	(2,119)	(72)	4	117	(2,070)
Net unrealised (losses)	(3,291)	(405)	(668)	(8,762)	(13,126)
Rental income	–	–	253	–	253
Total investment return	(4,743)	(268)	(411)	(7,496)	(12,918)
Investment expenses					(167)
Net investment return after deduction of investment management expenses					(13,085)

[2] Other financial investments include unit trusts and collectives, derivatives, deposits with credit institutions and other investments.

There were no investment gains or losses recognised directly in equity (i.e. FFA) during the reporting period or in the prior period.

A.3.2. Information on securitisations

Securitisations are where various types of contractual debt (including for example residential and commercial mortgages) are pooled together and the related cash flows are sold to third-party investors, with repayments made from the principal and interest cash flows.

There are two main categories of securitisations that are defined in the Securitisation Regulations: Non-STS and STS (those securities which satisfy the Simple, Transparent and Standardised requirement set out in the Securitisations Regulations). Non-STS/STS does not indicate lower/higher quality but the subset of assets that can be STS is very narrow. At 31 December 2023, 99.98% of the exposure to securitisations was in Non-STS securities.

At 31 December 2023, an amount of £433m (31 December 2022: £465m) was held in collateralised securities, representing approximately 0.3% (31 December 2022: 0.4%) of the total bonds on the balance sheet. The risk management procedures in respect of these risks are set out in sections C.2 and C.3.

A.4 Performance of other activities

A.4.1. Other income and expenses

The operating profit in section A.2.1 includes 'business development and other costs', 'strategic development costs' and 'corporate items'. These comprise:

- Business development costs of £40m (2022: £32m) as the Group continued to strengthen propositions in the UK business, such as the development of the pension transfer hub and enhancements to our digital portals. The higher costs in 2023 also include the impact of a number of new regulatory requirements which required changes to platforms and processes
- Strategic development costs of £61m (2022: £71m) represent the costs of ongoing investment the Group are continuing to make across the businesses
- A net charge for Corporate items of £63m (2022: £57m) which includes the costs of Group-wide regulatory change, strengthening of IT security as well as costs arising from the acquisition or disposal of businesses

Further details of Other income and expenses can be found on page 129 of the 2023 ARA.

A. Business and performance (continued)

A.4.2. Leasing arrangements

RLMIS is a lessor in relation to its investment property portfolio. The related rental income has been reflected as income on investment properties in the analyses of the investment return split by asset class in section A.3.1.

As lessee, the Group primarily leases office buildings and other premises. These arrangements are not material to the financial position of the Group. The most significant of these arrangements for the Group and RLMIS are in relation to right of use assets. For SII purposes, Group and RLMIS recognise right-of-use assets and lease liabilities in accordance with IFRS 16 Leases to the value of £33m (2022: £37m) and £5m (2022: £6m) respectively. Operating Lease commitments under a UK GAAP basis are disclosed in note 34 on page 194 of the 2023 ARA.

A.5 Any other information

A.5.1. Other disclosures

Further details in respect of intra-group and related party transactions for the Group and RLMIS are set out in note 36 of the 2023 ARA on pages 207 to 208.

B. System of governance

Plain English introduction

This section describes how the business is run (system of governance). The Board of Directors (the Board) is ultimately responsible for the financial position of the Group. The Board is answerable to its owners, the members.

This section describes the Group's approach to paying its people (remuneration policies and practices), and how the Group meet 'Fit and Proper Requirements' defined by the regulators.

Unless otherwise stated, the system of governance, risk management system and internal control system is consistent across the Group, RLMIS and its subsidiary undertakings.

B.1 General information on the system of governance

B.1.1. Governance structure

The Board is responsible for promoting the long-term sustainable success of the Group in a manner that seeks to generate value for its members. It does this while taking account of the interests of its stakeholders, the impact it has on the environment and its contribution to wider society.

The Board's role is to oversee and provide direction and guidance to the Group Chief Executive Officer in managing the affairs of the Group to meet its Purpose and in implementing its strategy and objectives in line with its values.

The Board acts collectively and in accordance with the responsibilities defined for it within the Company's constitution, relevant laws, rules and regulations, and UK corporate governance and stewardship standards and the governance framework.

The Board's terms of reference can be viewed on the Group's website.

The Board:

- Upholds high standards of business conduct, supported by a prudent and effective risk management system
- Ensures judgements and decisions are taken that preserve adequate capital and avoid conduct risk
- Decides how the Group is managed by performing certain duties itself, and delegating certain duties to Board Committees and Executive Directors
- Sets the strategy and policies of the Group and reviews business performance
- Supports a culture that is consistent with the values and ethical and regulatory standards of the Group
- Takes responsibility for the Own Risk and Solvency Assessment (ORSA)
- Sets the Group's risk strategy, risk preferences and risk appetite statements
- Determines the nature and extent of significant risks and the appetite for risk acceptance
- Declares annual and final bonuses on with-profits policies
- Takes responsibility for compliance with SII requirements
- Reviews the ongoing appropriateness of the design and operations of the Internal Model.

During 2023, Board matters included challenging, approving and overseeing:

- The evolution of the Group's Purpose, strategy, values and articulation as an insight-led, modern mutual growing sustainably by deepening customer relationships
- The ongoing investment into the business and the improvements to the operating model to enhance product offerings, the customer experience and its delivery
- The steps taken by the Group to play its part in moving fairly to a sustainable world, one of the three key tenets of the Group's Purpose
- The business plan that reflected the impact of geopolitical events in the year and a more challenging economic outlook

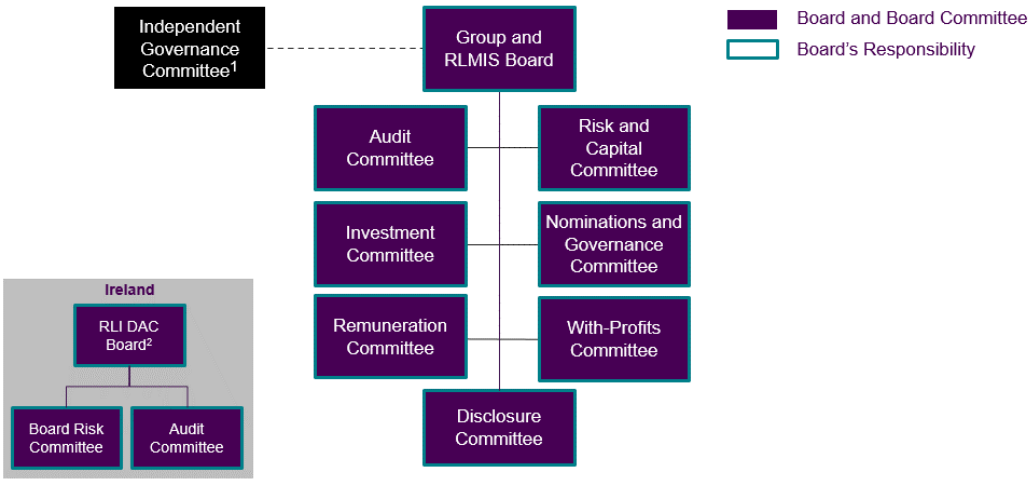
B. System of governance (continued)

- A review of the Royal London Investment Philosophy and Beliefs
- The review of various matters of strategic interest to Royal London, including opportunities for the Group in key segments such as Workplace and Individual Pensions, Protection and Later Life, including Bulk Purchase Annuities and Equity Release Mortgages
- The implementation of plans associated with the FCA's new Consumer Duty for the Group and its relevant subsidiaries
- The continued enhancement of the Group's technology systems and the focus on digital solutions to improve customer experience
- The maintenance of the Group's record of delivering creative and market-leading products for its members and customers to help them protect today and invest in tomorrow
- Succession planning and appointments to the Board and its Committees.

A description of the Board's framework and details on the Board evaluation, is on pages 69 and 89 of the 2023 ARA.

B.1.2. Board and Board Committee structure

The diagram below illustrates the Board and the Board Committees, including RLI DAC as at 31 December 2023.



[1] The Independent Governance Committee (IGC) is an independent committee that does not report to the Board, and has responsibilities set out in regulation to assess whether the Group is providing value for money for its workplace pension policyholders.

[2] Subsidiaries will take note of Group Board strategy but will otherwise be autonomous in managing company affairs.

Board Committees

Each Board Committee performs a function on behalf of the Board. The key responsibilities are summarised in the table below. Details of the Board Committee membership and significant matters the Committees considered in 2023 are on pages 81 to 97 of the 2023 ARA. Each committee's terms of reference contain details of responsibilities, and these are available on Royal London's website: www.royallondon.com/about-us/corporate-information/corporate-governance/.

Board Committee	Key responsibilities
Audit Committee	• Monitor the content, integrity and quality of the ARA and announcements relating to the Group's financial performance. • Review accounting matters requiring the exercise of judgement, including the valuation of actuarial liabilities for statutory and regulatory reporting. • Review the valuation of assets and areas of valuation uncertainty. • Monitor and review the effectiveness of the Group's internal controls over financial reporting. • Review the effectiveness of Group Internal Audit (GIA) and its reports on an ongoing basis.

B. System of governance (continued)

Board Committee	Key responsibilities
	• Oversee the relationship with the external auditor, including assessing its independence and objectivity, monitoring and approving non-audit services in accordance with the Group's policy, agreeing to the external audit fee and recommending the appointment of external auditors to the Board.

Risk and Capital Committee (RCC)	• Monitor compliance with the Group's Risk Management System, the Internal Control System (with the exception of Financial Reporting Data and Control Framework, which is reviewed by the Audit Committee), and the Capital Management Framework.
	• Review and confirm, subject to any required improvements:
	  • that the systems designed to ensure the Internal Model operates properly do so on a continuous basis; and
	  • the ongoing appropriateness of the design and operations of the Internal Model and that the model continues to reflect the risk profile of the Group.
	• Review the use of the Internal Model by reviewing the Annual Validation Report and in the event of insufficient use of the model, supervise remedial actions.
	• Annually review and approve the Group's capital management framework, including Pillar 2 methodology and capital risk limits.
	• Assess and advise on the Group's principal risks and uncertainties, and how these should impact the execution of the Group's strategy.
	• Annually review and recommend the Group's risk strategy, risk preferences and risk appetite statements to the Board for approval.
	• Steer how the ORSA is to be performed and undertake a robust assessment of the risk management framework and internal controls that enables the strategic, financial (other than financial reporting) and operational risks of the Group to be assessed and managed.
	• Annually review and approve the Group's recovery plan and resolution pack.
	• Oversee executive management's implementation of rectification plans for any breaches of risk appetite, notifying the Board of actual or likely material breaches based on limit triggers or other identifiers.
	• Recommend any proposed investments outside: approved asset classes for investment; delegated limits; policy; or risk appetite.
	• Advise on executive management's assessment of risks associated with proposed material strategic changes.
	• Annually recommend the Whistleblowing report and Whistleblowing policy.
	• Review and approve the Group Risk and Compliance (GR&C) annual work programme and any changes to the annual plan.

Investment Committee	• Periodically review the approach to investment in both existing and new investment asset classes, considering the interests of policyholders and members and any material environmental, social and governance matters. • Review and approve strategic asset allocations for all relevant funds, in line with the Strategic Asset Allocation Framework. • Review and approve investment decisions that have systemic implications for conduct risk. • Review investment decisions for consistency with the Group's Purpose. • Review and approve RLMIS's submission in respect of the UK Stewardship Code.
Nomination & Governance Committee	• Review the structure, size and composition (including the skills, knowledge and experience) of the Board, its Committees and the Group Executive Committee. • Nominate for Board approval candidates to fill vacancies on the Board, committees and Group subsidiaries. • Undertake succession planning for the Chairman of the Board, Executive Directors and Non-Executive Directors. • Ensure all Directors commit sufficient time to the Group. • Assess the independence of Non-Executive Directors. • Review and approve the Group's corporate governance framework.
Remuneration Committee	• Design the Group's Remuneration policy consistent with the Group's values and culture so as to promote the long-term success of the Group. • Determine the remuneration of the Group Chair. • Determine the remuneration-related arrangements for Executive Directors and designated employees. • Monitor and adjust the quantity and structure of remuneration for Executive Directors so as to attract, retain and motivate management of the quality required to run the Group successfully while avoiding overcompensating.
With-Profits Committee	• Advise the Board on how to allocate profits fairly by exercising independent judgement and considering the interests of all policyholders in the Royal London Group who are entitled to a share in the profits of the Group.

B. System of governance (continued)

Board Committee	Key responsibilities
	• Provide an opinion on any material discretionary actions with regards to with-profits funds having considered the opinion of the With-Profits Actuary. • Assess compliance with each with-profits fund's Principles and Practices of Financial Management (PPFM). • Assess investment performance reports and provide oversight to the way in which with-profits funds are invested and managed. • Review material communications and literature provided by Royal London to with-profits policyholders to ensure they are clear, fair and not misleading. • Assess whether the interests of with-profits policyholders, and the respective interests of different groups of with-profits policyholders, are fairly reflected in the management of the funds and PPFMs.
Disclosure Committee	• Approve the Group's quarterly SII Reporting, including Group and RLMIS reporting of the Quantitative Reporting Templates, Financial Stability Templates, Internal Model Output Templates, National Specific Templates and Standard Formula Templates, prior to submission to the PRA. • Following approvals by the Board subject to amendments to be made by the Committee, finalise and authorise the release of the annual report and accounts, results announcements and investor presentations, together with related commentary.

Executive management committees

The Group Executive Committee (GEC) is an executive forum established to support the Group Chief Executive Officer (Group CEO). All members of the GEC report directly to the Group CEO. Additional committees have been created to assist the Group CEO's decision making, as well as to monitor certain activities. The authority for these committees is defined by individual senior leaders, and the responsibility for any decisions remains with the accountable individual.

The Group CEO delegates certain responsibilities to their direct reports, who in turn may delegate authority to their direct reports or to others. These responsibilities are documented in role profiles and form part of the role each individual holds within the Group.

RLI DAC Board and Board Committees

RLI DAC was incorporated during 2018. It was authorised to write new life insurance business and service existing insurance business transferred from RLMIS in the Republic of Ireland by the CBI with effect from 1 January 2019.

RLI DAC has its own Board, which includes Executive and Non-Executive Directors. The matters reserved for the RLI DAC Board are consistent with the approach taken across the Group.

RLI DAC has established Board Committees to provide stand-alone governance and oversight within the Group's governance framework.

Further details of RLI DAC's governance structure can be found in section B of the RLI DAC SFCR.

B.1.3. Material changes in the governance structure

The terms of reference for both the Board and the Board Committees were reviewed in 2023 without material changes in the Governance structure.

Changes in Board membership in 2023 were as follows:

- Pars Purewal joined the Board on 8 February 2023
- Eithne McManus joined the Board 1 April 2023
- Shirley Garrood left the Board 6 June 2023
- Nicky Richards joined the Board 5 October 2023
- Lynne Peacock joined the Board 1 December 2023
- Sally Bridgeland left the Board 31 December 2023
- Ian Dilks left the Board 31 December 2023.

Further details of the current directors' names and biographies are in the 2023 ARA on pages 70 to 73 and on the Royal London website. This includes summaries of their experience and a note of their other significant commitments.

B. System of governance (continued)

B.1.4. Key functions

The SII regulations consider risk management, compliance, actuarial and internal audit functions to be key functions.

The Group's system of governance includes additional functions that are considered important to the sound, prudent and consistent management of risk and internal controls across the Group. In 2023, these functions include:

- Group Finance
- Group Legal
- Group Company Secretarial
- Group Technology and Operations
- UK Customer
- Group Commercial
- Group Transformation
- Group Brand and Marketing
- Group People

The functions are recorded on the Responsibilities Map referred to in section B.2.1. The functions may be identified as having one or more of the following characteristics:

- They are essential in allowing the Group to function with consideration for its business activities and risks.
- They are responsible for material financial risks within the Group.
- They contain a competence that is difficult to replace.
- They may pose a serious threat to the interests of the Group or policyholders if ineffective.

The main roles and responsibilities for each of the SII key functions are summarised below:

Key Function	Main roles and responsibilities
Risk	• Provides independent oversight and challenge over the identification, assessment and management of all significant risks. This supports the business in operating within the agreed risk appetite. • Designs and maintains the RMS, facilitating and overseeing its embedding. • Supports the Board in its ownership of the Internal Model, including testing and validation. See sections B.3 and B.4.1 for more detail.
Compliance	• Provides independent oversight and monitoring of regulatory compliance, which supports the business in managing its regulatory risk exposures appropriately. See section B.4.2 for more detail.
Actuarial	• Coordinates the calculation of technical provisions, provides opinions on the underwriting policy and reinsurance arrangements, and contributes to the effectiveness of the RMS. See section B.6 for more detail.
Internal audit	• Acts as the third line of defence in providing assurance and advice over the adequacy and effectiveness of the RMS and internal control system (ICS). This includes challenging first line management to improve the effectiveness of governance, risk management and controls. • Periodically reviews GR&C activity to assess its capability as a second line of defence. See section B.5 for more detail.

B. System of governance (continued)

B.1.5. Remuneration policy and practices

The key principles underlying the Group's Remuneration policy are to:

Align executives' interests with those of our members and customers	Performance-related incentive arrangements will be structured to align the interests of executives with those of members and customers.
Support delivery of the Group's strategy while ensuring adherence to the Group's risk appetite	Performance-related incentive arrangements will be structured to reinforce the achievement of the Group's strategy. The Remuneration Policy will have regard to the remuneration codes of all relevant regulators, including the PRA and FCA, as well as institutional investor guidance on remuneration governance best practice. The Committee will ensure that there is a careful balance between providing competitive pay and motivational incentives to drive performance while also ensuring the appropriate management of risk. Risk taking outside the Group's risk appetite is not rewarded, and the Committee will have discretion to reduce incentive amounts prior to payment to ensure they are appropriate. When assessing performance, the Committee will consider not just the measures and targets in the scorecard, but also wider views of Group performance, quality of earnings and the sustainability of performance before finalising awards.
Ensure remuneration is competitive for our markets to help the Group attract and retain talent	Total remuneration will be appropriately competitive to support the recruitment, retention and motivation of talented people, and to help the Group compete effectively with other leading UK life insurers and financial services companies.
To ensure fair outcomes for our people, members and policyholders	At Royal London, a Group Remuneration philosophy is operated which applies to the vast majority of its people, including executive directors. For executive directors, a significant portion of the overall remuneration package is variable based on the performance of the Group. This helps provide alignment between executive directors and the members.

The primary role of the Group's Remuneration Committee is to ensure that the Group's pay structure is fully aligned with the Remuneration policy's principles.

The Remuneration Committee members are Non-Executive Directors who are advised by independent remuneration consultants. The Committee understands its obligations to achieve an appropriate balance between risk and reward. It oversees the development of the remuneration policies and practices.

Full details of the principles of the Group's Remuneration policy and practices are included in the Directors' report on remuneration on pages 96 to 111 of the 2023 ARA. The report sets out the pay structure and includes fixed and variable components for the Board, together with the Executive and Non-Executive Director remuneration.

B.1.6. Transactions with shareholders and management

There were no material transactions between the Group and members of the Board or senior management in 2023, other than remuneration.

As a mutual, the Group has no shareholders. Value is returned to members and policyholders through:

- positive investment returns on policies
- payouts made to maturing policies during the year
- ProfitShare, ValueShare and reversionary bonuses.

ProfitShare allows Royal London to share its financial success with eligible policyholders. It is a discretionary enhancement to eligible customers with unit-linked or with-profits policies. The allocation is considered annually by the Group and depends on a number of factors. These factors include financial performance, capital position, the risks and volatility of financial markets and the Group's outlook.

ValueShare is a discretionary enhancement applied to unit fund values of eligible RLI DAC policies, by means of an allocation of part of RLI DAC's operating profit.

ProfitShare and ValueShare allocation to eligible policies for 2023 was £163m (2022: £155m) refer to section A.1.4 for further details.

There were no other transactions with the members or management of the Group during 2023, other than in their capacity as policyholders.

B. System of governance (continued)

B.2 Fit and Proper requirements

B.2.1. Skills, knowledge and expertise

The Senior Managers & Certification Regime (SM&CR) aims to strengthen individual accountability in regulated UK financial services firms.

The Group's SM&CR policy sets out the approach to managing and assessing employees in senior roles. The policy defines minimum standards for employees to follow, including a Fit & Proper (F&P) assessment. The Group is fully compliant with the SM&CR Regime and has provided a Responsibilities Map to the PRA and the FCA. The Responsibilities Map contains Senior Management Functions and Key Function Holders.

The Group's SM&CR policy defines the following requirements on skills and experience:

- Senior management and certified functions must meet the Fitness and Propriety policy standards before commencing their role. Ongoing compliance that standards are met is certified at least annually thereafter
- The Chair of each Group entity is accountable for ensuring that their respective Board has the relevant skills and training to exercise their duties. This includes ensuring that Non-Executive Directors are fit and proper to perform their role on an ongoing basis
- Senior Management Functions role holders are accountable for understanding their role and accountabilities under SM&CR. This includes compliance with the Conduct Rules, completing required training, and ensuring they have documented reasonable steps and frameworks
- Certified function role holders are responsible for ensuring that they have an up-to-date certificate at all times, informing the People function of relevant changes
- Where applicable, employees must comply with related policies and procedures to ensure competence, that Group standards are maintained, and performance is managed appropriately.

RLI DAC is required to comply with the detailed rules and standards pertaining to the CBI's Fitness and Probity Regime (Regime). The Regime applies to people in senior positions, referred to as Controlled Functions and Pre-Approval Controlled Functions. The Regime requires people in scope to:

- continually satisfy the minimum criteria on competence and capability
- act honestly, ethically and with integrity
- be financially sound.

B.2.2. Assessing fitness and propriety

The Group adopt appropriate systems and controls for the recruitment and ongoing assessment of any individual in the Group to meet the PRA's and FCA's F&P criteria.

The processes include assessing the required qualities of a person, both in terms of professional competence and personal propriety. Professional competence is based on the person's experience, knowledge and professional qualifications. Competence is also based on whether they have demonstrated due skill, care, diligence and compliance with relevant standards in the area they have worked. The person should be of good reputation and the assessment includes obtaining relevant regulatory references. The Group also seeks external evidence to demonstrate an employee is financially sound and does not have any unacceptable criminal convictions.

At Board level, the Nomination & Governance Committee ensures there is a rigorous procedure for appointment to the Board and is responsible for evaluating the Board's skills, knowledge and experience. The Nomination & Governance Committee's responsibilities are set out on page 87 of the 2023 ARA.

At a functional level, there is an appropriate recruitment process for all roles, including senior management roles. The processes that operate before and during a person's employment include, but are not restricted to:

- Identity checks
- Previous employment references
- Financial checks
- Criminal record checks
- Politically exposed persons and sanctions checks

B. System of governance (continued)

- Verification of qualifications and satisfactory personal and professional references.

The Group also carry out continual assessment of employees. At a functional and local level, there are performance appraisal processes in place to assess the F&P requirements on an ongoing basis.

RLI DAC follows set procedures relating to the appointment of individuals to Controlled Functions in line with the Regime. These include checks that the person possesses the level of competence, knowledge, experience and appropriate qualifications for their roles. The procedures are carried out at the point of recruitment and annually so that they remain fit and proper for their role.

B.3 Risk management system (RMS) including the Own Risk and Solvency Assessment (ORSA)

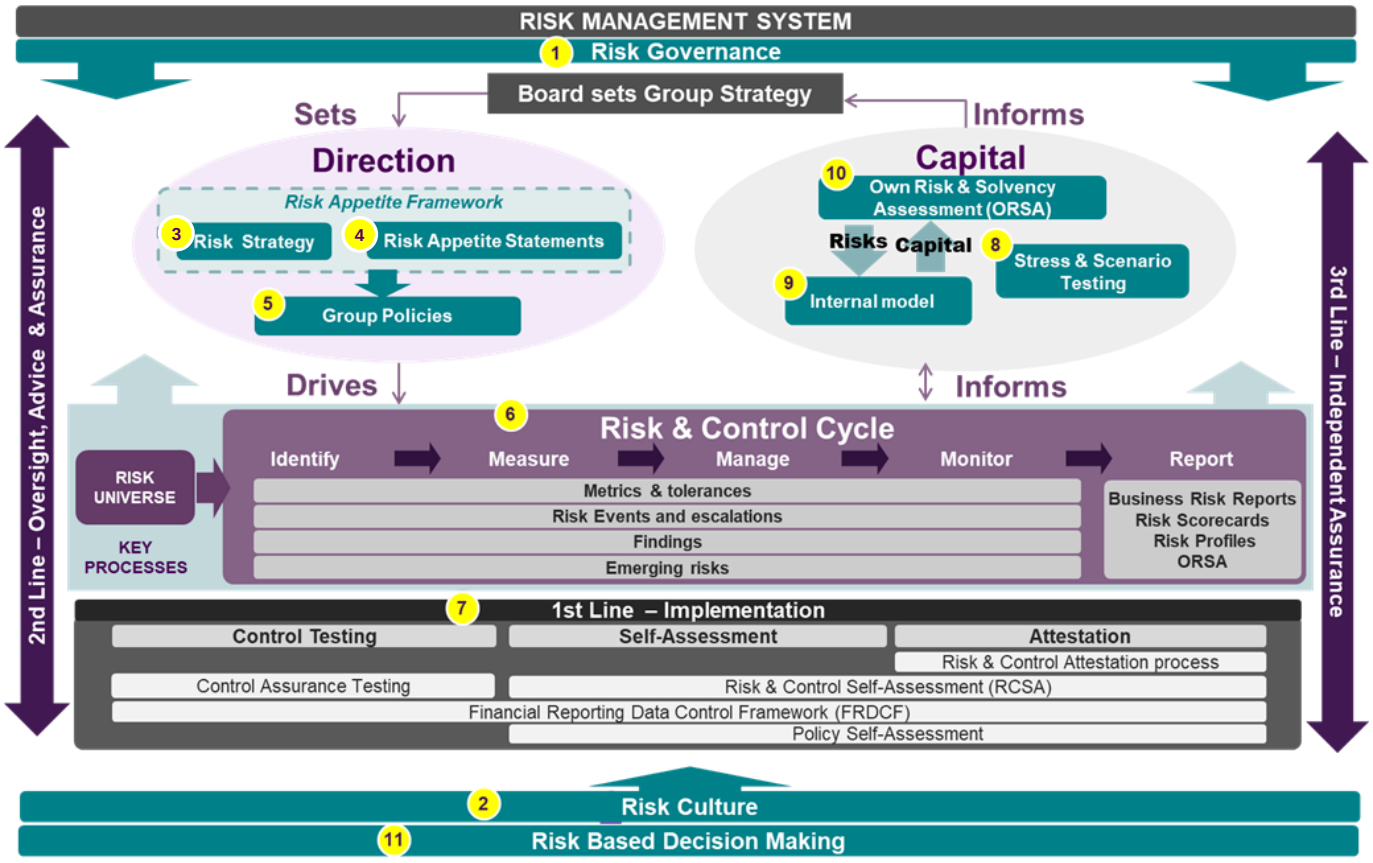
B.3.1. Risk management strategies and processes

The Board oversees that senior management implement Group policies, deliver the business plan within risk appetite and manage the risk profile. This is achieved by implementing robust risk management and internal control systems. The 2023 ARA describes the systems in detail on page 61.

The RMS enables the Board to gain assurance that:

- the risks faced by the Group are being appropriately identified and managed within risk appetite
- risks that may result in significant financial loss or reputational damage are being mitigated
- the achievement of the Group's objectives is not undermined by unexpected events.

The Group operates a three lines of defence model that defines ownership and responsibilities for risk management. Primary responsibility for managing risks lies with business units and Group functions. GR&C is a second line function within Royal London, independent of the first line, which provides specialist advice, oversight, challenge and assurance. GIA is a Group-wide independent internal audit function, which provides assurance and advice and has a reporting line independent of executive management. The diagram below provides an overall view of the RMS and its interaction with the capital management framework.



B. System of governance (continued)

The Group's Risk Management policy supports the implementation of the RMS and its components. The sections below provide more detail on the RMS components and how these are integrated into the organisational structure.

(1) Risk governance

Risk governance applies corporate governance principles to manage risks within the risk appetite set by the Board. The Board, committees and individuals with appropriately delegated authority make decisions on risk. Policies, systems and controls support and inform decision-making. A formal governance structure of committees is in place to manage risk reporting to the Board. Risk committees at functional and Group levels oversee risk and the associated management actions.

(2) Risk culture

People at all levels of the organisation engage in risk management. There is a strong 'tone from the top' on the importance of effective risk management in day-to-day activities and decision making. Senior management are accountable for risk management in their functions.

Risk appetite framework

The risk appetite framework consists of the risk strategy, risk appetite statements, metrics and tolerances. The Board sets and approves the Group risk appetite framework based on the RCC's recommendation. The risk appetite framework and the high-level appetite categories are set out on page 61 of the 2023 ARA.

RLI DAC has its own risk appetite framework, which is set and approved by the RLI DAC Board. RLI DAC's risk appetite framework is tailored to provide context for day-to-day monitoring of risk exposure, and it maintains its risk appetite in line with that of the Group.

The key metrics and associated tolerances help the Group and its functions monitor their position against risk appetite. The RCC and RLI DAC Board Risk Committee receive regular management information (MI) detailing actual risk positions against the risk appetite targets and limits.

(3) Risk strategy

The risk strategy sets out how the Group approaches and manages the risks it is exposed to in the pursuit of its business objectives. Risk strategy statements are designed to clarify the types of risks the Group wishes to take or not in line with the Group's strategy. They help to define risk preferences, which describe the extent to which the Group seeks, manages or minimises certain risks.

(4) Risk appetite statements

Risk appetite statements set out how much risk the Group is prepared to take and why in relation to the risk strategy. The Board recognises that a well-defined risk appetite supports business decision making, planning and risk management.

The risk strategy, risk preferences and risk appetite statements are used to help make key decisions relating to risk and capital management. This includes business planning, mergers and acquisitions, project and resource prioritisation, and product design and pricing.

(5) Group policies

Group policies define the standards for effective risk management. Policies are regularly reviewed to reflect the changing commercial and regulatory environments, any organisational changes and emerging best practice. The principal risks facing the Group are set out on pages 62 to 66 of the 2023 ARA.

Group policies define the approach and the minimum control standards for managing significant risk exposures. This is explained further in section C – Risk Profile.

RLI DAC maintains its own set of policies. It must review these policies on an annual basis under the CBI corporate governance and SII governance requirements. Its policies align to the Group's policies but are subject to different local regulatory and business requirements.

(6) Risk and control cycle

a) Risk universe

The RMS contains a common categorisation of risks defined in its risk universe. The risk universe enables the business to identify and understand the key risks to Royal London.

b) Risk identification and assessment

The Group operates a risk identification and assessment process to regularly consider changes to the risk exposure, including risks to key processes operated within the business. The assessment process evaluates the risks that are inherent in products as well as those that are caused by changes in the environments in which the Group operates.

The Group's risk identification and assessment process forms part of the Group's broader ORSA. The ORSA process is designed to evaluate the resilience of the Group's balance sheet to a range of market conditions and external events. The ORSA process is also designed to monitor target levels of capital.

B. System of governance (continued)

c) Risk management and monitoring

The Group uses measures that are key risk indicators to assess risks against the risk appetite. Legal entity or function-specific measures are in place, allowing different risk profiles to be monitored effectively. This information allows management to understand whether a risk has crystallised or whether the probability of it crystallising is decreasing or increasing and take early mitigating actions. The Group uses a range of risk management techniques to manage and mitigate risks, controlling risk exposures in line with risk limits. These mitigating techniques are described in more detail in section C – Risk Profile.

d) Risk management information and reporting

The Group structures its MI to enable all significant risk positions to be monitored. Actual risk exposures and capital positions are compared to tolerances that are established as part of the risk appetite framework.

(7) Implementation and assurance

The Group operates a three lines of defence model in line with industry standards as described on page 59 of the 2023 ARA. This provides assurance to the Board that the RMS, together with the ICS (see section B.4), has been designed, adhered to and maintained. Risk assurance activities also help to identify deficiencies or limitations that require mitigating actions so that the RMS is aligned with external best practice.

A programme of risk assurance is in place to demonstrate that the RMS has been designed and is operating effectively, and to identify potential improvements. This includes several components that involve all three lines of defence:

- Group policy owners must review the extent to which their policies have been implemented by the business
- The Risk and Control Self-Assessment (RCSA) process requires managers to assess their own risk management and control processes
- The Financial Reporting Data and Control Framework (FRDCF) provides assurance over the effectiveness of the financial reporting control environment. FRDCF includes control self-assessment, management attestation and control testing
- The risk and control attestation process requires executive management to declare effective RMS operation in their area
- First line testing teams carry out RMS control testing using a risk-based approach.
- The Group Chief Risk Officer (CRO) works closely with the RCC and the Board on describing acceptable risk taking and overseeing the effective operation of the risk and capital framework. GR&C provides objective advice and guidance on a range of risk matters to business managers, including product development and business transactions. GR&C also plans and carries out reviews on compliance with regulatory requirements and on adherence to the RMS
- GIA periodically reviews GR&C activity to assess its capability as a second line of defence. GIA also reviews the adequacy of risk management and associated internal control activity.

(8) Stress and scenario testing

Various stress and scenario tests are performed to better understand the nature of risks and to identify weaknesses in the management of risk. This may involve specialist areas such as GR&C and the actuarial function, who will assist in providing test scenarios and metrics. These include reverse stress tests, which consider circumstances that could result in failure of the Group's business model. Stress testing and scenario analysis are described further in section C – Risk Profile.

(9) Internal Model

The Internal Model reflects processes, systems and calculations that allow the Group and RLMIS to control the risks they face. It also enables them to quantify the capital needed to support those risks.

GR&C owns and performs the validation activity over the Internal Model. Further details of the validation activity are presented in section B.3.3.

(10) Own Risk and Solvency Assessment (ORSA)

The ORSA is described in section B.3.2.

(11) Risk-based decision making

The role of the ORSA in informing decision making is described in section B.3.2.

To support the Board and Committees with risk-based decision making, risk information must be provided by the business. For key decisions, the Internal Model should be used where possible to quantify the impact.

B. System of governance (continued)

B.3.2. Own Risk and Solvency Assessment

The ORSA process is connected to the business planning process and is conducted as part of the overall governance and control system. A Group ORSA is produced that covers RLMIS. RLI DAC produces its own ORSA as a separate insurance entity.

The ORSA tests the business strategy against risk and capital appetite through rigorous business-relevant stress and scenario testing. The results are then fed back into decision-making processes so that the residual risk remains within risk appetite.

The ORSA is based on a range of inputs, processes and outputs as illustrated in the diagram below.

The key findings, results and conclusions are reported to the Board. The Board reviews and approves the ORSA on an annual basis. The Group considers the completion of an annual ORSA appropriate given the stable nature of the risk profile. Although the ORSA process will be refreshed in the event of a significant change to the risk profile.

The Group will consider the actual capital level compared to target or movements in the Group's own funds when determining distributions to policyholders. The target is set in line with the capital management framework. The ORSA is governed by the ORSA policy which is reviewed every 12-18 months so that it remains fit for purpose and complies with the relevant requirements.

All elements of the ORSA were considered during the course of the year. The Group submitted the most recent ORSA document to the PRA in February 2024.

The ORSA is conducted and integrated into the organisational structure by engaging key people in assessing and challenging its key findings:

- Each key function or area provides data required for the ORSA process. The data inputs must be consistent with the Financial Reporting Data Quality Standards (part of the Data Quality Framework). These standards specify that the data supplied must be appropriate, complete and accurate, and meet SII data quality requirements
- Six main steps are performed to assess the inputs and complete the ORSA. Each process needs to be documented in full, both providing a record of the process followed and supporting the drafting of the ORSA report
- The key findings, results and conclusions feed into reports to the RCC and the Board for their challenge and approval. The report is also distributed to other key stakeholders. In addition, a record of the ORSA process is maintained to provide evidence of the process performed.

The conclusions of the ORSA report cover the following key themes:

- Performance of stress and scenario testing, to examine the robustness of the Group's capital position to a variety of market, insurance and operational risks. Each of the severe but plausible ORSA scenarios tested demonstrate the resilience of the capital position on both Investor and Regulatory metrics
- Evaluation and commentary against each of the key aspects of the Group's risk profile, relative to the Group's risk appetite framework and capital management framework approved by the Board
- Verification of whether the Group has operated within its risk appetite and capital requirements. For example, that the Group has continued to meet its solvency requirements throughout the year.

B. System of governance (continued)

The RCC reviews all material prior to submission to the Board and reviews and challenges the scenarios produced including any management actions that might be assumed.

B.3.3. Internal Model governance

The Group's Internal Model Governance policy sets out the key roles and responsibilities relating to governance of the Model, as summarised below.

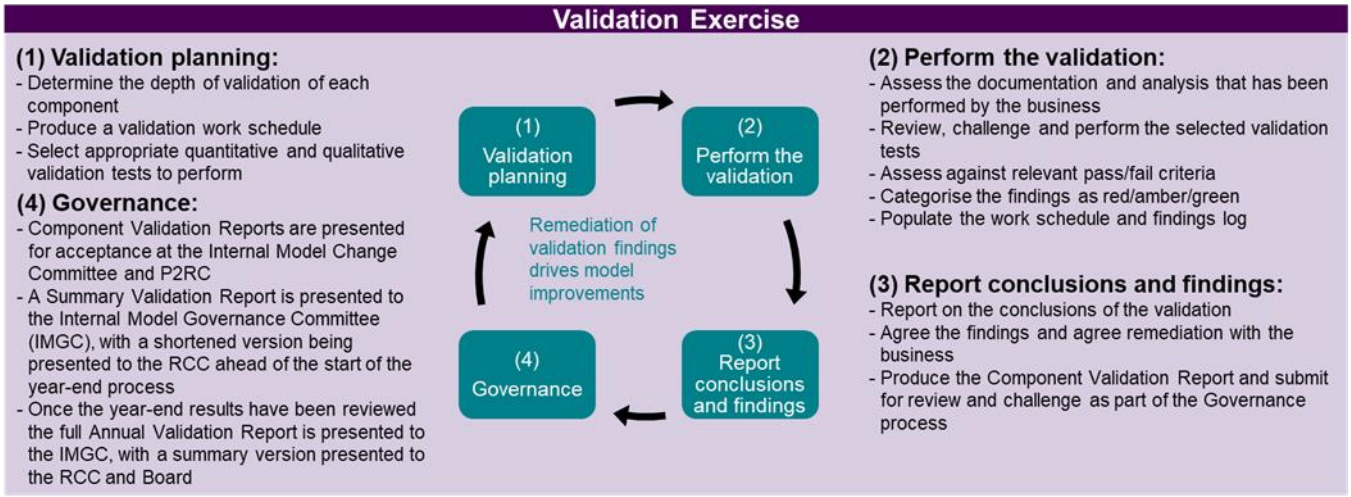
Role	Key responsibilities
Board	• Approve applications to the PRA for major changes to the Internal Model (including those arising from an accumulation of minor changes). • Review, at least annually, and being satisfied, subject to any improvement required, the systems for ensuring that the Internal Model operates properly on a continuous basis. • Review, at least annually, and being satisfied, subject to any improvement required, with the ongoing appropriateness of the design and operations of the Internal Model and that the model continues to reflect the risk profile.
RCC	• Review and confirm, subject to any improvement required, that the systems designed to ensure that the Internal Model operates properly do so on a continuous basis. • Review and confirm, subject to any improvement requirements, the ongoing appropriateness of the design and operations of the Internal Model and that the Model continues to reflect the risk profile. • Review the use of the Internal Model by reviewing the Annual Validation Report and in the event of insufficient use of the model, supervise remedial actions.
Group Chief Risk Officer (CRO)	• Management of the Internal Model, including its design, operation and validation, ensuring that the Internal Model appropriately reflects the Group's risk profile.
Group Chief Financial Officer (CFO)	• Financial and actuarial modelling used in the Internal Model and the underlying systems.

The following management committees support these roles and responsibilities:

Role	Key responsibilities
Internal Model Governance Committee	Forum for the Group CRO and Group Chief Actuary to: • discuss, and make decisions within their delegated authority, on all aspects of the Internal Model • review, challenge and approve overall design, implementation and performance of the Internal Model, including scope and application • escalate risks and issues to RCC where appropriate.
Internal Model Change Committee	Forum for the Group Chief Actuary to: • discuss, and make decisions on the changes to the Internal Model in line with the Internal Model Change policy • review risk calibrations, address feedback from the Internal Model validation and review SCR results.
Pillar 2 Review Committee	Forum for the Internal Model Director to: • review and approve Pillar 2 documentation • address feedback from Internal Model validation on Pillar 2 matters • carry out the specific duties set out in the Internal Model change policy.

B. System of governance (continued)

GR&C completes an annual validation of the internal model. The diagram below describes the validation activity.



B.4 Internal control system

B.4.1. Internal control system

The ICS is designed to provide reasonable assurance over the effectiveness and efficiency of the Group's internal control environment. The ICS supports the RMS with methods and processes to achieve:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations.

The diagram below illustrates the key ICS elements:

B. System of governance (continued)

The ICS is supported by the Risk Management policy, and its components are explained further below:

Component	Description
RCSA	RCSA is an ongoing process performed by first line business management across the Group. It provides a systematic approach for: • identifying and assessing risks and contributing factors to weaknesses that could prevent the Group achieving its objectives • clear oversight of the control environment to enable the Group to operate and evidence effective controls. Combined with control testing and attestation, the RCSA validates those processes are operating effectively. It also enables timely identification of potential failure to control risk, potential gaps or inaccurate data in the ICS. The RCSA forms an input to the annual review by the Board and Audit Committee on the effectiveness of internal controls.
Financial processes	Group Finance is responsible for regularly assessing the control environment over Finance and Actuarial activities which could affect the Group's financial position. FRDCF and RCSA provide assurance over this regular assessment. The activities include internal and external financial reporting, management of payments and receipts, tax management, valuation of assets and liabilities, and compliance with relevant regulatory standards and law. Group Finance activities include establishing appropriate controls over: • the production of accurate and timely financial MI, reports, and the monitoring of these both within Group Finance and from the appropriate data sources • the calculation, use and reporting of technical provisions and capital • the valuation and reporting of assets • the distribution of surplus • actuarial models, including valuation models. Group Finance is also responsible for monitoring and reporting Group-wide capital levels on both a regulatory and investor basis.
Policy self-assessment	Once a policy is communicated and implemented, business areas impacted by the policy are required to self-assess the level of embedding and compliance with each of the policy requirements. As part of the annual assessment, all functions are required to: • provide a self-assessment rating • justify the rating, supported by evidence • have action plans in place to address any gaps against requirements. Executive policy owners, supported by policy content owners (subject matter experts) are responsible for reviewing and challenging the self-assessment and reporting findings to the Policy Governance Forum and the Group Executive Risk Committee.
Delegation of authority	The Board delegates executive management of the Group to the Group CEO, who may further delegate to their direct reports. See section B.1.2 for further details on the delegation of authority. Levels of delegation principles are set out in role profiles and monetary authority limits.
Risk events and escalations	The Group has an escalation process to capture, communicate and respond to the most significant risk events. This includes events where a breakdown in controls has led to significant loss, customer impact, regulatory censure and/or reputational damage. The significance of each risk event and escalation is based on an assessment, which includes the number of customers impacted and the potential or actual customer detriment. Material breaches to regulation are notified to the appropriate regulator.
Compliance framework	The compliance framework is in place to: • safeguard the Group, its customers, members, reputation and assets • help the business achieve its objectives. This is done by creating a culture of compliance with regulatory requirements and identifying and mitigating regulatory risk. See section B.4.2 for further detail on the compliance framework and function.

B. System of governance (continued)

GR&C provides independent oversight and challenge of the RCSA. GIA performs independent assurance activity by testing and validating the internal controls. GIA provides a view of the ICS effectiveness to the Board. The Audit Committee and RCC perform an annual joint review of the GIA and GR&C assurance plans.

B.4.2. Compliance function

GR&C provides oversight and challenge on appropriate regulatory and operational risks to ensure that the Group is aware of, manages and where appropriate, mitigates risks in line with its risk appetite. The team provides advice, guidance, independent challenge and oversight to the business, whilst also providing assurance to the Board.

The Group Compliance Function (GCF) works within agreed and specified regulatory responsibilities and is the key point of contact with all regulators. All monitoring and oversight processes follow established and consistent practices.

GR&C's Internal Model team oversees and monitors Solvency II compliance. This forms part of GR&C's overall responsibilities for overseeing and monitoring compliance with all applicable laws and regulations, including the conduct responsibilities. The first line is responsible for implementing controls to manage and mitigate regulatory risks.

RLI DAC has a dedicated Head of Compliance who is responsible for the Company's compliance function and for monitoring compliance with the Company's regulatory obligations in the Republic of Ireland (including SII requirements). The RLI DAC Head of Compliance is also the key point of liaison with the CBI in the Republic of Ireland and other relevant Irish and EEA regulatory authorities.

B.5 Internal Audit function

B.5.1. Overview

The Group operates a Group-wide internal audit function. GIA's primary role is to help the Board protect the assets, reputation and sustainability of the organisation. GIA operates as the third line in the three lines of defence model. GIA provides independent assurance and advice on the effectiveness of the Group's risk management, governance and internal control processes.

GIA reports to the Group Audit Committee and relevant subsidiary designated Board Committees throughout the year. In doing so, GIA summarises the results and analysis of audit activity in the preceding period.

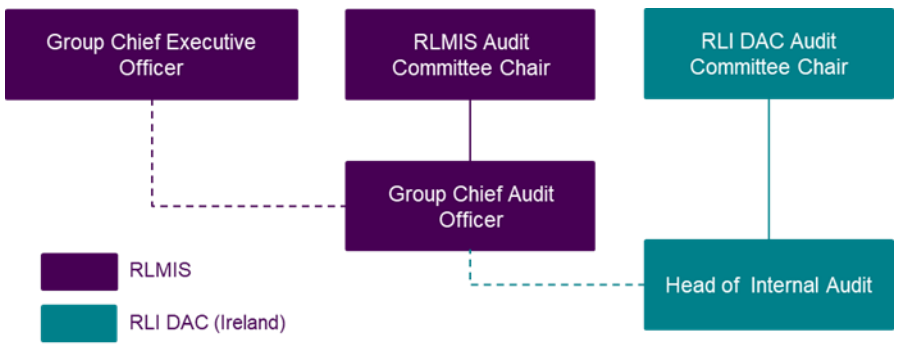
GIA also provides an annual assessment of the adequacy and effectiveness of the ICS and other elements of the system of governance, including the RMS.

The internal audit function of RLI DAC is outsourced to a Head of Internal Audit within GIA, who reports directly to the RLI DAC Audit Committee, with a functional reporting line to the Group Chief Audit Officer.

B.5.2. Independence and objectivity

GIA is independent of all the Group's functions, including GR&C and Finance. All functions may be subject to internal audit.

The diagram below illustrates GIA's organisational structure and reporting lines.



B. System of governance (continued)

B.6 Actuarial function

The actuarial function (as defined by SII) for the Group and RLMIS sits within the Group Finance function. It is led by the Group Chief Actuary who reports to the Group CFO.

The actuarial function is responsible for the following key tasks:

- Oversight of the calculation of technical provisions
- Expressing an opinion on the adequacy of reinsurance arrangements
- Expressing an opinion on the overall underwriting policy
- Contributing to the RMS.

The actuarial function for RLI DAC performs similar key tasks to those of the Group and RLMIS. RLI DAC has access to all the relevant expertise within the Group. RLI DAC's Chief Actuary, referred to as the Head of Actuarial Function, reports to the RLI DAC CFO.

B.7 Outsourcing

B.7.1. Outsourcing of critical operational functions

In line with other large financial services organisations, the Group has a number of material relationships with outsourcers and suppliers. An outsourcer is a third party hired by the Group to perform an operational process, service or activity that could realistically be performed in house by the Group's own people. This excludes short-term engagements of less than a year. Supplier is the term given to all "non-outsourcer" third parties from whom the Group procures services or products.

The Group's material outsourcers and suppliers include service providers for:

- Policy and investment administration
- Customer administration, support and complaints handling
- IT services
- Actuarial modelling
- Printing/mailing services
- Intragroup arrangements.

Service providers for these activities are based across a range of jurisdictions, including but not limited to the UK, US, India, Germany, Australia, South Africa and Ireland.

These partners provide common processes that are often used across multiple clients. This provides an economical solution to the Group as well as offering several further benefits. These include minimising fixed costs as policies run off and improving the technology used within the Group's administrative capability. While these organisations complete processing or specialist work, the Group remains responsible for the oversight, management and performance of the activity.

Key roles such as finance, actuarial, risk and compliance, and oversight of these partners are performed in house. This enables the Group to retain control over the core capabilities necessary to manage its business objectives effectively.

The framework for the governance and oversight of material outsourcer and supplier arrangements (categorised as Tier 1 and Tier 2) is set out on page 65 of the 2023 ARA.

B. System of governance (continued)

B.7.2. Procurement and Third-Party Management policy

The Group has a Procurement and Third-Party Management (PTPM) policy that applies to the setting up and ongoing management of all material outsourcers and suppliers across the Group.

The policy aims to ensure that the Group is effectively managing its material relationships in a way that:

- manages risk and cost, whilst seeking to ensure value to the Group and its members
- complies with all applicable outsourcing and third-party risk management regulations
- safeguards Royal London's customers and operations from supply chain disruption.

The policy supports the Group in managing outsourcing risk within its appetite. The policy defines a standardised framework for the oversight and monitoring of supplier performance across the Group's key risk areas.

The policy requirements include key controls designed to satisfy the most recent industry regulations, including FCA and PRA rules and SII regulations. The relationship owners for material outsourcers or suppliers are accountable for ensuring that these controls are effectively implemented. They must attest that these controls are in place and effective on an annual basis.

The Group has developed a segmentation tool, which uses a scoring mechanism to identify all material relationships and a risk assessment against the Group's ten risk categories. The segmentation tool scores all of the Group's outsourcers and suppliers against spend, value generation, and ten risk categories. The outputs enable the Group to categorise its outsourcers and suppliers into four Tiers. All those aligned to Tier 1 and Tier 2 require full compliance with the PTPM policy.

The segmentation process is completed at the start of the sourcing cycle before the Group enters into a contract with a new third party. Segmentation is updated if a material change is made to the arrangement or contract.

Intra-group outsourcing arrangements

Within the Group there are various intra-group outsourcing arrangements. The most significant of these are:

- RLAM, which provides asset management services to the Group
- RLMS, which provides administration services to the Group
- RLMIS IT, which provides workplace and politically exposed persons and sanctions screening services to RLAM and Royal London Unit Trust Managers Ltd.

The entities are within the Group's control. They are covered directly by the Group's governance, risk management framework and control environment. For the intra-group outsourcing services, the Group takes full responsibility for oversight and control of the function, and the service or activity is managed in a robust manner.

B.8 Any other information

The Group monitors and assesses its system of governance on an ongoing basis as described in the sections above.

The Board is responsible for oversight of the system of governance. The Board considers the system of governance is effective in enabling the sound and prudent management of the business. The Board also considers that the system of governance is adequate to meet the SII requirements as described in the above sections.

C. Risk profile

Plain English introduction

Managing risk is fundamental to achieving the Group's aim of generating returns for policyholders. The Group has a system in place to identify, manage, monitor and report risks. This system is supported by risk tools and processes such as contingency planning, escalation of events, assessing scenarios and reverse stress tests.

This section contains a description of the Group's risk profile, including separately for each category of risk:

- Risk exposure.
- Risk concentration.
- Risk mitigation.
- Risk sensitivity.

The Group's risk profile is stable and generally changes only marginally from year to year.

Unless otherwise stated, the risk profile is consistent across the Group and RLMIS.

The Group accepts the risk of managing its business as a financial service provider. The Group uses the RMS to manage risk. The Group has a set of risk preferences that define the types of risk the Group seeks, manages or minimises. This forms the direction of the Group's RMS and the elements that make up the ICS. The system is designed to manage and mitigate the risks of failure to achieve business objectives, so that the Group is well capitalised. The material risks faced by the Group are:

- Underwriting risk
- Market risk
- Credit risk
- Liquidity risk
- Operational risk
- Other material risks, including strategic and emerging risks.

The undiversified SCR of the Group and insurance entities as at 31 December is shown below.

		2023			2022		
Risk profile	Section reference	Group	RLMIS	RLI DAC	Group	RLMIS	RLI DAC
Underwriting risk[1]	C.1	**50%**	**51%**	**78%**	50%	50%	79%
Market risk	C.2	**33%**	**34%**	**11%**	33%	35%	7%
Credit risk	C.3	**4%**	**4%**	**6%**	4%	5%	8%
Operational risk	C.5	**10%**	**11%**	**5%**	10%	10%	6%
Other risks[2]	C.6	**3%**	**–**	**–**	3%	–	–
Total		**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

1 The Group uses the term 'insurance risk' to refer to 'underwriting risk'. This term is used throughout section C.
2 This is the Group's capital requirements relating to the non-insurance entities.

The Group does not hold SCR for liquidity risk for the reasons explained in section C.4.

The Group and its insurance entities are exposed to similar risks. However, the extent of exposures varies depending on the nature of business written by each insurance entity and the associated assets held.

Sections C.1 to C.6 set out a description of the material risks that the Group and the insurance entities are exposed to. This includes the risk concentrations, risk mitigation techniques and sensitivity analysis for each material risk.

C. Risk profile (continued)

C.1 Underwriting risk

The Group uses the term 'insurance risk' to refer to underwriting risk. The Group defines insurance risk as the inherent uncertainties relating to the occurrence, amount and timing of insurance liabilities. Insurance risk within the Group mainly arises through its life assurance and pension products because of:

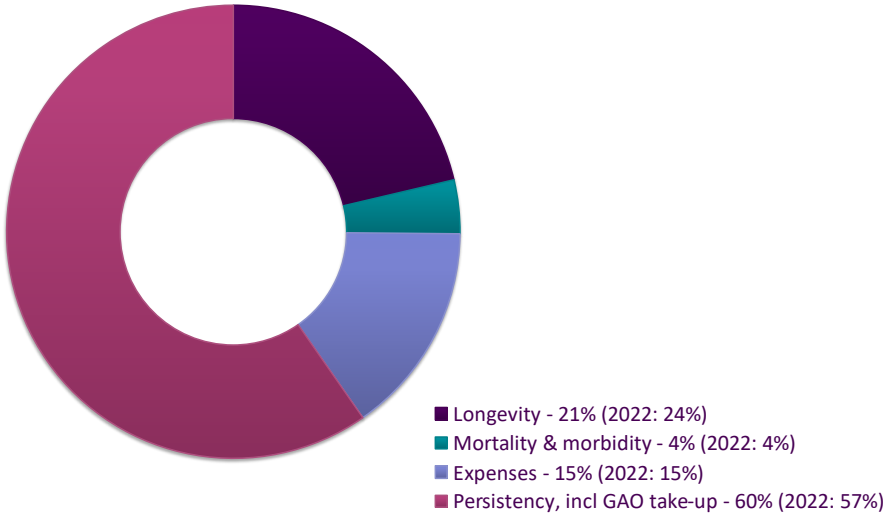
- changes in the following material sub risks: persistency, Guaranteed Annuity Option (GAO) take-up rates, longevity, mortality, morbidity or expenses
- inappropriate product design, pricing or selling
- erroneous interpretation of past demographic experience or erroneous calculation of assumptions.

C.1.1. Insurance risk exposure and material changes over the reporting period

The Group's exposure to insurance risk and a description of the sub risks are set out on pages 195 to 197 of the 2023 ARA.

The chart below illustrates the split of the Group's insurance risk capital as at 31 December 2023 before diversification between risks.

Group Insurance risk capital as at 31 December 2023



This chart shows that the Group has a diversified insurance risk exposure with the capital being spread over a variety of insurance sub-risks.

The Group's insurance risk portfolio is relatively mature. The profile generally changes gradually from year to year, with a shift from older savings products towards new protection and pensions business. This trend tends to increase persistency and expense risk. No material changes have been made to the Group's reinsurance strategy or its underwriting standards.

C.1.2. Measures used to assess the risk profile

Insurance sub risks are assessed and monitored using a combination of measures. For example, the Group calculates its capital requirements by looking at the sensitivity of its insurance liabilities to changes in insurance risk exposure.

The main measures are the impacts on:

- Regulatory liabilities (i.e. those in SII annual returns)
- Regulatory capital (i.e. the calculation of required capital amounts under SII, using the approved Internal Model)
- The profitability of new business (i.e. changes due to new business mix and volume)
- Demographic and expense experience analysis (i.e. comparing actual experience to the assumptions used).

There have been no material changes to the measures used to assess insurance risk over the reporting period.

C. Risk profile (continued)

C.1.3. Insurance risk concentration

The Group's approach to concentration risk is outlined on page 196 of the 2023 ARA. The Group seeks to mitigate excessive concentrations of risk through a diverse portfolio and limits on retained risk (including limits on individual lives).

Although the Group's portfolio of employer-sponsored pension schemes includes some large schemes, none of these represent an excessive percentage of the relevant portfolio.

The Group's diverse portfolio of business helps mitigate concentration risk across sectors. This includes the extent to which legislative changes affecting the pensions business could result in a marked worsening in persistency. Another potential area of concentration is the reliance of the Group on new business from key adviser networks. However, this is not considered to be material.

C.1.4. Management and mitigation of insurance risk

Insurance risk is mitigated, monitored and managed by various business areas. A specialist area in the People function, supported by external advisers, manages risk relating to the Group's final salary pension schemes.

Insurance risks are managed through:

- the policy framework, guidelines, limits and authority levels for concluding insurance contracts, assuming insurance risks and handling insurance claims
- regular monitoring of actual exposures compared to agreed limits so that the insurance risk accepted remains within risk appetite
- using reinsurance to mitigate exposures in excess of risk appetite, to limit the exposure to large single claims and catastrophes and to alleviate the impact of new business strain
- diversifying business over several classes of insurance and over large numbers of individual risks to reduce variability in loss experience
- control over product development and pricing.

Further detail is set out in the 2023 ARA on pages 195 to 197.

The Group does not make use of Special Purpose Vehicles to mitigate insurance risk.

The effectiveness of these risk-mitigation techniques is also monitored through the Group's Insurance Risk policy review process. The policy provides guidelines on the management approach, governance arrangements and the minimum standards for managing insurance risk. The policy owner must make sure that the policy is reviewed and implemented appropriately within the Group.

The Group monitors the effectiveness of its reinsurance arrangements by managing:

- counterparty risk: covering limits on exposure to reinsurance entities or groups as well as ensuring current and prospective reinsurers meet the minimum financial strength criteria
- contracts in existence: covering contractual amendments, the adherence to existing treaties and the production of reinsurance MI. For management of existing contracts, the Group benefits from having experienced professionals who have worked for both insurers and reinsurers
- new reinsurance transactions: covering the governance approving all new reinsurance contracts and the type and rationale for entering into an arrangement. It also covers whether to:
  - facilitate competitive new business pricing and/or more efficient capital usage; or
  - extract value from existing business through reducing reserves and/or reducing risks on the Group's balance sheet.

C. Risk profile (continued)

C.1.5. Insurance risk sensitivities

The Group routinely assesses the sensitivity of its capital approach to changes in various insurance risks. The liabilities are recalculated by changing each assumption in isolation. The Group also considers the impact of a number of insurance risk scenarios on the SCR. Further details of the results of the stress testing and sensitivity analysis are provided in section C.7.2.

C.2 Market risk

The Group defines market risk as the risk that fluctuations in asset values, asset income, interest or exchange rates cause the value of the Group's assets and liabilities to diverge. For unit-linked business, the majority of this risk rests with the customer.

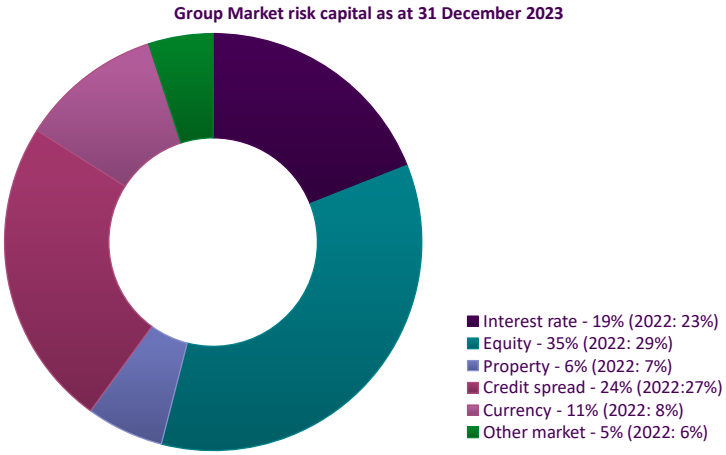
C.2.1. Market risk exposure and material changes over the reporting period

The Group's exposure to market risk arises principally from the following sub risks: equity, property, interest rate, credit spread, and currency.

The Group's exposure to market risk and associated management strategies are set out in more detail on pages 197 to 199 of the 2023 ARA.

The Group uses derivatives to mitigate certain market risks such as equity, interest rate, inflation and currency risks. This reduces the overall exposure as the values of derivatives and associated liabilities move consistently with each other. The Group makes little use of derivatives for other purposes. The use of derivatives generates other types of risk such as counterparty risk, but this additional risk is outweighed by the reduction in overall market risk.

The chart below illustrates the split of the Group's market risk capital as at 31 December 2023, before diversification between risks.



The chart shows that the Group has a diversified market risk exposure with the capital being spread over a variety of market sub risks.

C.2.2. Measures used to assess the risk profile

Market risk is assessed using several measures. The impact on Value at Risk (measuring the capital required to withstand a 1-in-200-year event) is assessed for the different major types of market risk. The Group also assesses the impact on the Group's excess capital this way. The Group uses sensitivity testing and scenario analysis to assess the impact on these measures of equity value, interest rate and other variable movements. These are assessed both in isolation and in combination.

The Group manages market risk by the use of derivatives, among other things. The Group also assesses market risk associated with derivatives by applying sensitivities to changes in the underlying economic variables. These changes include interest rates and interest rate volatility, as appropriate to the derivative. Value at Risk analysis over short-term periods is also used.

The average duration of the fixed interest portfolios is monitored as part of asset-liability management practice.

The Group also uses the amount of divergence of the actual asset allocation percentages from the benchmark percentages to measure market risk. Within the equity investment portfolios, market risk is assessed by using the divergence of actual stock weightings from the benchmark (or index) weightings. The Group uses regional allocation of the global equity portfolio and the sector profile of the UK equity portfolio to assess market risk.

There were no material changes to the measures used to assess market risk during 2023.

C. Risk profile (continued)

C.2.3. Market risk concentrations

The Group's liabilities are predominantly UK based and so a high proportion of its assets are also UK based. Therefore, the market risk profile is heavily dependent on the state of, and outlook for, the UK economy, particularly in relation to equity and property values.

The Group has material liabilities relating to GAOs and is therefore exposed to changes in interest rates. However, such liabilities are extensively hedged against this risk. This means the level of each fund's solvency surplus is relatively insensitive to changes in interest rates.

The assets within each investment portfolio are well diversified to manage and reduce the concentration risk within portfolios. This is monitored as part of the Concentration Risk Framework. The framework sets the concentration limits across the investments held in RLMIS. It is reviewed annually and exposures are monitored at least quarterly. This ensures a properly diversified and resilient portfolio of assets that avoids excessive concentrations. In line with PRA regulatory requirements, the Concentration Risk Framework sets out limits on asset class, issuer, geographical area and on other single sources of risk (e.g. sector) so that the RLMIS portfolios remain within risk appetite in a moderate stress scenario and RLMIS solvency is not threatened in a severe stress scenario.

C.2.4. Management and mitigation of market risk

The principal techniques employed to manage market risk are asset-liability matching and the establishment of asset allocation and performance benchmarks consistent with the Group's risk appetite. The Group's management of market risk is described in more detail on pages 197 to 200 of the 2023 ARA.

The Group's Investment Management Agreements (IMAs) between RLMIS and its asset managers (including RLAM) specify the limits for holdings in certain asset categories. The agreements also require that asset holdings are within the regulatory limits that restrict excessive concentrations within particular asset classes. RLMIS also has an IMA in place with RLAM covering RLUM Limited.

A comprehensive system of limits is in place to control exposure to market risk within the equity portfolios. Risk appetite limits for different types of market risk are set based on the potential impact on capital.

The Group has a robust framework in place relating to the use of derivatives. This includes a Market Risk policy, which requires sufficiently knowledgeable individuals to be involved in the management of derivatives and the approval of hedging strategies at Board level. It also details the legal, collateral and valuation requirements. The risks associated with the use of derivatives, both before and after they are transacted, are identified, assessed and closely monitored.

The Group uses derivatives as a risk-mitigation technique for certain types of market risk, as set out in the table below:

Risk type	Description
Equity risk	The Group hedges equity risk arising from investment guarantees and from variations in future annual management charges on unit-linked business. This risk is hedged using options and swaps.
Interest rate risk	The Group manages interest rate risk using performance benchmarks with appropriate durations and in some instances, derivatives to achieve a closer cash flow match. The Group uses interest-rate swap overlays to provide interest-rate sensitivity hedging.
Inflation risk	The Group mitigates inflation risk through the use of inflation swap derivatives.
Currency risk	The RL Main Fund and its defined benefit pension schemes use a programme of currency forward derivative contracts to manage their euro liability exposures.

Exposures to market risk are monitored by the Capital Management Committee (CMC) and are included in the MI prepared for the RCC. The CMC and the RCC monitor the effectiveness of the various processes in place to manage market risk. This includes reviewing the continuing appropriateness of the hedges that are in place and of the asset allocation benchmarks.

C.2.5. Market risk sensitivities

The Group routinely assesses the sensitivity of its capital position to changes in various market risks. The liabilities are recalculated by changing each assumption in isolation. The Group considers the impact of market risk scenarios on the SCR. Further details of the results of the stress testing and sensitivity analysis are provided in section C.7.2.

MI provided to the Board and CMC includes the sensitivity of surplus capital to changes in equity values, risk-free interest rates and credit spreads.

C.3 Credit risk

The Group defines credit risk as the risk of loss if a counterparty fails to perform its obligations or fails to perform them in a timely fashion. Exposure to credit risk may arise in connection with a single transaction or an aggregation of transactions (not necessarily of the same type) with a single counterparty.

C. Risk profile (continued)

C.3.1. Credit risk exposure and material changes over the reporting period

The Group's exposure to credit risk and the management and mitigation techniques used are set out on page 200 to 202 of the 2023 ARA. The majority of the exposure derives from the Group's holdings of bonds, derivative assets and cash. The exposure relating to the reinsurers' share of insurance liabilities mostly relates to the annuity reinsurance arrangements of the Group.

During 2023, the total amount of non-linked assets subject to credit risk increased slightly as detailed in note 35(c) of the 2023 ARA.

C.3.2. Measures used to assess the risk profile

Credit risks are assessed and monitored using a combination of measures. The main measure is the gross amount of the exposure with no allowance made for any expected recoveries from default. The gross amount considers exposure arising from different sources of credit risk, especially from sovereign debt and corporate bonds, cash and derivatives. Exposure relating to equity holdings is also considered, but not treated as credit risk, to help assess the overall risk of a counterparty.

Assessments of counterparty exposure consider:

- External credit agency ratings
- The Group's own view of each counterparty's credit worthiness.

Further due diligence of counterparties is carried out where appropriate in order to assess the risk with more confidence.

The Group also assesses the risk based on its capital requirements for such risks using a combination of:

- a separately identifiable amount held in respect of failure of a reinsurer or other counterparty
- an amount that represents the impact of an overall economic stress that affects bond credit spreads and other factors such as equity movements.

C.3.3. Credit risk concentrations

Concentration	Description
UK sovereign debt	The largest exposure is to UK sovereign debt, of which the Group held £8,272m and RLMIS held £8,272m as at 31 December 2023 respectively (£9,837m and £9,837m as at 31 December 2022). These fixed interest and index-linked stocks are held primarily to back liabilities, in particular guaranteed liabilities.
Eurozone sovereign debt	The Group held £504m and RLMIS held £499m of sovereign debt of other European countries as at 31 December 2023 respectively (£196m and £196m as at 31 December 2022), almost all of which are in the Eurozone. This was largely concentrated in the largest and highest rated countries, in particular Germany and France. Investment in lower graded countries is very limited and not material.
HSBC	HSBC acts as custodian for the investment assets and certain amounts of cash deposits. The latter are subject to credit risk in the event of default by HSBC. The Group and RLMIS have market risk exposure to HSBC through investment in equity and corporate bonds issued by HSBC and they hold a £1,720m loan note at 31 December 2023 (£1,713m at 31 December 2022) with HSBC which is fully collateralised. The loan note is held as part of a reinsurance arrangement and its value is exactly matched by a financial liability to Swiss Re.
UK and European banking sector	The Group has a material combined exposure to the UK and European banks with which it holds cash. The Group manages its exposure to cash counterparties through the Counterparty Cash Framework. The exposure is managed through the setting of limits for each cash counterparty which balances the operational need to hold cash versus the credit risk, the diversification of cash counterparties and the monitoring of cash counterparties.
Reinsurance arrangements	The Group has large reinsurance arrangements with certain counterparties. There are significant exposures arising from various annuity reinsurance arrangements, which are collateralised or subject to a floating charge.

The Group is exposed to credit risk regarding its reinsurance arrangements. Mortality and morbidity reinsurance exposures reflect the loss of future claims recoverable net of future reinsurance premiums payable on the failure of the reinsurer.

For each credit risk exposure, the risk of loss is extremely low due to the collateral arrangements and in view of the external ratings.

All exposures are consistent with the Group's business model and strategy, and the Group's risk appetite and limits. Minor breaches occur from time to time, which are reviewed. When this occurs, decisions are made to either take corrective action or accept the position.

Any losses arising would not affect short-term liquidity. The Group has access to a large amount of readily realisable assets and does not rely on any single counterparty to provide liquid funds. The failure of HSBC as a counterparty would, however, create major operational challenges and could cause the Group's contingency funding plan to be invoked in order to provide liquid funds at short notice.

C. Risk profile (continued)

C.3.4. Management and mitigation of credit counterparty risk

To reduce its exposure to credit risk, the Group limits its exposure primarily to counterparties with a long-term rating of at least BBB. Where possible, significant counterparty exposures, particularly regarding stock lending and derivatives, are mitigated by the use of collateral.

A comprehensive system of limits is in place to control exposure to credit risk.

Investment in government debt is a key part of the Group's investment and asset-liability management strategies. Therefore, the Group does not set limits on UK government debt exposure. If the UK's credit standing were to deteriorate, this decision would be reviewed.

Exposures arising through cash holdings, deposits, derivatives and sovereign debt are monitored against the agreed limits by the Investment Office. These are reported to the Investment Committee quarterly. The Investment Office may recommend changes to specific exposures or their limits, in line with the Concentration Risk Framework.

Where external ratings are not available, the Group uses an internal rating process as described on page 201 of the 2023 ARA.

The Group mitigates certain credit risk exposures through the use of collateral. These include risks arising through its holdings of derivatives and its largest reinsurance arrangements. The Group does not use collateral as a means of mitigating other risks.

The Group does not use derivatives for the purpose of mitigating credit risk.

C.3.5. Credit risk sensitivities

The main method used to assess sensitivity is scenario analysis, where a counterparty with a large exposure default on its obligations. Scenarios and their analysis are regularly reviewed and updated to ensure their continued effectiveness. Recent analysis tested the impact on Royal London of failure of a key financial counterparty and showed that the Group would remain sufficiently solvent. It also shows that management actions could be taken to offset any solvency impact.

The Group also considers the impact of credit spreads widening on the SCR. Further details of the results of the stress testing and sensitivity analysis are included in section C.7.2.

C.4 Liquidity risk

The Group defines liquidity risk as the risk that the Group, though solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due or can secure them only at excessive cost.

C.4.1. Liquidity risk exposure and material changes over the reporting period

The Group recognises that extreme liquidity issues could have a severe impact on the Group. The Group manages its liquidity risk through ensuring sufficient availability of liquid assets ('liquidity buffer').

The Group's liquidity risk exposure is described in further detail on pages 202 to 203 of the 2023 ARA.

The Group does not hold risk capital to mitigate liquidity risk. The longer-term matching of assets and liabilities is covered within market risk in section C.2. There were no material changes to the Group's liquidity risks over the reporting period.

C. Risk profile (continued)

C.4.2. Measures used to assess the risk profile

The Group uses liquidity coverage ratios to measure the exposure to short-term liquidity risk for identified liquidity pools, where liquidity pools are defined as grouping of assets and liabilities, within which liquidity can pass freely without restriction on fungibility that may limit access in stressed conditions. The ratio is of assets held in the liquidity buffer to net stressed cash outflows.

The liquidity buffer consists of assets with a proven record as a reliable source of liquidity during stressed market conditions and must be of high credit quality, readily marketable and easy to value with a high degree of certainty. The assets in the liquidity buffer will have appropriate haircuts applied to reflect the potential volatility in asset value in stressed market conditions and will reflect the ability to monetise assets within the relevant time horizon considering market depth (under a number of market conditions) and operational capability.

The net stressed cash outflow considers all sources of liquidity risk under stressed conditions. This includes but is not limited to claims and payments due to policyholders, operational expenses, receipts of premiums and liquidity reserves for risks such as stressed derivative collateral outflows and mass lapse.

The Group also assesses its long-term liquidity risk profile by considering the magnitude and likelihood of the risk of loss which may arise when it is forced to sell assets to meet liabilities.

C.4.3. Liquidity risk concentrations

The Liquidity Risk Management Framework documents the sources of liquidity risk faced by the Group and includes an assessment of the potential implications of these risks on the liquidity position. The Group's exposure to liquidity risk principally arises from insurance and investment contracts and the use of derivatives.

By having diverse sources of liquidity available, sufficient liquidity is available in both a benign and stressed environment and mitigates the Group's exposure to liquidity risk concentration.

C.4.4. Management and mitigation of liquidity risk

Liquidity risk management strategy sets out the Group's overall approach for managing liquidity risk, covering both day-to-day and longer-term management of liquidity risk. All material sources of liquidity risk have been identified to ensure adherence to the liquidity risk appetite as approved by the Board.

In order to implement the risk management strategy, the Group has a Liquidity Risk Policy and Liquidity Risk Management Framework, that details how liquidity risk management operates throughout the Group, setting out how liquidity risk is identified, measured, managed, monitored, and reported within risk appetite. The Group's liquidity management process is set out on page 202 to 203 of the 2023 ARA.

Liquidity pools operate a liquidity buffer consisting of high-quality liquid assets to maintain liquidity resources, adequate both in amount and quality, to ensure there is minimum risk that its liabilities cannot be met as they fall due. The size of the liquidity buffer needs to be sufficient to cover the shortfall between stressed sources and uses of liquidity to reduce the risk of breaching the liquidity risk appetite. The Revolving Credit Facility ('RCF') provides an additional source of liquidity and ensures a diversified pool of short-term funding / liquidity available to the Group. Derivatives are used by the Group strategically to hedge market and credit risk for the purposes of capital management, and also to a lesser extent non-strategically as an investment tool within the Life funds. Cash Collateral Portfolios are held to meet the immediate collateral and variation margin calls and are maintained at a size proportionate to the derivative holding and current market conditions.

Liquidity Early Warning Indicators are monitored daily to assist in identifying a liquidity stress event (actual or potential) and form an integral part of the liquidity contingency planning process.

The liquidity risk position is monitored by Group Treasury, with reporting to senior management at least monthly. During a liquidity stress, the level of monitoring and reporting will be increased in line with the severity of the stress.

C.4.5. Liquidity risk sensitivities

Liquidity coverage ratios compare the liquidity buffer (as defined above) with projected net stressed outflow. The measure therefore allows for an element of sensitivity of both the sources of liquidity (the liquidity buffer) and the expected cash flows. Having allowed for these sensitivities within the liquidity coverage ratios, the liquidity position remains with risk appetite for all funds.

C.4.6. Expected Profit Included in Future Premiums

As at 31 December 2023, the total expected profit included in future premiums (EPIFP) was £1,471m and £1,349m for the Group and RLMIS respectively (2022: £1,338m and £1,227m). The EPIFP for the Aegon UK protection business is calculated for the reinsurance agreement as a whole while, for all other business, the EPIFP is calculated for each homogeneous risk group within each long-term fund.

C. Risk profile (continued)

C.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events (this excludes market events, which are included in market risk in section C.2).

The Group manages operational risks in line with its risk appetite, to protect policyholders and the Group while delivering sustainable growth. The Group manages operational risks by setting the operational risk appetite, evaluating key exposures, measuring, mitigating, and monitoring risks on an ongoing basis.

C.5.1. Operational risk exposure and material changes over the reporting period

The following table lists the principal operational risk categories that the Group is exposed to. The impact arising from all operational risks could affect the Group's members, customers, people, processes and systems.

Operational risk	Description
Conduct	The risk of poor outcomes to the end customer. This includes not delivering on the Group's promises, failing to meet value expectations or providing materially inaccurate information to customers.
Processing	The risk associated with the Group's operational processes. This includes incorrect or poorly designed processes, data entry or loading errors, accounting and attribution errors or incorrect use of models. This can also include actuarial modelling errors.
Information and cyber security	The risk associated with protecting the Group's customers, MI and information processing facilities from external threats and internal errors.
Third party	The risk arising from outsourcing processes or obtaining key goods or services from third-party providers. This includes the management of the contract and/or relationship and ongoing monitoring of the third-party provider.
Change	The risk arising from the Group's change management processes and programmes.
Resilience	The risk associated with service resilience, business continuity management and disaster recovery processes and plans.
Information technology	The risk arising from development, delivery and maintenance activity for the Group's IT infrastructure.
Legal and regulatory	The risk of a poor level of compliance with law, regulation, or other obligations resulting in breaches which would pose a risk: • to the regulators' objectives and the Group's relationship with them • of loss or damage to Royal London • of poor outcomes for Royal London's customers or members.
Financial crime	The risk that the Group's customers or assets are subject to any kind of criminal conduct relating to money, data or to financial services.
People	The risk associated with the Group's processes to attract and retain capable people and provide an appropriate performance-based culture.

During 2023, the Group's operational risk profile remained stable. The Group continues to focus on cyber resilience, remaining on a heightened state of alert and regularly assessing the Group's cyber resilience position using intelligence from the National Cyber Security Centre and other sources. The Group also continues to manage operational risk exposures through the risk governance arrangement in place at both functional and Group levels. The Group reviews and assesses the operational risk types above on a regular basis at these risk committees to determine the position against risk appetite. Management actions are taken where the position is approaching or exceeds the Group's appetite limits. Significant areas of focus as part of these discussions included cyber and operational resilience, significant change programmes and planned enhancements to the wider control environment.

C.5.2. Measures used to assess the risk profile

The Group manages operational risk using the RMS set out in section B.3. Measures include impact and likelihood scoring, KRI thresholds against the risk appetite, assessing control effectiveness and monitoring of events and losses by size.

The Group uses a scoring system to consider the worst case impact and likelihood of each risk occurring within the next 12 months. Each risk assessment includes both a financial and a customer impact.

The Group also uses stress and scenario testing to understand the significant risks that the Group may face under extreme conditions. This informs the level of capital it needs to hold to protect against these risks.

C.5.3. Operational risk concentrations

The Group's main source of operational risk concentration is its reliance on material outsourcers to provide a broad range of services to key business areas. Further details of how this risk is managed are in section B.7.

C. Risk profile (continued)

C.5.4. Management and mitigation of operational risk

The Group makes limited use of techniques that transfer operational risk to third parties. The main risk mitigation technique used is to insure against the risk of loss. This includes loss on buildings and contents, and loss arising from legal claims against its directors and managers.

One way the Group mitigates the risks from outsourced operations is through legal agreements. These include risks arising from errors in servicing customers. However, the outsourcing arrangements themselves generate different types of risk which would not otherwise exist. This includes the risk of outsourcers defaulting on agreements or failing to provide an acceptable service.

C.5.5. Operational risk sensitivities

The Group uses operational risk stresses and scenarios to calculate the operational risk capital requirement. The stresses allow an assessment of the extreme impacts arising from a risk by frequency of occurrence and the distribution of impacts. Various operational risk scenarios are assessed, providing coverage across the operational risk universe. Expert judgement is used to derive the degree of interdependence between different types of operational risk.

The Group also considers specific scenarios to assess the Group's resilience to different operational risk types. There is regular scenario testing of how business continuity events would be handled. The Group also considers operational risk when constructing broader scenarios, such as a pandemic or a major change in pensions legislation.

C.6 Other material risks

C.6.1. Other material risk exposures and material changes over the reporting period

The following table describes the other material risks faced by the Group.

Risk	Description
Strategic risk	Risks that arise from the Group's choice of strategy or its strategic objectives. This includes the risk to business plans (including budgets and resource allocations), which could prevent the firm from achieving the business objectives. This type of risk could directly impact the Group's future, its position in the market, its profitability, and its solvency or capital adequacy. In addition, climate risk is a sub-risk of strategic risk and exposes business areas across the Group to new impacts that are to be considered as an extension to existing embedded risk management activity.
Emerging risk	Newly developing or changing risks which are difficult to quantify, and which may have a major impact on the Group. Typically, the drivers for these risks are socio political, technological, environmental, economic or regulatory.

Examples of these risks are contained within the principal risks and uncertainties set out in the 2023 ARA on pages 62 to 66.

The Group's principal risks and uncertainties remain broadly consistent with those reported last year. However, the nature of the exposures continues to change over time based on new and evolving external factors. The cumulative and individual effects of significant factors that are present in the external environment impact several of the Group's risk exposures to a certain degree. The ongoing conflicts in Ukraine and the Middle East, the cost-of-living pressures, continuing uncertainty about how successfully the UK will use freedoms created as a result of its withdrawal from the European Union and navigate an evolving trading environment, and the residual impacts from the Covid-19 pandemic are all wide-ranging and interconnected factors that feed into a complicated external environment. The risks these factors present to the business can include:

- An adverse impact on business performance as a result of changes in consumer behaviour
- A rise in fraudulent activities and cybercrime
- Further increases in mortality and experience variations in persistency, affecting funding commitments
- The length of time to recover from prolonged recession and market volatility.

The need to address the climate crisis is a global issue which requires the Group's prioritisation to change the things which it controls directly and influence others to do the same. When considering the move to a sustainable world, the Group thinks about both:

- the impact the climate crisis may have on the business, the members, and the customers; and
- the impact the Group has on the climate.

These dual considerations lead us to scrutinise responsible mitigation opportunities, while closely managing climate-related risks. Details on how the Group manages climate risks are described on pages 30 to 31 of the 2023 ARA, with our risk assessment on pages 31 to 35 of the 2023 ARA.

C. Risk profile (continued)

C.6.2. Measures used to assess the risk profile

Throughout the year the Group reviews emerging risks and assesses how these could affect the Group's strategy and existing risk profile. These assessments are formed through input from strategic risk owners and subject matter experts from across the business. The assessments incorporate risks that could impact the Group's strategy now and emerging drivers that could impact the strategy in the future. Once identified, the risks are managed in line with the Emerging and Strategic Risk Management Framework and monitored at the Emerging and Strategic Risk Forum. Examples of emerging risks that are kept under close watch include:

- further expansion of the conflicts in Ukraine and Middle East or areas of influence leading to a step change in European geopolitics
- potential threats that generative artificial intelligence may pose to society, balanced against the many opportunities that it could present
- an acceleration of industry dialogue and expectations around nature and biodiversity
- intergenerational imbalances drive increasing dependencies on the working population to support an ageing, non-working population

C.6.3. population. Other material risk concentrations

There are no other material risk concentrations.

C.6.4. Management and mitigation of other material risks

The Group manages its strategic and emerging risks in a similar way to all the other risk types that the Group faces. This includes:

- using the policy framework, guidelines, limits and authority levels. Senior management has primary responsibility for the management of other material risks. This includes developing policies, procedures and controls across the different products, activities, processes and systems in their area and the allocation of responsibilities.
- regular monitoring of actual exposures by accountable executives and their teams and review on an aggregated basis by the Group Executive Risk Committee and RCC.

GR&C and GIA perform independent oversight and assurance to assess the effectiveness of risk mitigation and management activity.

The Group does not use risk mitigation techniques to transfer other material risks to third parties.

C.6.5. Other material risk sensitivities

The methods and assumptions used for sensitivity analysis include the impact on profit of upside and downside commercial scenarios. These are set at a functional level to consider the risks that would lead to positive and negative changes to the competitive position. These include changes in direct competition, re-pricing activity or changes to the regulatory landscape.

C.7 Any other information

C.7.1. Prudent Person Principle requirements

The Prudent Person Principle expects firms to:

- Understand the risks involved with their investments
- Make proper provision for them through the SCR
- Ensure that investment decisions are made in the best interests of policyholders.

All investment risks must be properly identified, measured, monitored, managed, controlled and reported.

Investment risks are managed and overseen across the Group by the Investment Office, investment proposition owners, investment accounting and actuarial teams. The Group invests its assets in accordance with the Prudent Person Principle which is subject to a robust investment governance structure. The Investment Committee provides oversight to assist the Board in the discharge of its responsibilities on investment-related matters. The With-Profits Committee exercises independent judgement in advising the Board on achieving the fair treatment of all with-profits and unit-linked with-profits policyholders. This includes investment-related matters where appropriate.

The agreed investment philosophy and beliefs are developed by the Investment Office and approved by the Board. They are used to help set the Group's high-level investment strategy. Fund-level investment strategies and asset allocations developed are consistent with:

- the Group's Investment Philosophy and Beliefs
- policyholders' best interests

C. Risk profile (continued)

- the specific investment objectives of each product and fund.

The strategy is supported by a range of policies. Policies cover market, counterparty credit, liquidity, proposition development and review, conflicts of interest and the Investment Risk Framework. The Group's assets are largely, but not exclusively, managed by RLAM.

The Investment Risk Framework incorporates all significant frameworks and policies that manage investment risk. The components include:

- the asset classes in which assets may be invested
- the approach for setting asset allocations
- the approach for managing capital arising from investment risk
- the approach for setting the Group's risk appetite and asset-liability matching. This balances the risks relating to the liabilities under the life insurance companies' insurance contracts against the risks inherent in its assets and the capital available.

The Group has established approaches for matching assets and liabilities, including hedging. Where appropriate matching cannot be achieved, management actions are in place to manage the market risk resulting from the mismatch.

The asset allocation benchmarks ensure that each fund has an appropriate mix of assets and is not over- or under-exposed to a particular asset category or specific investment. In addition, there are concentration risk-related limits covering geographies, sectors, and single counterparties. There are also limits to the exposures of non-government bonds in terms of their external credit rating and also to the overall exposure to unrated bonds.

C.7.2. Sensitivity analysis

The Group conducts various sensitivity analyses and stress and scenario testing to help understand its risk profile and to assess and manage its risks. This is a key element of the RMS as well as a regulatory requirement.

Stress testing is embedded in the planning process of the Group and is applied to the base case five-year business plan.

The Group carries out rigorous stress testing exercises to assess the impact of a range of adverse scenarios with different probabilities and severities. The ORSA uses this data to inform strategic planning. This allows senior management and the Board to assess the base case plan in adverse circumstances. It also allows the Board to adjust strategies and propose mitigating actions if the plan does not meet risk appetite in a stressed scenario.

The following types of sensitivity analysis and stress and scenario activities were carried out during 2023:

- Broad-based scenarios (covering multiple events and/or a sequence of events)
- Recovery plans
- Business model analysis
- Reverse stress tests.

More details on each of these can be found on page 67 of the 2023 ARA.

The SCR, solvency surplus and capital cover ratios are sensitive to changes in economic and non-economic assumptions.

Interest rate and equity market risk sensitivities have the potential to be material from both a regulatory and investor perspective, but risk management reduces the impact on solvency surplus from these risks.

Insurance risks continue to grow as the volume of pensions and annuity business increases over time. Longevity, persistency and expense risks are the most material risks from a solvency surplus impact perspective. On a cover ratio basis, the impact for persistency risks is not as significant as those other insurance risks because persistency risk also reduces the consequent capital requirements, with less business in force following the persistency sensitivity.

The Group also mitigates the impact of mortality risk (in particular, mortality catastrophe events such as pandemics) via the use of reinsurance. Typically, the rate of reinsurance is high (up to 90%).

C. Risk profile (continued)

Expense risk arises predominantly within the RL Main Fund on its significant tranche of unit-linked and non-profit business. Rising expenses causes an increase to the technical provisions and associated capital requirements, both of which reduce the solvency surplus. The Group actively manages its cost base to limit this particular risk.

The sensitivities in the following table have been selected to reflect the key risks to which the Group is exposed.

Sensitivity analysis

	Group					RLMIS				
Scenario[1]	Solvency Surplus £m	SCR (Investor View) £m	Capital cover ratio (Investor View) %	SCR (Regulatory View) £m	Capital cover ratio (Regulatory View) %	Solvency Surplus £m	SCR (Investor View) £m	Capital cover ratio (Investor View) %	SCR (Regulatory View) £m	Capital cover ratio (Regulatory View) %
31 December 2023	**2,880**	**2,450**	**218%**	**2,721**	**206%**	**3,077**	**2,279**	**235%**	**2,543**	**221%**
Market risk										
25% decrease in equity investments	(148)	(226)	5%	(242)	4%	(148)	(226)	8%	(242)	6%
15% decrease in property prices	(68)	(15)	(2)%	(17)	(2)%	(68)	(15)	(2)%	(17)	(2)%
100bps rise in interest rates[2]	(17)	(58)	2%	(129)	5%	(17)	(58)	3%	(129)	6%
100bps fall in interest rates[2]	(43)	95	(6)%	284	(11)%	(43)	95	(7)%	284	(14)%
25bps increase in government bond yields[3]	(34)	(9)	(1)%	(13)	(1)%	(34)	(9)	(1)%	(13)	(1)%
200bps widening in credit spreads[4]	14	(103)	6%	(150)	7%	14	(103)	7%	(150)	8%
15% fall in GBP exchange rates[5]	88	87	(1)%	98	(1)%	88	87	(1)%	98	(1)%
Insurance risk										
20% increase in GAO take-up rate[6]	(46)	11	(2)%	20	(2)%	(46)	11	(3)%	20	(3)%
Two-year increase in future life expectancy[7]	(313)	7	(13)%	109	(15)%	(313)	7	(14)%	109	(17)%
35% increase in future persistency rates[8]	(303)	(249)	0%	(227)	(2)%	(303)	(249)	2%	(227)	(1)%
12.5% one-off increase in surrender/transfer rate[9]	(308)	(210)	(3)%	(211)	(3)%	(308)	(210)	(1)%	(211)	(2)%
15% increase in maintenance expenses[10]	(308)	(10)	(12)%	(7)	(11)%	(308)	(10)	(13)%	(7)	(12)%

1 Sensitivities include movements in the Transitional Measure on Technical Provisions (TMTP), which was last formally recalculated at 31 December 2023. The sensitivities do not include any subsequent rebalancing of the asset portfolio.
2 Interest rate sensitivities assume that government and other bond yields and risk-free rates all move by the same amount. Interest rates are allowed to be negative.
3 The government bond yield sensitivity assumes risk-free rates and other yields remain constant. The MA and VA have been reassessed in the stressed scenario.
4 The widening in credit spreads stress assumes a widening in all ratings and an associated increase in the discount rate for the Royal London Group Pension Scheme and Royal Liver pension schemes at 25% of the asset spread stress. The MA and VA have been reassessed in the stressed scenario.
5 The fall in GBP exchange rates stress assumes an increase to the value of assets held in currencies other than GBP by 15% in GBP terms.
6 The calibration of the 20% increase in GAO take-up rates stress is based on the RL Main Fund. For other funds, a proportionate stress will be applied.
7 The two-year increase in future life expectancy stress assumes males aged 65 live for another two years and proportionate changes apply to other ages. The MA has been reassessed in the stressed scenario.
8 The persistency stress assumes increases in future lapse rates and Paid Up Policy (PUP) rates.
9 This stress assumes additional lapses/PUPs in the first year after the valuation date, but only where it is advantageous for the policyholder to surrender/transfer.
10 The MA has been reassessed in the stressed scenario.

D. Valuation for solvency purposes

Plain English introduction
In this section there is provided a reconciliation between the SII balance sheet and the UK GAAP basis used in the preparation of Royal London's ARA.

There is also a description of the methodology used for the valuation of the:

- Assets (D.1).
- Technical provisions (D.2).
- Other liabilities (D.3).

D.1 Assets

D.1.1. Balance sheet

Differences between the UK GAAP and SII balance sheet can be summarised into one of the following three categories:

Consolidation adjustments
The SII balance sheet for the Group has been prepared using method 1. The key difference between the consolidation approach under SII and UK GAAP is that only those participations which are insurance undertakings or ancillary service companies are consolidated into the Group SII balance sheet. Other entities that are fully consolidated in the Group UK GAAP balance sheet are accounted for as 'Holdings in related undertakings, including participations', on the SII balance sheet. Group Own funds are calculated net of intragroup transactions. Note 15 on pages 144 to 148 of the 2023 ARA details group undertakings in which Royal London has a participating interest. Undertakings within the Group and their corresponding treatment in the UK GAAP and SII Group consolidation are listed within the template S.32.01.22 in Appendix 2.

Presentation adjustments
Under the SII regulations, certain assets and liabilities are categorised differently from their classification under UK GAAP. Presentation adjustments therefore align the UK GAAP balance sheet in the 2023 ARA to the prescribed format of the SII balance sheet. Further information on the SII presentation adjustments is included in section D.1.2.

Valuation differences
A description of the valuation differences between UK GAAP and SII is presented in sections D.1.3 (assets and other liabilities) and D.2 (technical provisions).

The following tables reconcile UK GAAP assets and liabilities for the Group and RLMIS as reported in the 2023 ARA, to amounts reported in the SII balance sheet as at 31 December 2023. The UK GAAP figures are presented in the SII balance sheet format where possible and therefore do not directly correspond to the line items in the 2023 ARA.

D. Valuation for solvency purposes (continued)

Balance sheet – Group

31 December 2023 £m	UK GAAP value	Consolidation adjustments	Presentation adjustments (D.1.2)	Valuation differences (D1.3, D.2.3)	SII value	SII Value 31 December 2022	SFCR note
Assets							
Goodwill	**(13)**	–	–	13	**–**	–	D.1.3(a)
Other intangible assets	**143**	–	–	(143)	**–**	–	D.1.3(b)
Non-participating value of in-force business	**2,776**	–	(2,776)	–	**–**	–	–
Deferred acquisition costs	**67**	–	–	(67)	**–**	–	D.1.3(c)
Deferred tax assets	**–**	–	9	8	**17**	48	D.1.3 (d)
Pension benefit surplus	**177**	–	–	–	**177**	207	–
Property, plant & equipment held for own use	**64**	–	–	33	**97**	99	D.1.3 (e)
Property (other than for own use)	**73**	–	–	–	**73**	78	–
Holdings in related undertakings, including participations	**–**	209	13,928	(38)	**14,099**	13,686	D.1.3(g)
Equities	**5,812**	(8)	(341)	–	**5,463**	6,054	–
Bonds[1]	**10,676**	–	(10)	–	**10,666**	10,041	–
Collective Investment Undertakings	**14,849**	(8)	(13,575)	–	**1,266**	1,233	–
Derivatives	**1,637**	–	–	–	**1,637**	1,835	–
Deposits other than cash equivalents	**285**	–	(52)	–	**233**	605	–
Assets held for index-linked and unit-linked contracts	**80,228**	–	(11)	–	**80,217**	70,846	–
Loans and mortgages[2]	**88**	–	48	–	**136**	92	–
Reinsurance recoverables	**3,341**	–	(112)	(181)	**3,048**	3,003	D.1.3(h)
Insurance, reinsurance and intermediaries receivables[3]	**142**	(2)	120	–	**260**	263	–
Receivables (trade, not insurance)[4]	**2,341**	(145)	55	–	**2,251**	2,286	–
Cash and cash equivalents	**490**	(186)	2	–	**306**	470	–
Any other assets, not elsewhere shown[5]	**45**	(4)	3	–	**44**	34	–
Total assets	**123,221**	**(144)**	**(2,712)**	**(375)**	**119,990**	110,880	
Liabilities							
Technical provisions	**111,548**	–	(3,133)	(2,588)	**105,827**	96,591	D.2.3
Contingent Liabilities	**–**	–	–	11	**11**	–	D.1.3(i)
Provisions other than technical provisions[6]	**177**	(4)	21	(138)	**56**	63	D.1.3(j)
Deferred tax liabilities	**46**	(6)	9	–	**49**	12	–
Pension benefit obligation	**–**	–	–	–	**–**	–	–
Derivatives[7]	**3,071**	–	–	–	**3,071**	3,049	–
Debts owed to credit institutions[7]	**469**	–	–	–	**469**	608	–
Financial liabilities other than debts owed to credit institutions	**–**	–	–	41	**41**	41	D.1.3(k)
Insurance and intermediaries payables[7]	**264**	(2)	375	–	**637**	743	–
Reinsurance payables	**1,778**	–	–	–	**1,778**	1,780	–
Payables (trade, not insurance)[7]	**284**	(125)	27	–	**186**	222	–
Subordinated liabilities	**1,283**	–	14	(76)	**1,221**	1,210	D.1.3(l)
Any other liabilities, not elsewhere shown[8]	**4,301**	(7)	(4,131)	–	**163**	59	–
Total liabilities	**123,221**	**(144)**	**(6,818)**	**(2,750)**	**113,509**	104,378	
Excess of assets over liabilities	**–**	–	4,106	2,375	**6,481**	6,502	
Total liabilities plus excess of assets over liabilities	**123,221**	**(144)**	**(2,712)**	**(375)**	**119,990**	110,880	

1 Bonds presented include government bonds of £3,212m, other quoted bonds of £5,634m and other unquoted bonds of £1,830m in note 17(b) of the 2023 ARA.
2 Loans and mortgages includes loans secured by policies (£2m) and commercial real estate loans (£86m) in note 17(b) of the 2023 ARA.
3 The total of insurance, reinsurance and intermediaries receivables (£142m) is equivalent to Debtors arising out of direct insurance operations (£50m) and reinsurance operations (£92m) in note 19 of the 2023 ARA.
4 Receivables (trade, not insurance) are Other Debtors (£2,341m) on the 2023 UK GAAP Balance Sheet.
5 Any other assets, not elsewhere shown (£45m) is the equivalent of Other prepayments and accrued income on the 2023 UK GAAP Balance Sheet.
6 Provisions other than technical provisions is Other provisions of £177m in note 30 of the 2023 ARA.
7 The total of derivatives (£3,071m), debts owed to credit institutions (£469m), insurance and intermediaries payable (£264m) and payables (trade, not insurance) (£284m) is equal to £4,088m, which equates to the sum of Creditors arising out of direct insurance operations (£264m) in note 31(a), Bank Overdrafts (£48m) in note 31(c) and Other creditors including taxation and social security (£3,776m) on the 2023 UK GAAP balance sheet.
8 Any other liabilities of £4,301m are equal to FFA of £4,106m and Accruals and Deferred Income of £195m in note 32 of the 2023 ARA.

D. Valuation for solvency purposes (continued)

Balance sheet – RLMIS

31 December 2023 £m	UK GAAP value	Presentation adjustments (D.1.2)	Valuation differences (D1.3, D.2.3)	SII value	SII value 31 December 2022	SFCR note
Assets						
Goodwill	**14**	–	(14)	**–**	–	D.1.3(a)
Other intangible assets	**114**	–	(114)	**–**	–	D.1.3(b)
Deferred acquisition costs	**65**	–	(65)	**–**	–	D.1.3(c)
Non-participating value of in-force business	**2,775**	(2,775)	–	**–**	–	–
Deferred tax assets	**–**	–	5	**5**	34	–
Pension benefit surplus	**177**	–	–	**177**	207	–
Property, plant & equipment held for own use	**–**	–	–	**–**	–	–
Property (other than for own use)	**109**	–	5	**114**	127	D.1.3(f)
Holdings in related undertakings, including participations	**14,502**	116	(354)	**14,264**	13,884	D.1.3(g)
Equities	**5,803**	(340)	–	**5,463**	6,054	–
Bonds[1]	**10,670**	(9)	–	**10,661**	10,041	–
Collective Investment Undertakings	**1,009**	234	–	**1,243**	1,206	–
Derivatives	**1,637**	–	–	**1,637**	1,835	–
Deposits other than cash equivalents	**285**	(52)	–	**233**	605	–
Assets held for index-linked and unit-linked contracts	**80,169**	(11)	–	**80,158**	70,840	–
Loans and mortgages[2]	**88**	46	–	**134**	92	–
Reinsurance recoverables	**3,275**	(91)	(172)	**3,012**	2,969	D.1.3(h)
Insurance, reinsurance and intermediaries receivables[3]	**120**	106	–	**226**	232	–
Receivables (trade, not insurance)[4]	**2,128**	68	–	**2,196**	2,200	–
Cash and cash equivalents	**273**	2	–	**275**	432	–
Any other assets, not elsewhere shown	**–**	–	–	**–**	–	–
Total assets	**123,213**	**(2,706)**	**(709)**	**119,798**	110,758	
Liabilities						
Technical provisions	**111,544**	(3,096)	(2,579)	**105,869**	96,678	D.2.3
Contingent liabilities	**–**	–	11	**11**	–	
Provisions other than technical provisions[5]	**194**	–	(138)	**56**	63	D.1.3(j)
Pension benefit obligation	**–**	–	–	**–**	–	–
Deferred tax liabilities	**49**	–	–	**49**	12	–
Derivatives[6]	**3,071**	–	–	**3,071**	3,049	–
Debts owed to credit institutions[6]	**468**	–	–	**468**	608	**–**
Financial liabilities other than debts owed to credit institutions	**–**	–	5	**5**	7	D.1.3 (k)
Insurance and intermediaries payables[6]	**263**	323	–	**586**	628	**–**
Reinsurance payables	**1,757**	–	–	**1,757**	1,763	**–**
Payables (trade, not insurance)[6]	**152**	24	–	**176**	208	–
Subordinated liabilities	**1,283**	14	(76)	**1,221**	1,210	D.1.3(l)
Any other liabilities, not elsewhere shown[7]	**4,432**	(4,403)	9	**38**	–	D.1.3(m)
Total liabilities	**123,213**	**(7,138)**	**(2,768)**	**113,307**	104,226	
Excess of assets over liabilities	**–**	4,432	2,059	**6,491**	6,532	
Total liabilities plus excess of assets over liabilities	**123,213**	**(2,706)**	**(709)**	**119,798**	110,758	

1 Bonds presented include government bonds of £3,206m, other quoted bonds of £5,634m and other unquoted bonds of £1,830m in note 17(b) of the 2023 ARA.
2 Loans and mortgages includes loans secured by policies (£2m) and commercial real estate loans (£86m) in note 17(b) of the 2023 ARA.
3 The total of insurance, reinsurance and intermediaries receivables (£120m) is equivalent to Debtors arising out of direct insurance operations (£47m) and reinsurance operations (£73m) in note 19 of the 2023 ARA.
4 Receivables (trade, not insurance) are Other Debtors (£2,128m) on the 2023 UK GAAP Balance Sheet.
5 Provisions other than technical provisions include provisions of £173m in note 30 and Accruals and deferred income of £21m in note 32 of the 2023 ARA.
6 The total of derivatives (£3,071m), debts owed to credit institutions (£468m), insurance and intermediaries payable (£263m) and payables (trade, not insurance) (£152m) is equal to £3,954m, which equates to the sum of Creditors arising out of direct insurance operations (£248m), Amounts owed to credit institutions (£47m) and Other creditors including taxation and social security (£3,659m) on the 2023 UK GAAP balance sheet.
7 Any other liabilities of £4,432m are equal to FFA of £4,432m.

D. Valuation for solvency purposes (continued)

D.1.2. SII presentation adjustments

The structure of the SII balance sheet is different to the UK GAAP balance sheet presented in the 2023 ARA. The table below sets out the presentation adjustments as at 31 December 2023 for the Group and RLMIS and reconciles the UK GAAP assets and liabilities reported in the ARA with the presentation of assets and liabilities in the SII balance sheet.

Presentation adjustments – Group

31 December 2023 £m	Total SII Presentation Adjustments	Participations (Note 1)	Investment classification (Note 2)	FFA (Note 3)	Other (Note 4)
Assets					
Goodwill	–	–	–	–	–
Other intangible assets	–	–	–	–	–
Deferred acquisition costs	–	–	–	–	–
Non-participating value of in-force business	(2,776)	–	–	–	(2,776)
Pension benefit surplus	–	–	–	–	–
Deferred tax assets	9	–	–	–	9
Property, plant & equipment held for own use	–	–	–	–	–
Property (other than for own use)	–	–	–	–	–
Holdings in related undertakings, including participations	13,928	13,931	(3)	–	–
Equities	(341)	–	(341)	–	–
Bonds	(10)	–	(10)	–	–
Collective Investment Undertakings	(13,575)	(13,931)	356	–	–
Derivatives	–	–	–	–	–
Deposits other than cash equivalents	(52)	–	(52)	–	–
Assets held for index-linked and unit-linked contracts	(11)	–	–	–	(11)
Loans and Mortgages	48	–	48	–	–
Reinsurance recoverables	(112)	–	–	–	(112)
Insurance, reinsurance and intermediaries receivables	120	–	–	–	120
Receivables (trade, not insurance)	55	–	–	–	55
Cash and cash equivalents	2	–	2	–	–
Any other assets, not elsewhere shown	3	–	–	–	3
Total assets	(2,712)	–	–	–	(2,712)
Liabilities					
Technical provisions	(3,133)	–	–	–	(3,133)
Contingent liabilities	–	–	–	–	–
Provisions other than technical provisions	21	–	–	–	21
Pension benefit obligation	–	–	–	–	–
Deferred tax liabilities	9	–	–	–	9
Derivatives	–	–	–	–	–
Debts owed to credit institutions	–	–	–	–	–
Financial liabilities other than debts owed to credit institutions	–	–	–	–	–
Insurance and intermediaries payables	375	–	–	–	375
Reinsurance payables	–	–	–	–	–
Payables (trade, not insurance)	27	–	–	–	27
Subordinated liabilities	14	–	–	–	14
Any other liabilities, not elsewhere shown	(4,131)	–	–	(4,106)	(25)
Total liabilities	(6,818)	–	–	(4,106)	(2,712)
Excess of assets over liabilities	4,106	–	–	4,106	–
Total liabilities plus excess of assets over liabilities	(2,712)	–	–	–	(2,712)

D. Valuation for solvency purposes (continued)

Presentation adjustments – RLMIS

31 December 2023 £m	Total SII Presentation Adjustments	Participations (Note 1)	Investment classification (Note 2)	FFA (Note 3)	Other (Note 4)
Assets					
Goodwill	–	–	–	–	–
Other intangible assets	–	–	–	–	–
Deferred acquisition costs	–	–	–	–	–
Non-participating value of in-force business	(2,775)	–	–	–	(2,775)
Deferred Tax Asset	–	–	–	–	–
Pension benefit surplus	–	–	–	–	–
Property, plant & equipment held for own use	–	–	–	–	–
Property (other than for own use)	–	–	–	–	–
Holdings in related undertakings, including participations	116	117	1	–	(2)
Equities	(340)	–	(340)	–	–
Bonds	(9)	–	(6)	–	(3)
Collective Investment Undertakings	234	(117)	351	–	–
Derivatives	–	–	–	–	–
Deposits other than cash equivalents	(52)	–	(54)	–	2
Assets held for index-linked and unit-linked contracts	(11)	–	–	–	(11)
Loans & mortgages	46	–	46	–	–
Reinsurance recoverables	(91)	–	–	–	(91)
Insurance, reinsurance and intermediaries receivables	106	–	–	–	106
Receivables (trade, not insurance)	68	–	–	–	68
Cash and cash equivalents	2	–	2	–	–
Any other assets, not shown elsewhere	–	–	–	–	–
Total assets	(2,706)	–	–	–	(2,706)
Liabilities					
Technical provisions	(3,096)	–	–	–	(3,096)
Provisions other than technical provisions	–	–	–	–	–
Pension benefit obligation	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–
Derivatives	–	–	–	–	–
Debts owed to credit institutions	–	–	–	–	–
Financial liabilities other than debts owed to credit institutions	–	–	–	–	–
Insurance and intermediaries payables	323	–	–	–	323
Reinsurance payables	–	–	–	–	–
Payables (trade, not insurance)	24	–	–	–	24
Subordinated liabilities	14	–	–	–	14
Any other liabilities, not elsewhere shown	(4,403)	–	–	(4,432)	29
Total liabilities	(7,138)	–	–	(4,432)	(2,706)
Excess of assets over liabilities	4,432	–	–	4,432	–
Total liabilities plus excess of assets over liabilities	(2,706)	–	–	–	(2,706)

Note 1 – Participations
Under UK GAAP participations that are held as part of an investment portfolio are included as investments within Collective Investment Undertakings. Under SII, a participation exists when there is ownership, directly or indirectly, of 20% or more of the voting rights or capital of an undertaking. Investment holdings which are greater than 20% are therefore reclassified as participations for SII purposes.

Note 2 – Investment classification
Presentation adjustments are required to reclassify certain investment assets within the UK GAAP balance sheet to the appropriate balance sheet line items for SII purposes; certain securities held as 'equities' on the UK GAAP balance sheet are recognised as 'collective investment undertakings' on the SII balance sheet; reverse repurchase agreements are reclassified from 'deposits with credit institutions' into 'loans' and 'certificates of deposit' are reclassified from 'deposits with credit institutions' into 'bonds' within the SII balance sheet.

D. Valuation for solvency purposes (continued)

Note 3 – Fund for Future Appropriations (FFA)

The FFA is the amount of UK GAAP surplus which is attributable to the RL Main Fund that has not been allocated to policyholders. For the UK GAAP accounts this value is included in the balance sheet as a liability. For SII the equivalent item is the excess of assets over liabilities in the RL Main Fund. The presentation adjustment therefore reallocates the FFA from 'any other liabilities, not elsewhere shown' to 'excess of assets over liabilities' on the SII balance sheet.

Note 4 – Other

Other presentation adjustments primarily relate to non-participating value of in-force business, interfund balances, policyholder claims and reinsurance adjustments.

Non-participating value of in-force business is classified as a separate asset for UK GAAP with a corresponding increase in technical provisions. For SII reporting, non-participating value of in-force business is included net within technical provisions.

The interfund adjustments primarily relate to balances owed between funds within RLMIS. Under UK GAAP these amounts are eliminated on consolidation. However, SII reporting is at ring-fenced fund level and therefore interfund balances are presented gross on the balance sheet.

The remaining material adjustments are required to reclassify policyholder claims liabilities from technical provisions to insurance and intermediaries payables and from reinsurance assets to insurance and intermediaries receivables. Amounts that are past due are included within insurance payables and receivables.

D.1.3. Valuation bases, methods and assumptions

The description of valuation differences between SII and UK GAAP balance sheets, by material asset class, are provided in the table below.

Valuation differences

		31 December 2023 £m		
Note	Balance sheet item	Group	RLMIS	Valuation principles
a	Goodwill	13	(14)	Goodwill is always valued at zero under the SII valuation rules. Under UK GAAP a goodwill asset is amortised over its estimated useful life. An impairment test is performed only if there is an indication of impairment. Negative goodwill, capitalised under UK GAAP, occurs when the fair value of net assets acquired in an acquisition exceeds the fair value of the consideration paid.
b	Other intangible assets	(143)	(114)	For SII, other intangible assets can only be valued at an amount other than zero if they could be sold separately and the Group is able to demonstrate that there is a value for the same or similar assets that has been derived from quoted prices in active markets. This is not the case for the other intangible assets recognised in the Group and RLMIS's UK GAAP balance sheet; therefore these are valued at zero in the SII balance sheet.
c	Deferred acquisition costs	(67)	(65)	Deferred acquisition costs are valued at zero under the SII valuation rules. Under the SII valuation, the cash flows that underpin these assets are included within the calculation of the BEL and therefore are included within the SII technical provisions.
d	Deferred tax asset	8	5	Information on deferred tax differences between UK GAAP and SII is included in section D.1.4.
e	Property, plant & equipment held for own use	33	–	Lease right of use assets are recognised for SII purposes as the valuation principles are aligned to IFRS 16. The operating leases are not capitalised under UK GAAP (FRS 102).
f	Property (other than for own use)	–	5	Lease right of use assets are recognised for SII purposes as the valuation principles are aligned to IFRS 16. The operating leases are not capitalised under UK GAAP (FRS 102).
g	Holdings in related undertakings, including participations	(38)	(354)	The valuation difference between the SII and UK GAAP balance sheets relates to participations valued using the adjusted equity method. Under UK GAAP the value of the participations is the amount at which the participation can be expected to be sold. This is estimated using a combination of net asset value (NAV), applying a price earnings (PE) multiple, an EBITDA multiple and discounted cash flow techniques. The UK GAAP valuations therefore include an element of goodwill, other intangible assets and fair value adjustments. For the SII balance sheet these participations are valued using the adjusted equity method, which is the net assets of the participations valued on an SII basis excluding goodwill, other intangible assets and fair value adjustments. In the Group balance sheet regulated financial entities are held at the own funds value as prescribed in the relevant sectoral rules.
h	Reinsurance recoverables	(181)	(172)	The difference is due to the recalculation of the reinsurance recoverables balance using the SII requirements for technical provisions within Articles 76 to 86 of the SII Directive, as opposed to UK GAAP rules. Further information is included in section D.2.9.
i	Contingent liabilities	11	11	Material contingent liabilities are recognised within SII but not within UK GAAP.

D. Valuation for solvency purposes (continued)

Note	Balance sheet item	31 December 2023 £m Group	RLMIS	Valuation principles
j	Provisions, other than technical provisions	(138)	(138)	The total valuation difference is due to provisions for renewal commission and deferred fee income which are not recognised under SII. Under the SII valuation the cash flows that underpin these liabilities are included within the calculation of the BEL and therefore are included within the SII technical provisions. The remaining balance relates to provisions recognised in the SII balance sheet which are the same value under SII and UK GAAP, determined by discounting the expected cash flows required to settle the obligation. The provisions mainly relate to rectification programmes.
k	Financial liabilities other than debts owed to credit institutions	41	5	This is the lease liability created as result of recognising operating leases as an asset (note e and f above).
l	Subordinated liabilities	(76)	(76)	Subordinated liabilities (also known as subordinated debt) are recognised at their fair value under SII whereas in the UK GAAP balance sheet, subsequent to initial recognition, they are valued at amortised cost, resulting in a valuation difference. The SII fair value is based on the quoted price and includes accrued interest. The SII value excludes material changes in the issuer's own credit rating if contained within the quoted price.
m	Any other liabilities, not elsewhere shown	–	9	SII valuation difference in respect of valuation of a liability to a subsidiary.

D.1.4. Analysis of deferred tax

The deferred tax balances in the SII balance sheet are calculated using the IAS 12 balance sheet liability method and have been provided for on the basis of the expected realisation/settlement of the carrying amount of assets and liabilities. The UK GAAP basis for recognising deferred tax is reported in note 29 on pages 189 to 190 of the 2023 ARA. Differences in the deferred tax balances arise where balance sheet items have different carrying amounts under SII and UK GAAP or where there are differences between the requirements of IAS 12 (used for SII) and FRS 102 section 29. For Group the main difference at 31 December 2023 is £5m (31 December 2022: £8m) relating to a difference in the valuation of subordinated liabilities in RLMIS.

The Group has deferred tax assets on a SII basis of £6m at 31 December 2023 (31 December 2022: £12m), relating to its management service company, RLMS.

The Group did not recognise deferred tax assets of £30m at 31 December 2023 (31 December 2022: £38m), of which £nil relate to RLMIS. These unused losses and allowances can be carried forward and utilised as long as the company in which they arose is active or trading.

The table below summarises the SII deferred tax (assets)/liabilities compared with the UK GAAP value.

31 December 2023 £m	RLMIS	RLI DAC (unaudited)	Other Group companies	Group
Unrealised gains on investments	148	–	–	148
Excess management expenses carried forward	(102)	(2)	–	(104)
Deferred acquisition costs	(2)	–	–	(2)
Defined benefit pension schemes	8	–	–	8
Other temporary differences	(8)	(4)	(6)	(18)
Total SII deferred tax liabilities/(assets)	**44**	**(6)**	**(6)**	**32**
Consolidation adjustments	–	–	6	6
Presentation adjustments	–	–	–	–
Valuation adjustments	5	4	(1)	8
Total UK GAAP deferred tax liabilities/(assets)	**49**	**(2)**	**(1)**	**46**

31 December 2022 £m	RLMIS	RLI DAC (unaudited)	Other Group companies	Group
Unrealised gains on investments	136	–	–	136
Excess management expenses carried forward	(152)	–	–	(152)
Deferred acquisition costs	(3)	–	–	(3)
Defined benefit pension schemes	10	–	–	10
Other temporary differences	(13)	(2)	(12)	(27)
Total SII deferred tax liabilities/(assets)	**(22)**	**(2)**	**(12)**	**(36)**
Consolidation adjustments	–	(1)	–	(1)
Presentation adjustments	–	–	–	–
Valuation adjustments	8	2	–	10
Total UK GAAP deferred tax liabilities/(assets)	**(14)**	**(1)**	**(12)**	**(27)**

D. Valuation for solvency purposes (continued)

Deferred tax assets are recoverable through the reversal of the taxable temporary differences and offset against future taxable profits using a 10 year projection period.

D.1.5. Asset valuation methodology

All investment assets are measured at fair value for SII in accordance with a fair value hierarchy (see table below), with quoted market prices in an active market being the default valuation. Active markets are determined by trading volumes and analysis is carried out to prove that an active market exists.

The following table sets out the SII valuation methods used when valuing assets:

Hierarchy Level	Valuation Method
1	Quoted market price in active markets for the same assets
2	Quoted market price in active markets for similar assets
3	Alternative valuation methods
4	Adjusted equity methods (applicable for the valuation of participations)
5	IFRS equity methods (applicable for the valuation of participations)

Where quoted prices are not available, alternative valuation methods are used making maximum use of market inputs (refer to section D.4).

D.2 Technical provisions

D.2.1. Introduction

Technical provisions are the sum of BEL and Risk Margin (RM). For the unit liability part of unit-linked business, the technical provisions are calculated as a whole (referred to as technical provisions calculated as a whole (TPCAW)), rather than as the sum of BEL and RM.

The BEL is the probability-weighted value of future cash flows required to fulfil obligations to policyholders under existing contracts, without allowance for cash flows associated with reinsurance arrangements. A negative BEL is allowed if the present value of the future cash flows is positive (i.e. future income exceeds future outflows).

The RM is an addition to the BEL to ensure that the technical provisions as a whole are equivalent to the amount that third party insurance undertakings would be expected to require in order to meet the insurance obligations. The RM is calculated as the amount of capital needed to support the SCR over the lifetime of the business at a prescribed cost of capital rate. Further information on the calculation of the RM is set out in section D.2.11.

D. Valuation for solvency purposes (continued)

D.2.2. Technical provisions by line of business

The tables below provide the technical provisions for the Group and RLMIS split by SII lines of business.

Technical provisions by line of business – Group

31 December 2023 £m	BEL	RM – unaudited	TPCAW	TMTP – unaudited BEL	TMTP – unaudited RM	Total technical provisions
Insurance with-profit participation	25,003	107	–	(243)	(98)	24,769
Index-linked and unit-linked insurance	(2,876)	303	80,065	–	(217)	77,275
Health insurance	(285)	12	–	–	(6)	(279)
Other life insurance	4,015	119	–	(4)	(68)	4,062
Total	25,857	541	80,065	(247)	(389)	105,827

31 December 2022 £m	BEL	RM – unaudited	TPCAW	TMTP – unaudited BEL	TMTP – unaudited RM	Total technical provisions
Insurance with-profit participation	24,876	263	–	(249)	(245)	24,645
Index-linked and unit-linked insurance	(2,592)	731	70,759	–	(453)	68,445
Health insurance	(236)	22	–	–	(12)	(226)
Other life insurance	3,646	287	–	(6)	(200)	3,727
Total	25,694	1,303	70,759	(255)	(910)	96,591

Key movements in the year are shown in the table below:

Technical provisions	£m	£m
31 December 2022		96,591
BEL and TPCAW increased/(decreased) due to:		
• New business sold during 2023	5,591	
• Existing business variances including expected changes[1] and demographic assumption changes	(827)	
• Economic movements	4,022	
• Management actions	(22)	
• Acquisitions[2]	(146)	
• Closed fund estate distributions	690	
• ProfitShare and ValueShare	163	
Increase in BEL and TPCAW		9,471
RM increased/(decreased) due to:		
• New business sold during 2023	109	
• Existing business variances including expected changes[1] and demographic assumption changes	15	
• Economic movements	–	
• Management actions	13	
• SII Reform[3]	(900)	
Decrease in RM – unaudited		(763)
TMTP decreased (increasing technical provisions) due to:		
• Existing business variances including expected changes (amortisation) and demographic assumption changes	6	
• Economic movements	(42)	
• Management actions	9	
• SII Reform[3]	555	
Increase through lower TMTP – unaudited		528
31 December 2023		**105,827**

1 Expected changes are the reduction in technical provisions, including claims paid, based on opening assumptions set at the start of the year, including demographic and economic assumptions and the unwind of the risk-free rate.
2 On 4 April 2023, the Group entered into a Framework Agreement and Transitional Services Agreement with Aegon UK for a portfolio of protection contracts, related reinsurance contracts and net current liabilities via a Scheme of transfer under Part VII of the Financial Services and Markets Act ('Part VII transfer'). In the period up to the effective date of the Part VII transfer, which is expected to take place in the second half of 2024, Royal London also entered into a Reinsurance Agreement with Aegon UK to 100% reinsure the element of the book not already reinsured with third parties. This amount relates to the amount of negative BEL recognised in connection with this Reinsurance Agreement.
3 As explained further in D.2.11, the prescribed cost of capital rate used in the calculation of RM reduced to 4% per annum for RLMIS (2022: 6%). The reduction in the cost of capital rate for RLMIS followed the PRA's review of the RM calculation for UK insurers with the changes effective at 31 December 2023. Net of the impact of the TMTP recalculation, this change reduced technical provisions by £345m.

D. Valuation for solvency purposes (continued)

Technical provisions by line of business – RLMIS

31 December 2023				TMTP – unaudited		Total technical
£m	BEL	RM – unaudited	TPCAW	BEL	RM	provisions
Insurance with-profit participation	25,020	106	–	(243)	(98)	24,785
Index-linked and unit-linked insurance	(2,875)	301	80,007	–	(217)	77,216
Health insurance	(247)	9	–	–	(6)	(244)
Other life insurance	4,095	89	–	(4)	(68)	4,112
Total	25,993	505	80,007	(247)	(389)	105,869

31 December 2022				TMTP – unaudited		Total technical
£m	BEL	RM – unaudited	TPCAW	BEL	RM	provisions
Insurance with-profit participation	24,892	262	–	(249)	(245)	24,660
Index-linked and unit-linked insurance	(2,596)	734	70,753	–	(453)	68,438
Health insurance	(206)	19	–	–	(12)	(199)
Other life insurance	3,725	259	–	(6)	(199)	3,779
Total	25,815	1,274	70,753	(255)	(909)	96,678

Key movements in the year are shown in the table below:

Technical provisions	£m	£m
31 December 2022		96,678
BEL and TPCAW increased/(decreased) due to:		
• New business sold during 2023	5,598	
• Existing business variances including expected changes[1] and demographic assumption changes	(860)	
• Economic movements	4,008	
• Management actions	(22)	
• Acquisitions	(145)	
• Closed fund estate distributions	690	
• ProfitShare	163	
Increase in BEL and TPCAW		9,432
RM increased/(decreased) due to:		
• New business sold during 2023	101	
• Existing business variances including expected changes[1] and demographic assumption changes	18	
• Economic movements	(1)	
• Management actions	13	
• SII Reform	(900)	
Decrease in RM – unaudited		(769)
TMTP decreased (increasing technical provisions) due to:		
• Existing business variances including expected changes (amortisation) and demographic assumption changes	6	
• Economic movements	(42)	
• Management actions	9	
• SII Reform	555	
Increase through lower TMTP – unaudited		528
31 December 2023		**105,869**

1 Expected changes are the reduction in technical provisions, including claims paid, based on opening assumptions set at the start of the year, including demographic and economic assumptions and the unwind of the risk-free rate.

D.2.3. Material differences between UK GAAP and SII technical provisions

The following table analyses the difference between the total technical provisions under SII and the UK GAAP value for the Group and RLMIS by SII lines of business. Explanations of the material differences are also included.

D. Valuation for solvency purposes (continued)

Material differences between UK GAAP and SII technical provisions by line of business – Group

31 December 2023 £m	Note	Insurance with-profit participation	Index-linked and unit-linked insurance	Health insurance	Other life insurance	Total technical provisions
UK GAAP technical provisions[1]		27,373	79,935	(261)	4,141	111,188
Removal of closed funds surplus included in UK GAAP	1	(1,900)	–	–	–	(1,900)
Value of in-force business (VIF)	2	–	(2,776)	–	–	(2,776)
Deferred acquisition costs (DAC)	3	–	(67)	–	–	(67)
Deferred front end loads (DFEL)	3	–	21	–	–	21
Present value of renewal commission (PVRC)	3	–	117	–	–	117
Economic assumptions	4	(240)	(3)	–	(47)	(290)
Margins of prudence	5	(86)	(165)	(24)	(153)	(428)
Contract boundaries	6	–	126	–	–	126
RM – unaudited	7	107	302	12	120	541
TMTP – unaudited	8	(341)	(218)	(6)	(72)	(637)
Other	9	(144)	2	–	73	(68)
SII technical provisions		24,769	77,275	(279)	4,062	105,827

1 Total UK GAAP technical provisions of £111,188m exclude claims outstanding of £360m, which are included in technical provisions (£111,548m) in Section D.1 above but included in insurance and intermediaries payables in the SII balance sheet. Further information on SII presentation adjustments is included in section D.1.

Material differences between UK GAAP and SII technical provisions by line of business – RLMIS

31 December 2023 £m	Note	Insurance with-profit participation	Index-linked and unit-linked insurance	Health insurance	Other life insurance	Total technical provisions
UK GAAP technical provisions[1]		27,365	79,877	(225)	4,206	111,223
Removal of closed funds surplus included in UK GAAP	1	(1,900)	–	–	–	(1,900)
Value of in-force business (VIF)	2	–	(2,775)	–	–	(2,775)
Deferred acquisition costs (DAC)	3	–	(65)	–	–	(65)
Deferred front end loads (DFEL)	3	–	21	–	–	21
Present value of renewal commission (PVRC)	3	–	116	–	–	116
Economic assumptions	4	(240)	(3)	–	(47)	(290)
Margins of prudence	5	(87)	(165)	(21)	(138)	(411)
Contract boundaries	6	–	126	–	–	126
RM – unaudited	7	106	301	9	89	505
TMTP – unaudited	8	(341)	(217)	(7)	(72)	(637)
Other	9	(118)	–	–	74	(44)
SII technical provisions		24,785	77,216	(244)	4,112	105,869

1 Total UK GAAP technical provisions of £111,223m exclude claims outstanding of £321m, which are included in the technical provisions (£111,544m) in Section D.1 above but included in insurance and intermediaries payables in the SII balance sheet. Further information on SII presentation adjustments is included in section D.1.

D. Valuation for solvency purposes (continued)

Note	Item	Information
1	Removal of closed fund surplus included in UK GAAP	UK GAAP treats the surplus in closed funds as a liability whereas under SII it is an adjustment to own funds.
2	Value of in-force business (VIF)	UK GAAP treats the VIF as a separate asset whereas under SII it is offset within technical provisions.
3	Deferred acquisition costs (DAC) and Deferred front end loads (DFEL) and Present value of renewal commission (PVRC)	Contracts classified as non-participating investment business for UK GAAP are valued using a fair value principle whereas SII uses a discounted cash flow methodology.
4	Economic assumptions	Both UK GAAP and SII use the same underlying discounted cash flow methodology, however the discount rate used in the SII balance sheet is higher than that used in the UK GAAP balance sheet due to the use of the VA for appropriate lines of business. For business in the MA portfolio, both SII and UK GAAP use the same discount rate.
5	Margins of prudence	SII balance sheet uses best estimate demographic assumptions whereas the UK GAAP assumptions contain margins for adverse deviation.
6	Contract boundaries	UK GAAP values all future premiums due on each contract whereas SII only takes credit for future premiums where there is a future discernible benefit arising from their payment. Further information is provided in section D.2.4.
7	RM – unaudited	RM is not included in the UK GAAP balance sheet.
8	TMTP – unaudited	TMTP is not included in the UK GAAP balance sheet.
9	Other	Other includes product reclassification differences, removal of the UK GAAP liability offsetting the surplus arising in the UK and ROI Liver defined benefit pension schemes and miscellaneous items.

D.2.4. Basis, methodology and assumptions

Segmentation

The Group's life business products are segmented into lines of business on the basis of the nature of the underlying risks as described in the SII guidance. The following table sets out how products are mapped to lines of business.

Line of business	Products
Health insurance	Stand-alone critical illness
	Waiver of premium
	Income protection
	Permanent health insurance
Insurance with-profits participation	Traditional with-profits Deposit administration
	Unitised with-profits
	Accumulating with-profits
Index-linked and unit-linked insurance	Property-linked
Other life insurance	Non-profit
	Accelerated critical illness Annuities in payment
	Index-linked where the policyholder does not bear the risk
	With-profits business that has been converted to or re-classified as non-profit

In addition to the table above, the acquisition of the closed Aegon UK protection book is currently reflected within the Life and Health reinsurance lines of business, this will be reflected as directly written business on completion of the intended Part VII transfer.

Unbundling across lines of business

The following types of contract are unbundled on the basis that different benefits within the same policy fall under different SII lines of business.

D. Valuation for solvency purposes (continued)

Main product	Components	SII line of business
Unit-linked	Unit-linked	Index-linked and unit-linked
	Unitised with-profits*	Insurance with-profits participation
	Non unit-linked rider**	Other life insurance or health business
Unitised with-profits	Unitised with-profits	Insurance with-profits participation
	Unit-linked*	Index-linked and unit-linked
	Non-profit rider	Other life insurance or health business
Conventional with-profits	Conventional with-profits	Insurance with-profits participation
	Non-profit rider	Other life insurance or health business
Conventional non-profit	Conventional non-profit	Other life insurance or health business
	Non-profit rider	Other life insurance or health business

* Hybrid products consisting of unitised with-profits and unit-linked funds are unbundled.
** Not unbundled where the non unit-linked riders are embedded within the contract e.g. paid for from deduction from units.

Contract boundary
The term 'contract boundary' under SII defines:

- When a policy is first included within technical provisions (inception)
- Which premiums should be included within the technical provisions calculation
- When the policy ends and is excluded from technical provisions (payment of final benefit or policy expiry or lapse).

Future regular premiums are included in the technical provisions calculation in the following cases:

- All conventional non-profit business
- All with-profits policies
- Unit-linked policies where a waiver of premium benefit is provided, or if there is a death, disability, accident or sickness benefit which is equal to or more than 101% of the unit fund or there is a cap on potential expense charges. Future premiums are excluded for unit-linked policies that do not contain these risk benefits.

The contract end boundary is determined as follows:

- For policies with no renewal dates, the end boundary is based on the contract term or retirement date selected by the policyholder. Early and late retirements are reflected based on best estimate assumptions for future experience
- Certain contracts such as annuities, pensions with GAOs and whole of life products have no specific contract end date
- Where there are premium review dates on business providing risk benefits and the Group does not have the option to re-underwrite at the premium review date, the end boundary is based on the contract term. Where the Group has the option to amend premiums and/or benefits to fully reflect the risks, the boundary is the first review date
- For reviewable reinsurance ceded, the reinsurance contract end boundary is the same as for the underlying reinsured policies, as the reinsurers do not have a unilateral right to amend the premiums.

Data quality
There are data quality standards which set out the management approach, governance arrangements and the minimum standards used to ensure that data used for financial reporting is appropriate, complete and accurate.

The standards are part of FRDCF and apply a proportionate and risk-based approach. They are in line with the principles of SII and are also consistent with the overarching risk management policy.

There are no known limitations or inaccuracies in data that materially impact the technical provisions. In case of such limitations or inaccuracies, an adequate additional provision would be held.

D. Valuation for solvency purposes (continued)

D.2.5. Calculation of best estimate liabilities (BEL)

The following sections outline how BEL is valued for each line of SII business.

BEL for with-profits insurance

For the majority of with-profits business, the BEL is calculated as the sum of:

- Asset shares.
- Value of future policy-related liabilities.

Asset shares are an accumulation, to the valuation date, of premiums paid allowing for investment returns, expenses and/or charges, and any enhancements from miscellaneous surplus. Principles and practices underlying the asset share methodology are set out in the PPFMs. Asset shares for some products are calculated using prospective (or other methods) rather than retrospective methods, for example for some whole of life policies.

The value of future policy-related liabilities is calculated as follows:

- The cost of providing financial guarantees (costs and other benefits not reflected in the asset share) determined using a stochastic valuation. A stochastic valuation is derived from estimating probability distributions of potential outcomes, when one or more of the variables are random
- **Plus or minus** the cost of smoothing payouts to policyholders determined using a stochastic valuation in accordance with the smoothing rules
- **Plus** the cost of providing financial options determined using a stochastic valuation
- **Minus** the value of policy charges for providing options and guarantees using a stochastic valuation
- **Minus** the value of other charges deducted from asset shares net of future expenses
- For RL Main Fund only, **minus** the value of expense charging arrangements in respect of the RL (CIS) Fund in RLMIS, and the Liver Ireland Fund in RLI DAC
- For RL Main Fund only, **plus** the value of a fixed mortality and expense charging arrangement in respect of certain pension policies with attaching financial options due to vest between 2024 and 2026 in the RL(CIS) Fund.

BEL for index-linked and unit-linked insurance

With the exception of the unit fund liability part of unit-linked liabilities (which are classified as TPCAW), the BEL for linked life insurance business is calculated from a prospective deterministic valuation, as the present value of future cash flows. Cash flows are projected based on product terms, a set of demographic assumptions and assumed returns on unit-linked funds reflecting risk-free returns and fund charges. This leads to the BEL corresponding to the probability-weighted average of future cash flows.

For linked insurance business with options and guarantees, the BEL is calculated as the present value of cash flows for an identical contract without options and guarantees plus the cost of the options and guarantees.

BEL for health insurance and other insurance

The BEL for health insurance and other life insurance business is generally calculated from a prospective deterministic valuation, as the present value of future cash flows. Cash flows are projected based on a set of demographic assumptions and product features. This leads to the BEL corresponding to the probability-weighted average of future cash flows.

Simplified BEL calculations

The methods for calculating BEL described above are varied and simplifications are used for less material classes of business where their application would not be practical or proportionate. Simplifications used are chosen only where they are expected to produce a more prudent provision than applying the methods described above.

D. Valuation for solvency purposes (continued)

D.2.6. Stochastic techniques

Stochastic methods are used to calculate the costs of options, guarantees and smoothing, i.e. part of the BEL. A market-consistent set of economic scenarios is generated and the costs valued in each scenario using a discount curve equal to the projected future risk-free curve for that scenario (net of any I-E tax).

The BEL calculation is consistent with information provided by the financial markets as a market-consistent valuation is placed on the value of options and guarantees. This requires a specific set of scenarios to be produced as an input. These scenarios are produced by an economic scenario generator (ESG). The scenarios are validated against market data at the valuation date and meet certain properties to enable a market-consistent value of the liabilities to be produced.

D.2.7. Assumptions used

Demographic assumptions for future experience are set on a best estimate basis as described below:

- Mortality and morbidity risks are inherent in most lines of business. For protection business, an increase in mortality and morbidity rates leads to increased claim levels and hence an increase in liabilities. For annuity business the mortality risk is that policyholders live longer than expected. Reinsurance arrangements have been put in place to mitigate mortality and morbidity risks. The rates of mortality and morbidity are set in line with recent internal experience, where it is available in sufficient volume to provide reliable results. Where internal experience is not considered sufficient, rates have been set by reference to either industry experience or the terms on which the business is reinsured

- Persistency is the extent to which policies remain in force and are not for any reason lapsed, made paid up, surrendered or transferred prior to maturity or expiry. The rates of persistency are set in line with recent company experience. Where appropriate, these rates are adjusted to allow for expected future experience being different from past experience. The rates vary by product line, sales channel, duration in force and for some products by fund size and age. In addition, for pension business, persistency is impacted by early and late retirements compared to the selected retirement date and, post retirement, the rate of income drawdown taken from policies

- GAO take-up rates, where at retirement a customer chooses to receive a guaranteed regular income rather than take the pension fund as cash, are also key assumptions set using expert judgement and recent experience

- For the main classes of business, expense assumptions are set in accordance with management service agreements and for business transferred to RLMIS, in accordance with the appropriate scheme of transfer. Expenses for those classes of business not covered by either a management service agreement or a scheme of transfer are based on the actual expenses incurred. The Group expense assumptions 'look through' RLMS per policy costs and use actual expenses incurred

- Per policy expenses are assumed to inflate in line with the change in the UK Retail Price Index or the Republic of Ireland Consumer Price Index as appropriate, plus a margin. The margin varies between open and closed books of business in each insurance entity.

The key assumption changes during 2023 relate to:

- In the RL Main Fund, changes have been applied to paid up, transfer out, retirement and partial withdrawal rates on group pension business, income drawdown rates and retirement rates on individual pension business together with updates to mortality and morbidity rates on UK protection business to reflect recent experience

- In the RL(CIS) Fund, longevity assumptions for the RL(CIS) business have been updated to reflect recent experience, together with further refinement of the analysis of experience for deferred and in payment business. In addition, persistency assumptions have been updated for pension business, including changes to both early and late retirement rates and transfer out rates to reflect recent experience

- The longevity improvement assumptions used in all funds retain the 2019 projection model issued by the Continuous Mortality Investigations Bureau (CMIB) with the parameterisation of this model updated to reflect the Group's latest view of future improvements, taking into account the impact of Covid and the economic circumstances

- Per policy and expense inflation assumptions have been updated to reflect the latest best estimate view of future expenses.

Where the BEL is calculated as the sum of an asset share (whether retrospective or prospective) and future policy-related liabilities, a projection of future annual and terminal bonuses is required for the future policy-related liabilities. The level of future annual bonus is assumed to remain unchanged from the rates declared at the most recent bonus declaration.

In addition, economic assumptions are used, based on:

- Initial curve of risk-free rates of interest by currency as defined for SII (including VA for applicable business)

- Default, downgrade and fundamental spread rates by currency as defined for SII (specifically for MA eligible business)

D. Valuation for solvency purposes (continued)

- Inflation (linked to ESG where stochastic valuation methods are used).

D.2.8. Solvency II long term guarantee and transitional measures

Transitional Measure on Technical Provisions (TMTP) – unaudited

The impact of reducing the TMTP to zero on the SII balance sheet (including technical provisions, own funds and SCR) for the Group and RLMIS is set out below.

Impact of reducing TMTP to zero – Group

	2023			2022		
£m	Including TMTP	Excluding TMTP	Impact of removing TMTP	Including TMTP	Excluding TMTP	Impact of removing TMTP
Technical provisions	**105,827**	**106,463**	**636**	96,591	97,756	1,165
Basic own funds[1]	**5,332**	**5,044**	**(288)**	4,651	4,081	(570)
Eligible own funds to meet SCR	**5,601**	**5,313**	**(288)**	4,828	4,258	(570)
SCR – unaudited	**2,721**	**2,721**	**–**	2,345	2,345	–
MCR	**655**	**655**	**–**	557	557	–
Investor View – solvency surplus	**2,880**	**2,592**	**(288)**	2,483	1,913	(570)
Investor View – capital cover ratio	**218%**	**206%**	**(12)% points**	213%	187%	(26)% points
Regulatory View – solvency surplus	**2,880**	**2,592**	**(288)**	2,483	1,913	(570)
Regulatory View – capital cover ratio	**206%**	**195%**	**(11)% points**	206%	182%	(24)% points

1 Basic own funds of £5,332m is reported after the Deferred Tax Asset restriction in line with S.22.01.22.

The S.22.01.22 Impact of long-term guarantees is included in Appendix 2 – Quantitative Reporting Templates (QRTs) – Group.

Impact of reducing TMTP to zero – RLMIS

	2023			2022		
£m	Including TMTP	Excluding TMTP	Impact of removing TMTP	Including TMTP	Excluding TMTP	Impact of removing TMTP
Technical provisions	**105,869**	**106,505**	**636**	96,678	97,843	1,165
Basic own funds	**5,620**	**5,332**	**(288)**	5,005	4,435	(570)
Eligible own funds to meet SCR	**5,620**	**5,332**	**(288)**	4,853	4,283	(570)
SCR – unaudited	**2,543**	**2,543**	**–**	2,160	2,160	–
MCR	**636**	**636**	**–**	540	540	–
Investor View – solvency surplus	**3,077**	**2,789**	**(288)**	2,693	2,123	(570)
Investor View – capital cover ratio	**235%**	**222%**	**(13)% points**	233%	205%	(28)% points
Regulatory View – solvency surplus	**3,077**	**2,789**	**(288)**	2,693	2,123	(570)
Regulatory View – capital cover ratio	**221%**	**210%**	**(11)% points**	225%	198%	(26)% points

The S.22.01.21 Impact of long-term guarantees and transitional measures is included in Appendix 3 – Summary of QRTs – RLMIS.

Volatility Adjustment

The prescribed VAs set out in the table below have been applied to with-profits business and annuities in payment outside of the MA portfolio:

Business- VA	2023	2022
GBP	**31bps**	29bps
EUR	**19bps**	19bps

D. Valuation for solvency purposes (continued)

The impact of reducing the VA to zero on the SII balance sheets (including technical provisions, own funds and SCR) for the Group and RLMIS is set out below.

Impact of reducing VA to zero – Group

	2023			2022		
£m	Including VA	Excluding VA	Impact of removing VA	Including VA	Excluding VA	Impact of removing VA
Technical provisions	106,463	106,753	290	97,756	98,058	302
Basic own funds[1]	5,044	4,960	(84)	4,081	4,072	(9)
Eligible own funds to meet SCR[1]	5,313	5,229	(84)	4,258	4,294	36
SCR – unaudited	2,721	2,746	25	2,345	2,435	90
MCR	655	662	7	557	580	23
Investor View – solvency surplus	2,592	2,483	(109)	1,913	1,859	(54)
Investor View – capital cover ratio	206%	200%	(6)% points	187%	184%	(3)% points
Regulatory View – solvency surplus	2,592	2,483	(109)	1,913	1,859	(54)
Regulatory View – capital cover ratio	195%	190%	(5)% points	182%	176%	(6)% points

1 Note that the quantification of the impact of setting the VA to zero is after the removal of TMTP.

The S.22.01.22 Impact of long-term guarantees is included in Appendix 2 – Quantitative Reporting Templates (QRTs) - Group.

Impact of reducing VA to zero – RLMIS

	2023			2022		
£m	Including VA	Excluding VA	Impact of removing VA	Including VA	Excluding VA	Impact of removing VA
Technical provisions	106,505	106,795	290	97,843	98,144	301
Basic own funds[1]	5,332	5,248	(84)	4,435	4,426	(9)
Eligible own funds to meet SCR[1]	5,332	5,248	(84)	4,283	4,319	36
SCR – unaudited	2,543	2,568	25	2,160	2,250	90
MCR	636	642	6	540	562	22
Investor View – solvency surplus	2,789	2,680	(109)	2,123	2,069	(54)
Investor View – capital cover ratio	222%	216%	(6)% points	205%	202%	(3)% points
Regulatory View – solvency surplus	2,789	2,680	(109)	2,123	2,069	(54)
Regulatory View – capital cover ratio	210%	205%	(5)% points	198%	192%	(6)% points

1 Note that the quantification of the impact of setting the VA to zero is after the removal of TMTP.

The S.22.01.21 Impact of long-term guarantees and transitional measures is included in Appendix 3 – Summary of QRTs – RLMIS.

Matching Adjustment

The application of the MA allows the insurer to use a higher discount rate when valuing liabilities that meet strict eligibility requirements. The assets and liabilities in the MA portfolios meet the MA eligibility criteria as set out in the regulations.

The MA is based on the expected yield from eligible assets held to back eligible liabilities, less a margin for defaults and downgrades. It is applied as a flat increase to the SII basic risk-free curve used to discount liabilities. The MA rate calculated at 31 December 2023 was 124bps.

The calculation of the MA uses PRA specified assumptions for the basic risk-free curve and fundamental spreads. These assumptions are combined with asset and liability cash flows to generate the MA.

Details on the type of assets and liabilities in the MA portfolio as at 31 December 2023 are shown in the table below:

Liabilities to which a matching adjustment is applied	Assigned assets used to back liabilities
Certain non-profit deferred and in payment pension annuity liabilities as defined in the MA application approved by the PRA in 2023	Government bonds (including inflation-linked government bonds) Corporate bonds (including inflation-linked corporate bonds and asset backed securities) Private placements Commercial real estate loans Cash

D. Valuation for solvency purposes (continued)

The impact of reducing the MA to zero on the SII balance sheets (including technical provisions, own funds and SCR) for the Group and RLMIS is set out below

Impact of reducing MA to zero – Group

	2023			2022		
£m	Including MA	Excluding MA	Impact of removing MA	Including MA	Excluding MA	Impact of removing MA
Technical provisions	106,753	106,947	194	98,058	98,166	108
Basic own funds[1]	4,960	4,766	(194)	4,072	3,964	(108)
Eligible own funds to meet SCR[1]	5,229	5,035	(194)	4,294	4,234	(60)
SCR – unaudited	2,746	2,934	188	2,435	2,531	96
MCR	662	709	47	580	604	24
Investor View – solvency surplus	2,483	2,101	(382)	1,859	1,703	(156)
Investor View – capital cover ratio	200%	179%	(21)% points	184%	174%	(10)% points
Regulatory View – solvency surplus	2,483	2,101	(382)	1,859	1,703	(156)
Regulatory View – capital cover ratio	190%	172%	(18)% points	176%	167%	(9)% points

1 Note that the quantification of the impact of setting the MA to zero is after the removal of TMTP and setting the VA to zero.

The S.22.01.22 Impact of long-term guarantees is included in Appendix 2 – Quantitative Reporting Templates (QRTs) – Group.

Impact of reducing MA to zero – RLMIS

	2023			2022		
£m	Including MA	Excluding MA	Impact of removing MA	Including MA	Excluding MA	Impact of removing MA
Technical provisions	106,795	106,989	194	98,144	98,252	108
Basic own funds[1]	5,248	5,054	(194)	4,426	4,318	(108)
Eligible own funds to meet SCR[1]	5,248	5,054	(194)	4,319	4,259	(60)
SCR – unaudited	2,568	2,756	188	2,250	2,346	96
MCR	642	689	47	562	586	24
Investor View – solvency surplus	2,680	2,298	(382)	2,069	1,913	(156)
Investor View – capital cover ratio	216%	192%	(24)% points	202%	190%	(12)% points
Regulatory View – solvency surplus	2,680	2,298	(382)	2,069	1,913	(156)
Regulatory View – capital cover ratio	204%	183%	(21)% points	192%	182%	(10)% points

1 Note that the quantification of the impact of setting the MA to zero is after the removal of TMTP and setting the VA to zero.

The S.22.01.21 Impact of long-term guarantees and transitional measures is included in Appendix 3 – Summary of QRTs – RLMIS.

D.2.9. Recoverables on reinsurance contracts

The Group uses reinsurance to reduce the insurance risks associated with the following material business:

- RL (CIS) Fund annuities in payment are reinsured in tranches with XL, Swiss Re and RGA. These arrangements are collateralised
- A tranche of MA Fund Option 32 annuities in payment have their first life benefits reinsured with Swiss Re. This arrangement is collateralised
- The majority of the remaining pre-2017 pension vestings in the RL Main Fund are reinsured with Prudential Assurance Company. Whilst the benefit payments are 100% reinsured, some expense risk is retained. There is a floating charge over the assets of Prudential Assurance Company in the event of default
- Protection business is reinsured with a range of reinsurers. In each case, a high proportion of the insurance risk is reinsured, leaving the Group with a low retained benefit/risk.

Reinsurance is also used for some other business. These product lines are not material.

The Group does not use any finite reinsurance arrangements or any special purpose vehicles to conduct its reinsurance programme.

The reinsurance recoverables are generally calculated using the same methodology and assumptions as the gross BEL. The exception relates to reinsured annuities in the MA portfolio where the reinsurance recoverable is valued using the risk free rate i.e. excluding the MA.

D. Valuation for solvency purposes (continued)

D.2.10. Uncertainty associated with the value of best estimate liabilities

Uncertainties associated with the BEL arise principally from:

- risks considered in the SCR/ORSA (including market risk, credit risk and insurance risk)
- volatility in the best estimate assumptions from year to year
- uncertainty that assumptions experience in the recent past can be assumed to apply over the future life of the business.

The approach taken for complex risk structures (options, guarantees, policyholder behaviour and future management actions) and limitations and approximations in the methodology are detailed in section D.2.5. Technical provisions are most sensitive to persistency, longevity, expense and economic assumptions.

The sensitivity to key assumptions used in the calculation of technical provisions is disclosed in section C.7.2.

D.2.11. Risk Margin – unaudited

Methodology overview

The RM has been calculated separately for RLMIS and RLI DAC in accordance with the rules applying in their respective jurisdictions. The Group's RM is therefore the sum of the RM for RLMIS and the RM for RLI DAC.

The RM calculation for each entity assumes the respective business is transferred to another insurance undertaking (reference undertaking) and represents the cost to the reference undertaking of providing capital covering its SCR over the expected lifetime of the business. The RM for RLMIS has been calculated on the basis of the Internal Model SCR, and for RLI DAC, the RM has been calculated on the basis of the Standard Formula SCR.

The prescribed cost of capital rate used in the calculation is 4% for RLMIS (2022: 6%) and 6% for RLI DAC (2022: 6%) per annum. The reduction in the cost of capital rate for RLMIS followed the PRA's review of the RM calculation for UK insurers with the changes effective at 31 December 2023. In addition to this reduction in the cost of capital, the PRA introduced a new tapering parameter which gives progressively lower weight to each year's future capital requirements (the RLI DAC RM calculation continues to follow the prescribed EIOPA rules where there is currently no tapering requirement).

Residual market risk in the reference undertaking is taken as zero, as it is assumed that a reference undertaking could hedge all market risk, leaving the business with no exposure to market risk. Hence the RM is calculated based on the run-off of non-market risk SCR.

A risk driver approach is used to project the SCR, under which the individual risk components of the SCR are projected in line with selected risk drivers. The risk drivers are selected so as to provide a true run-off of each risk component.

Uncertainty associated with the Risk Margin

Uncertainties in the RM arise from future interest rates and factors affecting the methodology assumed for the run-off of SCR components.

D.3 Other liabilities

The 2023 UK GAAP to SII balance sheet reconciliation is presented in section D.1, including an explanation of the presentation adjustments required to align the UK GAAP balance sheet to the prescribed format of the SII balance sheet, and the valuation adjustments.

D.4 Alternative methods for valuation

The Group has a Valuation Oversight Forum (VOF) which reviews the valuations of investment assets, including those assets within levels 3 to 5 of the SII hierarchy as detailed in section D.1.5. Due to their nature, assets within levels 3 to 5 of the SII hierarchy have the risk of greater valuation uncertainty.

Valuation uncertainty is higher in asset classes where there is no secondary source available and there is no secondary trading activity. In these instances, processes are in place to validate the valuations, such as back-testing for private equity investments and external surveyor's transaction reviews for unquoted property.

The table below provides information on key assumptions, valuation techniques and unobservable inputs for those linked and non-linked assets measured as levels 3-5 of the SII hierarchy above.

D. Valuation for solvency purposes (continued)

Alternative valuation methods

Assets	Group 2023 SII value £m	RLMIS 2023 SII value £m	Valuation techniques	Unobservable input	Range (weighted average)
Property, plant & equipment held for own use and property (other than for own use)	4,297	4,242	Income capitalisation	Equivalent yield	6.93% – 12.28% (9.2%)
				Estimated rental value per square foot	£9.01 – £33.19 (£21)
			Market comparison	Price per acre	£2.22m
Participations – shares	315	496	Adjusted equity method and local regulatory value for Group	Adjustment to NAV	n/a
Participations – unquoted investment funds	116	116	NAV provided by external fund managers/third party administrators adjusted for any cash flows occurring after the NAV date and before the reporting date	Adjustment to NAV	n/a
Equities – unlisted	216	216	Adjusted NAV	Adjustment to NAV	n/a
Bonds – unquoted	89	89	Single broker unadjusted quotes from third party prices and mark to model using a gross redemption yield	Unadjusted single broker quote	n/a
Bonds – loan note	1,720	1,720	Discounted cash flow using a contracted schedule of reinsurance premiums	Pre-determined schedule of cash flows, discounted using a swap curve	n/a
Collective Investment Undertakings – unquoted	461	461	NAV provided by external fund manager/administrator	Adjustment to NAV	n/a
Commercial real estate loans	86	86	Present value of future projected cash flows	Contractual cash flows	n/a
				Discount rate reflecting underlying loan quality and credit rating risk	4.49% - 5.91% (5.38%)
Derivatives – assets	1,765	1,765	Mark to model technique using market inputs. Market inputs vary by derivative type and include: - market swap rates (interest rate swaps, total return swaps and inflation swaps); - forward swap rates and interest rate volatility (interest rate swaptions); and - foreign exchange rates (currency forwards).	Over the counter derivatives are priced using observable market data inputs	n/a
Loans and mortgages	2	2	UK GAAP carrying value used as a proxy for fair value	Adjustment to carrying value	n/a
Liabilities					
Derivatives – liabilities	3,233	3,233	Mark to model technique using market inputs. Market inputs vary by derivative type and include: - market swap rates (interest rate swaps, total return swaps and inflation swaps); - forward swap rates and interest rate volatility (interest rate swaptions); and - foreign exchange rates (currency forwards).	Over the counter derivatives are priced using observable market data inputs	n/a

D. Valuation for solvency purposes (continued)

The Group reviews the appropriateness of those valuations within levels 3 to 5 of the hierarchy as set out in the table below:

Property	The valuations are obtained from external valuers and are assessed on an individual property basis. Valuation techniques include income capitalisation and market comparison and key inputs to the valuation comprise equivalent yield, estimated rental per square foot and price per acre. The principal assumptions will differ depending on the valuation technique employed. The Group and RLMIS have applied a fair value model to these assets. The extent of uncertainty systemic within the valuation of investment properties has been assessed based on ranges of expected rental yields provided by several independent surveyors by property type and location. Analysis of underlying investment property tenants is also performed to understand the extent of valuation uncertainty for this asset class along with review of valuations to sales and purchases.
Participations – shares, unquoted investment funds and loans	Shares are valued using the adjusted equity method, i.e. the value of the net assets on a SII basis. Unquoted investment funds are valued using the NAV provided by external fund managers/third party administrators, adjusted for any cash flows occurring after the NAV date and before the reporting date.
Equities – unlisted	Private equity fund and property fund valuations are provided by the respective managers of the underlying funds and are assessed on an individual investment basis, with an adjustment made for any cash flows occurring between the date of valuation and the end of the reporting period. Sensitivities are determined by comparison to the market. Valuation uncertainty for private equity funds has been assessed based on ranges of expected valuation movements, taking account of investment drawdowns or distributions using the latest fund manager valuation reports and valuation assumptions. Back-testing analysis is also performed to understand the retrospective extent of valuation uncertainty for this asset class. Valuation uncertainty for property fund valuations is assessed using the same approach outlined in the Property section above.
Bonds – unquoted	Predominantly valued using single broker unadjusted quotes obtained from third party pricing sources. Sensitivities are determined by flexing the single quoted prices provided using a sensitivity to yield movement. For illiquid debt securities which are marked to model, the process includes a review of the valuation methodology, periodic assessment of both observable and judgemental model inputs, as well as reviewing any secondary trading activity in the asset to assess the appropriateness of the valuation methodology.
Bonds – loan note	The loan note equates to the expected reinsurance premiums payable to a counterparty, discounted using a market consistent curve and is exactly offset by a reinsurance liability. The valuation is verified against the discounted cash flow of the reinsurance premiums with the counterparty.
Collective Investment Undertakings – unquoted	The value of investment funds, for which quoted prices are not available, are the NAVs provided by the third-party fund managers.
Commercial real estate loans	Present value of future projected cash flows.
Derivatives – assets and liabilities	Over the counter derivative assets and liabilities are priced by RLAM, sourcing observable market data from approved providers such as Bloomberg, and pricing derivatives on a mark-to-market basis. Prices are compared to counterparty valuations on a daily basis and any differences exceeding pre-determined thresholds are investigated in order to validate the valuation process.
Loans and mortgages	The UK GAAP carrying value is used as a proxy for the SII value.

D.5 Any other information

There is no material information on the valuation of assets and liabilities for solvency purposes that is not already included above.

E. Capital management

Plain English introduction

The Group has a robust capital position under SII and its capital is of a high quality. However, the capital position should not be too high, as it is important in such scenarios that Royal London continues to return value to its policyholders and members.

This section contains a description of the Group's approach to capital management. Capital (which is broadly assets minus liabilities) absorbs a firm's losses in periods of stress and provides a buffer to increase resilience against unexpected losses. When a firm's capital is depleted, it is less likely to be able to meet policyholder claims as they fall due. In this way, the quantity of capital a firm has on the balance sheet can be used as a tool to understand the strength and solvency position of the firm. Capital is referred to as own funds under SII.

In this section information is provided about own funds, including:

- The objectives, policies and processes for managing own funds
- The amount and quality of own funds
- Expected development of own funds, including the intention to redeem items or raise additional own funds.

There are two views presented of the Group's capital position: an Investor View and a Regulatory View. The 'Investor View' capital cover ratio metric is equal to the Royal London Main Fund (RL Main Fund) capital position. The definition is considered appropriate given that the RL Main Fund is the primary source of capital for the Group, and the closed funds are ring-fenced and run on a standalone basis. The Regulatory View excludes the closed funds' surplus.

There are also details provided of the SCR and MCR. The capital (own funds) in excess of the SCR is referred to as 'solvency surplus'.

Unless otherwise stated, the capital management approach is consistent for Group and RLMIS.

The Internal Model, approved by the PRA, has been used to calculate the SCR of the Group and RLMIS at 31 December 2023.

As permitted under the SII regulations, the SCR, RM and TMTP are not audited.

Key SII metrics

Capital position – Group and insurance entities

31 December 2023 £m	RLMIS	RLI DAC (unaudited)	Other[1] (unaudited)	Total Group
Tier 1 Unrestricted	6,491	150	(172)	6,469
Tier 1 Restricted[2]	375	–	–	375
Tier 2	846	–	–	846
Tier 3	–	6	6	12
Total own funds (A)	7,712	156	(166)	7,702
Closed funds restriction	(2,092)	(4)	1	(2,095)
Deferred tax asset restriction	–	–	(6)	(6)
Adjusted own funds (B)	5,620	152	(171)	5,601
Removal of closed funds	(264)	(6)	(1)	(271)
Own funds – RL Main Fund (C)	5,356	146	(172)	5,330
SCR (D) – unaudited	2,543	79	99	2,721
SCR – RL Main Fund (E) – unaudited	2,279	73	98	2,450
Solvency surplus (Investor View) (C-E)	3,077	73	(270)	2,880
Capital cover ratio[3] (Investor View) (C/E)	235%	200%	n/a	218%
Solvency surplus (Regulatory View) (B-D)	3,077	73	(270)	2,880
Capital cover ratio[2] (Regulatory View) (B/D)	221%	193%	n/a	206%

1 Other comprises own funds and the capital requirements of other entities within the Group and the impact of consolidation adjustments.
2 Details on Tier 1 Restricted available in section E.1.2.2 Subordinated Liabilities.
3 Figures presented in the table are rounded and the capital cover ratio is calculated based on exact figures. The Group capital cover ratios are lower than the ratios for RLMIS because the Group SCR includes capital requirements for its regulated and unregulated subsidiaries without the corresponding increase in own funds.

E. Capital management (continued)

31 December 2022 £m	RLMIS	RLI DAC (unaudited)	Other[1] (unaudited)	Total Group
Tier 1	6,510	152	(196)	**6,466**
Tier 2	1,210	–	–	**1,210**
Tier 3	22	3	11	**36**
Total own funds (A)	**7,742**	**155**	**(185)**	**7,712**
Closed funds restriction	(2,737)	(4)	–	**(2,741)**
Subordinated liabilities restriction	(130)	–	23	**(107)**
Deferred tax asset restriction	(22)	–	(14)	**(36)**
Adjusted own funds (B)	**4,853**	**151**	**(176)**	**4,828**
Removal of closed funds	(136)	(7)	(2)	**(145)**
Own funds – RL Main Fund (C)	**4,717**	**144**	**(178)**	**4,683**
SCR (D) – unaudited	2,160	70	115	**2,345**
SCR – RL Main Fund (E) – unaudited	2,024	63	113	**2,200**
Solvency surplus (Investor View) (C-E)	2,693	81	(291)	**2,483**
Capital cover ratio[2] (Investor View) (C/E)	233%	228%	n/a	**213%**
Solvency surplus (Regulatory View) (B-D)	2,693	81	(291)	**2,483**
Capital cover ratio[2] (Regulatory View) (B/D)	225%	216%	n/a	**206%**

1 Other comprises own funds and the capital requirements of other entities within the Group and the impact of consolidation adjustments.
2 Figures presented in the table are rounded and the capital cover ratio is calculated based on exact figures. The Group capital cover ratios are lower than the ratios for RLMIS because the Group SCR includes capital requirements for its regulated and unregulated subsidiaries without the corresponding increase in own funds.

Further details regarding the capital position of the Group and RLMIS are set out in section E.1.

E.1 Own funds

E.1.1. Objectives, policies and processes for managing own funds

The Group manages its own funds within a Board-approved Capital Management Framework. This includes a target range for capital that is set with reference to the amount needed to withstand a 1-in-20-year event and still be able to meet the internal capital requirement.

The capital position relative to the target acts as a guideline to inform distribution or determine if management actions are necessary. The amounts paid to policyholders, or management actions taken, are subject to Board discretion to allow wider business factors to be considered.

The future progression of own funds, including the position against the target set out in the Capital Management Framework, is considered under a range of scenarios as part of the ORSA.

E.1.2. Analysis of solvency position

The tables below summarise the Group and RLMIS solvency position at 31 December 2023. The own funds QRTs S.23.01.22 and S.23.01.01 can be found in Appendix 2 and Appendix 3 respectively.

Solvency position – Group

31 December 2023 £m	Reference	Tier 1 (Unrestricted)	Tier 1 (Restricted)	Tier 2	Tier 3	Total
Surplus funds	E.1.2.1	**6,632**	–	–	–	**6,632**
Reconciliation reserve (pre closed funds restrictions)	E.1.2.1	**(163)**	–	–	–	**(163)**
Deferred tax assets	E.1.2.1	–	–	–	**12**	**12**
Excess of assets over liabilities		**6,469**	–	–	**12**	**6,481**
Subordinated liabilities	E.1.2.2	–	**375**	**846**	–	**1,221**
Total own funds (A)		**6,469**	**375**	**846**	**12**	**7,702**
Closed funds restriction	E.1.2.3	**(2,095)**	–	–	–	**(2,095)**
Subordinated liabilities restriction	E.1.2.4	–	–	–	–	–
Deferred tax asset restriction	E.1.2.4	–	–	–	**(6)**	**(6)**
Adjusted own funds (B)		**4,374**	**375**	**846**	**6**	**5,601**
Removal of Closed funds						**(271)**
Own funds – RL Main Fund (C)						**5,330**
SCR (D) – unaudited	E.1.2.4					**2,721**
SCR – RL Main Fund (E) – unaudited						**2,450**
Solvency surplus (Investor View) (C-E)						**2,880**
Capital cover ratio[1] (Investor View) (C/E)						**218%**
Solvency surplus (Regulatory View) (B-D)						**2,880**
Capital cover ratio[1] (Regulatory View) (B/D)						**206%**

1 Figures presented in this table are rounded and the capital cover ratio is calculated based on exact figures.

E. Capital management (continued)

31 December 2022 £m	Reference	Tier 1 (Unrestricted)	Tier 1 (Restricted)	Tier 2	Tier 3	Total
Surplus funds	E.1.2.1	6,896	–	–	–	**6,896**
Reconciliation reserve (pre closed funds restrictions)	E.1.2.1	(430)	–	–	–	**(430)**
Deferred tax assets	E.1.2.1	–	–	–	36	**36**
Excess of assets over liabilities		6,466	–	–	36	**6,502**
Subordinated liabilities	E.1.2.2	–	–	1,210	–	**1,210**
Total own funds (A)		**6,466**	**–**	**1,210**	**36**	**7,712**
Closed funds restriction	E.1.2.3	(2,741)	–	–	–	**(2,741)**
Subordinated liabilities restriction	E.1.2.4	–	–	(107)	–	**(107)**
Deferred tax asset restriction	E.1.2.4	–	–	–	(36)	**(36)**
Adjusted own funds (B)		**3,725**	**–**	**1,103**	**–**	**4,828**
Removal of Closed funds						**(145)**
Own funds – RL Main Fund (C)						**4,683**
SCR (D) – unaudited	E.1.2.4					**2,345**
SCR – RL Main Fund (E) – unaudited						**2,200**
Solvency surplus (Investor View) (C-E)						**2,483**
Capital cover ratio[1] (Investor View) (C/E)						**213%**
Solvency surplus (Regulatory View) (B-D)						**2,483**
Capital cover ratio[1] (Regulatory View) (B/D)						**206%**

Solvency position – RLMIS

31 December 2023 £m	Reference	Tier 1 (Unrestricted)	Tier 1 (Restricted)	Tier 2	Tier 3	Total
Surplus funds	E.1.2.1	**6,606**	**–**	**–**	**–**	**6,606**
Reconciliation reserve (pre closed funds restrictions)	E.1.2.1	**(115)**	**–**	**–**	**–**	**(115)**
Deferred tax asset	E.1.2.1	**–**	**–**	**–**	**–**	**–**
Excess of assets over liabilities		**6,491**	**–**	**–**	**–**	**6,491**
Subordinated liabilities	E.1.2.2	**–**	**375**	**846**	**–**	**1,221**
Total own funds (A)		**6,491**	**375**	**846**	**–**	**7,712**
Closed funds restriction	E.1.2.3	**(2,092)**	**–**	**–**	**–**	**(2,092)**
Subordinated liabilities restriction	E.1.2.4	**–**	**–**	**–**	**–**	**–**
Deferred tax asset restriction	E.1.2.4	**–**	**–**	**–**	**–**	**–**
Adjusted own funds (B)		**4,399**	**375**	**846**	**–**	**5,620**
Removal of closed funds						**(264)**
Own funds – RL Main Fund (C)						**5,356**
SCR (D) – unaudited	E.1.2.4					**2,543**
SCR – RL Main Fund (E) – unaudited						**2,279**
Solvency surplus (Investor View) (C-E)						**3,077**
Capital cover ratio[1] (Investor View) (C/E)						**235%**
Solvency surplus (Regulatory View) (B-D)						**3,077**
Capital cover ratio[1] (Regulatory View) (B/D)						**221%**

E. Capital management (continued)

31 December 2022 £m	Reference	Tier 1 (Unrestricted)	Tier 1 (Restricted)	Tier 2	Tier 3	Total
Surplus funds	E.1.2.1	6,895	–	–	–	**6,895**
Reconciliation reserve (pre closed funds restrictions)	E.1.2.1	(385)	–	–	–	**(385)**
Deferred tax asset	E.1.2.1	–	–	–	22	**22**
Excess of assets over liabilities		**6,510**	**–**	**–**	**22**	**6,532**
Subordinated liabilities	E.1.2.2	–	–	1,210	–	**1,210**
Total own funds (A)		**6,510**	**–**	**1,210**	**22**	**7,742**
Closed funds restriction	E.1.2.3	(2,737)	–	–	–	**(2,737)**
Subordinated liabilities restriction	E.1.2.4	–	–	(130)	–	**(130)**
Deferred tax asset restriction	E.1.2.4	–	–	–	(22)	**(22)**
Adjusted own funds (B)		**3,773**	**–**	**1,080**	**–**	**4,853**
Removal of closed funds						**(136)**
Own funds – RL Main Fund (C)						**4,717**
SCR (D) – unaudited	E.1.2.4					**2,160**
SCR – RL Main Fund (E) – unaudited						**2,024**
Solvency surplus (Investor View) (C-E)						**2,693**
Capital cover ratio[1] (Investor View) (C/E)						**233%**
Solvency surplus (Regulatory View) (B-D)						**2,693**
Capital cover ratio[1] (Regulatory View) (B/D)						**225%**

1 Figures presented in the tables are rounded and the capital cover ratios are calculated based on exact figures.

E.1.2.1 Total own funds

Total Group own funds comprise surplus funds, reconciliation reserve, deferred tax assets and subordinated liabilities. Total RLMIS own funds comprise surplus funds, reconciliation reserve and subordinated liabilities. Further details regarding each own fund item are set out below.

As the Group is a mutual and has no shareholders, it does not have any ordinary share capital or share premium. Therefore, there have been no distributions to shareholders impacting own funds.

The Group and RLMIS do not have any ancillary own funds.

Surplus funds

The Group comprises the RL Main Fund, the RLI DAC Open Fund (which is consolidated into the RL Main Fund), and a number of with-profits closed funds arising from businesses that have been acquired in the past.

RLMIS comprises the RL Main Fund, and one with-profits closed fund, RL(CIS) Fund, arising from business that has been acquired in the past.

Surplus funds are the accumulated profits of a with-profits fund, which have not been made available for distribution to policyholders and which meet the conditions to qualify as Tier 1 own funds. Consequently, any expected discretionary benefits from future estate distributions are excluded from the BEL component of technical provisions and included in surplus funds.

Surplus funds have been calculated as:

- total assets;
- **minus**: accounting liabilities (other than technical provisions);
- **minus**: the BEL component of technical provisions (which as above excludes any benefits from future estate distributions) and TPCAW – these figures include any reduction in the BEL from TMTP.

Reconciliation reserve

The reconciliation reserve is the excess of assets over liabilities, adjusted for surplus funds and the closed fund ring-fenced restriction. The reconciliation reserve is treated as Tier 1 unrestricted own funds.

E. Capital management (continued)

The reconciliation reserve is calculated as follows:

Reconciliation reserve

Group

£m	2023	2022
Excess of assets over liabilities	**6,481**	6,502
Less: Other basic own fund items		
Surplus funds	**(6,632)**	(6,896)
Deferred tax assets	**(12)**	(36)
Less: Restricted own fund items due to ring fencing	**(2,095)**	(2,741)
Total	**(2,258)**	**(3,171)**

RLMIS

£m	2023	2022
Excess of assets over liabilities	**6,491**	6,532
Less: Other basic own fund items		
Surplus funds	**(6,606)**	(6,895)
Deferred tax assets	**–**	(22)
Less: Restricted own fund items due to ring fencing	**(2,092)**	(2,737)
Total	**(2,207)**	**(3,122)**

The reconciliation reserve may be subject to potential volatility and further details regarding the various sensitivities on the excess of assets over liabilities which forms part of the Own Funds calculation are set out in section C.7.2.

The ring-fenced fund adjustment is described further below in section E.1.2.3.

Deferred tax assets

The deferred tax asset of £12m, in the Group table above, includes £6m that is not allowable for Group purposes, resulting in a deferred tax asset of £6m (2022: £36m) being recognised as Tier 3 Group own funds. A deferred tax asset of £nil (2022: £22m) is included in Tier 3 RLMIS own funds.

E.1.2.2 Subordinated liabilities

The subordinated liabilities within the Group and RLMIS's own funds relates to subordinated liabilities in the form of:

- The Guaranteed Subordinated Notes due 2028 (the 2028 Notes)
- The Fixed Rate Reset Callable Guaranteed Subordinated Notes due 2049 (the 2049 Notes)
- The Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes (the RT1 Notes)

These notes were issued by RL Finance Bonds No. 3 plc, RL Finance Bonds No. 4 plc and RL Finance Bonds No. 6 plc respectively.

The 2028 Notes and 2049 Notes are treated as Tier 2 own funds after meeting the full criteria set out in the regulations to be treated as Tier 2 capital.

In May 2023, RL Finance Bonds No. 6 plc, a wholly-owned subsidiary of the Group, issued the RT1 Notes. The RT1 Notes are treated as Tier 1 after meeting the full criteria set out in the regulations to be treated as such.

During the year, the Fixed Rate Reset Callable Guaranteed Subordinated Notes due 2043 (the 2043 Notes) were repurchased or redeemed and cancelled.

E. Capital management (continued)

The movement in subordinated liabilities in the year is presented in the table below.

Movement in subordinated liabilities

£m	RT1 Notes	2043 Notes	2028 Notes	2049 Notes	Total subordinated liabilities
Tier	**Tier 1**	**Tier 2**	**Tier 2**	**Tier 2**	**Tier 2**
Opening subordinated liabilities at 31 December 2022	–	401	340	469	1,210
Subordinated debt issuance	350	–	–	–	350
Interest expense	21	25	21	29	96
Payment of interest to bondholders	(18)	(25)	(21)	(29)	(93)
Fair value movement	22	(1)	20	17	58
Subordinated debt repurchased or redeemed	–	(400)	–	–	(400)
Closing subordinated liabilities at 31 December 2023	**375**	**–**	**360**	**486**	**1,221**

Further information on these liabilities and their key terms and conditions is given in note 24 on pages 176 to 177 of the 2023 ARA.

E.1.2.3 Availability restrictions

As noted above, the Group comprises the RL Main Fund, RLI DAC Open Fund (which is consolidated into the RL Main Fund) and a number of with-profits closed funds. RLMIS comprises the RL Main Fund and one with-profits closed fund, RL(CIS) Fund. These closed funds are ring-fenced funds. For the MA portfolio in the RL Main Fund, the surplus of assets in excess of BEL falls below the notional SCR, therefore no restriction to own funds is applied.

The own funds of a ring-fenced fund are only available to absorb losses in that ring-fenced fund and are not (on a going concern basis) available to other parts of the Group. For this reason they are known as 'restricted own funds'. The maximum amount of restricted own funds that can be recognised in the overall own funds is the value of the ring-fenced fund's notional SCR (the notional SCR is also included in the overall capital requirement). Any restricted own funds over and above the notional SCR is deducted from the total own funds to derive the eligible own funds, which are available to cover the capital requirement as a whole.

The calculation of the ring-fenced fund (RFF) deduction for the Group and RLMIS is presented in the table below.

Ring-fenced fund deduction – Group

31 December 2023 £m	Notional SCR – unaudited	Own funds	RFF deduction	Deferred tax asset restriction	Subordinated liabilities restriction	Own funds eligible for undertaking
RL Main Fund[1]	**2,450**	**5,336**	**n/a**	**(6)**	**–**	**5,330**
Closed funds	**271**	**2,366**	**(2,095)**	**n/a**	**n/a**	**271**
Total	**2,721**	**7,702**	**(2,095)**	**(6)**	**–**	**5,601**

31 December 2022 £m	Notional SCR – unaudited	Own funds	RFF deduction	Deferred tax asset restriction	Subordinated liabilities restriction	Own funds eligible for undertaking
RL Main Fund[1]	2,200	4,826	n/a	(36)	(107)	4,683
Closed funds	145	2,886	(2,741)	n/a	n/a	145
Total	**2,345**	**7,712**	**(2,741)**	**(36)**	**(107)**	**4,828**

1 The RLI DAC Open Fund is also consolidated into the RL Main Fund as well as the MA portfolio.

Ring-fenced fund deduction – RLMIS

31 December 2023 £m	Notional SCR – unaudited	Own funds	RFF deduction	Deferred tax asset restriction	Subordinated liabilities restriction	Own funds eligible for undertaking
RL Main Fund[1]	**2,279**	**5,356**	**n/a**	**–**	**–**	**5,356**
Closed fund	**264**	**2,356**	**(2,092)**	**n/a**	**n/a**	**264**
Total	**2,543**	**7,712**	**(2,092)**	**–**	**–**	**5,620**

31 December 2022 £m	Notional SCR – unaudited	Own funds	RFF deduction	Deferred tax asset restriction	Subordinated liabilities restriction	Own funds eligible for undertaking
RL Main Fund[1]	2,024	4,869	n/a	(22)	(130)	4,717
Closed fund	136	2,873	(2,737)	n/a	n/a	136
Total	**2,160**	**7,742**	**(2,737)**	**(22)**	**(130)**	**4,853**

E. Capital management (continued)

The Group and RLMIS have no other availability restrictions at 31 December 2023 (2022: none).

E.1.2.4 Eligible own funds covering the Solvency Capital Requirement and Minimum Capital Requirement
The SCR at 31 December 2023 is £2,721m for the Group and £2,543m for RLMIS. The Group and RLMIS SCR are calculated using an Internal Model. Further details of the methodology used to calculate the SCR are included in section E.4, including details of the undertakings which are in scope of the Internal Model.

The MCR at 31 December 2023 is £655m for the Group and £636m for RLMIS. In accordance with the regulations, the Minimum Consolidated Group SCR ("Group MCR") is the sum of the MCR for RLMIS and RLI DAC.

The eligible amounts of own funds to cover the SCR and MCR for the Group and RLMIS, classified by tiers together with the solvency ratios are set out below. The ratio of the eligible own funds to SCR and MCR is calculated by dividing the total eligible own funds to meet the SCR and MCR by the value of the SCR and MCR.

Eligible own funds covering the Solvency Capital Requirement and Minimum Capital Requirement – Group

	2023					2022				
£m	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Total eligible own funds to meet the SCR	5,601	4,374	375	846	6	4,828	3,725	–	1,103	–
Total eligible own funds to meet the MCR	4,611	4,105	375	131	–	3,528	3,417	–	111	–
SCR	2,721					2,345				
MCR	655					557				
Ratio of eligible own funds to SCR	206%					206%				
Ratio of eligible own funds to MCR	704%					633%				

Eligible own funds covering the Solvency Capital Requirement and Minimum Capital Requirement – RLMIS

	2023					2022				
£m	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Total eligible own funds to meet the SCR	5,620	4,399	375	846	–	4,853	3,773	–	1,080	–
Total eligible own funds to meet the MCR	4,901	4,399	375	127	–	3,881	3,773	–	108	–
SCR	2,543					2,160				
MCR	636					540				
Ratio of eligible own funds to SCR	221%					225%				
Ratio of eligible own funds to MCR	771%					719%				

The Group has Tier 3 own funds relating to deferred tax assets of £12m at 31 December 2023 and, because this relates to amounts consolidated from subsidiary entities, is only available to the extent of the undertakings' contribution to Group SCR. Consequently, only £6m of Tier 3 Group own funds can be recognised as being available to cover the Group SCR (31 December 2022: £nil).

Royal London's tier 1 own funds are exclusively surplus funds, reconciliation reserve and Restricted Tier 1 subordinated liabilities, the movement of which, less any changes in deferred tax assets and value of subordinated liabilities, is explained in table E.1.3. In addition, the value of Tier 2 own funds comprising additional subordinated liabilities, reduced by £257m (2022: £325m) for Group and £234m (2022: £455m) for RLMIS.

E.1.3. Analysis of movement in capital position

The tables below set out an analysis of the movement in own funds, SCR, closed funds (restricted) and Investor and Regulatory View solvency surplus between 31 December 2022 and 31 December 2023.

E. Capital management (continued)

Movement in capital position – Group

£m	Note	Investor View: RL Main Fund own funds	Investor View: RL Main Fund SCR – unaudited	Investor View: Solvency surplus	Regulatory View: Own funds	Regulatory View: SCR – unaudited	Regulatory View: Solvency surplus
31 December 2022		4,683	2,200	2,483	4,828	2,345	2,483
New business	1	76	171	(95)	76	171	(95)
Existing business	2	266	(135)	401	374	(27)	401
Strategic development costs and other items	3	(63)	–	(63)	(63)	–	(63)
Corporate items and Financing costs	4	(146)	(17)	(129)	(146)	(17)	(129)
Economic movements	5	249	12	237	292	55	237
Management actions	6	82	219	(137)	57	194	(137)
ProfitShare & ValueShare	7	(163)	–	(163)	(163)	–	(163)
SII Reform	8	346	–	346	346	–	346
31 December 2023		**5,330**	**2,450**	**2,880**	**5,601**	**2,721**	**2,880**

Movement in capital position – RLMIS

£m	Note	Investor View: RL Main Fund own funds	Investor View: RL Main Fund SCR – unaudited	Investor View: Solvency surplus	Regulatory View: Own funds	Regulatory View: SCR – unaudited	Regulatory View: Solvency surplus
31 December 2022		4,717	2,024	2,693	4,853	2,160	2,693
New business	1	76	171	(95)	76	171	(95)
Existing business	2	239	(130)	369	348	(21)	369
Strategic development costs and other items	3	(63)	–	(63)	(63)	–	(63)
Corporate items and Financing costs	4	(146)	(17)	(129)	(146)	(17)	(129)
Economic movements	5	248	12	236	292	56	236
Management actions	6	102	219	(117)	77	194	(117)
ProfitShare	7	(163)	–	(163)	(163)	–	(163)
SII Reform	8	346	–	346	346	–	346
31 December 2023		**5,356**	**2,279**	**3,077**	**5,620**	**2,543**	**3,077**

Note	Information
1	The impact of new business written during the year decreased solvency surplus by £95m, after allowing for contract boundary restrictions, additional RM and capital requirements. This primarily relates to the capital strain associated with new individual and group unit-linked pensions business.
2	Existing business impacts included the run-off of capital requirements, demographic assumption changes (best estimate and internal model) and experience variance profits. This led to increases in solvency surplus of £369m for RLMIS and £401m for Group.
3	Strategic development costs represent the costs of ongoing investment the Group continues to make across its businesses.
4	Corporate items and Financing costs decreased solvency surplus by £129m, which includes interest expense on subordinated liabilities.
5	The £237m increase in solvency surplus for the Group and £236m for RLMIS reflects the net impact of market movements over 2023: the impact from movements in markets; impacts from tactical asset allocations; rebalancing of asset allocations, post market movements, to reset back to policyholder expected risk profile (equity backing ratio); and changes to economic-related assumptions (best estimate and internal model).
6	Management actions include the acquisition of the Aegon UK Individual Protection business, the net impact of raising £350m of RT1 debt and buyback of £400m of existing Tier 2 debt (and associated removal of the YE22 Tier 2 and 3 regulatory capital restrictions), and a reduction in the amount of equity hedging held.
7	Distributions relate to ProfitShare and ValueShare of £163m to eligible customers. This decreases the solvency surplus.
8	SII Reform increased solvency surplus by £346m by reducing the risk margin, net of the impact of TMTP recalculation.

E.1.4. Reconciliation of UK GAAP fund for future appropriations (FFA) to excess of assets over liabilities

The FFA in the financial statements represents the surplus in the RL Main Fund on a UK GAAP basis for which the allocation between participating policyholders has yet to be determined. The FFA is effectively the net assets on a UK GAAP basis.

E. Capital management (continued)

The reconciliation below shows the differences between the FFA in the UK GAAP financial statements and the SII own funds.

Reconciliation of UK GAAP fund for future appropriations to SII excess of assets over liabilities

31 December 2023 £m	Notes	Group 2023	Group 2022	RLMIS 2023	RLMIS 2022
FFA per UK GAAP financial statements		**4,106**	3,751	**4,432**	3,992
Adjustments to a SII basis:					
Adjustment to the value of technical provisions and reinsurance assets	1	**523**	316	**508**	303
Goodwill, other intangible assets and deferred acquisition costs		**(166)**	(184)	**(193)**	(215)
Other valuation differences	2	**118**	199	**(156)**	33
Inclusion of closed funds surplus classified as a UK GAAP liability		**1,900**	2,419	**1,900**	2,419
Excess of assets over liabilities in SII balance sheet		**6,481**	**6,501**	**6,491**	**6,532**
Subordinated liabilities	3	**1,221**	1,210	**1,221**	1,210
Subordinated liabilities adjustment		**–**	(107)	**–**	(130)
Deferred tax restriction		**(6)**	(36)	**–**	(22)
Ring-fenced fund adjustment (includes TMTP which is unaudited)		**(2,095)**	(2,740)	**(2,092)**	(2,737)
SII adjusted open funds (Regulatory View)		**5,601**	**4,828**	**5,620**	**4,853**
Remove closed fund restricted own funds		**(271)**	(145)	**(264)**	(136)
SII adjusted own funds (Investor View)		**5,330**	**4,683**	**5,356**	**4,717**

Note	Information
1	The adjustment to the value of technical provisions and reinsurance assets results from the recalculation of these balances using SII requirements. This includes the removal of the margins of prudence included in the UK GAAP values (so that assumptions are all best estimates), the inclusion of the SII risk margin, the use of the SII yield curve including the volatility adjustment for appropriate lines of business, the adoption of SII contract boundary definitions (mainly affecting unit-linked business), the benefit from the SII transitional provisions and also the removal of a UK GAAP-only liability to offset the surplus arising in the two Liver pension schemes.
2	Other valuation differences relate principally to the value of participations, renewal commission and subordinated liabilities.
3	Subordinated liabilities in the form of the 2028 Notes, 2049 Notes and RT1 Notes are included within available own funds on a SII basis, whereas UK GAAP treats subordinated debt as a liability.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1. Solvency Capital Requirement

The Group SCR is calculated using the accounting consolidation-based method (method 1). The SCRs of each insurance entity are added together with the capital requirement of the ancillary service companies and non-insurance subsidiaries to obtain the consolidated Group SCR. For the regulated non-insurance entities, the capital requirement is adjusted to the value calculated under local sectoral rules.

The table below provides a breakdown of the Group and insurance entities' SCR by risk categories at 31 December 2023. Further details on how these risks are managed, monitored and reported is included in section C.

SCR by risk type and insurance entity (unaudited)

31 December 2023 £m	Note	RLMIS	RLI DAC	Other	Total Group
Risk categories					
Underwriting		2,666	75	–	2,741
Market		1,785	11	–	1,796
Counterparty default		186	6	–	192
Operational		563	5	(23)	545
Diversification	1	(1,564)	(16)	–	(1,580)
Basic SCR		**3,636**	**81**	**(23)**	**3,694**
Loss-absorbing capacity of technical provisions	2	(1,291)	–	–	(1,291)
Loss-absorbing capacity of deferred taxes	3	(8)	(1)	–	(9)
Other adjustments	4	206	(1)	122	327
SCR		**2,543**	**79**	**99**	**2,721**

E. Capital management (continued)

31 December 2022 £m	Note	RLMIS	RLI DAC	Other	Total Group
Risk categories					
Underwriting		2,632	65	–	2,697
Market		1,787	6	–	1,793
Counterparty default		233	6	–	239
Operational		516	5	–	521
Diversification	1	(1,584)	(11)	–	(1,595)
Basic SCR		**3,584**	**71**	**–**	**3,655**
Loss-absorbing capacity of technical provisions	2	(1,650)	–	–	(1,650)
Loss-absorbing capacity of deferred taxes	3	–	(1)	–	(1)
Other adjustments	4	226	–	115	341
SCR		**2,160**	**70**	**115**	**2,345**

Note	Information
1	As risks are not perfectly correlated, a diversification benefit arises between the top-level risk categories, i.e. underwriting risk, market risk, counterparty default risk and operational risk.
2	This reflects the value of management actions recognised within the SCR. These actions comprise reducing target payout ratios to 100% of asset share; moving from annual to quarterly bonus declarations; setting annual bonuses to zero; reducing the equity backing ratio; and increasing/introducing investment guarantee charges.
3	The loss-absorbing capacity of deferred taxes is an adjustment which can be applied to the SCR. This adjustment reflects the potential compensation of unexpected losses through a simultaneous change in deferred taxes. It is calculated as the change in the net tax position, representing the difference between the net deferred tax asset and net deferred tax liability in the SII balance sheet, and the net deferred tax asset and net deferred tax liability in the post-stress SII balance sheet.
4	Other adjustments include elements that are outside of the individual risk categories. Specific examples within RLMIS include the floor in respect of the defined benefit staff pension schemes, such that the capital requirements in respect of these liabilities are no lower than the pension scheme surplus and other out-of-model adjustments. The 'Other adjustments' row includes the capital requirements of non-insurance entities within the Group and the removal of the RLI DAC capital requirement held within RLMIS.

E.2.2. Changes in Solvency Capital Requirement

A movement analysis which includes movements in the SCR for the Group and RLMIS is set out in section E.1.3.

E.2.3. Minimum Capital Requirement

In accordance with the regulations, the Minimum Consolidated Group SCR ("Group MCR") is the sum of the MCR for RLMIS and RLI DAC. The components of the overall calculation of the Group MCR are:

MCR by insurance entity

31 December 2023 £m	RLMIS	RLI DAC - unaudited	Total Group
MCR before the application of floors and caps	**220**	**4**	**224**
MCR cap (45% of SCR)	**1,144**	**36**	**1,180**
MCR floor (higher of 25% of SCR or €4m)	**636**	**19**	**655**
MCR (post application of floors and caps)	**636**	**19**	**655**

31 December 2022 £m	RLMIS	RLI DAC - unaudited	Total Group
MCR before the application of floors and caps	183	3	186
MCR cap (45% of SCR)	972	31	1,003
MCR floor (higher of 25% of SCR or €4m)	540	17	557
MCR (post application of floors and caps)	540	17	557

The MCR for each insurance entity is calculated according to a formula prescribed by the regulations and is subject to a floor of 25% of the SCR or €4.0m, whichever is higher, and a cap of 45% of the SCR. The MCR formula is based on factors applied to the technical provisions and capital at risk as at 31 December 2023.

E. Capital management (continued)

Before any cap/collar is applied, the RLMIS MCR has been calculated at £220m as at 31 December 2023 (31 December 2022: £183m). However, SII regulations prescribe that the MCR has to fall within a range of 25% to 45% of the SCR. Hence, the value of the MCR to be reported to the regulator at 31 December 2023 is £636m (31 December 2022: £540m) consistent with the lower limit. The movement in the MCR in the year is driven by the changes in the RLMIS SCR.

Before any cap/collar is applied, the RLI DAC MCR has been calculated at £4m as at 31 December 2023 (31 December 2022: £3m). However, per the SII regulations, the value of the MCR to be reported to the regulator at 31 December 2023 is £19m (31 December 2022: £17m), consistent with the lower limit of 25%.

E.3 Use of a duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

This does not apply, as the Group and RLMIS use an Internal Model to derive their SCRs.

E.4 Differences between the Standard Formula and any Internal Model used

E.4.1. Scope of Internal Model

The Partial Internal Model (Internal Model) is used to calculate the SCR of the Group and RLMIS. RLI DAC calculates its SCR on a Standard Formula basis, and this remains appropriate due to its size and risks.

The integration technique used is integration technique 1 as set out in Annex XVIII of the Commission Delegated Regulation (EU) 2015/35.

The SCR for RLMIS is calculated as:

- The Internal Model SCR for RLMIS funds.
- **Plus** the capital required for RLI DAC, as a participation using the Standard Formula equity Type 2 strategic participations stress.

The Group SCR is calculated as:

- The Internal Model SCR for RLMIS funds.
- **Plus** the Standard Formula SCR in respect of RLI DAC
- **Plus** total own sector capital requirements of the regulated non-insurance entities
- **Plus** total capital requirements of the non-regulated non-insurance entities, calculated in accordance with Article 336(d) of the Commission Delegated Regulation (EU) 2015/35
- **Less** the RLAM operational risk SCR allowed for in the Internal Model SCR for RLMIS as this is also allowed for in the capital requirements for the regulated non-insurance entities line.

The following material risks are included within the scope of the Internal Model:

- Insurance risk.
- Market risk.
- Credit counterparty risk.
- Operational risk.

Liquidity and strategic risk are not included within the scope of the Internal Model but are considered by the ORSA.

E.4.2. Uses of the Internal Model

The primary use of the Internal Model is to produce the SCR for regulatory reporting. The wider uses of the Internal Model can be considered under four key categories as described below:

Risk management

Output from the Internal Model is used to inform risk management processes, supporting the identification, measurement, management, monitoring and reporting of the in-scope risks. Specific areas include consideration of the risk profile, risk limits, management information and management actions.

E. Capital management (continued)

Capital assessments

The Internal Model is used as an input into the annual capital management planning cycle and other ongoing activities such as stress and scenario testing, hedging, debt capital issuance and with-profits surplus distribution.

Capital allocation

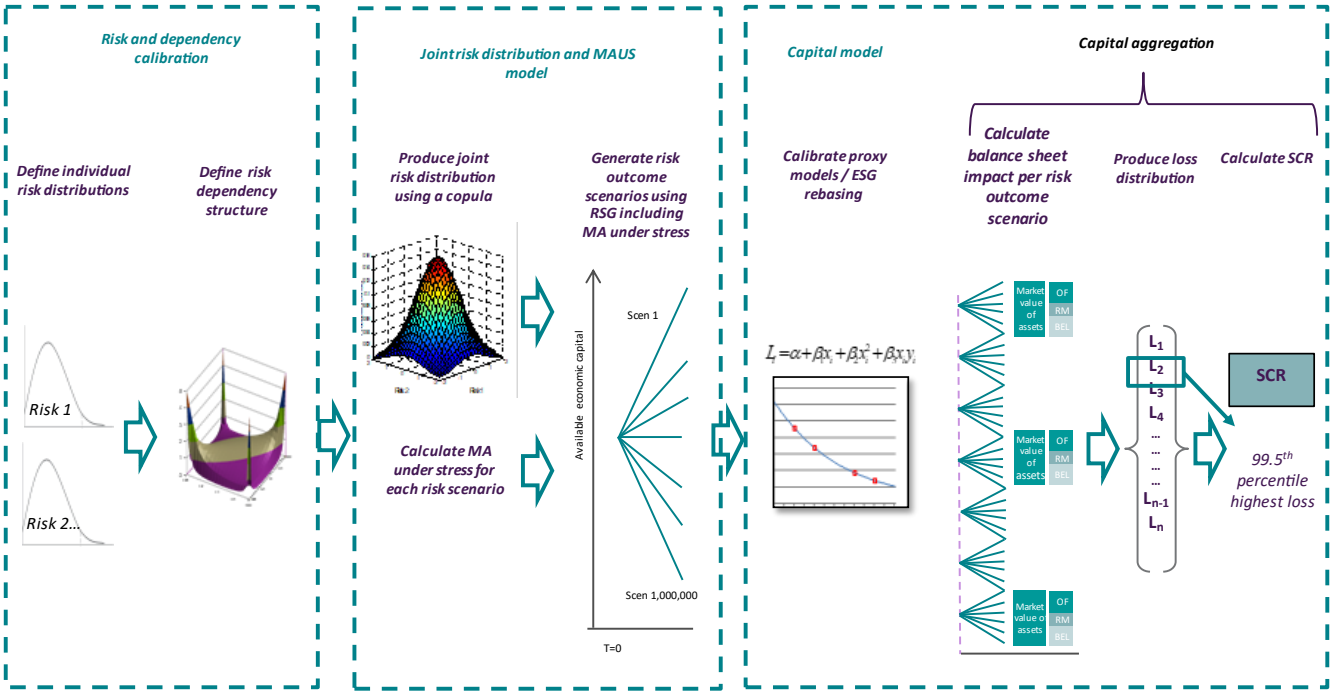
Outputs of the Internal Model are used to monitor business performance, helping to make decisions about how to deploy capital in the most efficient manner in accordance with risk appetite and relevant strategy. This includes business planning, investment strategy, reinsurance, staff pension scheme strategy and staff remuneration.

Forward-looking assessments

This includes the ORSA, corporate strategy, product development, product pricing and strategic development.

E.4.3. Internal Model methodology

The Internal Model uses an all-risk methodology to determine the probability distribution of change in own funds (the loss distribution). The process is summarised below:



1. A risk distribution is derived for each risk modelled within the Internal Model.
2. A dependency structure is also defined which describes how individual risks are correlated with one another.
3. A mathematical relationship known as a copula defines the relationship for all risks across the entire probability distribution.
4. The risk scenario generator uses the copula to generate an extensive set of joint risk outcome scenarios from the individual risk distributions and dependency structure.
5. A proxy model describes the behaviour of assets and liabilities under stress and is used to avoid the need to rerun the cash flow models for every risk outcome scenario when calculating the loss distribution. The proxy model must first be calibrated such that it is an accurate representation of the results that would be produced by running the cash flow model. Calibration involves running a large number of scenarios through the cash flow model and using mathematical techniques to convert these results into mathematical functions.
6. The proxy model is used to calculate the balance sheet impact for each of the risk outcome scenarios produced by the risk scenario generator.
7. From these impacts the loss distribution is derived.

E. Capital management (continued)

8. The SCR is the 99.5th percentile loss from the derived distribution. As part of each valuation, there is a consideration of whether adjustments are required to produce the reported Internal Model SCR. This may include risks not included in the derived distribution, or adjustments for observed differences between the proxy model and cash flow model.

E.4.4. Methodology and assumption differences between the Standard Formula and Internal Model

The calculation of the SCR under the two approaches contains a number of differences relating to the methodology and the treatment of risks, as described below.

Methodology

The Standard Formula uses a capital correlation matrix methodology. This requires 1-in-200 capital requirements for a series of individual risks to be aggregated through a series of correlation matrices, as prescribed by the regulator. Operational risk is then added using a formulaic approach to produce the reported SCR.

The Internal Model uses an all-risk capital methodology as summarised in section E.4.3 above. This produces a loss distribution, with the 99.5th percentile capital requirement being determined directly from that distribution, which includes operational risk.

Under the Internal Model, health risks are combined with the most appropriate insurance risks.

Under the Internal Model, the loss absorbing capacity of technical provisions is calculated as the value of approved management actions that would be taken in the scenario that determines the SCR. The approach under the Standard Formula is to calculate the difference between the net Basic SCR and the gross Basic SCR, where the net Basic SCR allows for changes in the value of future discretionary benefits after the stress events but the gross Basic SCR does not.

The Internal Model considers whether additional SCR capital is required in respect of an additional one year's worth of new business using latest planned volumes.

Risks

There are two key types of differences between the Internal Model and Standard Formula treatment of risks, as described below.

Risks captured within the Internal Model, but not explicitly within the Standard Formula:

- Implied volatilities for equity, property and interest rate risk.
- Inflation risk.
- Movements in the spread between government bonds and risk-free swap yields.
- GAO take-up risk and longevity trend risk.
- Longevity (both level and trend) risks on the defined benefit staff pension schemes.

Risks already captured within the Standard Formula, but enhanced within the Internal Model:

For all Internal Model risk calibrations, a risk distribution of possible outcomes over a one-year period is produced. This can lead to different stresses at the 1-in-200 point to those specified by the Standard Formula. The Standard Formula implicitly assumes risks are normally distributed whereas under the Internal Model, a range of distributions are used with criteria in place to choose the most appropriate one for any given risk.

E. Capital management (continued)

Additional differences between the way specific risks are modelled in the Standard Formula and Internal Model are summarised in the table below:

Risk	Standard Formula	Internal Model
Interest rate	Prescribed duration dependent stress factors to the interest rate curve.	Three principal components, which can be characterised as 'shift', 'twist' and 'other' changes to the risk-free curve are modelled separately to produce a risk distribution for interest rate curve.
Equity	Prescribed price falls, overlaid with a "symmetric adjustment mechanism".	Distinct risk distributions for UK equities, overseas equities and alternative assets. No symmetric adjustment mechanism is applied.
Credit	Detailed prescribed asset stresses are applied on an individual holding basis. The IAS 19 discount rate is assumed to rise in line with implied changes in long-dated AA spreads.	Separate calibrations are performed for asset stresses in respect of spread widening, downgrades and defaults by credit rating and term. IAS 19 discount rate distribution for changes in the long-dated AA spread is net of a 50% haircut.
Counterparty default	Detailed prescribed stress applied on an individual holding basis.	A combined stochastic default/loss model has been developed, split by key counterparty exposures and rating.
Longevity	Prescribed level stress applied.	Separate risk distributions are produced for level and trend risks.
Persistency	Prescribed stress takes the greater of level and catastrophe risks, calculated on a per policy basis.	Individual risk calibrations set separately for level and catastrophe stresses for major product lines, e.g. separate stresses for unit-linked, non-profit and with-profits business. Capital requirements determined for these product groupings.
Expense	Prescribed combined level and trend stress.	Separate risk distributions set for level and trend risks.
Operational	Prescribed formulaic calculation.	Scenario driven analysis feeds into a stochastic loss/severity model to produce a capital risk distribution.

E.4.5. Risk measures and time periods used in the Internal Model

The risk measures and time periods used in the Internal Model are in line with those set out by the regulations, i.e. the SCR is assessed by considering the capital resources required to ensure that the own funds are sufficient to meet a stress event calibrated to a 99.5% confidence level over a one-year period.

Both the Internal Model and the Standard Formula assume that stress events occur instantaneously rather than over a one-year period.

E.4.6. Nature and appropriateness of data

The main data items used in the Internal Model to calibrate the risk calibrations and the dependency assumptions are market data and internal and external historic experience.

In addition, policy and asset data feed into the BEL. The BEL and the data used to calculate it are outside the scope of the Internal Model; however stressed BEL values are inputs into the proxy model fitting process.

All data used in the Internal Model is assessed for appropriateness, completeness and accuracy. To support this, controls are in place and data processes are documented in directories and data flow diagrams.

These controls are set out in relevant Data Management Frameworks which outline how data is handled, managed and controlled before being used in the Internal Model. In addition, periodic controls to validate the ongoing appropriateness of the data are applied, with the results being documented. Any weaknesses and limitations are logged and prioritised for future development activity.

E.5 Non-compliance with the Minimum Capital Requirement and Solvency Capital Requirement

The Group and RLMIS have maintained own funds in excess of the MCR and the SCR throughout 2023.

E.6 Any other information

There is no additional material information regarding capital management to disclose in this section.

Other information

Directors' approval statement

The Royal London Mutual Insurance Society Limited

Approval by the Board of Directors of the Single Group SFCR

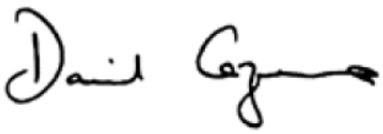
Financial year ended 31 December 2023

We acknowledge our responsibility for preparing the Single Group SFCR in all material respects in accordance with the PRA rules and the Solvency II Regulatory framework.

We are satisfied that:

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

b) it is reasonable to believe that the Group has continued so to comply subsequently and will continue so to comply in future.



Daniel Cazeaux
Group Chief Financial Officer
For and on behalf of the Board of The Royal London Mutual Insurance Society Limited
28 March 2024

Other information (continued)
Independent auditors' opinion

Report of the external independent auditors to the Directors of The Royal London Mutual Insurance Society Limited ('the Company') 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 Single Group Solvency and Financial Condition Report.

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2023:

- The 'Valuation for solvency purposes' and 'Capital management' sections of the Single Group Solvency and Financial Condition Report of the Company as at 31 December 2023, ('**the Narrative Disclosures subject to audit**');
- Group templates S.02.01.02, S.22.01.22, S.23.01.22 and S.32.01.22 ('**the Group Templates subject to audit**'); and
- Solo templates S.02.01.02, S.12.01.02, S.22.01.21, S.23.01.01 and S.28.01.01 in respect of The Royal London Mutual Insurance Society Limited ('**the Solo Templates subject to audit**').

The Narrative Disclosures subject to audit, the Group Templates subject to audit and the Solo Templates subject to audit are collectively referred to as the '**relevant elements of the Single 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 Single Group Solvency and Financial Condition Report set out above which is, or derives from the Solvency Capital Requirement, as identified in the Appendix to this report;
- The 'Executive summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Single Group Solvency and Financial Condition Report;
- Group templates S.05.01.02 and S.25.02.22;
- Solo templates S.05.01.02, and S.25.02.21;
- 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 measure 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 Single Group Solvency and Financial Condition Report ('**the Directors' approval statement'**).
- Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with PRA rules other than those implementing the Solvency II Directive or in accordance with UK law other than the Solvency II regulations ('the sectoral information') as identified in the Appendix to this report.

To the extent the information subject to audit in the relevant elements of the Single 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 Single Group Solvency and Financial Condition Report of the Company as at 31 December 2023 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the relevant elements of the Single Group Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Single 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.

Other information (continued)
Independent auditors' opinion (continued)

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- reviewing the assessment of principal risks and uncertainty facing the Company and the scenarios included in the viability statement in the Group's Annual Report and Accounts and compared it with our understanding of the risks and resources of the Company.
- assessing the results of the Company's stress and scenarios testing and their impact on the Company, including challenging the rationale for the downside scenarios adopted and material assumptions using our knowledge of the business;
- reviewing the current and forecast Company solvency investor and regulatory ratios and the Own Risk and Solvency Assessment ("ORSA"), which include a number of severe but plausible scenarios;
- reviewing regulatory correspondence;
- confirmation of the existence of cash and cash equivalents and other financial investments to assess the availability of liquid assets;
- assessment of the fair value of financial investments to determine the appropriateness of their valuation; and
- independent challenge and assessment using our actuarial specialists over the methodology and assumptions used in the valuation of the technical provisions.

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 Company's ability to continue as a going concern for a period of at least twelve months from the date on which the Single Group Solvency and Financial Condition Report is authorised for issue.

In auditing the Single Group Solvency and Financial Condition Report, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Single Group Solvency and Financial Condition Report is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Emphasis of Matter – Basis of Accounting

We draw attention to the 'Basis of preparation', 'Valuation for solvency purposes' and 'Capital management' sections of the Single Group Solvency and Financial Condition Report, which describe the basis of accounting. The Single 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 Single 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 Single Group Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the Other Information.

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

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

Other information (continued)
Independent auditors' opinion (continued)

Responsibilities of Directors for the Single Group Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Single 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 FSMA, the PRA Rules and Solvency II regulations on which they are based, as detailed below:

- Approval to use a Partial Internal Model;
- Approval to use the volatility adjustment in the calculation of technical provisions;
- Approval to use the transitional measure on technical provisions;
- Permission to publish a Single Group Solvency and Financial Condition Report; and
- Approval to use the matching adjustment to calculate technical provisions.

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

Auditors' Responsibilities for the Audit of the relevant elements of the Single Group Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the relevant elements of the Single Group Solvency and Financial Condition Report is prepared, in all material respects, in accordance with 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 Single Group Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Single Group Solvency and Financial Condition Report.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and the industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory principles, such as those governed by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) and relevant tax laws, and we considered the extent to which non-compliance might have a material effect on the Single Group Solvency and Financial Condition Report. We also considered those laws and regulations that have a direct impact on the Single Group Solvency and Financial Condition Report such as the applicable Solvency II Regulations. We evaluated management's incentives and opportunities for fraudulent manipulation of the Single Group Solvency and Financial Condition Report (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate adjustments between UK GAAP and Solvency II values and management bias in accounting estimates and judgemental areas of the Single Group Solvency and Financial Condition Report, such as the best estimate liabilities. Audit procedures performed included:

- Discussions with the Board, management, internal audit, senior management involved in risk and compliance functions and the Company's legal function including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of management's internal controls designed to prevent and detect irregularities, in particular controls around disclosure of related parties and associated transactions, and risk-based monitoring of customer processes;
- Reading key correspondence with the PRA and the FCA in relation to compliance with laws and regulations;
- Meeting with the PRA supervisory team to discuss matters in relation to compliance with laws and regulations;

Other information (continued)
Independent auditors' opinion (continued)

- Attendance at all Audit Committees as well as reviewing other relevant committee meeting minutes, including those of the Board, Risk and Capital Committee, Investment Committee, Remuneration Committee and With-Profits Committee;
- Reviewing data regarding policyholder complaints, the Company's register of litigation and claims, internal audit reports and compliance reports in so far as they related to non-compliance with laws and regulations and fraud;
- Procedures relating to balances that include accounting estimates and judgements, such as the valuation of best estimate liabilities;
- Identifying and testing journal entries, including auditing adjustments between UK GAAP and Solvency II values; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing, for instance testing immaterial adjustments between UK GAAP and Solvency II values.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Single Group Solvency and Financial Condition Report. Also, 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.

A further description of our responsibilities for the audit is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinion, has been prepared for the Board of Directors of the Company in accordance with External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose or to any other party save where expressly agreed by our prior consent in writing.

Other Matter
The Company has authority to calculate its Company and Group Solvency Capital Requirement using a Partial Internal Model ('the Internal 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 Internal Model, or whether the Internal Model is being applied in accordance with the Company's application or approval order.

Report on Other Legal and Regulatory Requirements

Sectoral Information
In our opinion, in accordance with Rule 4.2 of the External Audit Part of the PRA Rulebook, the sectoral information has been properly compiled in accordance with the PRA rules and UK law relating to that undertaking from information provided by members of the group and the relevant insurance group undertaking.

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
28 March 2024

Other information (continued)
Independent auditors' opinion (continued)

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

The relevant elements of the Single 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
  - Row R0410: Credit Institutions, investment firms, financial institutions, alternative investment fund manager, UCITs management companies
  - Row R0420: Institutions for occupational retirement provision
  - Row R0430: Non regulated entities carrying out financial activities
  - Row R0440: Total 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

Other information (continued)
Independent auditors' opinion (continued)

- The following elements of Solo 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 Solo 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 Solo template S.22.01.21
  - Column C0030 – Impact of transitional on technical provisions
  - Row R0010 – Technical provisions
  - Row R0090 – Solvency Capital Requirement
- The following elements of Solo 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 Solo template S.28.01.01
  - Row R0310: SCR
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'
- Elements of the Narrative Disclosures and tables in relation to 'RLI DAC' or 'Other Group companies' that provide separate solo information on those entities.

Other information (continued)

Forward-looking statements

Royal London may make verbal or written 'forward-looking statements' within this document, with respect to certain plans, its current goals and expectations relating to its future financial condition, performance, results, operating environment, strategy and objectives. Statements that are not historical facts, including statements about Royal London's beliefs and expectations and including, without limitation, statements containing the words 'may', 'will', 'should', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'plans', 'seeks' and 'anticipates', and words of similar meaning, are forward-looking statements. The statements are based on plans, estimates and projections as at the time they are made and involve unknown risks and uncertainties. These forward-looking statements are therefore not guarantees of future performance and undue reliance should not be placed on them.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, some of which will be beyond Royal London's control. Royal London believes factors could cause actual financial condition, performance or other indicated results to differ materially from those indicated in forward-looking statements in the report. Potential factors include but are not limited to: geopolitical conditions; UK and Ireland economic and business conditions; future market-related risks such as high interest rates; sustained high levels of inflation and the performance of financial markets generally; the policies and actions of governmental and regulatory authorities (for example new government initiatives); the impact of competition; the effect on Royal London's business and results from, in particular, mortality and morbidity trends, lapse rates and policy renewal rates; and the timing, impact and other uncertainties of future mergers or combinations within relevant industries. These and other important factors may, for example, result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits.

As a result, Royal London's future financial condition, performance and results may differ materially from the plans, estimates and projections set forth in Royal London's forward-looking statements. Royal London undertakes no obligation to update the forward-looking statements in this document or any other forward-looking statements Royal London may make. Forward-looking statements in this document are current only at the date on which such statements are made. This report has been prepared for the members of Royal London and no one else. None of Royal London, its advisers or its employees accept or assume responsibility to any other person and any such responsibility or liability is expressly disclaimed to the extent not prohibited by law.

Other information (continued)
Glossary

A

Adviser
Someone authorised by the FCA, who is qualified by experience and examination to provide financial advice.

Alternative Performance Measures
A financial measure of performance not defined or specified by accounting standards.

Annuity
An insurance policy that provides a regular income in exchange for a lump-sum payment.

Asset share
A policy's asset share is calculated by accumulating the premiums paid, deducting all applicable expenses and tax, and adding its share of the investment returns achieved by the with-profits fund over the policy's lifetime.

Assets under management (AUM)
The total of internal assets managed on behalf of the Royal London Group, plus external assets managed on behalf of third parties.

B

Best estimate liability (BEL)
The expected (or probability weighted average) value of the present value of future cash flows for current obligations, projected over the expected life of the contract, taking into account all available market and other information.

Board
The Royal London Mutual Insurance Society Limited's Board.

Business Plan
An internal forecast, which is approved by the Board annually. This sets out Royal London's forecast and targets over a planning horizon.

Business unit
A sub-division of the Group that focuses on a specific product offering, market or function. A business unit may be a statutory entity or part of one or more separate statutory entities.

C

Capital cover ratio
Own funds divided by Solvency Capital Requirement.

Capital add on
The PRA can apply judgement to determine additional capital requirements (add ons) to individual firms, which are included when calculating the SCR. Their judgement takes into account a variety of considerations including capital projections, the maturity of the risk management framework and peer group comparisons.

Closed funds
Funds that are now closed to new business. Also known as Ring-fenced funds. See Ring-fenced-fund (RFF) for further details.

Company
The Royal London Mutual Insurance Society Limited.

Contract boundary
The point where the insurer can unilaterally terminate the contract, refuse to accept a premium, or amend the benefit or premium without limit.

Critical illness cover
Cover that pays a lump sum if the insured person is diagnosed with a serious illness that meets the cover's definition.

D

Deferred acquisition costs (DAC)
A method of accounting whereby certain acquisition costs on long-term business are deferred and therefore appear as an asset. This leads to a smoothed recognition of acquisition costs instead of recognising the full amount in the year of acquisition.

Deferred fee income / Deferred front end loads (DFEL)
A method of accounting whereby up-front policy charges are deferred and therefore appear as a liability. This leads to a smoothed recognition of these charges instead of recognising the full amount in the year of acquisition.

Defined benefit scheme
A type of occupational pension scheme, where the benefits are based on the employee's salary and service.

Discounting
The process of expressing a future cash transaction in terms of its present value using a discount rate that reflects the time value of money.

E

Economic assumptions
Assumptions of future amounts of various economic parameters, such as interest rates, investment returns, inflation and tax rates. The impact of variances in these assumptions is treated as non-operating profit or loss.

EIOPA
The European Insurance and Occupational Pensions Authority (EIOPA) is a European Union financial regulatory institution.

Expected profit included in future premiums (EPIFP)
Profits which result from the inclusion in technical provisions of premiums on existing (in-force) business that will be received in the future, but that have not yet been received.

Experience variances
The impact of actual mortality, morbidity, persistency and expense experience being different to that expected at the start of the period.

F

Fair value
The amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Financial Conduct Authority (FCA)
An independent conduct of business regulator, which ensures that business is conducted in such a way that advances the interests of all users of, and participants in, the UK financial sector.

Other information (continued)
Glossary (continued)

Fit and Proper (F&P)
The standard required by the regulators to be applied when appointing those employees who effectively run the Group or have other key functions, to make sure they are suitably competent and reputable.

Fund for Future Appropriations (FFA)
The amount of surplus on a UK GAAP basis that has not been allocated to policyholders at the balance sheet date.

G

Group
The Royal London Mutual Insurance Society Limited and its subsidiaries.

Guaranteed Annuity Option (GAO) or Guaranteed Annuity Rate (GAR)
These primarily arise in connection with pension business as either a guaranteed income rate specified in the policy, or guaranteed terms (option) for converting the pension fund of a policy into an income for life at the policy's pension date.

I

Internal Model
The processes, systems and calculations that together allow the Group to control the risks that it faces and quantify the capital needed to support those risks. It includes a calculation engine to quantify capital requirements, the Group's risk management framework and its system of governance.

International Financial Reporting Standards (IFRS)
Financial reporting standards issued by the International Accounting Standards Board (IASB).

Investor View
In common with the rest of the industry, Royal London presents two views of the Solvency II capital position: an Investor View for analysts and investors in the subordinated liabilities (which equals the RL Main Fund and excludes the capital position of the ring-fenced closed funds), and a Regulatory View where the closed funds' surplus is excluded as a restriction to Own funds.

M

Maintenance expenses
Expenses related to the servicing of the in-force book of business, including investment and termination expenses and a share of overheads.

Market-consistent basis
A basis of valuation in which assets and liabilities are valued in line with market prices and consistently with each other. In principle, each cash flow is valued using a discount rate consistent with that applied to such a cash flow in the capital markets.

Matching Adjustment
An adjustment made to the risk-free interest rate for Solvency II purposes when the insurer sets aside a portfolio of assets to back a predictable portion of their liabilities.

Minimum Capital Requirement (MCR)
The minimum level of capital required by the SII regulations, below which the amount of financial resources should not fall.

Mutual
A company owned by its member customers rather than shareholders. A member of a mutual company can vote at its Annual General Meeting.

N

New business contribution
The expected present value on the UK GAAP basis of reporting of all cash flows arising from new business.

Non-profit policy
Long-term savings and insurance products other than with-profits policies.

O

Operating profit
The profit, on a UK GAAP basis resulting from primary business operations, defined as the transfer to Fund for Future Appropriations before other comprehensive income, excluding the following: short-term investment return variances and economic assumption changes; goodwill charges arising from mergers and acquisitions; ProfitShare; ValueShare; tax; and one-off items of an unusual nature that are not related to the underlying trading of the Group.

Own funds
Regulatory capital under SII. Broadly it is the excess of assets over liabilities (plus subordinated liabilities and less the ring fenced Fund restriction), as measured by the PRA's regulatory reporting requirements under SII.

Own Risk and Solvency Assessment (ORSA)
The processes and procedures employed to identify, assess, monitor, manage and report the risks the Group faces or may face over the business planning period and to determine the own funds necessary to ensure that its overall solvency needs are met at all times over that period.

P

Participating
Contracts that are with-profits in type.

Pension
A means of providing income in retirement for an individual and possibly their dependants. The Group's pension products include Individual and Workplace Pensions, Stakeholder Pensions and Income Drawdown.

Pension date
The date at which income can be taken from a pension either through a cash lump sum or investment in an annuity.

Principles and Practices of Financial Management (PPFM)
A document detailing how the Group manages its with-profits funds. There is a separate PPFM for each with-profits fund.

ProfitShare
An allocation of part of the Group's operating profits by means of a discretionary enhancement to asset shares and unit fund values of eligible policies.

Protection policy
A policy providing a cash sum or income on the death or critical illness of the life assured.

Prudential Regulation Authority (PRA)
The part of the Bank of England that is responsible for the authorisation, regulation and day-to-day supervision of all insurance firms that are subject to prudential regulation.

Other information (continued)
Glossary (continued)

Q

Quantitative Reporting Templates (QRTs)
Forms required under Solvency II for regulatory reporting. They disclose detailed information including technical provisions, own funds and SCR. QRTs must follow a prescribed format.

R

Rating agencies
A rating agency (also called a credit rating agency) is a company that assigns credit ratings, which rate a debtor's ability to pay back debt by making timely interest payments and indicate the likelihood of default.

Regular premiums
A series of payments for an insurance contract, typically monthly or annually.

Regulatory View
In common with the rest of the industry, Royal London presents two views of its capital position: an Investor View for analysts and investors in its subordinated liabilities (which equals the RL Main Fund and excludes the capital position of the ring-fenced closed funds), and a Regulatory View where the closed funds' surplus is excluded as a restriction to own funds.

Restricted Tier 1 (capital)
High-quality capital items that form part of total Tier 1 Own Funds. A Restricted Tier 1 (RT1) instrument must meet additional eligibility requirements in relation to its ability to absorb losses and any potential redemption date.

Reverse stress test
Valuation simulations carried out to assess the impact of a range of scenarios that start with a business failure outcome, in order to identify potential business vulnerabilities.

Ring-fenced fund (RFF)
As of 31 December 2023, RLMIS contains one ring-fenced fund (RL (CIS)). RLI DAC contains two ring-fenced funds (Liver Ireland Fund and German Bond Fund). The ring-fenced funds are closed to new business and were established when business from various acquisitions was transferred to Royal London. They are in run-off, with surpluses to be distributed to policyholders in line with the PPFM for each fund.

Risk Management System (RMS)
Provides assurance that the risks to which the Group may be exposed are being appropriately identified and managed within risk appetite, and that risks that may result in significant financial loss or reputational damage are being minimised.

Risk margin
Forms part of the calculation of the technical provisions under SII requirements and represents the amount of money needed, should all surplus and capital be used up, to transfer all obligations to another insurer. The risk margin is sensitive to interest rate changes.

Risk-free rate
The theoretical rate of return of an investment with no risk of financial loss.

RLI DAC Open Fund
The part of RLI DAC into which new insurance business is written.

Royal London
The Royal London Mutual Insurance Society Limited and its subsidiaries.

Royal London Asset Management (RLAM)
Royal London Asset Management Holdings Limited and its subsidiaries. It is responsible for managing the Group's financial assets as well as funds for external clients, including multi-managers, pension funds, local authorities, universities, charities and individuals.

Royal London Insurance Designated Activity Company (RLI DAC)
Royal London's regulated Irish insurance subsidiary. The company was incorporated on 11 July 2018 with regulatory permissions effective from 1 January 2019. It is 100% owned by RLMIS.

Royal London Main Fund
The part of the Royal London Long-Term Fund into which new insurance business is written. Also referred to in the document as the RL Main Fund.

S

Securitisations
Where various types of contractual debt (including for example residential and commercial mortgages) are pooled together in a 'structure' and the related cash flows are sold to third party investors, with repayments made via the structure from the principal and interest cash flows.

Senior Managers & Certification Regime (SMCR)
A regime introduced by the FCA and PRA which is designed to make individuals at financial firms more accountable.

Solvency II (SII)
A European Union directive which became fully applicable to European and UK insurers and reinsurers on 1 January 2016. It covers three main areas, related to capital requirements, risk management and supervisory rules.

Solvency Capital Requirement (SCR)
The amount of capital that the PRA requires a UK Life insurer to hold. It is calculated using Solvency II requirements. It can be calculated using either the Standard Formula or the Internal Model methods.

Solvency and Financial Condition Report (SFCR)
A report required under Pillar III of the Solvency II directive. Life insurers in the UK are required to disclose this report publicly and to report it to the PRA on an annual basis. The SFCR includes both qualitative and quantitative information.

Solvency surplus
The excess of Own funds over the Solvency Capital Requirement.

Standard Formula
A prescribed method for calculating the Solvency Capital Requirement that aims under Solvency II to capture the material quantifiable risks that a life insurer is exposed to. If the Standard Formula is not appropriate for the risk profile of the business, a capital add-on may also be applied after agreement with the PRA.

Other information (continued)
Glossary (continued)

Stochastic techniques
Valuation techniques that allow for the potential future variability in assumptions by the running of multiple possible scenarios.

Subordinated liabilities
In the event of bankruptcy, dissolution or winding-up, the payments arising from this debt rank after the claims of other creditors.

T

Technical provisions
The amount the Group requires to fulfil its insurance obligations and settle all expected commitments to policyholders and other beneficiaries arising over the lifetime of the portfolio of insurance contracts.

Three lines of defence model
A model that can be used as the primary means to demonstrate and structure roles, responsibilities and accountability for decision making, risk and control to achieve effective governance, risk management and assurance.

Tier (of capital)
There are three tiers of capital defined by SII. The higher the quality, the more likely it will be available in the event that it is needed, for example to be able to pay out claims. Tier 1 capital primarily represents high-quality capital which is generally more secure and capable of absorbing losses; Tier 2 capital is of a lower quality and Tier 3 capital is the lowest quality of capital.

Transitional Measure on Technical Provisions (TMTP)
A measure that smooths the transition from the previous Solvency I regime to the SII regime, and spreads the capital impact over 16 years. Once approved by the PRA, this is included within the valuation of technical provisions.

U

UK Generally Accepted Accounting Practice (UK GAAP)
The body of accounting standards published by the Financial Reporting Council (FRC).

Unit-linked policy
A policy for which the premiums buy units in a chosen investment fund.

Unit trust
A collective investment which invests in a range of assets such as equities, fixed interest investments and cash. A unit trust might be a general fund or specialise in a particular type of asset, or in a particular geographical area.

Unitised with-profits policy
A policy for which the premiums buy units in a with-profits fund.

V

Value of in-force business (VIF)
The present value of the projected future profits after tax arising from the business in-force at the valuation date.

ValueShare
A discretionary enhancement applied to unit fund values of eligible RLI DAC policies, by means of an allocation of part of RLI DAC's operating profit.

Volatility Adjustment (VA)
An adjustment made to the risk-free interest rate for SII purposes. It is designed to protect insurers with long-term liabilities from the impact of volatility on the insurers' solvency position.

W

With-profits fund
A fund that may invest in companies, both in the UK and overseas, government stocks, property, and other types of assets. Instead of receiving direct investment returns, for example dividends, rents, interest and capital appreciation, policyholders of the fund receive bonuses.

With-profits policy
A policy which participates in the profits of a with-profits fund. This participation may be in the form of one or more of a cash bonus, an annual bonus or a bonus paid on the exit of the policy.

Appendices

Appendix 1 – Summary of Quantitative Reporting Templates (QRTs)

The following pages contain QRTs for the Group and RLMIS as at 31 December 2023.

All figures are presented in thousands of pounds with the exception of ratios, which are in decimal. Please note that totals may differ from the component parts due to rounding. All items disclosed are consistent with the information provided to the regulators privately.

QRT number	QRT name	Group (Appendix 2)	RLMIS (Appendix 3)
S.02.01.02	Balance sheet [audited]	✓	✓
S.05.01.02	Premiums, claims and expenses by line of business [unaudited]	✓	✓
S.12.01.02	Life and Health SLT technical provisions [audited]	–	✓
S.22.01.21	Impact of long-term guarantees and transitional measures [audited]	–	✓
S.22.01.22	Impact of long-term guarantees [audited]	✓	–
S.23.01.01	Own funds [audited]	–	✓
S.23.01.22	Own funds [audited]	✓	–
S.25.02.21	Solvency Capital Requirement – for undertakings using the standard formula and partial Internal Model [unaudited]	–	✓
S.25.02.22	Solvency Capital Requirement – for groups using the standard formula and partial Internal Model [unaudited]	✓	–
S.28.01.01	Minimum Capital Requirement – only life or only non-life insurance or reinsurance activity [audited]	–	✓
S.32.01.22	Undertakings in the scope of the Group	✓	–

Appendices (continued)

Appendix 2- Quantitative Reporting Templates (QRTs) – Group

S.02.01.02 – Balance sheet [audited]

Assets		Solvency II value £000
		C0010
Intangible assets	R0030	–
Deferred tax assets	R0040	16,758
Pension benefit surplus	R0050	177,214
Property, plant & equipment held for own use	R0060	96,600
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	33,436,124
Property (other than for own use)	R0080	72,502
Holdings in related undertakings, including participations	R0090	14,099,418
Equities	R0100	5,462,918
Equities – listed	R0110	5,254,868
Equities – unlisted	R0120	208,050
Bonds	R0130	10,666,286
Government Bonds	R0140	3,263,175
Corporate Bonds	R0150	7,094,779
Structured notes	R0160	50,625
Collateralised securities	R0170	257,707
Collective Investments Undertakings	R0180	1,265,556
Derivatives	R0190	1,636,519
Deposits other than cash equivalents	R0200	232,925
Other investments	R0210	–
Assets held for index-linked and unit-linked contracts	R0220	80,216,828
Loans and mortgages	R0230	135,820
Loans on policies	R0240	1,562
Loans and mortgages to individuals	R0250	190
Other loans and mortgages	R0260	134,068
Reinsurance recoverables from:	R0270	3,047,887
Non-life and health similar to non-life	R0280	–
Non-life excluding health	R0290	–
Health similar to non-life	R0300	–
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	3,089,069
Health similar to life	R0320	(86,396)
Life excluding health and index-linked and unit-linked	R0330	3,175,465
Life index-linked and unit-linked	R0340	(41,182)
Deposits to cedants	R0350	–
Insurance and intermediaries receivables	R0360	57,245
Reinsurance receivables	R0370	203,396
Receivables (trade, not insurance)	R0380	2,252,274
Own shares (held directly)	R0390	–
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	–
Cash and cash equivalents	R0410	306,438
Any other assets, not elsewhere shown	R0420	43,851
Total assets	R0500	**119,990,435**

Appendices (continued)

Liabilities		Solvency II value £000
		C0010
Technical provisions – non-life	R0510	–
Technical provisions – non-life (excluding health)	R0520	–
TP calculated as a whole	R0530	–
Best Estimate	R0540	–
Risk margin - unaudited	R0550	–
Technical provisions – health (similar to non-life)	R0560	–
TP calculated as a whole	R0570	–
Best Estimate	R0580	–
Risk margin – unaudited	R0590	–
Technical provisions – life (excluding index-linked and unit-linked)	R0600	28,552,336
Technical provisions – health (similar to life)	R0610	(278,963)
TP calculated as a whole	R0620	–
Best Estimate	R0630	(285,223)
Risk margin - unaudited	R0640	6,260
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	28,831,299
TP calculated as a whole	R0660	–
Best Estimate	R0670	28,770,995
Risk margin – unaudited	R0680	60,304
Technical provisions – index-linked and unit-linked	R0690	77,274,428
TP calculated as a whole	R0700	80,065,410
Best Estimate	R0710	(2,875,560)
Risk margin - unaudited	R0720	84,578
Contingent liabilities	R0740	10,754
Provisions other than technical provisions	R0750	56,717
Pension benefit obligations	R0760	–
Deposits from reinsurers	R0770	–
Deferred tax liabilities	R0780	48,512
Derivatives	R0790	3,070,548
Debts owed to credit institutions	R0800	468,412
Financial liabilities other than debts owed to credit institutions	R0810	41,353
Insurance & intermediaries payables	R0820	638,533
Reinsurance payables	R0830	1,777,579
Payables (trade, not insurance)	R0840	186,261
Subordinated liabilities	R0850	1,221,038
Subordinated liabilities not in BOF	R0860	–
Subordinated liabilities in BOF	R0870	1,221,038
Any other liabilities, not elsewhere shown	R0880	163,185
Total liabilities	R0900	**113,509,654**
Excess of assets over liabilities	R1000	**6,480,780**

Appendices (continued)

S.05.01.02 – Premiums, claims and expenses by line of business [unaudited]

£000		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	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0270	C0290	C0300
Premiums written								
• Gross	R1410	66,692	149,590	9,921,466	1,119,515	8,163	43,932	**11,309,358**
• Reinsurers' share	R1420	18,281	433	30,306	308,799	–	–	**357,819**
• Net	R1500	48,411	149,157	9,891,160	810,716	8,163	43,932	**10,951,539**
Premiums earned								
• Gross	R1510	66,692	149,590	9,921,466	1,119,515	8,163	43,932	**11,309,358**
• Reinsurers' share	R1520	18,281	433	30,306	308,799	–	–	**357,819**
• Net	R1600	48,411	149,157	9,891,160	810,716	8,163	43,932	**10,951,539**
Claims incurred								
• Gross	R1610	20,284	2,179,729	6,792,764	694,128	2,299	7,326	**9,696,530**
• Reinsurers' share	R1620	9,305	13,715	23,190	530,963	–	–	**577,173**
• Net	R1700	10,979	2,166,014	6,769,574	163,165	2,299	7,326	**9,119,357**
Changes in other technical provisions								
• Gross	R1710	17,063	406,280	(9,312,874)	(435,641)	27,909	75,815	**(9,221,448)**
• Reinsurers' share	R1720	12,393	35,829	(3,879)	(80,889)	–	–	**(36,546)**
• Net	R1800	4,670	370,451	(9,308,995)	(354,752)	27,909	75,815	**(9,184,902)**
Expenses incurred	R1900	10,452	98,236	317,819	276,977	35,432	101,840	**840,756**
Other expenses	R2500	–	–	–	–			214,700
Total expenses	R2600	–	–	–	–			**1,055,456**

Appendices (continued)

S.22.01.22 – Impact of long-term guarantees and transitional measures [audited]

£000		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions – unaudited	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
Technical provisions - unaudited	R0010	105,826,764	636,630	–	289,787	193,464
Basic own funds	R0020	5,331,904	(288,442)	–	(83,975)	(193,464)
Eligible own funds to meet Solvency Capital Requirement	R0050	5,601,053	(288,442)	–	(83,975)	(193,464)
Solvency Capital Requirement - unaudited	R0090	2,721,235	–	–	24,974	187,508

Appendices (continued)

S.23.01.22 – Own funds [audited]

£000		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	R0010	–	–		–	
Non-available called but not paid in ordinary share capital at group level - unaudited	R0020	–	–		–	
Share premium account related to ordinary share capital	R0030	–	–		–	
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	R0040	–	–		–	
Subordinated mutual member accounts	R0050	–		–	–	–
Non-available subordinated mutual member accounts at group level - unaudited	R0060	–		–	–	–
Surplus funds	R0070	**6,631,921**	6,631,921			
Non-available surplus funds at group level - unaudited	R0080	–	–			
Preference shares	R0090	–		–	–	–
Non-available preference shares at group level - unaudited	R0100	–		–	–	–
Share premium account related to preference shares	R0110	–		–	–	–
Non-available share premium account related to preference shares at group level - unaudited	R0120	–		–	–	–
Reconciliation reserve	R0130	**(2,257,928)**	(2,257,928)			
Subordinated liabilities	R0140	**1,221,038**		375,319	845,719	–
Non-available subordinated liabilities at group level - unaudited	R0150	–		–	–	–
An amount equal to the value of net deferred tax assets	R0160	**12,228**				12,228
The amount equal to the value of net deferred tax assets not available at the group level - unaudited	R0170	**6,207**				6,207
Other items approved by the supervisory authority as basic own funds not specified above	R0180	–	–	–	–	–
Non-available own funds related to other own funds items approved by supervisory authority - unaudited	R0190	–	–	–	–	–
Minority interests (if not reported as part of a specific own fund item)	R0200	–	–	–	–	–
Non-available minority interests at group level - unaudited	R0210	–	–	–	–	–
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	–				
Deductions						
Deductions for participations in financial and credit institutions	R0230	**269,149**	269,149	–	–	–
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240	–	–	–	–	–
Deductions for participations where there is non-availability of information (Article 229)	R0250	–	–	–	–	–
Deduction for participations included by using D&A when a combination of methods is used	R0260	–	–	–	–	–
Total of non-available own fund items	R0270	**6,207**	–	–	–	6,207
Total deductions	R0280	**275,356**	269,149	–	–	6,207
Total basic own funds after deductions	R0290	**5,331,904**	4,104,844	375,319	845,719	6,021
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	–			–	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	R0310	–			–	
Unpaid and uncalled preference shares callable on demand	R0320	–			–	–
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	–			–	–
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	–			–	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	–			–	–
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	–			–	

Appendices (continued)

£000		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	–			–	–
Non available ancillary own funds at group level - unaudited	R0380	–			–	–
Other ancillary own funds	R0390	–			–	–
Total ancillary own funds	R0400	–			–	–
Own funds of other financial sectors						
Credit Institutions, investment firms, financial institutions, alternative investment fund manager, UCITs management companies	R0410	**269,149**	269,149	–	–	
Institutions for occupational retirement provision	R0420	–	–	–	–	–
Non regulated entities carrying out financial activities	R0430	–	–	–	–	
Total own funds of other financial sectors	R0440	**269,149**	269,149	–	–	–
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	R0450	–	–	–	–	–
Own funds aggregated when using the D&A and combination of method net of IGT	R0460	–	–	–	–	–
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)	R0520	**5,331,904**	4,104,844	375,319	845,719	6,021
Total available own funds to meet the minimum consolidated group SCR	R0530	**5,325,883**	4,104,844	375,319	845,719	–
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)	R0560	**5,331,904**	4,104,844	375,319	845,719	6,021
Total eligible own funds to meet the minimum consolidated group SCR	R0570	**4,611,247**	4,104,844	375,319	131,084	–
Minimum consolidated Group SCR	R0610	**655,420**				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	**703.56%**				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	R0660	**5,601,053**	4,373,994	375,319	845,719	6,021
Group SCR - unaudited	R0680	**2,721,235**				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	**205.83%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	**6,480,780**
Own shares (held directly and indirectly)	R0710	–
Foreseeable dividends, distributions and charges	R0720	–
Other basic own fund items	R0730	**6,644,150**
Adjustment for restricted own fund items in respect of Matching Adjustment portfolios and ring fenced funds - unaudited	R0740	**2,094,559**
Other non available own funds - unaudited	R0750	–
Reconciliation reserve before deduction for participations in other financial sector	R0760	**(2,257,928)**
Expected profits		
Expected profits included in future premiums (EPIFP) – Life business	R0770	**1,470,798**
Expected profits included in future premiums (EPIFP) – Non-life business	R0780	–
Total Expected profits included in future premiums (EPIFP)	R0790	**1,470,798**

Appendices (continued)

S.25.02.22 – Solvency Capital Requirement – for groups using the standard formula and partial Internal Model [unaudited]

£000

Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0070	C0090	C0120
10300I	Interest rate risk (within insurer)	426,628	420,147	9	–
10300P	Interest rate risk (within pension schemes)	141,431	141,431	9	–
10400I	Equity risk (within insurer)	907,554	906,883	9	–
10400P	Equity risk (within pension schemes)	110,427	110,427	9	–
10500I	Equity risk from participations (within insurer)	–	–	9	–
10600I	Property risk (within insurer)	160,054	160,054	9	–
10600P	Property risk (within pension schemes)	31,965	31,965	9	–
10700I	Spread risk (within insurer)	646,861	644,594	9	–
10700P	Spread risk (within pension schemes)	65,125	65,125	9	–
10800I	Concentration risk (within insurer)	–	–	9	–
10800P	Concentration risk (within pension schemes)	–	–	9	–
10900I	Currency risk (within insurer)	273,441	269,529	9	–
10900P	Currency risk (within pension schemes)	51,294	51,294	9	–
11010I	Inflation risk (within insurer)	68,575	68,575	9	–
11010P	Inflation risk (within pension schemes)	30,657	30,657	9	–
11090I	Other market risk (within insurer)	63,325	63,325	9	–
11090P	Other market risk (within pension schemes)	–	–	9	–
19900	Diversification within market risk	(1,181,626)	(1,178,963)	9	–
20300	Counterparty default risk	191,878	186,130	9	–
30100I	Mortality risk (within insurer)	107,540	98,068	9	–
30200I	Longevity risk (within insurer)	789,608	789,608	9	–
30200P	Longevity risk (within pension schemes)	208,876	208,876	9	–
30300I	Disability-morbidity risk (within insurer)	71,815	66,953	9	–
30400I	Mass lapse risk (within insurer)	1,234,443	1,170,909	9	–
30500I	Other lapse risk (within insurer)	1,561,355	1,561,355	9	–
30600I	Expense risk (within insurer)	710,901	699,227	9	–
30800I	Life catastrophe risk (within insurer)	52,465	45,164	9	–
30900I	Other life underwriting risk (within insurer)	–	–	9	–
39900	Diversification within life underwriting risk	(1,996,018)	(1,973,937)	9	–
60100I	Intangible asset risk (within insurer)	–	–	9	–
60100P	Intangible risk (within pension schemes)	–	–	9	–
70100I	Operational risk (within insurer)	545,072	562,790	9	–
80100I	Other risks (within insurer)	–	–	9	–
80200I	Loss-absorbing capacity of technical provisions (within insurer)	(1,291,395)	(1,291,395)	9	–
80300	Loss-absorbing capacity of deferred tax (within insurer)	(9,886)	(8,438)	9	–
80401	Other adjustments - Internal Model	171,410	171,410	9	–
8049A	Other adjustments - Total SCR	–	–	9	–

Appendices (continued)

Calculation of the Solvency Capital Requirement		C0100
Total undiversified components	R0110	4,143,775
Diversification	R0060	(1,579,087)
Capital requirement for business operated in accordance with Art.4 of Directive 2003/41/EC (transitional)	R0160	–
Solvency Capital Requirement excluding capital add-on	R0200	2,564,688
Capital add-ons already set	R0210	–
Solvency Capital Requirement for undertakings under consolidated method	R0220	2,721,235
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	(1,291,395)
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	(9,886)
Capital requirement for duration-based equity risk sub-module	R0400	–
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	2,072,802
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	263,598
Total amount of Notional Solvency Capital Requirement for Matching Adjustment portfolios	R0430	228,288
Diversification effects due to RFF nSCR aggregation for article 304	R0440	–
Minimum consolidated group Solvency Capital Requirement	R0470	655,420
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	147,339
Capital requirement for other financial sectors (Non-insurance capital requirements) – Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	147,339
Capital requirement for other financial sectors (Non-insurance capital requirements) – Institutions for occupational requirement provisions	R0520	–
Capital requirement for other financial sectors (Non-insurance capital requirements) – Capital requirement for non-regulated entities carrying out financial activities	R0530	–
Capital requirement for non-controlled participation requirements	R0540	–
Capital requirement for residual undertakings	R0550	9,207

Overall SCR		C0100
SCR for undertakings included via D and A	R0560	–
Solvency Capital Requirement	R0570	2,721,235

S.32.01.22 – Undertakings in the scope of the Group [audited]

								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 under-taking	Legal name of the undertaking	Type of under-taking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% of capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Included denoted by 1	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	G8FFYFZ5TIO54GXBFZ14	1	The Royal London Mutual Insurance Society Limited	1	Company limited by shares or by guarantee or unlimited	Mutual	Prudential Regulation Authority, Financial Conduct Authority							1		1
IE	635400CBVDWFMJQJDA54	1	Royal London Insurance Designated Activity Company	1	Incorporated company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%	None	1	100.00%	1		1
GB	2138002LI3FHE8CMMU59	1	Royal London Unit Trust Managers Limited	15		Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%	None	1	100.00%	1		4
GB	2138007ZZFQS1YCKHE58	1	Royal London Savings Limited	8		Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%	None	1	100.00%	1		4
GB	213800PAVO3KNDMMJP39	1	Royal London Marketing Limited	8		Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%	None	1	100.00%	1		4
GB	213800UTRFM2N8LMMT64	1	RLUM Limited	14		Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%	None	1	100.00%	1		4
GB	114942	2	PMGI Limited	8		Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%	None	1	100.00%	1		4
GB	G8FFYFZ5TIO54GXBFZ14GB00048	2	PM Advisory Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	301192	2	Mortgage Excellence Limited	8		Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%	None	1	100.00%	1		4
GB	213800VJ1GMACBBTYZ14	1	Royal London Asset Management Limited	8		Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%	None	1	100.00%	1		4
GB	G8FFYFZ5TIO54GXBFZ14GB00015	2	Royal London Asset Management Holdings Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
IE	2138001GGQZWJYZ89E43	1	Royal London Asset Management Funds Public Limited Company	99		Non-mutual		99.90%	100.00%	0.00%	None	1	100.00%	1		3
IE	213800U66CFGXCXVJB61	1	Royal London Asset Management Investment Funds ICAV	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00063	2	ProperTies Living Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00064	2	RLAM Living General Partner Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00065	2	RLAM Natural Capital General Partner Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00066	2	RLAM Property Holdings Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	2138003LOWVVQQTHV146	1	Royal London Management Services Limited	10		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		1
GB	213800NDHTJTEZ5D9N71	1	RL Finance Bonds No. 2 Plc	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800A838TK57XOB584	1	RL Finance Bonds No. 3 Plc	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	21380094SBEIOBDS8O41	1	RL Finance Bonds No. 4 Plc	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800HIIIVB4H22RI80	1	RL Finance Bonds No. 6 Plc	10		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		1
GB	G8FFYFZ5TIO54GXBFZ14GB00067	2	Cambridge Research Park Management Company Limited	99		Non-mutual		69.00%	100.00%	69.00%	None	1	69.00%	1		3
GB	213800RE74FP8D1SYX58	1	Hornby Road Investments Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800TPIK9NKS1I8D23	1	Royal London (UK) Holdings Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3

								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 under-taking	Legal name of the undertaking	Type of under-taking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% of capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Included denoted by 1	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	G8FFYFZ5TIO54GXBFZ14GB00018	2	Royal London Cambridge Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00019	2	PM Central Services Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00020	2	PMHC Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00023	2	Police Housing Fund Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00022	2	PM Holdings Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	610205	2	Responsible Life Limited	8		Non-mutual	Financial Conduct Authority	40.00%	40.00%	40.00%	None	2	40.00%	1		4
GB	213800JS63XSSPID3Y16	1	Responsible Lending Limited	8		Non-mutual	Financial Conduct Authority	40.00%	40.00%	40.00%	None	2	40.00%	1		4
GB	213800PF5O3Y9KAOT828	1	Wealth Wizards Benefits Limited	8		Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%	None	1	100.00%	1		4
GB	G8FFYFZ5TIO54GXBFZ14GB00025	2	Wealth Wizards Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00047	2	Wealth Wizards Advisers Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800BMINTSLU26G180	1	RL Wizard Holdings Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00024	2	Vision Park Management Limited	99		Non-mutual		86.00%	100.00%	86.00%	None	1	86.00%	1		3
GB	2138003ONLOLWAT5VC22	1	Royal London Trustee Services Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
IE	2138005YBS9MBWUFW343	1	Royal Liver Trustee Services Ireland Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	2138006TIXHYODIAQ444	1	RLGPS Trustee Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
IE	213800D7IT2IOO6YG162	1	R.L. Pensions Trustees (R.O.I.) Company Limited by Guarantee	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800FUA9MGFDNH5780	1	Royal Liver Trustees Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800G4QK2YV6E6JU97	1	R.L. Pensions Trustees Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800U83M7NVK2LU810	1	Royal Liver Pension Trustee Services Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	2138003P5LHHJA4I6307	1	RL Marketing ISA Nominees Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800XX1TM8TUHLXB71	1	RLAM (Nominees) Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	2138007BIH8NNEZG1S03	1	RLS Nominees Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00021	2	Abacus Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3

								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 under-taking	Legal name of the undertaking	Type of under-taking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% of capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Included denoted by 1	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	2138002XBAW3LIKUO580	1	Brightgrey Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800KMXFGEFVWF4116	1	Capitol Way Commercial No. 1 Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	2138006LE3XJ8FS9SV18	1	Capitol Way Commercial No. 2 Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800VPG3WT5R4CAK81	1	Capitol Way Estate No. 1 Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800B2GJOOCS6RTP32	1	Capitol Way Estate No. 2 Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	2138003QIRDXTHTV8639	1	Leyburn Developments Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	2138006GBLCWRSYXI888	1	Refuge Life Assurance Consultants Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800SZ65YOK14JPJ24	1	Refuge Portfolio Managers Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
JE	G8FFYFZ5TIO54GXBFZ14GB00017	2	RLPPF Abingdon Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800OKH54257CNVG78	1	RL LA Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	2138001KT7TUH66ZH619	1	RL Schedule 2C Holdings Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800UF2C8F7E2R9G53	1	RL Finance Bonds Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800189R1SKJJOHB88	1	RL Marketing (CIS) Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800MUAQKCGZ11YJ45	1	RLM Finance Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800XMR98URUPQD636	1	RL NPB Services Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800NPC94WSKTTM530	1	Royal Liver (IFA Holdings) Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	2138007UX4X8MZ4JJI85	1	Royal London (CIS) Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800QMOIKD9IQ55F64	1	Royal London Homebuy Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800TZ5CFXIKY1GY86	1	Royal London Pooled Pensions Company Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800DF5FYEIGQ15278	1	Scottish Life (Coventry) Property Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800DIKM8ELYOXS530	1	The Scottish Life Assurance Company	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800KAF8G22Z7BFW22	1	United Assurance Group Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800QPL3CW15NIPV74	1	United Friendly Group Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800FLP5G86324W333	1	Canterbury Life Assurance Company Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3

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C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	2138005PEFCY28JDZH06	1	Capitol Way Estate Management Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800PB6WLK3LOZ3A86	1	R.A.Securities Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800ZARAOTGOKICT74	1	Refuge Assurance Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800U9EYLECC3ZD518	1	Refuge Investments Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	2138008WVG8VCRWCNY45	1	S.L. (Davenport Green) Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	2138001A11QZTEW6I690	1	United Friendly Insurance Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	21380014S4X3NSCM9C20	1	United Friendly Life Assurance Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	213800WBMJO56KYINC86	1	United Friendly Staff Pension Fund Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
JE	G8FFYFZ5TIO54GXBFZ14JE00001	2	Elli Healthcare Properties Limited	99		Non-mutual		100.00%	100.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00038	2	RHR Aldershot Limited	99		Non-mutual		100.00%	0.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00039	2	RHR Basildon Limited	99		Non-mutual		100.00%	0.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00040	2	RHR Burnley Limited	99		Non-mutual		100.00%	0.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00041	2	RHR Derby Limited	99		Non-mutual		100.00%	0.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00042	2	RHR Newark Limited	99		Non-mutual		100.00%	0.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00043	2	RHR Norwich Limited	99		Non-mutual		100.00%	0.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00044	2	RHR Swindon Limited	99		Non-mutual		100.00%	0.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00045	2	RHR Wesham Limited	99		Non-mutual		100.00%	0.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00058	2	RHR Milton Keynes Limited	99		Non-mutual		100.00%	0.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00059	2	RHR Uttoxeter Limited	99		Non-mutual		100.00%	0.00%	100.00%	None	1	100.00%	1		3

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C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	G8FFYFZ5TIO54GXBFZ14GB00060	2	RLAM Living MidCo Limited	99		Non-mutual		100.00%	0.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00061	2	RLAM Living RCO Limited	99		Non-mutual		100.00%	0.00%	100.00%	None	1	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00062	2	RLAM NC Unitholder No.2 Limited	99		Non-mutual		100.00%	0.00%	100.00%	None	1	100.00%	1		3
GB	213800SDTPSXES4HQV27	1	Royal London UK Real Estate Fund	99		Non-mutual		100.00%	0.00%	100.00%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	100.00%	1		3
GB	213800XV15UHYP4DRW88	1	Royal London US Equity Tilt TTF	99		Non-mutual		100.00%	0.00%	100.00%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	100.00%	1		3
GB	213800HNFTDTGYVZUF73	1	Royal London Japan Equity Tilt TTF	99		Non-mutual		100.00%	0.00%	100.00%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	100.00%	1		3
GB	213800Z1P3OLLFW59430	1	Royal London US Growth Trust	99		Non-mutual		56.51%	0.00%	56.51%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	56.51%	1		3
GB	213800TZR2FX5HM93U36	1	Royal London Property Trust	99		Non-mutual		100.00%	0.00%	100.00%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	100.00%	1		3
GB	213800MI1IYITYSXMS61	1	Royal London Property Fund	99		Non-mutual		68.10%	0.00%	68.10%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	68.10%	1		3
IE	213800NPGHTJUPPNLX05	1	Royal London Absolute Return Government Bond Fund	99		Non-mutual		92.04%	0.00%	92.04%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	92.04%	1		3
GB	213800ZYLTG4SSYSIU20	1	Royal London Asia Pacific ex Japan Equity Tilt Fund	99		Non-mutual		94.36%	0.00%	94.36%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	94.36%	1		3
IE	213800KX8V1U8QT1DR48	1	Royal London Emerging Markets Corporate Bond Fund	99		Non-mutual		100.00%	0.00%	100.00%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	100.00%	1		3

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C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	21380075KXQHFY8R6391	1	Royal London Emerging Markets ESG Leaders Equity Tracker Fund	99		Non-mutual		94.85%	0.00%	94.85%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	94.85%	1		3
GB	213800P9OB4GNGGNHJ85	1	Royal London Europe ex UK Equity Tilt Fund	99		Non-mutual		89.63%	0.00%	89.63%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	89.63%	1		3
GB	213800VO86UUC8XQFR63	1	Royal London European Growth Fund	99		Non-mutual		99.61%	0.00%	99.61%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	99.61%	1		3
IE	G8FFYFZ5TIO54GXBFZ14IE00027	2	Royal London European Sustainable Credit Fund	99		Non-mutual		92.70%	0.00%	92.70%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	92.70%	1		3
GB	21380075Y4TJ6QUQ2G30	1	Royal London Global Equity Diversified Fund	99		Non-mutual		88.61%	0.00%	88.61%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	88.61%	1		3
IE	213800ZW8C2L84YMJ252	1	Royal London Global Equity Enhanced Fund	99		Non-mutual		95.15%	0.00%	95.15%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	95.15%	1		3
GB	213800JEVLJ35X3EXK35	1	Royal London Global Equity Income Fund	99		Non-mutual		55.60%	0.00%	55.60%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	55.60%	1		3
IE	213800ZFGHFDQ97KER14	1	Royal London Global Equity Transitions Fund	99		Non-mutual		99.57%	0.00%	99.57%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	99.57%	1		3
IE	213800OCCCWKOKDS6E89	1	Royal London Global High Yield Bond Fund	99		Non-mutual		95.51%	0.00%	95.51%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	95.51%	1		3
IE	G8FFYFZ5TIO54GXBFZ14IE00028	2	Royal London Global Sustainable Credit Fund	99		Non-mutual		76.58%	0.00%	76.58%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	76.58%	1		3
IE	G8FFYFZ5TIO54GXBFZ14IE00035	2	Royal London Global Sustainable Equity Fund (IRL)	99		Non-mutual		83.92%	0.00%	83.92%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	83.92%	1		3
GB	213800T867O53EAO8I39	1	Royal London GMAP Adventurous Fund	99		Non-mutual		69.71%	0.00%	69.71%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	69.71%	1		3

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C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	21380062AXL67R9GHP12	1	Royal London GMAP Balanced Fund	99		Non-mutual		67.40%	0.00%	67.40%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	67.40%	1		3
GB	213800SXPMDJWZBRFG55	1	Royal London GMAP Conservative Fund	99		Non-mutual		99.47%	0.00%	99.47%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	99.47%	1		3
GB	2138001I3AU5I91KXP89	1	Royal London GMAP Dynamic Fund	99		Non-mutual		83.40%	0.00%	83.40%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	83.40%	1		3
GB	213800VJ9GMA5P9S3637	1	Royal London GMAP Growth Fund	99		Non-mutual		72.74%	0.00%	72.74%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	72.74%	1		3
GB	213800XCX4K3LKL1OY63	1	Royal London Japan Equity Tilt Fund	99		Non-mutual		78.67%	0.00%	78.67%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	78.67%	1		3
IE	G8FFYFZ5TIO54GXBFZ14IE00029	2	Royal London Multi Asset Adventurous Fund (IRL)	99		Non-mutual		100.00%	0.00%	100.00%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	100.00%	1		3
IE	G8FFYFZ5TIO54GXBFZ14IE00030	2	Royal London Multi Asset Balanced Fund (IRL)	99		Non-mutual		100.00%	0.00%	100.00%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	100.00%	1		3
IE	2138004XQBJ84M399E46	1	Royal London Multi Asset Credit Fund	99		Non-mutual		50.35%	0.00%	50.35%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	50.35%	1		3
IE	G8FFYFZ5TIO54GXBFZ14IE00031	2	Royal London Multi Asset Defensive Fund (IRL)	99		Non-mutual		100.00%	0.00%	100.00%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	100.00%	1		3
IE	G8FFYFZ5TIO54GXBFZ14IE00032	2	Royal London Multi Asset Growth Fund (IRL)	99		Non-mutual		100.00%	0.00%	100.00%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	100.00%	1		3
GB	213800HZOOB6W9B8IP07	1	Royal London Multi Asset Strategies Fund	99		Non-mutual		88.10%	0.00%	88.10%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	88.10%	1		3
IE	213800UFRB9TF3L12T78	1	Royal London Short Duration Emerging Markets Corporate Bond Fund	99		Non-mutual		100.00%	0.00%	100.00%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	100.00%	1		3

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C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	213800MBXCBGUVK78W72	1	Royal London Short Term Fixed Income Fund	99		Non-mutual		55.33%	0.00%	55.33%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	55.33%	1		3
IE	213800MVKMQDZCWMDN34	1	Royal London Sterling Liquidity Money Market Fund	99		Non-mutual		95.63%	0.00%	95.63%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	95.63%	1		3
GB	213800H7FMXRTXQ8V451	1	Royal London Sustainable Growth Fund	99		Non-mutual		97.75%	0.00%	97.75%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	97.75%	1		3
GB	213800B2V2SIQVT6XW14	1	Royal London Sustainable Short Duration Corporate Bond Fund	99		Non-mutual		59.10%	0.00%	59.10%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	59.10%	1		3
GB	213800ZDZHGZ287QJE42	1	Royal London UK Core Equity Tilt Fund	99		Non-mutual		98.92%	0.00%	98.92%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	98.92%	1		3
GB	2138003M8ESXKVB7DH56	1	Royal London UK Dividend Growth Fund	99		Non-mutual		94.75%	0.00%	94.75%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	94.75%	1		3
GB	213800IRXG86IDDOWD51	1	Royal London UK Equity Fund	99		Non-mutual		93.41%	0.00%	93.41%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	93.41%	1		3
GB	2138001WNZPJZVG5YD87	1	Royal London UK Mid Cap Growth Fund	99		Non-mutual		91.09%	0.00%	91.09%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	91.09%	1		3
GB	2138009HTVV2R9V7X821	1	Royal London UK Opportunities Fund	99		Non-mutual		99.85%	0.00%	99.85%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	99.85%	1		3
GB	213800A2FMG85T8LJX61	1	Royal London UK Smaller Companies Fund	99		Non-mutual		93.78%	0.00%	93.78%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	93.78%	1		3
GB	213800WS6BB7RY6RHB94	1	Royal London US Equity Tilt Fund	99		Non-mutual		78.10%	0.00%	78.10%	Investment fund managed by a group entity and the group has a significant holding in the fund	1	78.10%	1		3
GB	213800IY2IIYFGTJAG11	1	Royal London Corporate Bond Monthly Income Trust	99		Non-mutual		26.81%	0.00%	26.81%	Investment fund managed by a group entity and the group has a significant holding in the fund	2	26.81%	1		3

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C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	213800P2S11KS3M67475	1	Royal London European Growth Trust	99		Non-mutual		28.46%	0.00%	28.46%	Investment fund managed by a group entity and the group has a significant holding in the fund	2	28.46%	1		3
GB	213800CT3DWJ3Y7EN160	1	Royal London Global Bond Opportunities Fund	99		Non-mutual		21.66%	0.00%	21.66%	Investment fund managed by a group entity and the group has a significant holding in the fund	2	21.66%	1		3
IE	G8FFYFZ5TIO54GXBFZ14IE00036	2	Royal London Global Equity Diversified Fund (IRL)	99		Non-mutual		26.58%	0.00%	26.58%	Investment fund managed by a group entity and the group has a significant holding in the fund	2	26.58%	1		3
IE	G8FFYFZ5TIO54GXBFZ14IE00034	2	Royal London Global Equity Select Fund (IRL)	99		Non-mutual		21.21%	0.00%	21.21%	Investment fund managed by a group entity and the group has a significant holding in the fund	2	21.21%	1		3
GB	213800TVH3V2AYUQ3I66	1	Royal London Global Sustainable Equity Fund	99		Non-mutual		48.97%	0.00%	48.97%	Investment fund managed by a group entity and the group has a significant holding in the fund	2	48.97%	1		3
GB	213800VLLOHZCLHO1R40	1	Royal London GMAP Defensive Fund	99		Non-mutual		34.81%	0.00%	34.81%	Investment fund managed by a group entity and the group has a significant holding in the fund	2	34.81%	1		3
GB	213800NMW5C9SJRHR492	1	Royal London Index Linked Fund	99		Non-mutual		44.60%	0.00%	44.60%	Investment fund managed by a group entity and the group has a significant holding in the fund	2	44.60%	1		3
GB	2138006DGZ9PF5XZP464	1	Royal London International Government Bond Fund	99		Non-mutual		30.59%	0.00%	30.59%	Investment fund managed by a group entity and the group has a significant holding in the fund	2	30.59%	1		3
GB	21380022OATAWGDUY155	1	Royal London Investment Grade Short Dated Credit Fund	99		Non-mutual		23.43%	0.00%	23.43%	Investment fund managed by a group entity and the group has a significant holding in the fund	2	23.43%	1		3
GB	213800RZY6VOKLZHCE41	1	Royal London Short Duration Global High Yield Bond Fund	99		Non-mutual		47.98%	0.00%	47.98%	Investment fund managed by a group entity and the group has a significant holding in the fund	2	47.98%	1		3
GB	213800WQFYONXGZY6356	1	Royal London Short Term Fixed Income Enhanced Fund	99		Non-mutual		33.88%	0.00%	33.88%	Investment fund managed by a group entity and the group has a significant holding in the fund	2	33.88%	1		3
GB	2138001996QFYFVO4723	1	Royal London Short-Term Money Market Fund	99		Non-mutual		36.75%	0.00%	36.75%	Investment fund managed by a group entity and the group has a significant holding in the fund	2	36.75%	1		3

								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 under-taking	Legal name of the undertaking	Type of under-taking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% of capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Included denoted by 1	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	2138007VBAM4EIU6FI65	1	Royal London Sterling Extra Yield Bond Fund	99		Non-mutual		26.42%	0.00%	26.42%	Investment fund managed by a group entity and the group has a significant holding in the fund	2	26.42%	1		3
GB	213800UIWAEEI3FKX890	1	Royal London Sustainable Diversified Trust	99		Non-mutual		23.28%	0.00%	23.28%	Investment fund managed by a group entity and the group has a significant holding in the fund	2	23.28%	1		3
GB	213800KBBUSBTCF4UK54	1	Royal London Sustainable Managed Income Trust	99		Non-mutual		30.38%	0.00%	30.38%	Investment fund managed by a group entity and the group has a significant holding in the fund	2	30.38%	1		3
GB	2138008GY8QVHR85G971	1	Royal London Sustainable World Trust	99		Non-mutual		20.64%	0.00%	20.64%	Investment fund managed by a group entity and the group has a significant holding in the fund	2	20.64%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00026	2	Royal London UK Broad Equity Tilt Fund	99		Non-mutual		43.69%	0.00%	43.69%	Investment fund managed by a group entity and the group has a significant holding in the fund	2	43.69%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00036	2	Royal London UK Equity Income Fund	99		Non-mutual		28.66%	0.00%	28.66%	Investment fund managed by a group entity and the group has a significant holding in the fund	2	28.66%	1		3
GB	213800AV3FN55KQ7OI30	1	Royal London UK Growth Trust	99		Non-mutual		24.24%	0.00%	24.24%	Investment fund managed by a group entity and the group has a significant holding in the fund	2	24.24%	1		3
GG	G8FFYFZ5TIO54GXBFZ14GG0000 6	2	SPL ARL Private Finance	99		Non-mutual		99.40%	0.00%	0.00%	Investment fund managed by third party entity which the group does not control	2	99.40%	1		3
US	G8FFYFZ5TIO54GXBFZ14US00008	2	CoreAlpha Private Equity Partners	99		Non-mutual		29.90%	0.00%	0.00%	Investment fund managed by third party entity which the group does not control	2	29.90%	1		3
US	G8FFYFZ5TIO54GXBFZ14US00007	2	WP Global Mezzanine Private Equity	99		Non-mutual		100.00%	0.00%	0.00%	Investment fund managed by third party entity which the group does not control	2	100.00%	1		3
GG	G8FFYFZ5TIO54GXBFZ14GG0000 7	2	Enterprise Ventures Growth Ltd	99		Non-mutual		45.20%	0.00%	0.00%	Investment fund managed by third party entity which the group does not control	2	45.20%	1		3
US	G8FFYFZ5TIO54GXBFZ14US00010	2	KKR CIS Global Investor L.P.	99		Non-mutual		100.00%	0.00%	0.00%	Investment fund managed by third party entity which the group does not control	2	100.00%	1		3

								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 under-taking	Legal name of the undertaking	Type of under-taking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% of capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Included denoted by 1	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	G8FFYFZ5TIO54GXBFZ14GB00011	2	Rising Star Growth Fund II	99		Non-mutual		21.80%	0.00%	0.00%	Investment fund managed by third party entity which the group does not control	2	21.80%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00046	2	RJD Private Equity Fund III A LP	99		Non-mutual		31.90%	0.00%	0.00%	Investment fund managed by third party entity which the group does not control	2	31.90%	1		3
NO	G8FFYFZ5TIO54GXBFZ14NO00001	2	Cubera RL Nordic PE LP	99		Non-mutual		100.00%	0.00%	0.00%	Investment fund managed by third party entity which the group does not control	2	100.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00049	2	The Ashford Investor Limited Partnership	99		Non-mutual		25.00%	0.00%	25.00%	None	2	25.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00050	2	Ashford Investor (General Partner) Limited	99		Non-mutual		25.00%	0.00%	25.00%	None	2	25.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00051	2	Ashford Investor (Partnership Trustco) Limited	99		Non-mutual		25.00%	0.00%	25.00%	None	2	25.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00052	2	RLW Estates Limited	99		Non-mutual		50.00%	0.00%	50.00%	None	2	50.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00053	2	Waterbeach Development Company LLP	99		Non-mutual		41.25%	0.00%	41.25%	None	2	41.25%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00054	2	No.1 Farringdon (London) Limited Partnership	99		Non-mutual		50.00%	0.00%	50.00%	None	2	50.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00055	2	No.1 Farringdon (London) General Partner Limited	99		Non-mutual		50.00%	0.00%	50.00%	None	2	50.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00056	2	No.1 Farringdon (London) SubCo 1 Limited	99		Non-mutual		50.00%	0.00%	50.00%	None	2	50.00%	1		3
GB	G8FFYFZ5TIO54GXBFZ14GB00057	2	No.1 Farringdon (London) SubCo 2 Limited	99		Non-mutual		50.00%	0.00%	50.00%	None	2	50.00%	1		3

Appendices (continued)

Appendix 3 – Quantitative Reporting Templates (QRTs) – RLMIS
S.02.01.02 – Balance sheet [audited]

Assets		Solvency II value £000
		C0010
Intangible assets	R0030	–
Deferred tax asset	R0040	4,529
Pension benefit surplus	R0050	177,214
Property, plant & equipment held for own use	R0060	–
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	33,614,389
Property (other than for own use)	R0080	114,127
Holdings in related undertakings, including participations	R0090	14,264,112
Equities	R0100	5,462,918
Equities – listed	R0110	5,254,868
Equities – unlisted	R0120	208,050
Bonds	R0130	10,660,501
Government Bonds	R0140	3,257,390
Corporate Bonds	R0150	7,094,779
Structured notes	R0160	50,625
Collateralised securities	R0170	257,707
Collective Investments Undertakings	R0180	1,243,286
Derivatives	R0190	1,636,519
Deposits other than cash equivalents	R0200	232,925
Other investments	R0210	–
Assets held for index-linked and unit-linked contracts	R0220	80,157,548
Loans and mortgages	R0230	135,633
Loans on policies	R0240	1,545
Loans and mortgages to individuals	R0250	20
Other loans and mortgages	R0260	134,068
Reinsurance recoverables from:	R0270	3,011,567
Non-life and health similar to non-life	R0280	–
Non-life excluding health	R0290	–
Health similar to non-life	R0300	–
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	3,052,748
Health similar to life	R0320	(75,060)
Life excluding health and index-linked and unit-linked	R0330	3,127,808
Life index-linked and unit-linked	R0340	(41,182)
Deposits to cedants	R0350	–
Insurance and intermediaries receivables	R0360	59,076
Reinsurance receivables	R0370	167,065
Receivables (trade, not insurance)	R0380	2,196,445
Own shares (held directly)	R0390	–
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	–
Cash and cash equivalents	R0410	274,860
Any other assets, not elsewhere shown	R0420	–
Total assets	R0500	**119,798,326**

Appendices (continued)

Liabilities		Solvency II value £000
		C0010
Technical provisions – non-life	R0510	–
Technical provisions – non-life (excluding health)	R0520	–
TP calculated as a whole	R0530	–
Best Estimate	R0540	–
Risk margin - unaudited	R0550	–
Technical provisions – health (similar to non-life)	R0560	–
TP calculated as a whole	R0570	–
Best Estimate	R0580	–
Risk margin - unaudited	R0590	–
Technical provisions – life (excluding index-linked and unit-linked)	R0600	28,653,041
Technical provisions – health (similar to life)	R0610	(243,743)
TP calculated as a whole	R0620	–
Best Estimate	R0630	(246,186)
Risk margin - unaudited	R0640	2,442
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	28,896,785
TP calculated as a whole	R0660	–
Best Estimate	R0670	28,868,064
Risk margin - unaudited	R0680	28,721
Technical provisions – index-linked and unit-linked	R0690	77,215,817
TP calculated as a whole	R0700	80,007,257
Best Estimate	R0710	(2,875,493)
Risk margin - unaudited	R0720	84,052
Contingent liabilities	R0740	10,754
Provisions other than technical provisions	R0750	56,717
Pension benefit obligations	R0760	–
Deposits from reinsurers	R0770	–
Deferred tax liabilities	R0780	48,512
Derivatives	R0790	3,070,548
Debts owed to credit institutions	R0800	468,123
Financial liabilities other than debts owed to credit institutions	R0810	5,415
Insurance & intermediaries payables	R0820	586,798
Reinsurance payables	R0830	1,756,503
Payables (trade, not insurance)	R0840	175,532
Subordinated liabilities	R0850	1,221,038
Subordinated liabilities not in BOF	R0860	–
Subordinated liabilities in BOF	R0870	1,221,038
Any other liabilities, not elsewhere shown	R0880	38,591
Total liabilities	R0900	**113,307,388**
Excess of assets over liabilities	R1000	**6,490,938**

Appendices (continued)

S.05.01.02 – Premiums, claims and expenses by line of business [unaudited]

£000		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	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0270**	**C0290**	**C0300**
Premiums written								
• Gross	R1410	54,063	146,876	9,861,226	1,028,090	8,299	65,003	11,163,557
• Reinsurers' share	R1420	15,793	17	30,306	267,732	23	10,075	323,946
• Net	R1500	38,270	146,859	9,830,920	760,358	8,276	54,928	10,839,611
Premiums earned								
• Gross	R1510	54,063	146,876	9,861,226	1,028,090	8,299	65,003	11,163,557
• Reinsurers' share	R1520	15,793	17	30,306	267,732	23	10,075	323,946
• Net	R1600	38,270	146,859	9,830,920	760,358	8,276	54,928	10,839,611
Claims incurred								
• Gross	R1610	17,416	2,123,751	6,782,492	647,445	2,388	77,788	9,651,280
• Reinsurers' share	R1620	7,239	13,715	23,189	491,033	2	9,502	544,680
• Net	R1700	10,177	2,110,036	6,759,303	156,412	2,386	68,286	9,106,600
Changes in other technical provisions								
• Gross	R1710	8,553	389,450	(9,256,940)	(446,691)	27,945	112,404	(9,165,279)
• Reinsurers' share	R1720	8,796	35,390	(3,720)	(69,980)	–	(2,098)	(31,612)
• Net	R1800	(243)	354,060	(9,253,220)	(376,711)	27,945	114,502	(9,133,667)
Expenses incurred	R1900	3,865	95,225	312,890	228,358	35,518	113,983	789,839
Other expenses	R2500							202,782
Total expenses	R2600							992,621

S.12.01.02 – Life and health SLT technical provisions [audited]

£000		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees		
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**
Technical provisions calculated as a whole	R0010	–	79,993,882			–				13,375
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	–	10,897			–				–
Technical provisions calculated as a sum of BE and RM										
Best Estimate										
Gross Best Estimate	R0030	24,602,043		–	(2,875,575)		3,878,995	100,691		533,398
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	581,412		–	(52,078)		2,520,928	4,572		20,896
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	R0090	24,020,632		–	(2,823,496)		1,358,067	96,119		512,503
Risk margin - unaudited	R0100	105,204	301,119			34,282				55,583
Amount of the transitional on Technical Provisions										
Technical provisions calculated as a whole – unaudited	R0110	–				–				–
Best estimate – unaudited	R0120	(243,033)		–	–		(3,949)	–		–
Risk margin – unaudited	R0130	(97,674)	(217,081)			(28,940)				(39,718)
Technical provisions – total	R0200	**24,366,540**	**77,202,345**			**3,981,078**				**562,639**

S.12.01.02 – Life and health SLT technical provisions [audited] (continued)

£000		Total (Life, other than health insurance, incl Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health, similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees			
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010	80,007,257	–			–	–	–
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	10,897	–			–	–	–
Technical provisions calculated as a sum of BE and RM								
Best estimate								
Gross Best Estimate	R0030	26,239,553		(216,935)	–	–	(29,190)	(246,125)
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	3,075,730		(75,060)	–	–	–	(75,060)
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	R0090	23,163,823		(141,876)	–	–	(29,190)	(171,065)
Risk margin - unaudited	R0100	496,187	7,184			–	1,431	8,615
Amount of the transitional on Technical Provisions								
Technical provisions calculated as a whole – unaudited	R0110	–	–			–	–	–
Best estimate – unaudited	R0120	(246,982)		(61)	–	–	–	(61)
Risk margin – unaudited	R0130	(383,414)	(5,150)			–	(1,023)	(6,173)
Technical provisions – total	R0200	**106,112,601**	**(214,962)**			**–**	**(28,781)**	**(243,743)**

Appendices (continued)

S.22.01.21 – Impact of long-term guarantees and transitional measures [audited]

£000		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions – unaudited	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
Technical provisions – unaudited	R0010	105,868,858	636,630	–	289,787	193,464
Basic own funds	R0020	5,619,968	(288,442)	–	(83,975)	(193,464)
Eligible own funds to meet Solvency Capital Requirement	R0050	5,619,968	(288,442)	–	(83,975)	(193,464)
Solvency Capital Requirement - unaudited	R0090	2,542,559	–	–	24,974	187,508
Eligible own funds to meet Minimum Capital Requirement	R0100	4,901,377	(288,442)	–	(82,726)	(184,088)
Minimum Capital Requirement	R0110	635,640	–	–	6,243	46,877

Appendices (continued)

S.23.01.01 – Own funds [audited]

£000		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	–	–	–	–	–
Share premium account related to ordinary share capital	R0030	–	–	–	–	–
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	R0040	–	–	–	–	–
Subordinated mutual member accounts	R0050	–	–	–	–	–
Surplus funds	R0070	**6,606,154**	6,606,154	–	–	–
Preference shares	R0090	–	–	–	–	–
Share premium account related to preference shares	R0110	–	–	–	–	–
Reconciliation reserve	R0130	**(2,207,223)**	(2,207,223)	–	–	–
Subordinated liabilities	R0140	**1,221,038**	–	375,319	845,719	–
An amount equal to the value of net deferred tax assets	R0160	–	–	–	–	–
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	–	–	–	–	–
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	–				
Deductions						
Deductions for participations in financial and credit institutions	R0230	–	–	–	–	–
Total basic own funds after deductions	R0290	**5,619,968**	4,398,930	375,319	845,719	–
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	–			–	–
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	R0310	–			–	–
Unpaid and uncalled preference shares callable on demand	R0320	–			–	–
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	–			–	–
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	–			–	–
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	–			–	–
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	–			–	–
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	–			–	–
Other ancillary own funds	R0390	–			–	–
Total ancillary own funds	R0400	–			–	–
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	**5,619,968**	4,398,930	375,319	845,719	–
Total available own funds to meet the MCR	R0510	**5,619,968**	4,398,930	375,319	845,719	–
Total eligible own funds to meet the SCR	R0540	**5,619,968**	4,398,930	375,319	845,719	–
Total eligible own funds to meet the MCR	R0550	**4,901,377**	4,398,930	375,319	127,128	–
SCR - unaudited	R0580	**2,542,559**				
MCR	R0600	**635,640**				
Ratio of Eligible own funds to SCR	R0620	**221.04%**				
Ratio of Eligible own funds to MCR	R0640	**771.09%**				
Reconciliation reserve						
Excess of assets over liabilities	R0700	**6,490,938**				

Appendices (continued)

£000		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Own shares (held directly and indirectly)	R0710	–				
Foreseeable dividends, distributions and charges	R0720	–				
Other basic own fund items	R0730	**6,606,154**				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds - unaudited	R0740	**2,092,008**				
Reconciliation reserve	R0760	**(2,207,223)**				
Expected profits						
Expected profits included in future premiums (EPIFP) – Life business	R0770	**1,349,298**				
Expected profits included in future premiums (EPIFP) – Non-life business	R0780	–				
Total Expected profits included in future premiums (EPIFP)	R0790	**1,349,298**				

Appendices (continued)

S.25.02.21 – Solvency Capital Requirement – for undertakings using the standard formula and partial Internal Model [unaudited]

Unique number of component	Component description	Calculation of the Solvency Capital Requirement £'000	Amount modelled £'000	USP	Simplifications
C0010	C0020	C0030	C0070	C0090	C0120
10300I	Interest rate risk (within insurer)	420,147	420,147	9	–
10300P	Interest rate risk (within pension schemes)	141,431	141,431	9	–
10400I	Equity risk (within insurer)	906,883	906,883	9	–
10400P	Equity risk (within pension schemes)	110,427	110,427	9	–
10500I	Equity risk from participations (within insurer)	–	–	9	–
10600I	Property risk (within insurer)	160,054	160,054	9	–
10600P	Property risk (within pension schemes)	31,965	31,965	9	–
10700I	Spread risk (within insurer)	644,594	644,594	9	–
10700P	Spread risk (within pension schemes)	65,125	65,125	9	–
10800I	Concentration risk (within insurer)	–	–	9	–
10800P	Concentration risk (within pension schemes)	–	–	9	–
10900I	Currency risk (within insurer)	269,529	269,529	9	–
10900P	Currency risk (within pension schemes)	51,294	51,294	9	–
11010I	Inflation risk (within insurer)	68,575	68,575	9	–
11010P	Inflation risk (within pension schemes)	30,657	30,657	9	–
11090I	Other market risk (within insurer)	63,325	63,325	9	–
11090P	Other market risk (within pension schemes)	–	–	9	–
19900	Diversification within market risk	(1,178,963)	(1,178,963)	9	–
20300	Counterparty default risk	186,130	186,130	9	–
30100I	Mortality risk (within insurer)	98,068	98,068	9	–
30200I	Longevity risk (within insurer)	789,608	789,608	9	–
30200P	Longevity risk (within pension schemes)	208,876	208,876	9	–
30300I	Disability-morbidity risk (within insurer)	66,953	66,953	9	–
30400I	Mass lapse risk (within insurer)	1,170,909	1,170,909	9	–
30500I	Other lapse risk (within insurer)	1,561,355	1,561,355	9	–
30600I	Expense risk (within insurer)	699,227	699,227	9	–
30800I	Life catastrophe risk (within insurer)	45,164	45,164	9	–
30900I	Other life underwriting risk (within insurer)	–	–	9	–
39900	Diversification within life underwriting risk	(1,973,937)	(1,973,937)	9	–
60100I	Intangible asset risk (within insurer)	–	–	9	–
60100P	Intangible risk (within pension schemes)	–	–	9	–
70100I	Operational risk (within insurer)	562,790	562,790	9	–
80100I	Other risks (within insurer)	–	–	9	–
80200I	Loss-absorbing capacity of technical provisions (within insurer)	(1,291,395)	(1,291,395)	9	–
80300	Loss-absorbing capacity of deferred tax (within insurer)	(8,438)	(8,438)	9	–
80401	Other adjustments - Internal Model	171,410	171,410	9	–
8049A	Other adjustments - Total SCR	34,347	–	9	–

Appendices (continued)

Calculation of the Solvency Capital Requirement		C0100
Total undiversified components	R0110	4,106,109
Diversification	R0060	(1,563,550)
Capital requirement for business operated in accordance with Art.4 of Directive 2003/41/EC (transitional)	R0160	–
Solvency Capital Requirement excluding capital add-on	R0200	2,542,559
Capital add-ons already set	R0210	–
Solvency Capital Requirement for undertakings under consolidated method	R0220	2,542,559
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	(1,291,395)
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	(8,438)
Capital requirement for duration-based equity risk sub-module	R0400	–
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	2,050,673
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	263,598
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	228,288
Diversification effects due to RFF SCR aggregation for article 304	R0440	–

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

Calculation of loss absorbing capacity of deferred taxes		LAC DT
		C0130
Amount/estimate of LAC DT	R0640	(8,438)
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	R0650	(8,438)
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	R0660	–
Amount/estimate of AC DT justified by carry back, current year	R0670	–
Amount/estimate of LAC DT justified by carry back, future years	R0680	–
Amount/estimate of Maximum LAC DT	R0690	(8,866)

Appendices (continued)

S.28.01.01 – Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity [audited]

£000		
		C0010
Linear formula component for non-life insurance and reinsurance obligations		
MCR_{NL} Result	R0010	–
Linear formula component for life insurance and reinsurance obligations		C0040
MCR_{L} Result	R0200	220,461

£000		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation – guaranteed benefits	R0210	9,874,410	
Obligations with profit participation – future discretionary benefits	R0220	14,321,362	
Index-linked and unit-linked insurance obligations	R0230	77,172,946	
Other life (re)insurance and health (re)insurance obligations	R0240	1,373,358	
Total capital at risk for all life (re)insurance obligations	R0250		43,952,865
Overall MCR calculation			
Linear MCR	R0300	220,461	
SCR - unaudited	R0310	2,542,559	
MCR cap	R0320	1,144,151	
MCR floor	R0330	635,640	
Combined MCR	R0340	635,640	
Absolute floor of the MCR	R0350	3,495	
Minimum Capital Requirement	R0400	635,640	