SOLVENCY AND FINANCIAL CONDITION REPORT (SFCR)

OLD MUTUAL INTERNATIONAL IRELAND DAC

OLDMUTUAL WEALTH

EXECUTIVE SUMMARY

INTRODUCTION AND PURPOSE

This document provides an annual public disclosure of solvency and financial condition of Old Mutual International Ireland dac ('OMII') at 31st December 2016.

This narrative report covers five broad areas:

A. Business and performance

B. System of governance

C. Risk profile

D. Valuation for solvency purposes

E. Capital management

BUSINESS AND PERFORMANCE

BACKGROUND

OMII is an Irish regulated insurance company authorised to carry out unit linked long term assurance business. Unit linked means that the value of the products OMII sells is directly linked to the value of the underlying investments within each policy.

The company is part of Old Mutual plc, a FTSE 100 group, and is authorised and regulated by the Central Bank of Ireland. The company forms part of the Old Mutual Wealth division ("OMW") of Old Mutual plc, for which Old Mutual Wealth Management Limited ("OMWML") acts as holding company and delivers strategic and governance oversight.

On 11th March 2016, following a strategic review of the Old Mutual business, Old Mutual plc announced that the long-term interests of the Group's shareholders and other stakeholders would be best served by Old Mutual conducting a 'managed separation' of its four businesses - Old Mutual Emerging Markets, Nedbank, Old Mutual Wealth and Old Mutual Asset Management.

Old Mutual plc's announced intention is for the Managed Separation programme to deliver Old Mutual Wealth into the hands of Old Mutual plc's shareholders by way of a demerger and listing on both the London and Johannesburg stock exchanges. This remains subject to change and stakeholder consent and/or readiness of the underlying business. Managed Separation is a clear endorsement of Old Mutual Wealth's strategy and presents an exciting opportunity for the business.

OMII is an Irish regulated insurance company authorised to carry out unit linked long term assurance business. Unit linked means that the value of the products OMII sells is directly linked to the value of the underlying investments within each policy. OMII does not offer investment advice.

BUSINESS STRATEGY

The strategy of Old Mutual Wealth division is to deliver a modern, integrated wealth and asset management business. The specific strategic priorities of OMII, aligned to the broader strategy of Old Mutual Wealth are summarised below:

- To be part of the market leading cross border division providing unit linked insurance solutions into the EU and selected other markets.
- To exploit new market opportunities as they arise leveraging distribution and speed to market capabilities.
- To become an integrated business:
  - leverage benefits of being part of a wider group with strong brand identity;
  - build products which leverage and compliment products and services provided by other parts of the group;
  - enhance the investment proposition.
- To manage outsourcing arrangements to provide best value and leverage economies of scale of outsource partners.
- To achieve strong financial returns over the long term.
- To utilise new systems technology to develop an enhanced customer proposition and drive down costs.
- To continue to manage and enhance our customer experience through focus on operational process management.
- Govern the business in an effective and efficient manner:
  - to continue to manage and enhance our control environment in order to protect customers and the business from continually evolving threats such as cyber risks;
  - to operate a responsible business making decisions that take account of the impact on those around us.

[1]Where this document includes comparative information at 31st December 2015, this information is not fully audited by the company's external auditors.

BUSINESS REVIEW

The company achieved strong client inflows in 2016 of €438m (2015: €311m), an increase of 41% year-on-year. The increase was due to a number of channels experiencing increased volumes including business from UK and Malta along with good market acceptance from the recently launched Swedish Executive Portfolio product (see section A1.8.8).

Net client cash flow ('NCCF') was €397m in 2016 (2015: €279m). Strong NCCF and investment performance has increased the assets under administration to €1,133m from €749m at the previous year end.

The business continues to record small losses on IFRS basis. The company's pre-tax IFRS loss has decreased to €136k in 2016 from €361k in 2015. Despite steadily increasing gross profit contribution from in-force product income, costs associated with financing the growth of the company and ongoing maintenance costs have combined to cause this ongoing loss making position. Business plans indicate an increasing profit trend in the current 3 year planning period.

Section A of this document contains further details relating to OMII's business and performance.

SYSTEM OF GOVERNANCE

The System of Governance for OMII is defined by the Board and Committee governance documents (Board Instructions and Committee Terms of Reference) together with the System of Governance (including Scheme of Delegation) of the Old Mutual Wealth Management Limited (OMWML) Board and its Committees, which provide strategic oversight to OMII.

Section B of this document contains further details relating to OMII's system of governance.

RISK PROFILE

At 31st December 2016 OMII's Solvency capital requirement under the Solvency II regime was €14,349k, which has increased from €14,048k at the start of the reporting period.

The pie chart below sets out the OMII's risk profile, in terms of Solvency Capital requirements:

OMII is a pure unit-linked business with no investment guarantees. The main risk categories to which OMII is exposed to are market risk and life underwriting risks. These represent 96% of OMII's risk exposure as measured under the Solvency II regime.

Market risk is a significant risk for OMII since the majority of in-force business is investment business and the company derives a large part of its revenues related to asset values. The largest component of market risk which OMII is exposed to is associated with the uncertainty related to foreign exchange fluctuations. For example, where OMII writes business in currencies other than Euros (its reporting currency) it is exposed to foreign exchange risk as the value of the income streams from those policies fluctuate in Euro terms with the exchange rate.

Lapse risk, which is a component of life underwriting risk, is a significant risk for OMII because the unit-linked investment business relies on persistency of policies to generate future revenues.

Section C of this document contains further details relating to OMII's risk profile.

VALUATION FOR SOLVENCY PURPOSES

The OMII Solvency II balance sheet is constructed in line with the Solvency II rules and guidance.

On a Solvency II basis, at 31st December 2016 OMII's total assets were €1,135,354k and total liabilities were €1,094,086k.

Total assets on a Solvency II basis at 31st December 2016 were €82,651k lower than as reported in the statutory financial statements (IFRS basis) due to the differing valuation methodology involved under the two regimes.

The technical provisions at 31st December 2016 were €1,081,071k, which were lower by €48,811k than as reported in the statutory financial statements (IFRS basis) due to the differing valuation methodology involved under the two regimes.

Section D of this document contains further details relating to valuation for solvency purposes.

CAPITAL MANAGEMENT

The strategy for managing capital is to ensure sufficient capital exists within OMII to meet the Solvency II Solvency Capital Requirement (SCR) and Solvency II Minimum Capital Requirement (MCR), with a capital buffer to protect against unexpected adverse events. The target solvency range for OMII is set at 180% - 200% of SCR.

At 31st December 2016, OMII's solvency coverage ratio was 288%.

OMII uses the Solvency II Standard Formula to calculate the SCR. The SCR computed at 31st December 2016 was €14,349k and the MCR was €6,457k.

OMII's Solvency II Own Funds value at 31st December 2016 was €41,268k, made up of Share Capital of €635k and Reconciliation Reserve of €40,633k, both of which are Tier 1 own funds.

OMII carries out regular reviews of the capital requirements and solvency coverage ratio as part of capital management and risk monitoring.

Refer to Section E below for further details relating to OMII's capital management.

CONTENTS

SECTION A

BUSINESS AND PERFORMANCE

SECTION A. BUSINESS AND PERFORMANCE

A1 BUSINESS

A1.1 NAME AND LEGAL FORM OF THE UNDERTAKING

OLD MUTUAL INTERNATIONAL IRELAND DAC ('OMII')

The company is a designated activity company which is a wholly owned subsidiary of Old Mutual Wealth UK Holdings Limited ('OMWHL'), which is itself a wholly owned subsidiary of Old Mutual Wealth Management Limited ('OMWML') which is itself a wholly owned subsidiary of the ultimate holding company Old Mutual plc ('OMplc'). OMII has no subsidiary undertakings itself.

For every company referred to above, 100% of the voting rights were held by the parent company throughout the relevant period of ownership.

A1.2 NAME AND CONTACT DETAILS OF THE SUPERVISORY AUTHORITY

Central Bank of Ireland
New Wapping street
North Wall Quay,
Dublin 1

Group supervisors:

Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

Financial Conduct Authority
25 The North Colonnade
London
E14 5HS

A1.3 NAME AND CONTACT DETAILS OF THE EXTERNAL AUDITOR

KPMG
Harbourmaster Place
IFSC
Dublin 1

A1.4 QUALIFYING HOLDINGS IN THE UNDERTAKING

100% of the voting rights were held by Old Mutual plc., the ultimate parent company, throughout the relevant period of ownership. Full details of ownership structure can be found in section A1.7 below.

A1.5 SOLVENCY II REPORTING CURRENCY

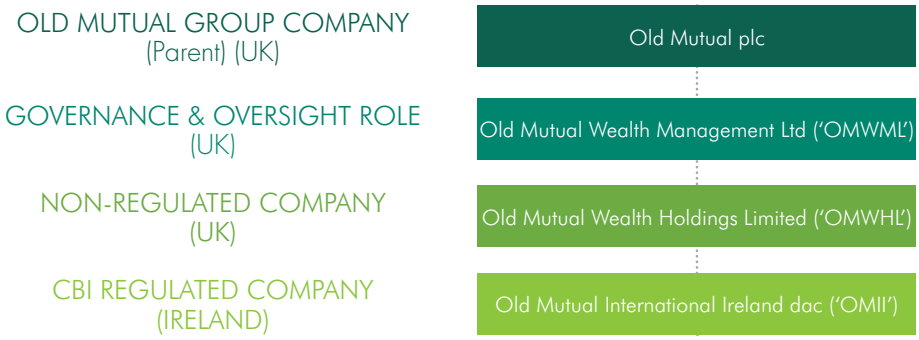
OMII reports on a Solvency II basis in **Euros**.

A1.6 REPORTING PERIOD

This report covers the financial position as at **31st December 2016**. This is analysed with reference to the previous results at 31st December 2015.

A1.7 OMII POSITION WITHIN THE LEGAL STRUCTURE OF THE GROUP

The corporate structure is set out below (all holdings 100% owned):



A1.8 OMII LINES OF BUSINESS

OMII's primary markets by geographical region are UK, Sweden, Spain, Cyprus, Malta, Belgium, Luxembourg and BVI.

OMII offers nine products as at 31st December 2016, some of which are market specific. The table below gives a summary of the in force business for OMII at that date.

PRODUCT CATEGORY	NUMBER OF POLICIES / PLANS IN FORCE	UNIT RESERVES (€k)
European Capital Account (ECA)	143	10,065
European Executive Investment Bond (EEIB)	1857	503,849
European Collective Investment Bond (ECIB)	510	147,452
Spanish Collective Investment Bond (SCIB)	297	60,368
European Portfolio Bond (EPB)	243	238,016
Executive Life Portfolio (ELP)	21	50,436
European Wealth Bond (EWB)	16	14,684
Swedish Executive Portfolio (SEP)	34	70,613
Other products closed to new business	537	34,399
Total	**3,658**	**1,129,882**

A1.8.1 EUROPEAN CAPITAL ACCOUNT (ECA)

This contract is available as a single or regular premium unit-linked whole of life contract. and is available on single life, joint-life last death and multiple-life last death bases.

The product is sold in to various European countries including Cyprus, Luxembourg and Spain.

The investments available to this product are the full range of OMII internal funds.

A1.8.2 EUROPEAN EXECUTIVE INVESTMENT BOND (EEIB)

A single premium, unit-linked, contract available on single life, joint life first death, or multiple life last death bases. The EEIB offers fully flexible investment options of external investments.

The product is available in various European countries, in particular as a QROPS product through Maltese trustees.

The charging structure is the same as that in place for the European Collective Investment Bond (Section A1.8.3).

A1.8.3 EUROPEAN COLLECTIVE INVESTMENT BOND (ECIB)

A single premium, unit-linked, contract available on single life, joint life last death or multiple life last death bases.

The ECIB is restricted to collective investment vehicles, including but not restricted to the company's internal funds. The restricted nature of investments makes the product suitable for Belgian and UK markets. (for EU brokers passporting into UK)

A number of different charging structures are available. These structures have their management, establishment and surrender charges calculated on premiums paid.

A1.8.4 SPANISH COLLECTIVE INVESTMENT BOND (SCIB)

SCIB was introduced in 2010. It is a variant of the ECIB but specifically for the Spanish market as its restricted funds range are required to be compliant with Spanish regulations.

A1.8.5 EUROPEAN PORTFOLIO BOND (EPB)

This product is a lump sum or non-contractual regular premium unit-linked whole of life portfolio bond, specifically tailored for the UK market to meet RDR requirements. It is available on a single life, or joint life last death basis.

This product is a collective bond (allows a wide range funds) but with investment restrictions that meet the UK regulatory requirements.

A number of fee package options are offered for this product.

On death 101% of the full surrender value of the units is payable. No additional life cover is available and no charge is made for the benefit offered.

A1.8.6 EXECUTIVE LIFE PORTFOLIO (ELP)

This product launched in September 2015 is a single premium, unit-linked, contract available on single life and multiple life last death bases.

On death, a benefit of 105% of the surrender value of the units held will be paid.

All other product features are as per the European Executive Investment Bond (EEIB) above.

A1.8.7 EUROPEAN WEALTH BOND (EWB)

This contract was launched in December 2015 to a limited distribution. Further distribution channels have been rolled out through 2016.

This is a variation on the European Portfolio Bond (EPB) and specifically tailored for the UK market.

The product offers a wider potential investment universe than EPB and requires a Discretionary Asset Manager.

A1.8.8 SWEDISH EXECUTIVE PORTFOLIO (SEP)

The SEP was launched in February 2016 and is a single premium (with the option to pay additional premiums) whole of life investment bond. The policy allows clients to access an open-architecture range of permissible assets.

The product is an EEIB amended to cater for the Swedish "Good Market Practice" requirements:

A1.9 ANY SIGNIFICANT BUSINESS OR OTHER EVENTS OVER THE REPORTING PERIOD

A1.9.1 PRODUCT RANGE CHANGES

Other than the items discussed below there have been no other significant changes in products during the year 2016.

A1.9.1.1 NEW PRODUCTS

OMII launched the Swedish Executive Portfolio, as described in Section A1.8.8, during 2016.

A1.9.1.2 PRODUCT DESIGN CHANGES

In 2016 OMII introduced an alternative structure for management of investments behind some of its portfolio bonds. Where previously the only option was a structure whereby the policyholder was able to appoint his/her chosen investment manager, the new structure allows for the policyholder to request that OMII itself appoints the chosen manager to manage the investments backing the policy. This Discretionary Asset Manager (DAM) structure is useful particularly in the UK for tax planning purposes.

A1.9.2 COMPANY STRUCTURE AND CHANGES

OMII is a key component of the Old Mutual International business unit which itself is part of the Old Mutual Wealth division. Old Mutual Wealth's strategy is to build a single, modern, integrated and market leading wealth management business with strong asset management at its core. The integrated business model includes financial advice, platform products & propositions, discretionary fund management and leading asset management. This provides clients with seamless, efficient solutions at a reduced total cost of ownership.

Central to Old Mutual Wealth's strategy is the growth of its investment and asset management capability, including Old Mutual Global Investors Limited (asset management) and Quilter Cheviot (discretionary investment management) in order to deliver investment solutions that are aligned to the changing needs of investors and financial advisers, including the expansion of asset solutions (single strategy funds and multi asset solutions).

The strategic priorities of the company, aligned to the broader strategy of Old Mutual Wealth division, are to build the investment proposition, integrate and leverage benefits from being part of an integrated wealth management business and invest significantly in the infrastructure to build a market leading platform to provide an enhanced service and proposition to customers and advisers.

MARKET RECOGNITION

During 2016, the Old Mutual International business, won a number of awards for the quality and breadth of its proposition as well as some significant accolades recognising the excellent service delivered to customers and advisers, including;

INTERNATIONAL INVESTMENT – INTERNATIONAL FUND AND PRODUCT AWARDS 2016

- Best International Life Group (Non-UK) – Winner
- Best International Trust and Estate Planning Product – Lifestyle Trust – Winner
- Best International Practice in Asset Management/Life Products/Bonds – Future Fit – Winner
- Best International Savings Plan – Wealth Management Plan – Highly Commended

INTERNATIONAL ADVISER – INTERNATIONAL LIFE AWARDS 2016

- UK: 'Best Adviser Support/Customer Service' and 'Best online proposition'
- Europe: 'Best Trust and Estate Planning Product – full range', 'Best Regular Premium Product – European Capital Account', 'Best Adviser Support/Customer Service' and 'Readers choice'.

PROPOSITION AND STRATEGY

The OMII business strategy is as follows:

- To be part of the market leading cross border division providing unit-linked insurance solutions into parts of the EU and selected other markets.
- To exploit new market opportunities as they arise leveraging distribution and speed to market capabilities.
- To exploit opportunities to become a integrated business.
- To leverage benefits of being part of a wider group with strong brand identity.
- To build products which compliment products and services provided by other parts of the Group.
- To enhance the investment proposition.
- To manage outsourcing arrangements to provide best value and leverage economies of scale of outsource partners.
- To achieve strong financial returns over the long term.
- To utilise new systems technology to develop an enhanced customer proposition and drive down costs.
- To continue to manage and enhance our customer experience through focus on operational process management.
- Govern the business in an effective and efficient manner.
- To continue to manage and enhance our control environment in order to protect customers and the business from continually evolving threats such as cyber risks.
- To operate a responsible business, making decisions that take account of the impact on those around us.

A2. UNDERWRITING PERFORMANCE

OMII writes primarily products which IFRS accounting treatment would classify as investment business as the death benefit proceeds are limited to 1% of value.

In late 2015 OMII launched the ELP product which incorporates additional term life cover paid for specifically within the policy. OMII's policy is to unbundle the premium associated with this and account for this as underwriting premium.

The underwriting performance of the company in relation to unit-linked insurance business is shown in the table below:

€000's	31/12/2016	31/12/2015
Premiums written		
Gross	10	0
Reinsurers' share	0	0
Net	10	0
Premiums earned		
Gross	10	0
Reinsurers' share	0	0
Net	10	0
Claims incurred		
Gross	0	0
Reinsurers' share	0	0
Net	0	0
Underwriting performance	**10**	**0**

Table A2: Underwriting Performance

Form S.05.02.01 in section F2.3 details performance by country.

A3. INVESTMENT PERFORMANCE

A3.1 INFORMATION ON INCOME AND EXPENSES ARISING FROM INVESTMENTS OVER THE REPORTING PERIOD.

The income and expenses of the company are shown in the table below:

€000's	31/12/2016	31/12/2015
Fees and income	10,346	7,741
Change in fee income receivable and deferred fee income	-1,936	-994
Total policyholders income	**8,410**	**6,747**
Interest received	239	-100
Gains and losses	-	-
Total shareholders income	**239**	**-100**
Total income	8,639	6,647
Expenses	-8,787	-6,872
Income less expenses	**-148**	**-325**

Table A3: Investment Performance

The income above represents the following:

FEE INCOME

Fees charged for managing investment and insurance contracts comprise fees taken both on inception and throughout the life of the contract. All fee income is recognised as revenue on an accruals basis in line with the accounting policies of OMII.

FEE INCOME RECEIVABLE AND DEFERRED FEE INCOME

Fee income, comprising fees received at inception or receivable over the income generating life of the policy are earned on day one of each policy and shown as a Fee Income Receivable ('FIR') debtor in OMII's statement of financial position. These fees are then deferred through the creation of a deferred fee income liability ('DFI') on the statement of financial position and released to income as the services are provided. Equal service provision is assumed over the lifetime of the contract and, as such, the deferred fees are amortised on a linear basis over the expected life of the contract. The above treatment has the effect of smoothing the income generated by each policy over the expected policy life.

SHAREHOLDERS INCOME

Income and gains represent interest received on cash and cash equivalents, gains/losses on shareholder investments and foreign exchange movements.

DIFFERENCES TO SOLVENCY II

The above table is populated from the IFRS based financial statements. The deferred fee income liability and fee income receivable asset are intangible items which are not recognised on a Solvency II basis, so the profit and loss release will not be reflected in the movement in Solvency II own funds.

A3.2 INFORMATION ABOUT ANY GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY OVER THE REPORTING PERIOD.

The only movements in equity for the company during 2015 and 2016 were the IFRS losses incurred in those years shown under A3.1 above.

The reconciliation between the movement in equity and the Solvency II own funds is shown in Section E1.2.2.

A3.3 INFORMATION ABOUT ANY INVESTMENTS IN SECURITISATION OVER THE REPORTING PERIOD

OMII has no exposure to investments in securitisation.

A4. PERFORMANCE OF OTHER ACTIVITIES

During the year, there were no other activities undertaken by the company.

A5. ANY OTHER INFORMATION

On 11th March 2016, following a strategic review of the Old Mutual business, Old Mutual plc announced that the long-term interests of the Group's shareholders and other stakeholders will be best served by Old Mutual separating the four businesses – Old Mutual Emerging Markets, Nedbank, Old Mutual Wealth and Old Mutual Asset Management.

Old Mutual plc's announced intention is for the Managed Separation programme to deliver Old Mutual Wealth into the hands of Old Mutual plc's shareholders primarily by way of a demerger and listing on both the London and Johannesburg stock exchanges. This remains subject to change and stakeholder consent and/or readiness of the underlying business. Managed Separation is a clear endorsement of Old Mutual Wealth's strategy and presents an exciting opportunity for the business.

SECTION B
SYSTEM OF GOVERNANCE

SECTION B. SYSTEM OF GOVERNANCE

B1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

The system of governance will be reviewed on an annual basis, or whenever there is a material change in the business which requires a change to the system of governance.

The company has assessed the adequacy of its system of governance and compliance with relevant regulations and legislation and determined that there are no material gaps in compliance.

B1.1 STRUCTURE OF THE OMWML SYSTEM OF GOVERNANCE

As a subsidiary of OMWML, OMII is subject to the OMWML System of Governance. The OMWML System of Governance applies to all entities within the Old Mutual Wealth ('OMW') business.

OMW consists of five Businesses located primarily in the UK, Isle of Man and Ireland. Each Business is managed on a day-to day basis by each Business CEO who report into the OMW CEO and each Business Board. The OMWML Scheme of Delegation requires the OMWML Board and its Committees to provide oversight over each Business within the OMW perimeter.

The OMWML System of Governance is structured in a way which recognises the control requirements of the shareholder and stakeholders, whilst optimising the strategic potential of its business units.

Old Mutual plc, the shareholder of OMWML, articulates the control framework requirements through the Group Operating Manual ("GOM") and plc Decision Making Framework ("DMF") and where necessary, the OMWML System of Governance is aligned to the GOM and DMF. This is particularly the case in relation to financial delegated authorities, approval or notification of certain matters and specific policy requirements.

B1.2 OMWML SYSTEM OF GOVERNANCE

A summary of the OMWML System of Governance is set out below.

B1.2.1 ROLES AND DUTIES OF THE OMWML BOARD

The OMWML Board is responsible for developing OMW strategy to ensure it is aligned to Old Mutual plc Group strategy and provide the oversight over business performance, governance and control and effective discharge of fiduciary and other applicable legal and regulatory duties (including the consideration of customer interests) of the OMW.

The OMWML Board also ensures that it has appropriate procedures and delegations in place to fulfil its responsibilities for:

- Ensuring that the OMW Business operates in accordance with the Group Operating Manual and DMF;
- Managing the relationship with local external stakeholders and regulators, where applicable;
- Ensuring that the OMW Business has the appropriate resourcing levels to deliver the OMW Business strategy and business plans;
- Considering and approving the medium and long-term strategy plans, and the business plans, for the OMW Business and recommending them to Old Mutual plc; and
- Agreeing the authority that the Board delegates to other boards, committees and individuals.

ROLE OF OMWML BOARD IN RESPECT OF OMII

The role of the Board of Directors of OMWML, in respect of OMII, is as follows:

- To oversee the long term prosperity of the OMW Business of Old Mutual plc by providing independent input, review and constructive challenge in relation to OMII.
- To constructively challenge and help develop proposals on OMII strategy in the context of OMW Business strategy.
- To monitor the progress of OMII in development and implementation of strategic plans and material policies.
- To generally oversee OMII to ensure maintenance of sound risk controls and governance systems, integrity of financial information, regulatory compliance and sound planning, performance and overall management, either directly or via delegation to its Committees.
- To consider and, if thought fit, approve matters escalated to it, including those escalated from the OMW Businesses within the OMW perimeter;
- To ensure OMW Businesses comply with the OMW Scheme of Delegation.
- Through its Corporate Governance and Nomination Committee, approve the appointment of the Chairman of OMW Business oversight boards.

B1.2.2 OMWML BOARD COMMITTEES

The Committees of the OMWML Board consist of the Remuneration, Corporate Governance and Nomination, Audit and Board Risk Committee.

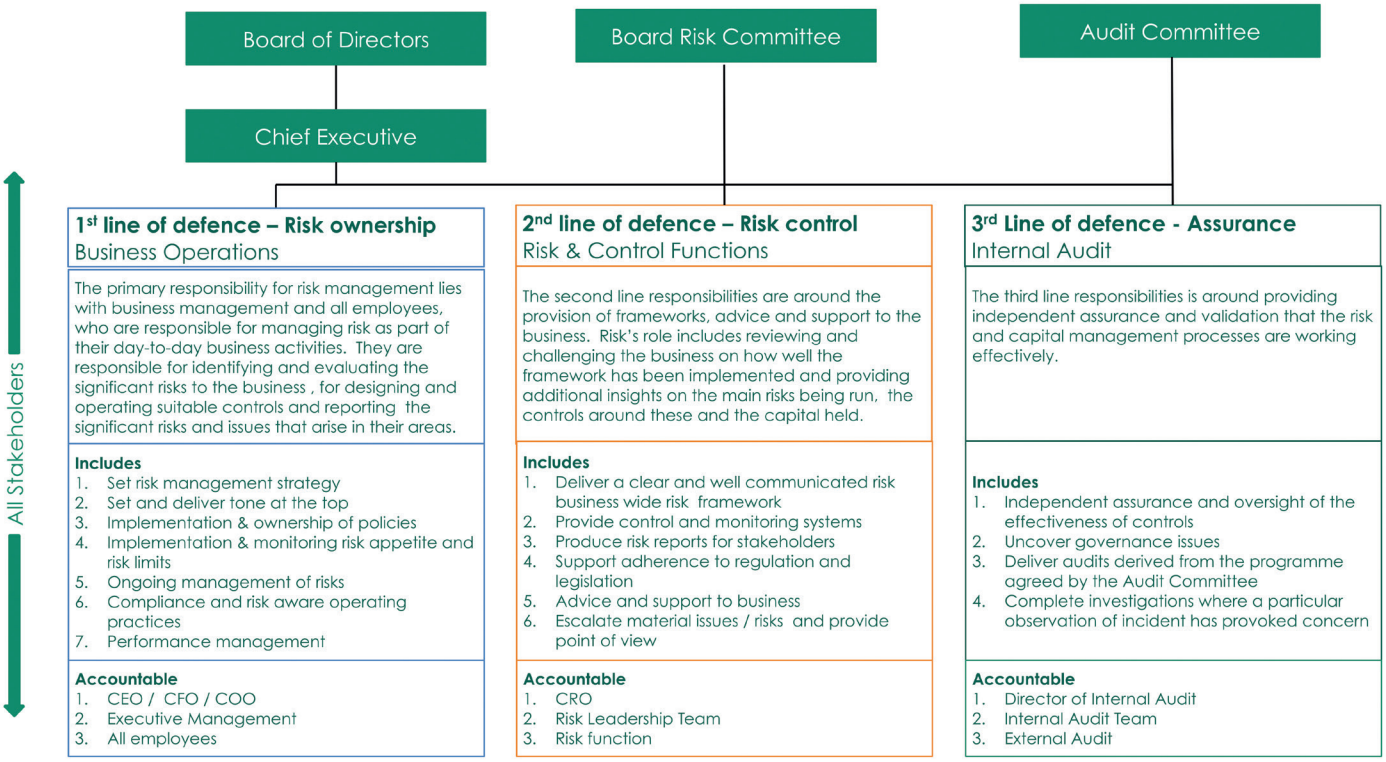
In addition to the OMW Business Boards and their Committees, the OMWML Board Committees assist the OMWML Board in its review and challenge of the following, in relation to OMW Businesses:

- The effectiveness of internal control systems (operational, financial and compliance controls);
- Risk management systems and processes;
- The integrity of financial information and the adequacy of accounting and other records; and
- Compliance with legal and regulatory obligations.

B1.2.3 GOVERNANCE MODEL

The OMWML Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

The OMWML Board has adopted an Enterprise-wide Risk Management ("ERM") approach that applies to the entire OMW business. At the core of this is the Three Lines of Defence model to risk management and internal controls. The diagram below shows the linkage between the three lines and the responsibilities within each.



B1.3 OMII BOARD OF DIRECTORS

Members of the OMII Board who served during the year ended 31st December 2016 were as follows:

NAME	ROLE	DATE OF JOINING / LEAVING BOARD
John Hollis	Chairman	
Martin Middleton	Chief Executive	
Joly Hemuss	Non-Executive Director	
Mark Halewood	Executive Director	Resigned 5th January 2016
Micheal O'Briain	Independent Non-Executive Director	
Sheelagh Malin	Independent Non-Executive Director	Joined 14th September 2016
Ronan Walsh	Independent Non-Executive Director	Resigned 1st November 2016

B1.3.1 ROLES AND DUTIES OF THE OMII BOARD

The roles and duties of the OMII Board are as follows:

- To ensure that OMII is run with integrity, complies with all relevant legal and regulatory obligations (e.g. meets all applicable Central Bank of Ireland requirements and applies relevant principles).
- To perform any other such duties as the OMWML Board may delegate to the Board.
- To hold executives to account in respect of business performance and the identification and mitigation of key risks and to support the delivery of the OMII Business strategy within the context of the overall Old Mutual Wealth strategy.
- To effectively manage relevant conflicts of interest arising, including the promotion of business to other parts of the OMW Group.
- Whilst strategy is set by the OMWML Board and reliance is placed on OMW Business Boards to oversee delivery of the strategy, input from the OMII Board is sought on the Business level strategy.

B1.3.2 KEY RESPONSIBILITIES OF THE OMII BOARD

The key responsibilities of the Board are set out in the Instructions for the Board of Directors of OMII.

A summary of the key responsibilities is set out below. This is not an exhaustive list and therefore may include additional responsibilities from time to time:

- To ensure that the Company is run with integrity, complies with all relevant legal and regulatory obligations.
- To ensure that all individuals associated with the Company maintain the appropriate regulatory clearance as applicable to the nature of their involvement.
- To ascertain that all individuals possessing regulatory clearance meet such obligations as may be required of them as dictated by the Financial Regulator.
- To determine and approve statements of practice for the Company in relation to adherence to Group policies.
- To monitor and evaluate the performance of the Company on an ongoing basis.
- To ensure the maintenance of sound systems of internal control and risk management.
- To monitor the progress of the Company in implementing approved strategic plans.
- To approve the Company's annual report and accounts and declare any dividends.
- To consider the Company's and Group's medium and long-term objectives and provide input into commercial strategy prior to the submission of the OMW's Business Plan to the Board of Directors of OMWML and Old Mutual plc Board.
- To approve the Company's medium and long term objectives and commercial strategy prior to submission to the Board of OMWML and Old Mutual plc Board.
- To appoint directors of the Company in accordance with the Articles of Association of the Company.
- To provide support and recommendations in respect of any matter that should be escalated to the next level of authority.
- To take into account and consider any recommendations from the OMWML Board.
- To ensure that the Directors of the Company receive reports and recommendations on any matters to enable them to perform of their duties and fulfil their responsibilities.
- To be responsible for the effective, prudent and ethical oversight of the entity and setting the business strategy.
- To be responsible for endorsing the appointment of people who may have a material impact on the risk profile of the company and monitoring their appropriateness for the role on an ongoing basis.

B1.3.3 OMII BOARD COMMITTEES

The following committees provide an oversight role over OMII.

INTERNATIONAL RISK COMMITTEE

The key responsibilities of the International Risk Committee are set out below:

- Review and assess the effectiveness of the risk management framework, annual operating plans, risk management plans and regular assurance reports of the Old Mutual International companies including OMII.
- Review and recommend risk appetite statements, measures and limits to the Old Mutual International company Boards and review and monitor alignment between risk appetite, strategy and business plans.
- Review, monitor and challenge the International Operating Unit Risk profile in terms of significant exposures, risk trends and risk concentrations relative to risk appetite.
- Review and evaluate the appropriateness of the International Operating Unit's risk measurement systems.
- Review and report to the Boards on risks, issues and losses that have significant impact to the International Operating Unit.
- Monitor and review developments and prospective changes in the regulatory environment
- Review and ensure that Old Mutual International's business plans are within OMW's risk appetite and strategy.
- Review and recommend to the Boards key actions arising from the ORSA review including stress testing where relevant.
- Oversee the compliance of the Old Mutual International companies with the OMW Group policy suite.
- Review the effectiveness of Old Mutual International's Risk Governance Framework and make recommendations to the Boards.
- To consider the major findings of internal investigations into whistleblowing incidents and management's response.
- Periodically to receive reports on the prevention, detection and investigation of fraudulent activity or misconduct within Old Mutual International.

INTERNATIONAL AUDIT COMMITTEE

The key responsibilities of the International Audit Committee are set out below:

- To review and monitor the integrity of the Old Mutual International companies (including OMII) interim financial performance reports and annual financial statements (and, if requested by the Board reports by each Company to regulators) before submission to the Boards.
- To consider the external auditors' independence and objectivity and the effectiveness of the audit process and oversee the external audit process.
- To monitor and review the effectiveness of the internal audit function.
- To review and approve the annual internal audit plan, ensuring that material risk areas are included and that the coverage of business processes is acceptable.
- To ensure co-ordination and cooperation between external audit, internal audit and the risk management and compliance functions.
- Together with external and internal audit, to review developments in corporate governance and best practice and consider their impact and implication for processes and structures.

PRODUCT GOVERNANCE COMMITTEE

The Product Governance Committee has the following delegated responsibilities:

- Assessment and recommendation for sign-off of new and existing products against regulatory criteria including Treating Customers Fairly and the minimum standards set out in the OMW Product Governance Policy.
- Assessment and recommendation for sign-off of new and existing products to ensure they meet the business hurdles for risk/ margin.
- Recommendation of OMW products to feature on panels, together with any differentiated pricing offered.
- Review performance of new and existing products against original specification / mandate (with regards to design / profitability / pricing).
- Make recommendations with regard to pricing of products including re-pricing.
- Take collective ownership & ensure implementation of the Product Governance Framework throughout OMW.
- Ensure the Product Governance Framework is used and adhered to when a new product is being developed.

- Review and monitor the profitability and suitability of existing products and ensure any action, as a result of the analysis performed, is implemented. Ensuring new and existing products take into consideration the OMW Risk Strategy, Risk Appetite limits and impact on the risk profile.
- Annual review of all open reinsurance treaties.
- Recommendation for approval of new reinsurance treaties or amendments to existing reinsurance treaties.
- Ad-hoc review of any material changes to the reinsurance treaty terms.
- Review regular reporting received including, but not limited to, new business by product and trading analysis / experience variance by product.
- Review and recommendation for approval of new tools.
- Approval of the product review schedule and oversight of ongoing product reviews to ensure that fair customer outcomes are being delivered and that products continue to perform as expected.

OLD MUTUAL WEALTH INVESTMENT COMMITTEE

The OMW Investment Committee is charged by OMII with delivering the following objectives:

- The investment of assets held to match policyholder liabilities in accordance with stated objectives of the funds;
- Reasonable investment expectations are met where appropriate;
- All funds and fund links are properly administered, and that all unit prices are produced in an accurate and timely fashion; and
- Achieve as reasonable risk adjusted returns as possible on all discretionary funds, subject to the constraints imposed by regulation, risk control, prudence and market conditions.

B1.4 KEY FUNCTIONS

In identifying the Key Functions within OMII, consideration was given to those functions whose operation, if not properly managed and overseen, could potentially lead to significant losses being incurred, or to a failure in the on-going ability of the firm to meet its obligations to policyholders.

The mandatory Key Functions are the Actuarial, Finance, Risk Management, Compliance and Internal Audit functions.

In addition, OMII has assessed the additional Key Functions that either effectively running the firm or a function which is of specific importance to the sound and prudent management of the firm. The Key Functions of OMII, and the responsibilities of the Key Functions are set out in the following table, along with the regulatory control functions performed by the individuals, where relevant. Reference to OMIIoM is Old Mutual International Isle of Man, the lead company of Old Mutual International.

KEY FUNCTION	RESPONSIBILITY	ROLE	REPORTS TO	CONTROL FUNCTION
Chief Executive	The CEO function has delegated authority from the Board for the day to day management of the business.	**OMII Chief Executive Officer**	**OMII Board and CEO of OMIIoM**	**PCF-3**
Chairman of the Board	Chairing the Board, effective functioning and performance. Responsibility for leading the development of the firm's culture by the governing body as a whole.	**OMII Chairman**	**OMWHL**	**PCF-3**
Head of Finance	The CFO function is of specific importance to the sound and prudent management of the business by managing the financial resources and the capital and liquidity positions.	**OMII Chief Finance Officer**	**OMII Board and CFO of OMIIoM**	**PCF-11**
Chief Risk Officer	Solvency II mandatory function. The risk function is responsible for the design of the risk framework and facilitation and oversight of its implementation.	**OMII Chief Risk Officer**	**OMII Board and CRO of OMIIoM**	**PCF-14**
Head of Compliance	Solvency II mandatory function. Essential for the management and control of regulatory risk, and requires specific competence.	**OMII Head of Compliance**	**OMII Board and CCO of OMIIoM**	**PCF-12**
Head of Compliance with responsibility for AML/CFT	The Money Laundering Reporting Officer; oversees the identification, assessment, monitoring and management of money laundering risk.	**OMII AML/CFT**	**OMII Board and CRO of OMIIoM**	**PCF-15**
Head of Internal Audit	Solvency II mandatory function. The Internal Audit function owns the Internal Audit Framework, including the Internal Audit Charter and Three Lines of defence Policy. They also Develop and maintain an Audit Framework & Plan.	**OMII Head of Internal Audit**	**OMII Board and CEO**	**PCF-13**
Head of Actuarial Function	Solvency II mandatory function. The Function provides actuarial oversight for OMII.	**OMII HOAF**	**OMII Board and OMIIoM CFO**	**PCF-48**

B1.5 REMUNERATION POLICIES

INTRODUCTION

The Old Mutual plc governance framework includes a Remuneration Policy that all subsidiaries within the Old Mutual plc Group are required to comply with. The policy has been designed to discourage risk taking outside of the Group's risk appetite, to be supportive to the Group's strategy, objectives and values and to align the interests of employees, shareholders and customers.

The policy is overseen across the Old Mutual Group by the Old Mutual plc Remuneration Committee and within OMW by the OMWML Remuneration Committee (the "RemCo").

The RemCo is a committee of the OMWML Board and consists of non-executive directors of OMWML and a director of Old Mutual plc, which enables it to exercise independent competent judgement in remuneration matters in the context of managing risk, value and capital in line with shareholders' expectations. This includes the remuneration process, structure and operation which are actively monitored as an integral part of their oversight. The RemCo met 5 times in 2016.

LINK BETWEEN PAY AND PERFORMANCE

Remuneration is made up of fixed compensation (salary and benefits) and variable performance-related pay (short-term and long-term incentives). The long-term nature of the businesses in which we operate is reflected in our remuneration structures both to protect customers and support the creation and preservation of enduring value in the Group for the benefit of all shareholders, such as appropriate risk adjustment measures, growing the business sustainably and creating shareholder value.

SHORT-TERM INCENTIVES

Short-term incentives are structured to incentivise the achievement of annual performance objectives and to align senior management reward to customer and shareholder outcomes. Business plans against which performance objectives are set and measured are market appropriate. Awards for MRTs include an element of deferral in Old Mutual plc restricted shares (or phantom shares). The deferred portion is designed to further align staff and shareholder interests and to support employee retention. The vesting period is 3 years.

LONG-TERM INCENTIVES

Long-term Incentive awards for eligible staff align senior management remuneration with the success of the Company in achieving its strategic priorities and growing the value of the business through quality and sustainable earnings. The award is in the form of equity interest and the vesting period is at least three years from the date of grant. The Old Mutual plc Remuneration Committee may reduce the extent to which an award vests if it considers that undue risks were taken which could adversely impact future business earnings, operations or the reputation of the company. After vesting, a portion of the shares will be subject to a further 12-month restricted period during which clawback provisions apply.

B1.6 MATERIAL TRANSACTIONS FOR HOLDINGS IN OMII OVER THE PERIOD

As stated in section A1.4: 100% of the voting rights were held by Old Mutual plc the parent company throughout the relevant period of ownership.

B2. FIT AND PROPER REQUIREMENTS

The Fit and Proper Standards are the Group overarching principles for assessing fitness and propriety. The Standards allow OMW to determine how best to achieve these. Compliance against the Fit and Proper Standards is assessed through the Letter of Representation process. The fit and proper requirements set out in the narrative report refer to the requirements applied both to key functions and to members of the Board of Directors.

B2.1 OVERVIEW

The approach taken within OMII to implement and embed a process to ensure fitness and propriety is as follows:

- A framework for ensuring compliance with the Fit & Proper Standards has been embedded, which is designed to protect the business from internal threat. This includes but is not limited to policies and standards for personnel security, code of business conduct, conflicts of interest, anti-bribery and corruption, financial crime, information privacy, physical security.
- The roles which are Control Functions, and those which fall within the definition of key functions are identified and an assessment is performed to determine that each person in these roles fulfil the following requirements:
  - their professional qualifications, knowledge and experience is adequate to enable sound and prudent management **(fit)**; and
  - they are of good repute and integrity, have sufficient time to perform the role and are financially sound **(proper)**; and
  - that the qualifications, knowledge and relevant experience amongst the key function role holders within OMII is appropriately diverse

B2.2 DETERMINING AN INDIVIDUAL'S FITNESS AND PROPRIETY

The approach taken to assess an individual's fitness and propriety is as follows:

- The selection process is designed to be robust and enable a rigorous assessment of the individual's professional competence, both management and technical competence, relative to the role.
- Formal independent assessment tools are performed when appointing key function role holders.
- Background checks are performed on all individuals being employed or engaged in services prior to employment/ engagement being confirmed.
- Old Mutual business units transferring staff on a permanent or secondment basis provide evidence of completed background checks to the receiving business unit.
- The minimum background checks required for all roles are the lesser of 3 years' or all employment history, validation of educational and professional qualifications disclosed, financial soundness and criminal records. Additional background checks are considered depending on the level of risk associated with the role. The checks used are proportionate to the role, the level of potential risk and availability of reliable data in the market.
- Further or updated background checks (excluding employment history) are made where an individual is promoted or transferred into a key function role.
- When reviewing the information gathered consideration is given to the risks associated with the role in question and the wider risks for the business.
- In the event of an internal dispute regarding the Fitness & Propriety of a key function role holder an established escalation process is followed. The ultimate decision will rest with the OMW Nomination Committee.
- Ongoing assessments of fitness and propriety are performed for each key function role holder on a regular basis.

B3. RISK MANAGEMENT SYSTEM INCLUDING OWN RISK AND SOLVENCY ASSESSMENT

B3.1 OWN RISK AND SOLVENCY ASSESSMENT (ORSA)

The ORSA is defined as a set of underlying risk and capital management processes. These processes include:

- Defining and monitoring adherence to the risk appetite framework;
- Assessment, monitoring and reporting of material risks to achievement of the business plan;
- Assessment of the effectiveness of governance and risk management processes;
- Determination of solvency needs, including assessment of the appropriateness of the regulatory standard formula, stress and scenario testing and identification of management actions to manage solvency; and
- Reporting of the conclusions of ORSA processes.

The OMII Board provides direction on ORSA processes and approves the ORSA report. ORSA processes are performed annually, or following a material change in the risk profile or solvency position of the company.

B3.2 RISK MANAGEMENT SYSTEM OVERVIEW

OMII has adopted the Enterprise Risk Management (ERM) system and framework of OMW. The requirements of the framework are set out in the OMW Enterprise Risk Management Policy. An overview of the approach taken to meet the requirements of the ERM Policy is set out below:

The ERM cycle is presented below.

The key components of the framework are as follows.

B3.3 RISK STRATEGY, APPETITE AND POLICY

The risk management principles which define our risk strategy and risk appetite are as follows:

VISION

Our vision is to be the leading wealth manager in the UK and our cross-border markets, creating prosperity for the generations of today and tomorrow, by building a modern integrated wealth management business with strong asset management at its core.

RISK GOVERNANCE FRAMEWORK & RISK CULTURE

Our risk governance framework, along with our risk culture, articulates the tools, processes, methodology, tone from the top and governance structures through which we manage risk.

RISK STRATEGY

Our risk strategy represents our attitude to different types of risk. They set the context for our risk appetite and inform our business strategy and day to day decision making.

RISK APPETITE STATEMENTS

Our risk appetite is the amount of risk that we are prepared to take in pursuit of our strategic aims. It is an expression of the willingness/capacity of our organisation to accept risk in the interests of our key stakeholders.

Our risk appetite is set by the Board and reflects the aspirations and expectations of all our stakeholders.

Risk Appetite is dynamic, taking account of environmental factors and strategic opportunities.

Our Risk Appetite is articulated in terms of high level risk appetite statements supported by risk appetite measures and red, amber, green thresholds.ds.

The strategic aims are as follows:

Our Strategic Aims are driven directly from our vision and are informed by our risk experience. They represent the key elements of our strategy over the long term and represent the perspective from which we identify key risks in the business and our appetite for those risks.

STRATEGIC AIMS

SUSTAINABILITY

Build a sustainable and resilient business for the long term, supported by appropriate capital and liquidity

CUSTOMER

Customer centricity; putting the customer at the heart of our business throughout the customer relationship

STRATEGIC PRIORITIES

To build a modern, integrated wealth and asset management business with leading Wealth brands and customer proposition, supported by the right talent and bench-strength to deliver the required transformational change.

DISTRIBUTION

Profitable, flexible, market leading investment platforms

Market leading cross-border investment business

Leading advised distribution

INVESTMENT

Build the leading investment and asset management capability

GOVERNANCE & CULTURE

Govern the OMWML business and its subsidiaries in an effective and efficient manner. Operate a responsible business making decisions that take account of the impact on those around us.

Establish, promote and maintain an effective culture embedded through all areas of the business

FINANCIAL PERFORMANCE

Achieve compelling financial returns over the long term

RISK STRATEGY AND APPETITE STATEMENTS

Our strategic priority is to build a modern, integrated wealth and asset management business with leading Wealth brands and customer proposition, supported by the right talent and bench-strength to deliver the required transformational change.

In support of this strategy, OMW has an appetite for the risks associated with wealth management business; in particular, secondary market risk exposure through asset based fees, investment performance risk, advice risk and business risks associated with building a Wealth Management business, including transformational change.

STRATEGIC AIM	RISK STRATEGY	RISK APPETITE STATEMENTS
SUSTAINABILITY	In building a sustainable and resilient business for the long term, we understand and carefully manage risks to capital and liquidity.	We aim to ensure all regulated entities hold sufficient capital to maintain solvency at or above target levels. A solvency target has been set to provide a suitable capital buffer to protect the business to plausible but severe adverse stresses. We ensure that OMW has sufficient liquidity to withstand the impacts on operational cash-flow of plausible but severe stresses, enabling us to meet our obligations as they fall due.
CUSTOMER, GOVERNANCE & CULTURE	We seek to ensure customers are treated fairly and do not suffer poor outcomes as a result of things we do/do not do. We seek to govern the business in a manner appropriate to the nature, size and complex-ity of the Group through embedding robust policies, structures and processes throughout the Group, meeting all relevant regulatory and legal corporate governance standards and requirements. We seek to establish, promote and maintain an effective, risk aware culture though all areas of the business.	We will ensure we have defined good customer outcomes, and ensure we put appropriate processes and standards in place to deliver to them. We have no appetite for material risks resulting in reputational damage, regulatory or legal censure or other material operational losses relating to the way in which we carry out our business. We ensure we govern our business in a robust and appropriate manner and act responsibly.
FINANCIAL PERFORMANCE	We ensure we deliver the Return on Equity targets required by our shareholder and build compelling financial returns over the long-term.	In delivering compelling financial returns, we accept short-term volatility in earnings due to external market movements. We have defined earning volatility limits and monitor against these limits regularly.

ENTERPRISE RISK MANAGEMENT POLICY

The OMW policy suite along with specific tailored local policies, forms an integral part of the governance and risk framework of the OMII business and wider Old Mutual Group. The OMW policy suite consists of around 50 policies and standards. These policies contain more granular risk appetite statements.

The OMW policies and local policies have been approved and adopted by the OMII Board and compliance against the policies is monitored by the business on a half yearly process, and reported to Old Mutual Group through the CEO Letter of Representation.

B3.4 RISK IDENTIFICATION AND ASSESSMENT

Risks to delivery of the business plan are identified through the strategic target setting (STS) process and business planning process. Risks to business processes are identified through the regular refresh of Risk and Control Self-Assessments (RCSA).

Risks and controls are assessed on a quarterly basis by first line management. Where controls are considered to be inadequate or ineffective, management actions are agreed to improve the level of control.

The key steps in the risk identification and assessment process, together with the roles of the first and second line, are set out in the table below:

	FIRST LINE ROLE	SECOND LINE ROLE
RISK IDENTIFICATION	Risks are identified by management as the key risks to delivery of the business plan New risks are identified by the first line. New risks are identified through processes such as strategic developments plans; due diligence processes in respect of acquisitions; the on-going management of projects / changes to business processes; internal / external audit findings; changes to regulatory requirements; external events and emerging threats (e.g. cyber risks).	The Risk function provides support and advice to the business in the identification of new risks and ensures that risk identification reviews are undertaken.
RISK ASSESSMENT AND EVALUATION	Risk and Control Self Assessments (RCSA) are performed by the first line on a quarterly basis at an OMW and OMII level. Functional RCSA assessments are also performed. First line risk owners are responsible for providing regular updates including whether risk assessments, impact ratings and controls are accurate and whether the improvement actions are on track.	The Risk function provides advice on the completion of RCSAs and engages with the first line to ensure that the RCSAs reflect the risk and control environment.
KEY CONTROLS	Key controls are assessed within RCSAs by the first line, together with an assessment of the effectiveness and adequacy of these controls. For financial reporting processes, the Data Controls Tool (DCT) is used by the first line to log completion of key controls. The Finance function monitors the DCT system to ensure that relevant control assessments are completed.	The Risk function provides advice to the business on managing and controlling risks in line with risk appetite.
MANAGEMENT ACTION PLAN	For risks which have been assessed as outside an accepted tolerance a management action plan is defined by the first line.	The Risk function works with first line management to identify and prioritise necessary actions to deliver and embed risk and regulatory requirements into the business.

B3.5 RISK MANAGEMENT, MONITORING AND ASSURANCE

Risks are owned and managed on a day to day basis by first line risk owners. The second line Risk function provides advice to support the first line in managing risks.

Risk mitigation strategy planning is performed for some risks to ensure that risk mitigation plans are in place. An example of risk mitigation planning is the development of business continuity plans, which are defined at a functional level.

Corporate insurance is in place to mitigate some high impact, low frequency risks.

The key steps in the risk management, monitoring and assurance process, together with the roles of the first and second line, are set out in the table overleaf:

	FIRST LINE ROLE	SECOND LINE ROLE
RISK MANAGEMENT	Risks are owned and managed on a day to day basis by first line risk owners.	The Risk function provides advice to support the first line in managing risks.
PROJECT RISKS	Risks arising through strategic initiatives are managed through project steering committees.	Steering committees for the significant strategic initiatives include second line representation.
RISK MITIGATION STRATEGY PLANNING	Business continuity plans are defined at a functional level and are maintained and tested by first line business continuity management (BCM) co-ordinators. Overall co-ordination of BCM activity is provided by specialist resources within the Chief Information Security Officer team. Contingency funding plans have been developed by Treasury teams to ensure that funding requirements and sources are agreed.	The Risk function provides oversight and challenge of BCM arrangements, controls and testing. The Risk function co-ordinates the production of liquidity risk scenario testing to input into contingency funding plans.
CORPORATE INSURANCE	Corporate insurance policies are in place to transfer high impact, low frequency risks. The insurance programme is managed by the first line Finance function.	Specialists within the Risk team support the business in ensuring that appropriate insurance is in place for high impact risks.
RISK MONITORING AND ASSURANCE	First line teams perform risk reviews to assess the adequacy and effectiveness of controls. These are performed either on a proactive or post-event basis.	The Compliance team performs second line compliance monitoring including operational risk assessments and maintains an annual compliance monitoring plan, which is approved at local and OMWML Board level. The plan is risk based and is reviewed on a quarterly basis.
INTERNAL RISK EVENTS	Local first line risk specialists support the wider business by supporting the logging and management of risk events, including actions required to improve controls.	The Risk function performs an analysis on a monthly basis of risk event experience, the quality of data within the risk management system and overdue management actions. The data informs second line activity.

B3.6 SCENARIO TESTING AND MODELLING

Scenario testing is performed for OMII to assess the impact of plausible but severe events and to support management in developing plans to manage such events.

The scenario framework focusses on considering scenarios under the following headings:

- Macro-economic scenarios (the key focus area is our ability to withstand such events and our exposure relative to our peers);
- Sectoral risks (i.e. risks which could affect all, or a subset of firms in the financial services industry, such as tax, regulatory or political changes); and
- Specific threats (i.e. risks which could cause a specific threat to OMW but would not impact peer firms to the same extent).

B3.7 RISK REPORTING AND ESCALATION

Risk reporting is performed by the 2nd line Risk function. Risk reports are provided to the International Risk Committee and the OMII Board on a quarterly basis.

Risk events with a financial impact of over £5,000 and risk events which have a non-financial impact such as impacts on customers and regulatory breaches are recorded by the function which caused the event.

Risk events remain open until any management actions to manage the impacts or address the events have been performed.

First line management escalate risks and risk events in line with escalation guidelines which are defined and cascaded by the Risk function.

The roles of the first and second line in terms of escalation are as follows:

	FIRST LINE ROLE	SECOND LINE ROLE
INITIAL ESCALATION	First line management escalate issue over set thresholds in line with escalation guidelines. Events with impacts over £1 million or significant non-financial impacts are escalated to Old Mutual Group.	Escalation guidelines are defined by the Risk Reporting and Analytics team, including thresholds and escalation routes. The Risk function escalate onwards to Group where required.
ISSUE MANAGEMENT	First line management provide updates at least monthly until issues have been resolved.	The Risk function engages with the first line and provides advice as required.
LESSONS LEARNED AND ACTION PLANS	First line management document lessons learned from such events and ensure that actions are implemented to prevent a repeat of such issues.	The Risk team engage with the first line and provide advice as required.

B3.8 RISK MANAGEMENT CULTURE

Risk culture within OMW is defined by the following principles, which ensure:

- Responsibility and accountability for risk management is clearly assigned throughout the organisation with the aim of fostering an open and transparent organisational culture that encourages the right behaviours.
- A climate is created for employees to voice genuine concerns about, and risks within, the business.
- A risk-aware culture is seen as an enabler for management to feel empowered to take risks in a manner that is transparent and that is in line with the business and risk strategy.
- Good risk management practices are encouraged, such that our employees understand how to make educated risk-related decisions in their day to day roles.
- Training and awareness programmes are in place to ensure that a risk aware culture is fostered and that employees understand the importance of good risk management.
- Performance management encourages and incentivises good risk management practices.

B4. INTERNAL CONTROL SYSTEM

B4.1 INTERNAL CONTROL SYSTEM

The internal control system covers all parts of the OMW business and therefore applies to OMII.

The internal control system is set out in the Old Mutual Group Operating Manual (GOM). The GOM is designed to ensure that the business is managed effectively and in line with our stated risk appetite.

The GOM sets out the governance framework and describes how Old Mutual plc discharges its responsibilities as a shareholder of Group entities. This includes:

- How Old Mutual Group interacts with business units
- How authority is delegated through the Group
- How the clearance and notification processes work
- The Group Policy Framework
- The Letter of Representation (the management attestation with regard to compliance with Group policies) and Internal Control Effectiveness Assessment (the management attestation with regard to the application of Group risk management and oversight requirements within OMW)

- Risk Management and Oversight
- Strategy and Performance Monitoring
- Business as usual oversight, reporting and coordination

The OMW risk governance framework is implemented through the following components:

- Risk strategy and appetite: the risk strategy is set by defining a set of risk management principles, risk appetite statements and risk metrics to monitor performance relative to risk tolerances.
- Risk methodology: The risk methodology is articulated as a set of standards and user guides to help the first line identify, assess, manage and monitor risks. There are standards for risk events, risk and control self-assessments (RCSAs), and escalations.
- Risk management policies: The policy suite sets out the approach taken within OMW to mitigate and manage risks, informed by our risk appetite.

The OMW governance framework is supported by the following:

- Procedures which define operational processes;
- The Reporting Governance Policy (which sets out the principles and minimum standards for reporting data governance within OMW) and data governance monitoring framework;
- Control assessments within RCSAs together with management actions to address any weaknesses;
- Monitoring of performance against key risk indicators with defined tolerances;
- Reporting of key risks, risk events and regulatory developments to the Board and management fora.

The internal control system includes the following key procedures:

RISK AND CONTROL SELF-ASSESSMENT (RCSA)

RCSAs are performed for each of the business functions within OMW, setting out the key risks to delivery of the business plan, key controls to prevent these risks occurring and management actions to manage and mitigate these risks.

The RCSA process is described further in section B3 which covers the risk management system.

CONTROL ENVIRONMENT AND CONTROL ACTIVITIES

A Three Lines of Defence governance model is deployed to ensure effective and proportioned oversight of the control environment.

The OMW Business Unit includes both a formal governance track covering all required Corporate Governance requirements and a management track which supports both the Corporate Governance arrangements and provides a consolidated OMW management view.

The OMW Policy Suite, as adopted by OMII, sets out the minimum standards for governance, control, monitoring and reporting for all material risks. Compliance with the requirements of the policy suite is demonstrated through the letter of representation process on a semi-annual basis.

The OMW Business Unit, via the Group Operating Manual, has adopted a scheme of delegation based on financial threshold and resulting authority levels;

- The OMW Scheme of Delegated Authority (SoDA) has been adopted by the OMWML Board with Board instructions and procedures approved by relevant underlying subsidiary boards;
- Role profiles detail span of control and responsibilities connected with the role.

MANAGEMENT INFORMATION AND REPORTING

Management and Board reporting is undertaken on at least a quarterly basis and reports progress against objectives and related risks, including:

- Monthly reporting to the Old Mutual International Executive Committee to monitor progress against agreed business plan; split between financial targets, regulatory relationship management and other operational targets including risks to objectives;
- Quarterly reporting to the OMII Board and the International Risk Committee of risks against business objectives, material risk events, the approach taken to manage regulatory developments and financial crime experience;
- Quarterly Business Review reporting;
- OMW Internal Audit and Compliance Monitoring Assessments;
- Semi-annual Letter of Representation on the adequacy of the systems of internal control, including compliance with the Policy Suite and the Group Operating Manual.

MONITORING

Processes are in place and embedded in all three lines of defence to monitor the effective application of policies and processes related to internal control and risk management:

B4.2 COMPLIANCE FUNCTION

The Compliance Function is implemented though the Head of Compliance of OMII. The role and responsibilities of the Compliance Function are as follows:

- To provide advice to the OMII Board and to the first line of defence on compliance with laws and regulations;
- To provide advice to the OMII Board and to the first line of defence on changes to laws and regulations and their potential impacts on OMII;
- To monitor the adequacy and effectiveness of controls relating to compliance with regulatory compliance activities;
- To oversee compliance against the Old Mutual Group policy framework and the GOM;
- To agree the compliance monitoring plan in full on an annual basis, with changes agreed quarterly, with the OMII Board; and
- To report to the Board on a quarterly basis on the outcome of compliance reviews, in line with the compliance monitoring plan.

B5. INTERNAL AUDIT FUNCTION

B5.1 IMPLEMENTATION OF THE INTERNAL AUDIT FUNCTION

The role of Internal Audit Function is to help the Board and Executive Management to protect the assets, reputation and sustainability of the Old Mutual Wealth Group and each of the entities within the Group. The Internal Audit Function does this by assessing whether all significant risks are identified and appropriately reported by management and the Risk function to the OMWML and entity level Boards and Executive Management; assessing whether they are adequately controlled; and by challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

The Internal Audit function for OMII is outsourced to Group via an outsource agreement. Internal Audit reports to the International Audit Committee in relation to all audit issues for International companies including OMII.

The Internal Audit Function receives its authority from the OMWML Board Audit Committee, which is established to, among other things, review the work of the internal auditors and to evaluate the adequacy and effectiveness of OMW's financial, operating, compliance, and risk management controls.

The Internal Audit Function focuses on the areas of greatest risk, both current and emerging, to the OMW Business as determined by a comprehensive risk-based planning process. The International Audit Committee approves the annual Internal Audit plan and any subsequent material amendments to it and also satisfies itself that the Internal Audit Function has adequate resources to discharge its responsibilities.

B5.2 INDEPENDENCE OF THE INTERNAL AUDIT FUNCTION

The Internal Audit Function receives its authority from the Wealth Audit Committee (AC), which is a committee of the Board of OMWML established to, among other things, review the work of the internal auditors of OMW and its subsidiaries and to evaluate the adequacy and effectiveness of the Group's financial, operating, compliance, and risk management controls.

Wealth Internal Audit (WIA) staff are authorised to:

- Have free and unfettered access to all functions, records, property and personnel of the Group in fulfilling their responsibilities. Subject to the confidentiality of information, access may be restricted to the WIA Director;
- Attend and participate in the meetings of all business entities within the Group; and
- Obtain the necessary assistance of personnel in business units of the Group where they conduct audits, as well as specialised services from within or outside the Group.

The WIA Director and staff of WIA are not authorised to:

- Perform any operational duties for the Group, unless authorised by the AC;
- Audit any activity for which they had authority or responsibility within the past year as objectivity is presumed to be impaired in these circumstances; and
- Direct the activities of any employee of the Group not employed by WIA, except to the extent such employees have been appropriately assigned to WIA or to otherwise assist the internal auditors.

To provide for the independence of WIA, the WIA Director is accountable to the OMW Audit Committee Chair, reports administratively to the OMW Chief Executive Officer and has access to the Chairman of the OMW Board. Financial

independence is provided by the OMW Audit Committee approving a budget to allow WIA to meet the requirements of this Charter. WIA is functionally independent from the activities audited and the day-today internal control processes of the organisation. Where advisory services are delivered, WIA will manage any perceived or actual conflict of interest.

The WIA function also maintains independence and objectivity from the activities that it reviews through appropriate management reporting lines into Old Mutual Plc Group. The Internal Audit Director for OMW reports directly to the Head of Group Audit, who in turn is accountable to the Old Mutual Plc Group Audit Committee Chair.

B6. ACTUARIAL FUNCTION

The Actuarial Function performs a second line of defence role, ensuring that the methodologies, models and assumptions used in the assessment of technical provisions and capital requirements are robust and applied consistently and in proportion to the nature, scale and complexity of OMII and other insurance entities within the OMW Business Unit.

Responsibilities of the Actuarial Function include:

- To ensure that methodologies and models for the valuation of technical provisions and capital requirements are appropriate;
- To oversee the sufficiency and quality of data used in the valuation of technical provisions and capital requirements;
- To review and challenge experience analyses in respect of risk factors and proposed best estimate assumptions;
- To review and challenge the valuation of technical provisions including application of approximations;
- To review and challenge Solvency Capital Requirement and Minimum Capital Requirement results;
- To express an opinion on the overall underwriting policy and the adequacy of reinsurance arrangements.

OMII has appointed an outsourced Head of Actuarial Function (HOAF). The HOAF has overall responsibility for the actuarial function and presents various Solvency II mandated reports to the board on an annual basis or as required.

B7. OUTSOURCING

B7.1 OUTSOURCING POLICY

The OMW Outsourcing Policy defines the framework to manage and monitor outsourced services. Risks of inadequate service or failure of the outsourced service provider are managed through the following controls:

- A formalised approach, including a transparent selection and management process and due diligence process, to outsourcing services;
- Governance and oversight structures, practices and processes, with clear roles and responsibilities for oversight, monitoring and management of risks related to all outsourced services;
- Regular assessment whether the supplier maintains an effective internal control environment and continues to have a resilient business; and
- Processes and practises to ensure that outsource arrangements comply with local regulatory requirements.

B7.2 OUTSOURCED SERVICES

All OMW businesses are required to implement the Outsourcing Policy, and meet the required standards and approvals should any business activity be outsourced. Outsourcing includes In-sourcing / intra-Group outsourcing, i.e. where another Old Mutual business provides a service or a key function to another Old Mutual business.

The following table sets out the key OMII activities that have been outsourced, together with a brief service description and the senior manager responsible.

SUPPLIER	INTRA-GROUP	SERVICE DESCRIPTION	SENIOR MANAGER RESPONSIBLE
Old Mutual International Business Services Limited – Isle of Man.	Yes	Policy and investment administration, finance, actuarial, marketing, legal, HR, IT development and maintenance, product development, Internal Audit.	Martin Middleton – Chief Executive Officer
Ernst and Young LLP - UK	No	Head of Actuarial Function	Joly Hemuss – Non-Executive director
Anne Brady McQuillans DFK - Ireland	No	Provides staff payroll services	Mark Bingham – Chief Financial Officer

B8. ANY OTHER INFORMATION

There are no other material aspects of the system of governance which are not covered in the above sections.

SECTION C
RISK PROFILE

SECTION C. RISK PROFILE

This section sets out the key risks to which OMII is exposed, measures used to assess these risks, any risk mitigation techniques used, including any material changes over the reporting period.

OMII is a pure unit-linked business with no investment guarantees, which sells its policies internationally. About 60% of OMII's premiums are denominated in GBP whereas the reporting currency is Euros.

OMII risk exposures relate primarily to uncertainty over future revenues and expenses. For example:

1. Adverse movement in GBP/Euro exchange rates. In the event of adverse movement in GBP/Euro exchange rates (i.e. GBP depreciates against Euro), the value of GBP based revenues (e.g. premium-related income links directly with the currency of the premium) will fall in Euro terms.
2. In the event of a fall in equity markets, the value of Assets under Administration (AuA) falls which has a negative impact on fund based future surplus.
3. The occurrence of a mass lapse event will reduce the funds under management which will reduce the fund based future surplus.

OMII's own funds represent the company's available liquid capital and present value of future surplus less risk margin. Liquid own funds are held in bank deposits and money market investments.

The pie chart below sets out the risk profile and each of the key risks is covered in the following sections.

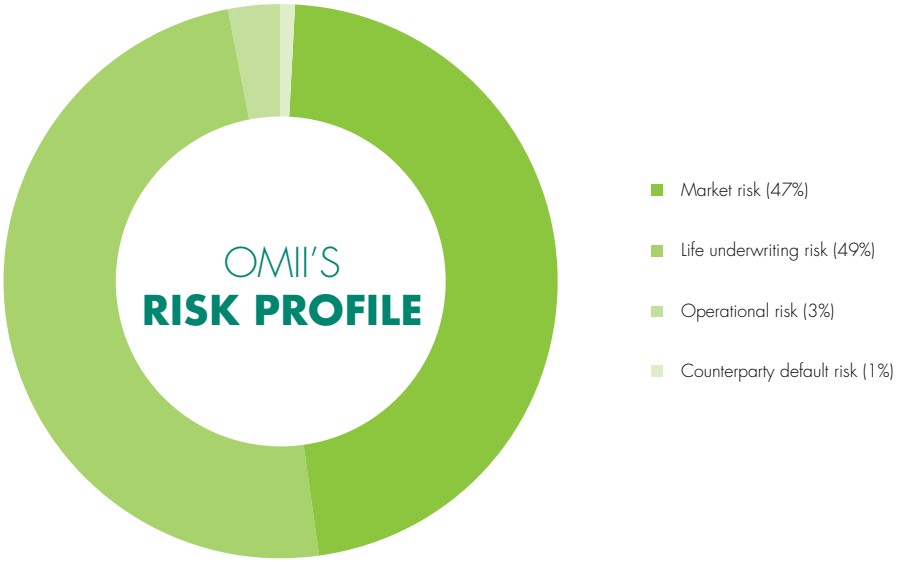


Chart C1 – Summary of undiversified SCR

RISK PROFILE DRIVERS

The main risk categories to which OMII is exposed are market risk and life underwriting risks. These represent 96% of OMII's risk exposure. Refer to Table C1 below for details.

Market risk is a significant risk for OMII since the majority of in-force business is investment business and a large part of the company's revenues are related to the asset values.

Lapse risk which is a component of life underwriting risk is a significant risk for OMII because the unit-linked investment business relies on persistency of policies to generate future revenues.

Further details on the specific risk drivers are provided in following sections.

MEASURES USED TO ASSESS RISKS

OMII has adopted the Standard Formula measure specified in the Solvency II regulation to assess the risks within the company, which is represented in terms of Solvency Capital Requirement (SCR).

Based on the Standard Formula OMII has a SCR of €14,349k at 31st December 2016.

CHANGE IN THE RISK PROFILE OVER THE PERIOD TO 31ST DECEMBER 2016

The table below provides details of OMII's risk profile in terms of SCR capital. It also highlights the change in the risk profile for over the valuation period.

€000	CAPITAL REQUIREMENT BASED ON DIVERSIFIED RISK*		Change in SCR
	31/12/2016	31/12/2015	
Market Risk SCR Module	8,190	10,070	-1,880
Life Underwriting Risk SCR Module	9,086	6,583	2,503
Operational Risk SCR Module	613	472	141
Counterparty Default Risk SCR Module	210	710	-500
Diversification (Inter-module)	-3,750	-3,787	37
Solvency Capital Requirement	**14,349**	14,048	301
Diversification Benefit	**21%**	21%	

Table C.1 - SCR - Changes in SCR - 2016 v/s 2015
*After intra-module diversification applied

OMII does not expect a material change in its risk profile each year. The main driver to the change in the size of SCR relates to the movement in assets under administration ('AUA') which is primarily driven by the volume of new business added each year and also the market performance over the year.

The SCR of €14,349k at 31st December 2016 is after the adjustment for diversification.

Before allowing for the diversification effect, the sum of the standalone risk SCR at 31st December 2016 is €22,492k. The relative contribution of each risk is determined before allowing for the impact of diversification between risks. The table below provides a summary of inter-module and intra-module diversification benefit.

€000	CAPITAL REQUIREMENT
Solvency Capital Requirement (Before Diversification)	22,492
less Market Risk Intra Module Diversification	-2,513
less Life Underwriting Risk Intra Module Diversification	-1,882
less Inter Module Diversification	-3,749
plus Allowance for DTL Offset	0
Solvency Capital Requirement	14,349

Table C.2 - SCR - Diversification

As OMII has no deferred tax liability in the base balance sheet, the allowance for DTL offset (loss absorbency of deferred tax) is nil.

C1. MARKET RISK

Market risk arises primarily through potential reductions in future fee revenues and hence reduction in own funds. This could arise due to falls in the value of assets underlying unit-linked funds, as a result of changes in equity, bond and property values, interest rates and foreign currency exchange rates.

C1.1 MARKET RISK AT 31ST DECEMBER 2016

OMII's market risk profile is derived from the standard formula 1-in-200 year worse case market events **before allowing** for the impact of diversification.

As at 31st December 2016 the SCR for this module is €8,190k after intra-module diversification of 23.5% (i.e. allowance for diversification between market risks).

The pie chart below sets out the drivers of the €8,190k market risk for OMII. Further detail on the material drivers is in Section C1.2.

Chart C1.1 – Summary of undiversified Market Risk SCR

C1.2 CHANGE IN THE MARKET RISK OVER THE PERIOD TO 31ST DECEMBER 2016

The table below considers the change in the market risk over the period to 31st December 2016 in the undiversified market risks.

€000	MARKET RISK CAPITAL REQUIREMENT BASED ON DIVERSIFIED RISK*		Change in SCR
	31/12/2016	31/12/2015	
Interest rate risk	1,108	715	393
Equity risk	560	437	123
Property risk	3	0	3
Spread risk	81	56	25
Currency risk	6,438	8,861	-2,424
Market Risk SCR	8,190	10,070	-1,880

Table C.1.2 - Market Risk SCR - 2016 v/s 2015
*After intra-module diversification applied

The SCR has increased in line with the increase in business volumes. The risk profile has remained relatively stable over the period.

The individual components of market risk module which have changed are as follows:

CURRENCY RISK

The capital requirement for currency risk reflects the potential loss of future revenue resulting from adverse movement in currency markets which reduce the euro value of future revenues.

For OMII, a large part of the future revenue is expected to be denominated in GBP as these revenues links to the currency of the premiums. Any future depreciation of GBP against Euro will reduce the future revenues in Euro terms.

Currency risk has decreased following a more in-depth review of the currency impact for each future cash flow. As a result more outgo cash flow has been identified denominated in non-Euro currencies, offsetting the loss of income from the non-Euro denominated revenues under the currency stress.

INTEREST RATE RISK

A portion of future revenues are denominated in fixed monetary terms. Hence when interest rates increase, the value of these future revenues reduces. Therefore OMII is exposed to rise in interest rates.

EQUITY RISK

The capital requirement for equity risk reflects the potential loss of future revenue resulting from returns on equity assets falling below the levels assumed in the best estimate projection. Equity assets are mostly held indirectly through collective investments.

The impact of loss of future revenue under a 1-in-200 year equity stress for OMII of €560k at 31st December 2016 is based on full measure equity stress of 39% plus equity dampener i.e. not allowing for any equity transitional arrangements.

Equity risk has increased in line with the increase in assets under administration ('AUA').

Equity risk is to a certain extent mitigated through the premium based floor charging feature in the portfolio bond business.

C1.3 PRUDENT PERSON PRINCIPLE & INVESTMENT OF ASSETS

All company assets are invested in a manner to ensure their security, quality, liquidity and profitability of the portfolio as a whole.

OMII's unit-linked policyholders are responsible for selecting the funds where their premiums are invested.

The OMW Investment Committee and the Old Mutual International Investment Operations Committee oversee the investment of customer funds to facilitate funds being invested prudently and to meet the reasonable expectations of customers.

The allocation of shareholder assets is managed in line with the Treasury Statement of Practice and local Investment policy, which set out the permitted instruments, liquidity limits, concentration limits and counterparty credit rating limits. OMII's shareholder assets are invested in high credit money market investments and bank deposits. OMII has no appetite for direct investment risk.

OMII has no direct derivatives investments.

OMII complies with the Solvency II requirements relating to *Prudent Person Principle*[1].

C1.4 RISK MITIGATION

OMII seeks secondary market risk through asset-based fees, and mitigates it through diversity and breadth of proposition designed to cater for a wide range of economic conditions.

The majority of OMII's business has a premium based floor product feature, which helps to mitigate some of the equity risk exposure.

OMII has a financial reinsurance arrangement which has both the reinsurance advance (claims) and repayments (premiums) in GBP. This foreign exchange exposure through reinsurance financing helps to mitigate part of the currency risk.

OMII does not currently mitigate the market risks through employing costly techniques such as financial instruments or hedging strategies.

C1.5 RISK CONCENTRATION

The open architecture nature of most of OMII's products facilitates a well-diversified overall linked investment portfolio. The market risk concentration on policyholder assets is therefore minimal.

Shareholder funds are deposited only in the permitted instruments set out in the Treasury Statement of Practice. The permitted instruments are bank call deposits and permitted money market funds. The market risk concentration on shareholders asset is therefore minimal also.

C2. UNDERWRITING RISK

The underwriting module of the SCR includes the following underwriting risks:

LAPSE (PERSISTENCY) RISK

A significant risk since a significant portion of business is not subject to early encashment charges and so increases in surrender rates will result in reductions in future revenues on investment business.

LIFE EXPENSE RISK

This represents the risk that future maintenance expenses exceed the levels assumed within the Solvency II balance sheet.

C2.1 UNDERWRITING RISK AS AT 31ST DECEMBER 2016

OMII's underwriting risk profile is derived from the standard formula 1-in-200 year 'underwriting' events before allowing for the impact of diversification.

As at 31st December 2016 the SCR for this module is €9,086k with intra-module diversification of 17.2% (i.e. allowance for diversification between underwriting risks).

[1]Solvency II Level 1 Article 132 – Prudent Person Principle

The pie chart below sets out the drivers of the €9,086k underwriting risk for OMII:

- Most of the exposure to underwriting risk is from lapse risk. This accounts for 59% of the exposure in this module.
- Life expense risk is the second largest exposure for OMII in this module.

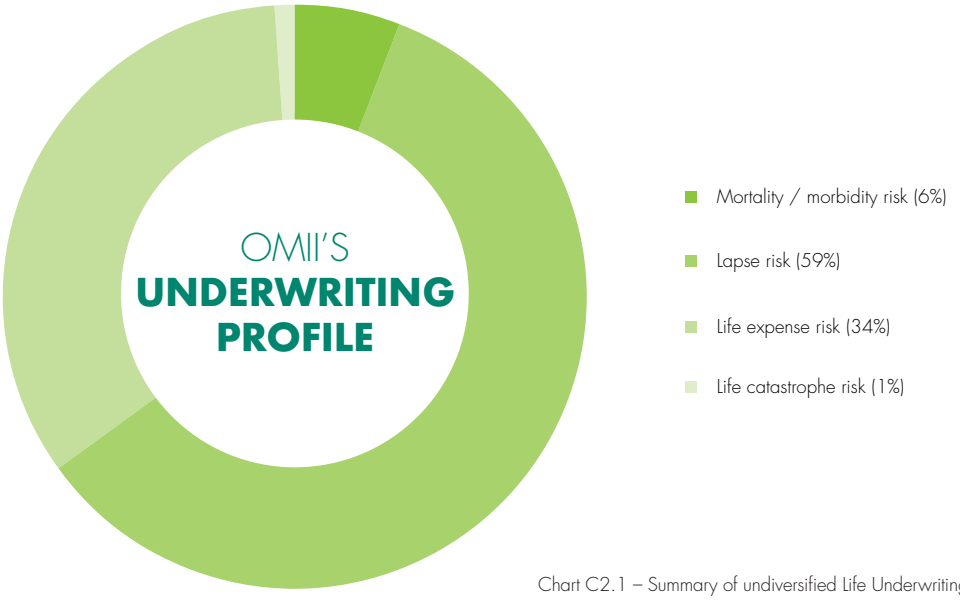


Chart C2.1 – Summary of undiversified Life Underwriting Risk SCR

C2.2 CHANGE IN THE UNDERWRITING RISK OVER THE PERIOD ENDED 31ST DECEMBER 2016

The table below considers the change in the underwriting risk over the period ended 31st December 2016 in the undiversified underwriting risks.

€000	LIFE UNDERWRITING RISK CAPITAL REQUIREMENT BASED ON DIVERSIFIED RISK*		CHANGE IN SCR
	31/12/2016	31/12/2015	
Mortality risk	117	71	46
Lapse risk	5,973	4,234	1,740
Life expense risk	2,974	2,265	708
Life catastrophe risk	22	13	9
Life Underwriting Risk SCR	9,086	6,583	2,503

Table C.2.2 - Market Risk SCR - 2016 v/s 2015
*After intra-module diversification applied

The life underwriting risk SCR has increased over the year. The main changes in the risk profile for the underwriting risk module are increases in persistency (lapse) risk and life expense risk. These risks have increased because of the increase in the business volumes.

C2.4 RISK MITIGATION & RISK CONCENTRATION

RISK MITIGATION

OMII manages / mitigates each of the following risks as described overleaf:

LAPSE RISK

Lapse risk is a feature of OMII's business and is managed through focus on customer service, conduct and reputation.

Some of the products carry early encashment charges, which help to reduce the lapse risk.

LIFE EXPENSE RISK

Expense risk is managed through tight budget control and discipline, balanced against the need to ensure sufficient resources to achieve the strategic aims.

Expense levels are monitored monthly against budgets and forecasts. An activity based costing process is used to allocate costs relating to processes and activities to individual product lines.

Some product structures include maintenance charges. These charges are reviewed annually in light of changes in maintenance expense levels. This review may result in changes in charge levels.

RISK CONCENTRATION

There are no material concentrations of lapse, mortality and expense risks.

C3. CREDIT (COUNTERPARTY DEFAULT) RISK

Credit risk is the risk that the company is exposed to a loss if another party fails to meet its financial obligations to that company. OMII is subject to a range of reasonably minor credit risk exposures. The material risks relate to the risk of default by banks and other financial institutions in respect of company deposits.

C3.1 CREDIT RISK AT 31ST DECEMBER 2016

OMII's credit risk profile is derived from the standard formula 1-in-200 year credit event.

As at 31st December 2016 the SCR for this module is €210k.

C3.2 CHANGE IN THE CREDIT RISK OVER THE PEIOD ENDED 31ST DECEMBER 2016

The credit risk has reduced by€500k compared to credit risk at 31st December 2015. This is due to use of counterparties with higher credit rating.

OMII has a low risk tolerance for credit and counterparty risk. OMII aims to limit credit risk by investing company assets only in money market funds and deposits with institutions with strong credit ratings.

C3.3 PRUDENT PERSON PRINCIPLE & INVESTMENT OF ASSETS

Shareholder funds are deposited only in the permitted instruments set out in the Treasury Statement of Practice. The permitted instruments are bank call deposits and permitted money market funds. The table below provides the % exposure by ratings

LONG TERM RATING	% EXPOSURE
AAA	69.0%
AA	0.0%
A	21.5%
BBB	9.5%

Table C.3.3 - Counterparties & exposure

C3.4 RISK MITIGATION & RISK CONCENTRATION

RISK MITIGATION

OMII seeks to mitigate its exposure to credit and counterparty risks. OMII mitigates the risk by ensuring it engages with appropriately robust counterparties, adhering to its Treasury standards and overseeing credit and counterparty exposures through the OMW Capital Management Forum.

The credit risk exposures of the company are monitored regularly to ensure that counterparties remain creditworthy and to ensure that concentrations of exposure are kept within accepted limits.

There is no exposure to European sovereign debt within OMII's shareholder investments.

Risk of default in respect of the investment of shareholder assets is controlled by:

- Setting minimum credit rating requirements for counterparties;

- Setting restrictions relating to longer term (greater than 90 day) deposits;
- Setting limits for individual counterparties and counterparty concentrations; and
- Reviewing limits annually and monitoring exposures regularly.

Legal contracts are maintained where the company enters into credit transactions with counterparties.

RISK CONCENTRATION

The company has no significant concentrations of credit risk exposure.

C4. LIQUIDITY RISK

Liquidity risk is the risk that a company, although solvent, does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost.

OMII is exposed to liquidity risks where payments are made before related income is received from counterparties. Liquidity risk scenario testing is performed in order to assess the material liquidity risk exposures.

OMW maintains a Contingency Funding Plan which sets out the potential funding sources and processes for providing liquidity to the legal entities in the event that liquidity support is required. Furthermore OMII has in place a short term loan agreement with its parent company in order to ensure liquidity is available if required at short notice.

C4.1 RISK MITIGATION & RISK CONCENTRATION

Liquidity risk can arise as a result of significant switches of policyholder funds over a short timeframe or an individual very large switch. In some cases, switches of policyholder funds are paid by the company before settlement is received from the market on the sale of policyholder assets. This risk is managed by maintaining liquid capital resources to meet the value of switches which may reasonably be expected in stressed conditions and by regularly monitoring forecast and actual cash flows.

Liquidity risk also arises on payment of up front commission to brokers. OMII has a financial reinsurance treaty which finances these payments where required however some short term liquidity risk remains due to the lag between commission payment and receipt of reinsurance proceeds.

C4.2 EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS (EPIFP)

For regular premium products, the allowance for future premiums and benefits within the best estimate liability depends on the Solvency II 'boundary of the contract'. OMII has concluded that long contract boundary conditions apply to regular premium products as these products provide meaningful protection benefits.

On this basis, the total EPIFP for OMII is €373k.

C5. OPERATIONAL RISK

C5.1 OPERATIONAL RISK EXPOSURES

Operational risk is the risk that failure of people, processes, systems or external events results in financial loss, damage to the brand/reputation, adverse regulatory intervention or government or regulatory fine. The most material operational risks for OMII are:

- Risk of regulatory compliance breach or the retrospective application of changes in regulation, resulting in the need to compensate customers;
- Risk of misrepresentation within product literature or illustrations leading to complaints and potential legal action;
- Execution risk in respect of strategic change and changes in regulations;
- Risk of process failure in respect of customer administration, customer investment, fund management, tax and financial management processes;
- Risk of IT instability, which could lead to interruptions to operational and outages impacting customers; and
- Risk of internal or external financial crime, including data security risks and risk of cyber-attack.

C5.2 MEASUREMENT OF OPERATIONAL RISKS

Operational risks are assessed through scenario based risk assessments utilising internal risk event data, external operational loss data, Risk and Control Self-Assessments and expert judgement provided by first line subject matter experts. Operational risk assessments are then modelled within an operational risk modelling system in order to assess the potential loss in plausible but extreme conditions.

C5.3 RISK MITIGATION

OMII accepts that a certain level of operational loss is inevitable.

OMII expects some degree of exposure to fraud/financial crime and information security/cyber risks due to the nature of the business. OMII mitigates exposure to this risk through process and system controls, and insurance. OMII monitors its operational loss through loss reporting and assessment of the underlying control environment, and ensuring strong governance structures and organisational models are in place to support the strategic initiatives.

OMII's approach to managing different categories of operational risk is as follows:

Outsourcing risk: OMII, through its group outsource partner, seeks to develop partnerships with IT suppliers and outsource partners to deliver long term cost efficiencies and sustainability of the operating model. The outsourcing risk is mitigated through a robust supplier relationship framework, with additional external assurance where required.

Customer outcomes: OMII aims to focus its business strategy on providing its customers with the means to achieve prosperity by understanding their needs and identifying where OMII can grow its business to provide opportunities to meet these needs.

Governance structures and risk culture: OMII seeks to govern the business in a manner appropriate to the nature, size and complexity of OMII, avoiding situations where it can fall materially short of expected standards. OMII mitigates the risk by the governance structures in place, and embedding the operating model expectations and minimum standards throughout OMII's businesses. OMII will review the governance model periodically to ensure it remains appropriate to the nature, size and complexity of OMII.

IT infrastructure: OMII seeks to ensure sufficient investment in its outsource partner's infrastructure to ensure the ongoing resilience of its platforms and its critical systems. OMII avoids situations where it is unable to meet the demands of the business through under-investment in its IT.

C5.4 TREATMENT OF OPERATIONAL RISKS WITHIN THE CAPITAL ASSESSMENT

operational risk capital requirement is determined as 25% of prior year maintenance expenses. This is a broad proxy for the actual operational risk exposures of the company

As at 31st December 2016 the exposure for this module is €613k. This has increased by €141k from 31st December 2015.

The operational risk charge is added on to the Basic SCR following the prescribed guidance for the standard formula.

There is no allowance for diversification with other risk modules.

C6. RISK SENSITIVITY

STRESS TESTS

OMII carries out stress tests of its solvency ratios to market movements in order to understand the market risk sensitivities. The typical stress tests carried out include equity market fall by 10% and 25%, equity market rise by 10%, interest rate structure shifts by 1% and -1%, corporate bond spread widening by 1%, etc.

Further, scenario testing and reverse stress testing is a key process within the latest ORSA conducted in 2016.

SCENARIO TESTS

These scenarios are constructed to test the potential severe or extreme events which could arise over the business plan period that could lead to significant cash and capital strain relative to the forecast. OMII is required to withstand these extreme events by allowing for cash and capital plans and management actions which may be required to manage the potential impacts over the plan period.

One of these scenarios, the economic downturn scenario tests, deterioration in economic condition that results in a sharp equity market fall of 40%, followed by no capital growth for the following 3 years (approximately equivalent to a 1-in-200 year stress). OMII would be able to meet its regulatory capital requirement over the plan period despite the fall in fund based revenues following the market fall, although without additional capital support the solvency ratio would fall below its target range.

C7. ANY OTHER INFORMATION

There is no other material information to be disclosed.

SECTION D

VALUATION FOR SOLVENCY PURPOSES

SECTION D. VALUATION FOR SOLVENCY PURPOSES

Solvency II assets and liabilities have been calculated in accordance with the valuation principles set out in Articles 75 to 86 of Directive 2009/138/EC.

SUMMARY BALANCE SHEET €000s	SOLVENCY II 31/12/2016	IFRS 31/12/2016
Assets		
Investments (other than assets held for index-linked and unit-linked funds)	8,412	-
Assets held for index linked and unit linked funds	1,133,398	1,133,398
Loans on policies	25	25
Reinsurance recoverables	(8,188)	-
Deferred acquisition costs	-	35,143
Insurance and intermediaries receivables	722	30,512
Reinsurance receivables	-	8,825
Receivables (trade, not insurance)	561	1,266
Cash and cash equivalents	424	8,836
TOTAL ASSETS	**1,135,354**	**1,218,005**
Liabilities		
Policyholder liabilities / technical provisions	1,081,071	1,129,882
Deferred revenue	-	39,444
Provisions other than technical provisions	300	300
Insurance and intermediaries payables	9,142	25,032
Payables (trade, not insurance)	3,573	3,573
TOTAL LIABILITIES	**1,094,086**	**1,198,231**
NET ASSETS	**41,268**	**19,774**

Table D1 – Summary Balance Sheet

The bases, methods and main assumptions used for the valuation of OMII's assets, technical provisions and other liabilities are consistent with the Solvency II rules and guidance.

D1. ASSETS

Similar to the fair value principles under International Financial Reporting Standards (IFRS), the valuation of assets for Solvency II purposes follows the following hierarchy:

i. Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets;

ii. Level 2 – valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable;

iii. Level 3 – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.

Therefore, mark to model valuation techniques are only used where quoted prices for identical assets and liabilities in active markets are not available. For OMII all assets are valued using Level 1, except:

1. Reinsurance recoverables relating to future reinsurance cash flows are valued using the valuation model and are therefore Level 3.
2. An amount within Assets held for Unit-Linked contracts (€14.5m) which have market prices up to date but have observable pricing frequencies in excess of weekly. These assets are classed as level 2.
3. Private company share holdings (€26.5m), fund holdings where active trading is suspended (€70k) and assets which are priced at market price but the age of the unit price is beyond its normal pricing frequency (€5.2m) are all classed as level 3.

SUMMARY OF ASSETS FOR OMII

€000S ASSETS	SOLVENCY II VALUE 31/12/2016	IFRS VALUE 31/12/2016	DIFFERENCE
Investments (other than assets held for index-linked and unit-linked funds)	8,412	-	8,412
Assets held for index-linked and unit-linked funds	1,133,398	1,133,398	-
Loans on policies	25	25	-
Reinsurance recoverables	(8,188)	-	(8,188)
Deferred acquisition costs	-	35,143	(35,143)
Insurance and intermediaries receivables	722	30,512	(29,790)
Reinsurance receivables	-	8,825	(8,825)
Receivables (trade, not insurance)	561	1,266	(705)
Cash and cash equivalents	424	8,836	(8,412)
Market Value Assets / Total Assets	**1,135,354**	**1,218,005**	**(82,651)**

Table D1.1 – Summary of Assets

D1.1 INVESTMENTS

Investments and securities include unlisted pooled investments and liquid short term money funds.

They are measured at fair value for Solvency II reporting and the valuation method follows the above mentioned hierarchy i.e., where quoted prices in active markets are not available valuation techniques are used. The valuation techniques used include discounted cash flow method, EBITDA multiple, adjusted net asset value, price earnings ratios and third party or fund manager valuation.

Under IFRS, such assets are carried at their fair values.

Certain items classified as cash and Cash equivalents under IFRS are included within Investments under Solvency II.

D1.2 ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED FUNDS

Assets held for index-linked and unit-linked funds are stated under IFRS using the 'fair value through the income statement at initial recognition' option with any resultant gain or loss recognised in the income statement.

The valuation bases at the reporting date were as follows:

- Fixed interest and index-linked securities are valued at quoted bid prices;
- Equities and investment trusts are valued at quoted bid prices;
- Unit trusts are valued at quoted bid prices;
- Open Ended Investment Company (OEIC) assets are single priced funds and are valued at the quoted net asset value per share.

The assets are valued under Solvency II on the same basis.

D1.3 REINSURANCE RECOVERABLES

Contracts with reinsurers are classified as either ceded reinsurance or financial assets and liabilities. Ceded reinsurance contracts include arrangements where regular risk premiums are paid by the company to the reinsurer and an agreed share of claims are paid by the reinsurer to the company; these arrangements are in respect of underlying policies that are classified under Solvency II as insurance contracts.

The value of the benefits that the company is entitled to under the ceded reinsurance arrangements are reported as "Reinsurance Recoverables" under Solvency II. This is calculated as the difference between the insurance contract liability assuming no reinsurance arrangement exists (the 'gross basis') and the liability with explicit allowance for all cash flows relating to the reinsurance arrangement (the 'net basis').

OMII has Reinsurance Recoverables of €(8,188k) at 31 December 2016. This includes intra-group reinsurance recoverable of €8,670k and financial reinsurance of €(16,858k).

The bases, methods and main assumptions used for the valuation of reinsurance recoverables is the same as that used for valuation of technical provisions detailed in Section D2.

D1.4 DEFERRED ACQUISITION COSTS

Deferred acquisition costs are excluded from the Solvency II balance sheet.

Under IFRS, acquisition costs for insurance contracts comprise all direct and indirect costs arising from the sale of insurance contracts, and these are deferred over the period of the contract. Deferral of acquisition costs is limited to the extent that they are deemed recoverable from available future margins.

D1.5 INSURANCE & INTERMEDIARIES RECEIVABLES, REINSURANCE RECEIVABLES AND RECEIVABLES (TRADE, NOT INSURANCE).

Other receivables are non-interest bearing and are stated at their amortised cost, less appropriate allowances for estimated irrecoverable amounts which approximates to fair value.

The valuation basis applies equally to both IFRS and Solvency II, although under Solvency II there is a subsequent reclassification of accrued income on investments and securities to the investments and securities category.

D1.6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried on an amortised cost basis under IFRS and on a fair value basis under Solvency II.

At 31st December 2016, there were no differences in valuation between IFRS and Solvency II, however under Solvency II certain holdings were classified as Investments.

D2. TECHNICAL PROVISIONS

OMII only has unit-linked business and therefore has a single line of business - Index-linked and unit-linked insurance.

The value of the technical provisions corresponds to the amount that would have to be paid to transfer the insurance obligations immediately to another insurance undertaking. This value is calculated in line with Solvency II requirements as the sum of the best estimate liability and risk margin.

€000 TECHNICAL PROVISIONS	SOLVENCY II VALUE
Technical provisions – index-linked and unit-linked	1,081,071
Best Estimate	1,076,923
Risk margin	4,148
TOTAL TECHNICAL PROVISIONS	1,081,071

Table D2 – Summary of Technical Provisions

The best estimate liabilities of €1,076,923k have two components:

- Unit-linked best estimate liabilities of €1,129,882k
- Non-linked best estimate liabilities of € (52,959)k

The unit-linked best estimate liabilities represent the policyholder unit liability as at 31st December 2016, should all policyholders choose to surrender their policies.

The non-linked best estimate liabilities represent the value of future profits (net of expenses) from the unit-linked business, based on the cash-flow projection model. This equals to future product charges (income) less future expenses less future claims in excess of unit reserves.

The risk margin is determined as the present value of the cost of non-hedgeable capital (at 6% p.a.) needed for the full run-off of the liabilities, discounted using the prescribed term-dependent risk free rates.

D2.1 BASES, METHODS AND MAIN ASSUMPTIONS USED FOR TECHNICAL PROVISIONS VALUATION

The assumptions and methodology for the best estimate liability and risk margin are set out in the following sections.

D2.1.1 METHODOLOGY APPLIED IN DERIVING THE TECHNICAL PROVISIONS

D2.1.1.1 BEST ESTIMATE VALUATION METHODOLOGY

OMII calculates the best estimate liability for all policies in-force at the valuation date. Hence the best estimate liability is calculated as the prospective value of future expected cash-flows on a policy-by-policy basis allowing for surrender or transfer payments, income withdrawal, maintenance expenses, fund based fees and other policy charges. The underlying assumptions are based on the best estimate for the future, which is largely based on the current business experience and any emerging trends. The unit fund growth rates (gross of investment charges) and the risk discount rates are set at the prescribed Solvency II risk-free interest rates.

The calculation is carried out gross of reinsurance recoverables and gross of all future tax other than policyholder tax. The value of shareholder tax is calculated separately but consistently with the cash flow gross of taxes and is Included within the deferred tax liability line.

For regular premium products, the allowance for future premiums and benefits within the best estimate liability depends on the Solvency II 'boundary of the contract'. OMII has concluded that long contract boundary conditions apply to regular premium products as these products provide meaningful protection benefits.

For reinsurance recoverables, same contract boundary conditions apply.

D2.1.2 METHODOLOGY APPLIED IN DERIVING THE RISK MARGIN

The risk margin is determined as the present value of the cost of the non-hedgeable solvency capital requirement (at 6% p.a.) needed for the full run-off of in-force liabilities, discounted using the prescribed Solvency II term-dependent risk free rates.

OMII only has unit-linked business and hence all market risks are considered to be hedgeable. All other standalone SCRs are projected forward individually using the appropriate risk drivers. Diversification benefits between the standalone risks are allowed for each future projection period

D2.1.3 KEY ASSUMPTIONS IN DERIVING THE TECHNICAL PROVISIONS

This section covers key assumptions used to derive the best estimate liabilities.

D2.1.3.1 RELEVANT RISK FREE RATE APPLIED IN DERIVING THE TECHNICAL PROVISIONS

OMII used the prescribed Solvency II risk-free interest rate curve for the valuation of its technical provision at 31st December 2016. The unit fund growth rates (gross of investment charges) and the risk discount rates are set equal to the prescribed Solvency II rates.

OMIIs best estimate liabilities are not particularly sensitive to the changes in risk-free interest rate curves. This is because the impacts of changes in the unit growth rates and the risk discount rates have a broadly offsetting effect.

D2.1.3.2 LAPSES

The persistency assumptions determine how long the business is expected to remain on the book. Hence it is an important driver for the future expected profits within the technical provision calculation.

METHODOLOGY

Lapse assumptions are based on historical observed experience and it is a weighted average of the historical experience. It is set by policy duration.

Key changes to assumptions for the year ended 31st December 2016

The lapse assumption has been reviewed in line with the most recent experience. Overall there is a small reduction in surrender rates across products.

D2.1.3.3 EXPENSES

OMII business is a growing book of business. Although it is showing a strong growth in terms of business volumes, it hasn't reached its critical mass in order to cover its expense base. Hence OMII expects an expense overrun for the next 4 years and has set up an expense overrun provision to cover it.

METHODOLOGY

The per-policy expense assumptions are based on actual observed experience (excluding acquisition expenses and one-off expenses), divided by no. of policies. This per policy expense assumption is validated by comparing expense loading to the projected expenses over the business planning period. This is to ensure there is no material expense over-run or under-run over the planning period.

D2.1.3.4 EXPENSE INFLATION ASSUMPTION

Expense per policy assumption is projected to increase in line with the anticipated inflation rates. Expense inflation assumption has increased in line with projected RPI rates.

The methodology applied to determine the expense inflation assumption depends on underlying consumer price inflation (CPI) assumption. This is derived from that implied by index-linked government bonds and fixed interest government bonds of different terms.

The expense inflation assumption is set to a percentage addition to the projected CPI rates and is therefore also term dependent. This reflects that the main cost base of OMII is made up of salaries (direct and indirect), which generally inflate at a slightly higher rate than the consumer price inflation.

D2.2 UNCERTAINTY ASSOCIATED WITH THE VALUE OF TECHNICAL PROVISIONS

OMII is a unit-linked business and as such there is, in absolute terms, little uncertainty for the value assigned to the technical provisions with the value of the unit-linked liability being equal and opposite to the assets held.

Despite that a large part of the technical provisions is unit-linked liability, the own funds for OMII, €41,268k at 31st December 2016 is largely dependent on the best estimate assumptions used to calculate the best estimate liability.

Excluding unit funds the uncertainty present in the technical provisions is driven from:

a. Economic uncertainty on future income from unit funds.

b. Assumptions used to model future cash flows (as set out in Section D2.1.3). These assumptions are set based on current experience on a best estimate basis.

The valuation uncertainty will mainly affect the non-linked best estimate element of technical provisions with a second order effect on risk margin for OMII.

Sensitivity tests on the assumptions are carried out to ensure the uncertainties are well understood and incorporated in capital and risk management of the business.

D2.3 DIFFERENCES BETWEEN SOLVENCY II & IFRS BASES, METHODS AND ASSUMPTIONS

The table below provides the breakdown of the technical provisions for solvency II basis and IFRS basis.

€000 LIABILITIES	
Net IFRS Insurance Contract Liabilities	**1,121,057**
Adjustment for Solvency II	-44,134
Gross BEL (Solvency II Liabilities to Policyholders)	**1,076,923**
Add Risk Margin	4,148
Solvency II Technical Provisions	**1,081,071**

Table D2.3 – Summary of Technical Provisions (Solvency II v/s IFRS)

OMII uses IFRS accounting as its statutory accounts basis. The IFRS value of net technical provisions is €1,121,057k which is based on the value of unit reserves (excluding reinsured unit-reserves).

The differences in value of technical provisions in moving from IFRS basis to Solvency II basis is as follows:

Adjustment for Solvency II - The adjustment for Solvency II includes allowance for future profits, for unitlinked business under Solvency II, compared to IFRS basis, reduces the technical provisions for OMII by €44,134k.

Addition of Risk Margin - The addition of the risk margin under Solvency II basis increases the technical provisions by €4,148k, compared to the IFRS basis.

D2.4 USE OF TRANSITIONALS DEDUCTION, MATCHING ADJUSTMENT, VOLATILITY ADJUSTMENT AND TRANSITIONAL ON INTEREST RATE

OMII does not use transitionals deduction, matching adjustment, volatility adjustment and transitional on interest rate.

D2.5 REINSURANCE RECOVERABLES

Reinsurance recoverables are calculated on the same basis as gross best estimate liabilities, described above. Reinsurance recoverables are reported as an asset on the balance sheet.

Further details are provided in Section D1.3.

D3. OTHER LIABILITIES

€000 LIABILITIES	SOLVENCY II VALUE	IFRS VALUE	DIFFERENCE
Provisions other than technical provisions	300	300	-
Insurance & intermediaries payables	9,142	25,032	(15,930)
Payables (trade, not insurance)	3,573	3,573	(0)
Deferred fee income	-	39,444	(39,444)
TOTAL OTHER LIABILITIES	**13,015**	**68,349**	**(55,334)**

Table D3 – Other Liabilities - Solvency II v/s IFRS

The table above sets out the value of other liabilities. This section covers a description of the bases, methods and main assumptions used for their valuation for solvency purposes compared to the approach taken in their valuation in the financial statements.

D3.1 SPECIFIC ITEMS

For many of the liabilities that are not technical provisions the treatment between measures (i.e. solvency basis compared to the financial statements) is identical in conformity with International accounting standards.

'Insurance & intermediaries payables', and 'Payables (trade, not insurance)' are non interest-bearing and are stated at their amortised cost which is not materially different to cost and approximates to fair value for both IFRS and Solvency II.

There are two items of other liabilities where the treatment differs between the bases:

- 15.9m allowed for in the statutory accounts within 'Insurance and intermediaries payables'. This relates to financing reinsurance balances which, due to insignificant transfer of risk inherent in the contract, is treated as a payable under IFRS. Under solvency II this balance is included as a negative reinsurance recoverable and valued as described in Section D1.6.
- 39.4m allowed for in the statutory accounts for 'Any other liabilities, not elsewhere shown'. This covers the deferred future income (DFI) which is part of the statutory accounts but not relevant to the solvency II balance sheet.

D4. ALTERNATIVE METHODS FOR VALUATION

OMII's valuation of assets and liabilities are described in the above sections. No other alternative methods of valuation are used.

D5. ANY OTHER INFORMATION (SFCR)

This section provides any other material information regarding the valuation of assets and liabilities for solvency purposes.

D5.1 FUTURE MANAGEMENT ACTIONS

The calculations assume no future management actions are applied.

D5.2 ASSUMPTIONS ABOUT POLICYHOLDERS' BEHAVIOUR

No assumptions are made on dynamic policyholders' behaviour as the technical provisions are modelled deterministically.

SECTION E
CAPITAL MANAGEMENT

E1. OWN FUNDS

E1.1 MANAGEMENT OF CAPITAL OVER THE REPORTING PERIOD

OMII CAPITAL MANAGEMENT STRATEGY

OMII is a regulated entity within the Old Mutual Wealth ('OMW') division of Old Mutual plc. The strategy for managing capital across OMW has been to ensure sufficient capital exists within each regulated entity to meet the relevant regulatory capital requirements for that entity together with a capital buffer to protect against unexpected adverse events. The target capital requirement for each regulated entity consists of the regulatory capital requirement plus the capital buffer.

Any surplus capital above the target capital requirement is paid as a dividend from the regulated entity and then ultimately to Old Mutual plc, subject to the availability of distributable reserves and the medium term capital requirements of the business. When assessing the medium term capital requirements of the business the capital position of the individual entities and the OMW Group are projected over a **3 year period,** taking into consideration future projected profits, restrictions on the movement of capital and cash, and known or anticipated changes in the capital requirements of the business.

The target solvency range for OMII is set at **180% - 200%.**

The target solvency range ensures that the company remains solvent under a number of selected stress scenarios over the 3-year planning period (after allowing for any management actions).

When needed, transfer of capital between solo entities within OMW takes place.

OMII paid no dividend in 2016.

The actual capital position for each operating entity within OMW is monitored through the CMF (Capital Management Forum), local boards and the OMWML BRC on a quarterly basis.

The CMF is responsible for reviewing and monitoring the adequacy of capital within the OMW business units and meets on a monthly basis. Examples of areas that would typically be considered by the CMF include reviewing capital/liquidity stress testing, monitoring credit risk exposures and reviewing capital plans over the business planning period. The CMF is attended by a number of senior representatives from each of the solo entities to ensure there is appropriate representation from across the business. The CMF is not a formal board committee but operates in line with the authority delegated to the OMWML CFO.

The OMII board of directors monitors the current and projected capital position of the company on a quarterly basis and has the ultimate authority to declare dividends or request a capital injection from the parent holding company (subject to approval from the board of the holding company). This frequency of monitoring ensures that any necessary capital injections are understood and planned for well in advance of being required which ensures the company remains above its target solvency levels.

The capital position of OMII is also monitored on a monthly basis by the OMII CFO. The capital position is based on a combination of actual and estimated information (based on appropriate drivers such as market levels and new business volumes). This provides an early warning system that will detect any unexpected deterioration in the solvency position of the company. Should such a deterioration be detected a sub-committee of the board will be convened to consider whether any additional capital injections are necessary.

E1.2 ANALYSIS OF CHANGE (OWN FUNDS, SCR AND MCR)

The table below summarises the change, by tier, of the Own Funds, SCR and MCR for OMII.

€000	31/12/16		31/12/15		CHANGE	
	SOLVENCY II	IFRS	SOLVENCY II	IFRS	SOLVENCY II	IFRS
Assets	1,135,354	1,218,005	776,062	825,826	359,292	392,179
Liabilities	1,094,086	1,198,231	738,023	805,914	356,063	392,317
EXCESS FUNDS	**41,268**	**19,774**	**38,039**	**19,912**	**3,229**	**(138)**
Basic Own Funds	41,268		38,039		3,229	
Basic Own Funds adjustments	0		0		0	
Ancillary Own Funds	0		0		0	
AVAILABLE OWN FUNDS	**41,268**		**38,039**		**3,229**	
Classified Own Funds	0		0		0	
Tier 1	41,268		38,039		3,229	
Tier 2	0		0		0	
Tier 3	0		0		0	
SOLVENCY CAPITAL REQUIREMENT	**14,349**		**14,048**		**301**	
ELIGIBLE OWN FUNDS	**41,268**		**38,039**		**3,229**	
Classified Own Funds	0		0		0	
Tier 1	41,268		38,039		3,229	
Tier 2	0		0		0	
Tier 3	0		0		0	
SURPLUS (DEFICIT)	**26,918**		**23,991**		**2,927**	
ELIGIBLE OWN FUNDS AS % OF SCR	**287.6%**		**270.8%**			
MCR	**6,457**		**4,996**		**1,461**	
ELIGIBLE OWN FUNDS AS % OF MCR	**639.1%**		**761.4%**			

Table E1.2 –Own Funds and Surplus

The Solvency II own funds at 31st December 2016 are €41,268k, made up of €635k of share capital and €40,633k of reconciliation reserve, both of which are Tier 1 own funds.

The Own Funds at 31st December 2015 were €38,039k, which represents an increase of €3,229k in 2016. This is mainly due to strong new business growth but partly offset by negative impact as a result of setting up an expense overrun provision.

The Solvency Capital Requirement (SCR) at 31st December 2016 is €14,349k. The SCR at 31st December 2015 was €14,048k.

At 31st December 2016, OMII has a solvency coverage ratio of 288% compared to a coverage ratio of 271% at 31st December 2015.

OMII has retained sufficient capital to cover both the MCR and SCR over the period analysed and is therefore compliant with the SCR & MCR requirements. The opening and closing coverage ratios are given in the table E1.2.

E1.2.1 ANALYSIS OF CHANGE FROM IFRS EQUITY TO BASIC OWN FUNDS

£000s	31/12/2016
IFRS equity	**19,774**
Difference due to Technical Provisions	39,986
Difference due to Reinsurance Recoverables	-8,188
Difference due to Other Payables	15,890
Difference due to Deferred Acquisition Costs, Fee Income Receivable and Deferred Fee Income	-26,194
Basic Own Funds	**41,268**
Eligibility Deductions	0
Eligible Own Funds	**41,268**

Table E1.2.1 IFRS equity to Basic Own funds

The table overleaf covers the quantitative differences between equity as shown in OMII's financial statements and the excess of assets over liabilities as calculated for solvency purposes.

Stepping from the IFRS equity from financial statements OMII allows for items that are not included in the financial statements, items that need to be removed and differing treatment of items between bases. Specifically these are:

- The addition of future anticipated profits in the solvency basis not included in the financial reporting basis. The addition of the risk margin (detailed in section D2.3) as this is a Solvency II requirement and not relevant for IFRS.
- Difference in reinsurance recoverables between the IFRS and Solvency II basis.
- Deferred acquisition costs and deferred fee income are not included in the Basic Own Funds.

E1.2.2 OTHER ITEMS APPLIED TO OWN FUNDS

OMII is not using transitional arrangements referred to in Articles 308b(9) and 308b(10) of Directive 2009/138/EC.

OMII is not holding any ancillary own funds.

OMII is not deducting any items from own funds.

E1.2.3 RECONCILIATION RESERVES

The table below shows the Own Funds are made up of Share Capital of €635k and Reconciliation Reserve of €40,633k.

€000s	31/12/2016
Available Own Funds	
Share Capital	635
Reconciliation Reserve	-51,158
Other items approved by supervisory authority as basic own funds	91,791
Available Own Funds	**41,268**

Table E1.2.3 Available Own Funds

The Reconciliation Reserve equals the total excess of assets over liabilities, net of Share Capital.

E2. SOLVENCY CAPITAL REQUIREMENTS AND MINIMUM CAPITAL REQUIREMENT

This section provides information on SCR and MCR over the reporting period.

E2.1 DETAIL ON THE CAPITAL REQUIREMENTS FOR OMII

€000	STANDARD FORMULA OR INTERNAL MODEL	31/12/2016	31/12/2015	CHANGE
Available Own Funds		**41,268**	**38,032**	**3,236**
Solvency capital requirement		**14,349**	**14,048**	**301**
Market risk SCR Module	Standard Formula	8,190	10,070	-1,880
Life underwriting risk SCR Module	Standard Formula	9,086	6,583	2,503
Operational risk SCR Module	Standard Formula	613	472	141
Counterparty default risk SCR Module	Standard Formula	210	710	-500
Diversification		-3,749	-3,787	38
Allowance for Deferred Tax Liability offset		0	0	0
Solvency capital requirement Supervisory Capital Add-on		0	0	0
Minimum Capital Requirement		**6,457**	**4,996**	**1,460**
Surplus		**26,919**	**23,984**	**2,936**
Eligible Own Funds as % of SCR		**288%**	**271%**	

Table E2.1 – Summary of SCR, MCR for OMII

OMII uses the Standard Formula specified by EIOPA to calculate the Solvency Capital Requirement (SCR). Therefore, at 31st December 2016 OMII is using the standard parameters and procedures specified by EIOPA for calculating the Solvency Capital Requirement.

OMII is not using the duration-based equity risk sub-module.

OMII does not use an internal model for the purpose of Solvency II reporting.

Also, at 31st December 2016 OMII is not required to hold capital add-ons in excess of SCR.

E2.2 CALCULATION OF MCR

The MCR is calculated using a formulaic approach subject to an overall minimum of €3.7m and a maximum of 45% of SCR.

The approach to calculate the MCR, in addition to the above inputs, requires calculation of the linear formula component of MCR (**MCR** *linear*) which is equal to MCR subject to not breaching the minimum and maximum limits defined above. This is calculated by applying factors to the technical provisions without risk margin but net of reinsurance.

As OMII doesn't have exposure to non-life insurance business, the formula requires only the following inputs:

MCR *linear* = 0.007 x Index-linked and unit-linked insurance obligations
+ 0.021 x Other life (re)insurance and health obligations
+ 0.0007 x Capital at risk for all life (re)insurance obligations

E2.3 EXPLANATION FOR MATERIAL CHANGES TO SCR AND MCR

CHANGES TO MCR

At 31st December 2016 the MCR increased by €1,460k in relation to the last year, as it is observed in Table E2.1.

MCR is driven by the size of technical provisions and SCR. Hence it has changed in line with movement of technical provisions and SCR.

CHANGES TO SCR

At 31st December 2016 the SCR increased by €301k in relation to the last year, as it is observed in Table E2.1.

The market risk SCR has moved from €10,070k at 31st December 2015 to €8,190k at 31st December 2016, a decrease of €1,880k. The main reasons explaining this change are provided in section C1.2.

The life underwriting risk SCR was €6,583k at 31st December 2015 and it was €9,086k at 31st December 2016, an increase of €2,503k. Further details are provided in section C2.2.

E3. ANY OTHER INFORMATION

All material information relating to OMII's capital management has been provided in above sections.

SECTION F
APPENDICES

F1. QUANTITATIVE REPORTING TEMPLATES (QRT) – PUBLIC DISCLOSURE

This appendix contains the following Quantitative Reporting Templates applicable to OMII at 31st December 2016, as required under Solvency II regulations. Any QRTs required by the regulations that are excluded from this list are not relevant to OMII:

1. S.02.01.02 Balance sheet
2. S.05.01.02 Premiums, claims and expenses by line of business
3. S.05.02.01 Premiums, claims and expenses by country
4. S.12.01.02 Life and Health SLT Technical Provisions
5. S.23.01.01 Own funds
6. S.25.01.21 Solvency Capital Requirement - for undertakings on Standard Formula
7. S.28.01.01 Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

All figures are presented in €000's with the exception of ratios that are in percentages.

F2.1 QRT S.02.01.02 BALANCE SHEET

S.02.01.02

BALANCE SHEET

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	0
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	0
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	8,412
Property (other than for own use)	**R0080**	0
Holdings in related undertakings, including participations	**R0090**	0
Equities	**R0100**	0
Equities - listed	**R0110**	0
Equities - unlisted	**R0120**	0
Bonds	**R0130**	0
Government Bonds	**R0140**	0
Corporate Bonds	**R0150**	0
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	6,195
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	2,217
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	1,133,398
Loans and mortgages	**R0230**	25
Loans on policies	**R0240**	25
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	0
Reinsurance recoverables from:	**R0270**	-8,188
Non-life and health similar to non-life	**R0280**	0
Non-life excluding health	**R0290**	0
Health similar to non-life	**R0300**	0
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	0
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	0
Life index-linked and unit-linked	**R0340**	-8,188
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	723
Reinsurance receivables	**R0370**	0
Receivables (trade, not insurance)	**R0380**	560
Own shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0
Cash and cash equivalents	**R0410**	424
Any other assets, not elsewhere shown	**R0420**	0
Total assets	**R0500**	**1,135,354**

		SOLVENCY II VALUE
LIABILITIES		**C0010**
Technical provisions – non-life	**R0510**	0
Technical provisions – non-life (excluding health)	**R0520**	0
TP calculated as a whole	**R0530**	0
Best Estimate	**R0540**	0
Risk margin	**R0550**	0
Technical provisions - health (similar to non-life)	**R0560**	0
TP calculated as a whole	**R0570**	0
Best Estimate	**R0580**	0
Risk margin	**R0590**	0
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	0
Technical provisions - health (similar to life)	**R0610**	0
TP calculated as a whole	**R0620**	0
Best Estimate	**R0630**	0
Risk margin	**R0640**	0
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	0
TP calculated as a whole	**R0660**	0
Best Estimate	**R0670**	0
Risk margin	**R0680**	0
Technical provisions – index-linked and unit-linked	**R0690**	1,081,071
TP calculated as a whole	**R0700**	0
Best Estimate	**R0710**	1,076,923
Risk margin	**R0720**	4,148
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	300
Pension benefit obligations	**R0760**	0
Deposits from reinsurers	**R0770**	0
Deferred tax liabilities	**R0780**	0
Derivatives	**R0790**	0
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance & intermediaries payables	**R0820**	9,142
Reinsurance payables	**R0830**	0
Payables (trade, not insurance)	**R0840**	3,573
Subordinated liabilities	**R0850**	0
Subordinated liabilities not in BOF	**R0860**	0
Subordinated liabilities in BOF	**R0870**	0
Any other liabilities, not elsewhere shown	**R0880**	0
Total liabilities	**R0900**	1,094,086
Excess of assets over liabilities	**R1000**	41,268

F2.2 QRT S.05.01.02 PREMIUMS, CLAIMS AND EXPENSES BY LINE OF BUSINESS

ANNEX I

S.05.01.02		LINE OF BUSINESS FOR: **LIFE INSURANCE OBLIGATIONS**						**LIFE REINSURANCE OBLIGATIONS**		Total
PREMIUMS, CLAIMS AND EXPENSES BY LINE OF BUSINESS		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**	0	0	435,457	0	0	0	0	0	435,457
Reinsurers' share	**R1420**	0	0	108	0	0	0	0	0	108
Net	**R1500**	0	0	435,349	0	0	0	0	0	435,349
Premiums earned										
Gross	**R1510**	0	0	435,457	0	0	0	0	0	435,457
Reinsurers' share	**R1520**	0	0	108	0	0	0	0	0	108
Net	**R1600**	0	0	435,349	0	0	0	0	0	435,349
Claims incurred										
Gross	**R1610**	0	0	42,478	0	0	0	0	0	42,478
Reinsurers' share	**R1620**	0	0	1,366	0	0	0	0	0	1,366
Net	**R1700**	0	0	41,112	0	0	0	0	0	41,112
Changes in other technical provisions										
Gross	**R1710**	0	0	-382,563	0	0	0	0	0	-382,563
Reinsurers' share	**R1720**	0	0	1,141	0	0	0	0	0	1,141
Net	**R1800**	0	0	-383,704	0	0	0	0	0	-383,704
Expenses incurred	**R1900**	0	0	8,152	0	0	0	0	0	**8,152**
Other expenses	**R2500**									**0**
Total expenses	**R2600**									**8,152**

F2.3 QRT S.05.02.01 PREMIUMS, CLAIMS AND EXPENSES BY COUNTRY

ANNEX I
S.05.02.01
PREMIUMS, CLAIMS AND EXPENSES BY COUNTRY

		HOME COUNTRY	TOP 5 COUNTRIES (BY AMOUNT OF GROSS PREMIUMS WRITTEN) - LIFE OBLIGATIONS					TOTAL TOP 5 AND HOME COUNTRY
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400							
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	435,457	0	0	0	0	0	435,457
Reinsurers' share	R1420	108	0	0	0	0	0	108
Net	R1500	435,349	0	0	0	0	0	435,349
Premiums earned								
Gross	R1510	435,457	0	0	0	0	0	435,457
Reinsurers' share	R1520	108	0	0	0	0	0	108
Net	R1600	435,349	0	0	0	0	0	435,349
Claims incurred								
Gross	R1610	42,478	0	0	0	0	0	42,478
Reinsurers' share	R1620	1,366	0	0	0	0	0	1,366
Net	R1700	41,112	0	0	0	0	0	41,112
Changes in other technical provisions								
Gross	R1710	-382,563	0	0	0	0	0	-382,563
Reinsurers' share	R1720	1,141	0	0	0	0	0	1,141
Net	R1800	-383,704	0	0	0	0	0	-383,704
Expenses incurred	R1900	8,152	0	0	0	0	0	8,152
Other expenses	R2500							0
Total expenses	R2600							8,152

F2.4 QRT S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS

Annex I

S.12.01.02 Life and Health SLT Technical Provisions		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations
				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
Technical provisions calculated as a whole	R0010	0	0			0			0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020	0	0			0			0
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Gross Best Estimate	R0030	0		0	1,076,923		0	0	1,076,923
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	0		0	-8,188		0	0	-8,188
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	0		0	1,085,111		0	0	1,085,111
Risk Margin	R0100	0	4,148			0			4,148
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0110	0	0			0			0
Best estimate	R0120	0		0	0				0
Risk margin	R0130	0	0		0		0	0	0
Technical provisions - total	R0200	0	1,081,071			0			1,081,071

		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			
		C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0210	0			0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0220	0			0	0	0
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	R0030		0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080		0	0	0	0	0
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090		0	0	0	0	0
Risk Margin	R0100	0			0	0	0
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0110	0			0	0	0
Best estimate	R0120		0	0	0	0	0
Risk margin	R0130	0			0	0	0
Technical provisions - total	R0200	0			0	0	0

F2.5 QRT S.23.01.01 OWN FUNDS

ANNEX I
S.23.01.01
OWN FUNDS

		TOTAL	TIER 1 - UNRESTRICTED	TIER 1 - RESTRICT-ED	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 (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	635	635		0	
Share premium account related to ordinary share capital	R0030	0	0		0	
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	0				
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	-51,158	-51,158			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	91,791	91,791	0	0	0
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	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	
Total basic own funds after deductions	R0290	41,268	41,268	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	R0400	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	41,268	41,268	0	0	0
Total available own funds to meet the MCR	R0510	41,268	41,268	0	0	
Total eligible own funds to meet the SCR	R0540	41,268	41,268	0	0	0
Total eligible own funds to meet the MCR	R0550	41,268	41,268	0	0	
SCR	R0580	14,349				
MCR	R0600	6,457				
Ratio of Eligible own funds to SCR	R0620	2.88				
Ratio of Eligible own funds to MCR	R0640	6.39				
		C0060				
Reconciliation reserve						
Excess of assets over liabilities	R0700	41,268				
Own shares (held directly and indirectly)	R0710	0				
Foreseeable dividends, distributions and charges	R0720	0				
Other basic own fund items	R0730	635				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0				
Reconciliation reserve	R0760	40,633				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	R0770	373				
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	0				
Total Expected profits included in future premiums (EPIFP)	R0790	0				

F2.6 QRT S.25.01.21 SOLVENCY CAPITAL REQUIREMENT - FOR UNDERTAKINGS ON STANDARD FORMULA

ANNEX
S.25.01.21
SOLVENCY CAPITAL REQUIREMENT - FOR UNDERTAKINGS ON STANDARD FORMULA

		GROSS SOLVENCY CAPITAL REQUIREMENT	USP	SIMPLIFICATIONS
		C0110	C0090	C0100
Market risk	R0010	8,190		
Counterparty default risk	R0020	210		
Life underwriting risk	R0030	9,086	0	0
Health underwriting risk	R0040	0	0	0
Non-life underwriting risk	R0050	0	0	0
Diversification	R0060	-3,749		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	13,736		

Calculation of Solvency Capital Requirement		C0100		
Operational risk	R0130	613		
Loss-absorbing capacity of technical provisions	R0140	0		
Loss-absorbing capacity of deferred taxes	R0150	0		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0		
Solvency capital requirement excluding capital add-on	R0200	14,349		
Capital add-on already set	R0210	0		
Solvency capital requirement	R0220	14,349		
Other information on SCR				
Capital requirement for duration-based equity risk sub-module	R0400	0		
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	0		
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0		
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	0		
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0		

F2.7 QRT S.28.01.01 MINIMUM CAPITAL REQUIREMENT - ONLY LIFE OR ONLY NON-LIFE INSURANCE OR REINSURANCE ACTIVITY

Annex I

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	**R0200**	7,631

		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	0	
Obligations with profit participation - future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	1,085,111	
Other life (re)insurance and health (re)insurance obligations	R0240	0	
Total capital at risk for all life (re)insurance obligations	R0250		50,909

Overall MCR calculation		
		C0070
Linear MCR	R0300	7,631
SCR	R0310	14,349
MCR cap	R0320	6,457
MCR floor	R0330	3,587
Combined MCR	R0340	6,457
Absolute floor of the MCR	R0350	3,700
-	-	C0070
Minimum Capital Requirement	R0400	6,457

F2. GLOSSARY

TERM	DEFINITION
AuA	Assets under Administration
CBI	Central Bank of Ireland
ECaR	Economic Capital at Risk
ERM	Enterprise Risk Management
GOM	Group Operating Manual
IFRS	International Financial Reporting Standards
MCR	Minimum Capital Requirement under Solvency II
OMII	Old Mutual International Ireland dac
OMG	Old Mutual Group
OMW	Old Mutual Wealth (Business Unit of Old Mutual Group)
OMWML	Old Mutual Wealth Management Limited (the sub-group holding company)
ORSA	Own Risk and Solvency Assessment
QROPS	Qualifying Recognised Overseas Pension Scheme
RemCom	Remuneration Committee
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SII	Solvency II