HSBC Life (UK) Limited

Solvency and Financial Condition Report for the year ended 31 December 2023

Contents

Statement of Directors' responsibilities in respect of the Solvency and Financial Condition Report (SFCR)

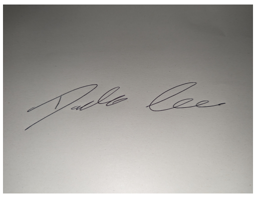
We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

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

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

The SFCR was approved by the Board of Directors and was signed on its behalf by:



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by: Douglas Clow
Date: 2024.04.04
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D A Clow
Director of HSBC Life (UK) Limited

Date: 04 April 2024

Registered Office
8 Canada Square
London
E14 5HQ

Report of the external independent auditors to the Directors of HSBC Life (UK) Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

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

Opinion

We have audited the following documents prepared by the Company as at 31 December 2023:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2023, ('**the Narrative Disclosures subject to audit**'); and

- Company templates S.02.01.02, S.12.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 ('**the Templates subject to audit'**).

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

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

- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;

- Company templates S.05.01.02 and S.05.02.01;

- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement**').

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2023 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Basis for opinion

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

Conclusions relating to going concern

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

- Evaluating management's stress and scenario testing including the Solvency Capital Requirement and Risk Margin. This included consideration of the impact of downside scenarios;
- The review of correspondence with the PRA;
- The review of board papers and attendance at the Risk and Audit Committee ('RAC') meetings;
- The challenge of management's key actuarial assumptions for appropriateness within the current business environment, and;
- An assessment of the balance sheet, liquidity, and solvency position at the year end.

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Directors are responsible for the Other Information.

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

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

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential

Regulation Authority (PRA) and the Financial Conduct Authority (FCA), and we considered the extent to which non-compliance might have a material effect on the Solvency and Financial Condition Report. We also considered those laws and regulations that have a direct impact on the Solvency and Financial Condition Report such as the Solvency II regulations (2015). We evaluated management's incentives and opportunities for fraudulent manipulation of the Solvency and Financial Condition Report (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates. Audit procedures performed included:

- Discussions with the Risk and Audit Committee, management (including those involved in the Risk and Compliance function), and Internal Audit, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Assessment of matters reported on the Company's whistleblowing register and the results of management's investigation of such matters.
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority.
- Reviewing relevant meeting minutes including those of the Board, Risk and Audit Committee, the Executive Committee and Technical Governance Committee, as well as attending the Risk and Audit Committee.
- Reviewing data regarding policyholder complaints, the Company's register of litigation and claims, Internal Audit reports, compliance reports in so far as they related to non-compliance with laws and regulations and fraud.
- Procedures relating to the valuation of technical provisions, in particular mortality, morbidity, and expense assumptions.
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Solvency and Financial Condition Report. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Report on Other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants

London

4 April 2024

Summary

1. Business

The principal activity of HSBC Life (UK) Limited (the "Company") is to carry on the business of life insurance, manufacturing a range of protection and investment products. These products are sold through HSBC UK Bank plc (internal channels), and through external distribution channels. There were no material changes to the business during 2023.

2. Performance

The pre-tax profit of the Company in 2023 was £17.5million (2022: £25.2million). The £7.8million decrease compared to prior year is mainly due to lower net investment return as a result of interest and assumption changes in 2022 which were not repeated in 2023 and were partially offset by higher shareholders asset returns in 2023 as a result of higher interest rates. In Q3 2023 a deferred tax asset was recognised of £104m, relating to historic tax losses.

3. System of governance

The Company's system of governance is well established and has a robust risk management framework that complies with Solvency II and the Senior Managers Certification Regime (SMCR) requirements and also meets the Group standards expected of a systemically important bank such as HSBC Group PLC.

4. Risk profile

The company writes protection and investment business, with limited market exposure, and high levels of re-insurance covering mortality risk. New business volumes, mix, and profitability are a key risk for the Company. Achieving sales growth targets and selling a balanced mix of profitable new business is necessary to sustain the business and cover costs. There are actions underway to achieve this. Other key risks include the growing exposure to third party risk from both an operational and a distribution perspective. Distribution risks should reduce further through sales expansion to large Third Party Mortgage Intermediaries, increasing diversification by intermediary and improving the quality of sales. The recognition of the deferred tax asset in Q3 2023 has changed the required capital profile of the Company – reducing market risk, life underwriting risk and loss absorbing capacity of deferred tax. There have been no other material changes to the Company's risk profile during the year.

The following table shows the make-up of the required capital (standard formula basis) by risk category:

	2023 £Million	2022 £Million
Market Risk	88	149
Life underwriting risk	66	109
Health underwriting risk	37	43
Counterparty risk	7	6
Operational risk (includes Capital Add-on of £18.2m (2022: £18.2m)	26	25
Gross required capital pre-diversification	224	332
Diversification	(57)	(82)
Required capital (pre-tax)	167	250
Loss absorbing capacity of deferred tax	0	(52)
Required capital (post-tax)	167	198

Capital requirements have reduced for the company in the year reflecting the revised treatment of capital held in respect of future capital gains tax fees on the Onshore Investment Bond, which is now held as a Deferred Tax Asset. Under Articles 67, 83 and 207 of the Solvency UK regulations, Basic SCR is based on the impact of a scenario under the assumption that the scenario does not change the value of deferred tax assets and liabilities and that any adjustment for the Loss Absorbing Deferred Tax should be nil for deferred tax asset. Accordingly, previous capital held for market and demographic risks (predominately mass lapse) associated with the future value of capital gains tax fees on the Onshore Investment Bond has been released and the company's LACDT is now floored at zero.

5. Valuation for solvency purposes

IFRS 17 'Insurance Contracts' was implemented in 2023 and processes updated to reflect the change in accounting policy. The update to the accounting policy has not resulted in any material changes to the Company's valuation of assets and liabilities for solvency purposes.

6. Capital management

The Company's solvency capital requirement (SCR) is determined on a standard formula basis with an additional Capital Add-on relating to operational risk.

The target capital level is 157% of the Company's assessment of the capital required, with a minimum absolute target buffer of £50million. Where the actual capital exceeds the target level, a dividend payment should be considered to bring the solvency margin down to the target level. Other considerations such as liquidity, projected new business sales, distributable reserves and reinsurance exposure are all considered when determining what level of dividends can be paid.

The risk appetite is that the solvency margin should remain above 146% of the Company's assessment of the capital required with a minimum buffer of £35m. This is based on a 1 in 10 year event.
The Company has complied with the externally imposed capital requirements to which it is subject at all times during the current and prior financial year.
The Company's capital metrics are summarised below:

	2023	2022
	£'000	£'000
Excess of assets over liabilities	**348,028**	283,220
Restriction for Solvency Purposes	**(72,886)**	-
Solvency Capital Requirement (SCR)	**168,039**	197,938
Solvency Ratio	**164%**	143%
Minimum Capital Requirement (MCR)	**42,010**	49,485

The excess of assets over liabilities has increased in the year, mainly due to the impact of higher market returns, new business sales and changes to the valuation of the risk margin. The Solvency Capital Requirement reduced due to the recognition of the deferred tax asset (DTA) and the corresponding reduction in capital required compared to the previous treatment. Overall, the Solvency Ratio has increased by 21 percentage points.

A. Business and performance

A.1. Business

(a) The name and legal form of the undertaking

HSBC Life (UK) Limited ("the Company") is a limited liability company domiciled and incorporated in the United Kingdom. Its registered office is:

8 Canada Square
London E14 5HQ
United Kingdom

(b) Financial supervision

The Company is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. The registered offices are as follows:

Prudential Regulation Authority
20 Moorgate
London, EC2R 6DA
United Kingdom

Financial Conduct Authority
12 Endeavour Square
London, E20 1JN
United Kingdom

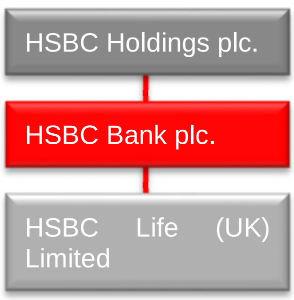
(c) External auditor

PricewaterhouseCoopers LLP is the Company's auditor for the financial year commencing 1 January 2023. The auditor's contact details are as follows:

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT
United Kingdom

(d) Ownership and group structure

The Company is a wholly owned subsidiary of HSBC Bank plc and its ultimate parent company is HSBC Holdings plc.



The registered office of both HSBC Bank plc and HSBC Holdings plc is:

8 Canada Square
London E14 5HQ
United Kingdom

(e) Principal business activities

The Company's principal activity is to carry on the business of life insurance and manufacturing a range of protection and investment products. The protection products that are currently on sale include life cover, critical illness and income protection. The only investment product that is currently on sale is the Onshore Investment Bond.

(f) Significant events

There have been no significant trading events which had a material impact on the Company during 2023. The Company has recognised a significant deferred tax asset in the year, refer to section D below.

A.2. Underwriting performance

The Company conducts its business in the UK only. The underwriting performance is summarised by line of business below:

	Health insurance		Index-linked and unit-linked insurance		Other life		Total	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Premiums written and earned								
Gross	74,344	78,112	411,242	405,799	73,097	71,335	558,683	555,246
Reinsurer's share	(48,243)	(49,692)	(957)	(1,022)	(40,593)	(40,255)	(89,793)	(90,969)
Net	26,101	28,420	410,285	404,777	32,504	31,080	468,890	464,277
Claims incurred								
Gross	(44,807)	(44,885)	(151,189)	(107,787)	(42,781)	(41,353)	(238,777)	(194,025)
Reinsurer's share	34,518	33,104	532	772	32,405	31,938	67,455	65,814
Net	(10,289)	(11,781)	(150,657)	(107,015)	(10,376)	(9,415)	(171,322)	(128,211)
Changes in other technical provisions								
Gross	8,816	2,499	(144,532)	(87,534)	4,030	27,415	(131,686)	(57,620)
Reinsurer's share	(17,250)	4,777	(437)	(220)	(1,329)	(7,209)	(19,016)	(2,652)
Net	(8,434)	7,276	(144,969)	(87,754)	2,701	20,206	(150,703)	(60,272)
Expenses incurred								
Investment management expenses	-	-	(1,528)	(1,416)	-	-	(1,528)	(1,416)
Claims management expenses	(1,697)	(1,559)	-	-	(890)	(776)	(2,587)	(2,335)
Acquisition expenses	(5332)	(6,245)	(12,026)	(10,537)	(12,930)	(12,066)	(30,288)	(28,848)
Admin expenses	(6,744)	(8,044)	(7,193)	(1,149)	(8,543)	(13,789)	(22,480)	(22,982)
Total expenses incurred	(13,773)	(15,848)	(20,747)	(13,102)	(22,363)	(26,631)	(56,883)	(55,581)
Net underwriting performance	(6,395)	8,067	93,912	196,906	2,466	15,240	89,983	220,213

Commentary on material variances

Health insurance gross premiums are marginally lower than prior year due to the declining extant book of business and lower new business sales. Other life gross premiums are marginally higher than prior year as a result of new business sales. The unit-linked Onshore Investment Bond (OIB) sales volumes increased during the year bolstered by improved markets in 2023.

Net claims incurred on health insurance and other life business are broadly in line with prior year. The increase in unit linked business net claims was due to higher surrenders in relation to the Onshore Investment Bond in 2023.

The change in technical provisions under IFRS17 are derived from the net insurance service result and the insurance finance income and expense as opposed to movement in reserves under IFRS 4 as in 2022. Overall, net technical provisions have increased in the year. On unit-linked business, net technical provisions reflect new business sales, which were driven by improved markets in the year. On protection, overall net technical provisions decreased due to the impact of higher interest rates on discounting and new business sales.

A.3. Investment performance

The Company's investment performance is summarised by asset class below:

2023	Government bonds £'000	Corporate bonds £'000	Equity £'000	Investment funds £'000	Cash and deposits £'000	Derivatives £'000	Total £'000
Investment income							
Dividends	-	-	90	16,638	-	-	16,728
Interest	408	1,492	-	14,117	5,502	-	21,519
Net gains and losses	(1,986)	-	614	17,171	-	-	15,799
Unrealised gains and losses	-	2,565	(1,248)	187,964	1,001	-	190,282
Total investment income	(1,578)	4,057	(544)	235,890	6,503	-	244,328
Investment management expenses							(1,528)
Net investment income and expenses	(1,578)	4,057	(544)	235,890	6,503	-	242,800

2022	Government bonds £'000	Corporate bonds £'000	Equity £'000	Investment funds £'000	Cash and deposits £'000	Derivatives £'000	Total £'000
Investment income							
Dividends	-	-	1,726	12,316	-	-	14,042
Interest	-	-	13	5,877	1,225	-	7,115
Net gains and losses	(1,266)	-	6,097	25,058	-	21	29,910
Unrealised gains and losses	24	(1,567)	(11,474)	(261,103)	(332)	-	(274,452)
Total investment income	(1,242)	(1,567)	(3,638)	(217,852)	893	21	(223,385)
Investment management expenses							(1,416)
Net investment income and expenses	(1,242)	(1,567)	(3,638)	(217,852)	893	21	(224,801)

Commentary on material variances
The increase in investment income is largely due to an increase in unrealised gains on investment funds and equities reflecting the positive impact of interest rates and movement in global markets during 2023. There has also been a slight decrease in realised gains during 2023 which is mainly attributable to investment funds and equities.

The investment income table above represents the Company's entire business, in other words all lines of business are included, similar to the underwriting performance above.

The Company does not recognise any gains or losses directly in equity and does not invest in securitisations.

A.4. Performance of other activities

	2023 £'000	2022 £'000
Fee and commission income	3,250	3,000
Total other income	3,250	3,000

Fee and commission income includes fund management based fees and front-end fees.

A.5. Any other information

There is no other material information regarding business and performance that has not already been disclosed in sections A.1 – A.4 above.

B. System of governance

B.1. General information on the system of governance

(a) Structure of the administrative, management or supervisory body (AMSB)

The Company Board of Directors, Chief Executive Officer (CEO) and leadership team are supported by business and risk committees in promulgating a suitable risk management culture to ensure that risks remain within the risk appetite set by the Board. These committees provide the Executive Management Committee (ExCo) and the Board with assurance that, through the risk management policies and practices, risks are being effectively managed. The Company's approach to risk management is driven by the Board and implemented through the Risk Management Framework and Policy (RMF&P) applying a "three lines of defence" model. This model has been updated in line with the SMCR:

- First line of defence functions and committees are responsible for the day to day management, control and reporting of risk exposures. They monitor risks against agreed limits and indicators and review stress and scenario testing of risks, to assess the adequacy of mitigation plans. Key risk issues are reported to the ExCo, the Risk Management Meeting (RMM) and the Board.
- The Risk and Compliance Functions provide second line of defence oversight on all categories of risk exposure to ensure that the risks, and the interdependencies across risks, are effectively managed.
- The third line of defence is provided by HSBC Group Internal Audit. The Head of Internal Audit for the Company reports directly to both the Risk and Audit Committee (RAC) and the Board itself.

The governance committee structure of the Company comprises the Board of Directors, one committee of the Board (RAC) and the Technical Governance Committee (TGC) (which is a subcommittee of RAC), along with a number of other committees that encompass first and second line responsibilities. The Board and Senior Management have a statutory responsibility to manage risk and capital requirements to current regulatory and emerging Solvency II standards, encompassing any outsourced suppliers or support functions that provide services to the Company.

In addition to these committees, underpinning Business and Risk Forums allow technical debate amongst subject matter or risk experts before recommendations or decisions are referred to committees or individuals for approval.

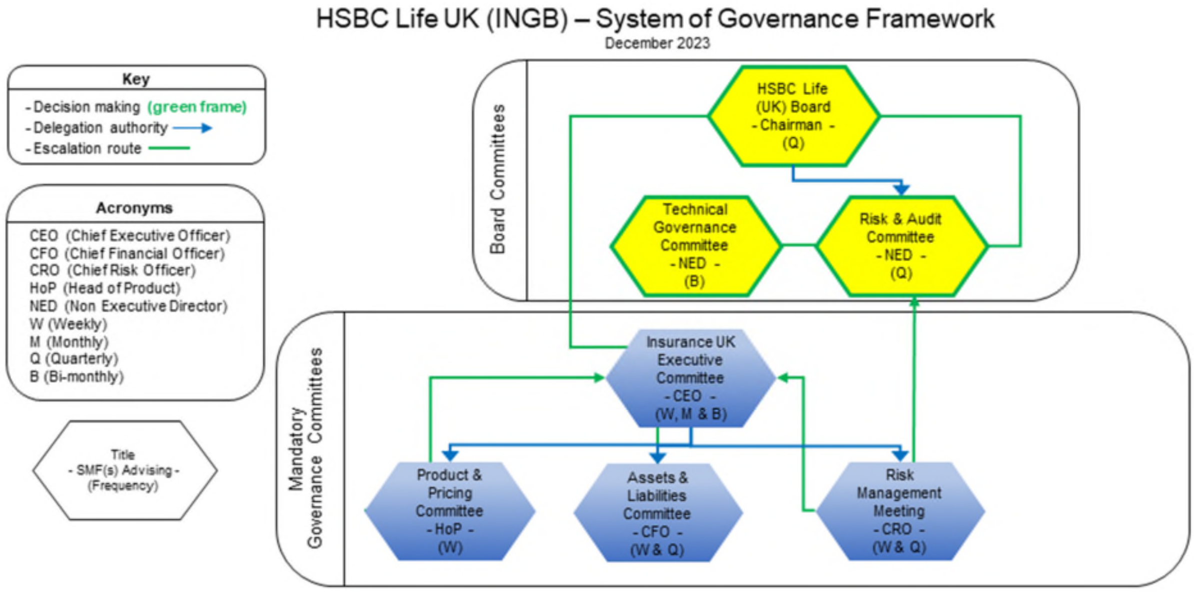
- Technical Governance Committee (TGC)

TGC is a sub-committee of the RAC. The role of TGC is to review and approve technical, governance and financial analysis papers relating to material Model Applications and their components on behalf of the Board and the RAC. The TGC is required to ensure that any material matters are reported to, and considered by, the full Board and the RAC.

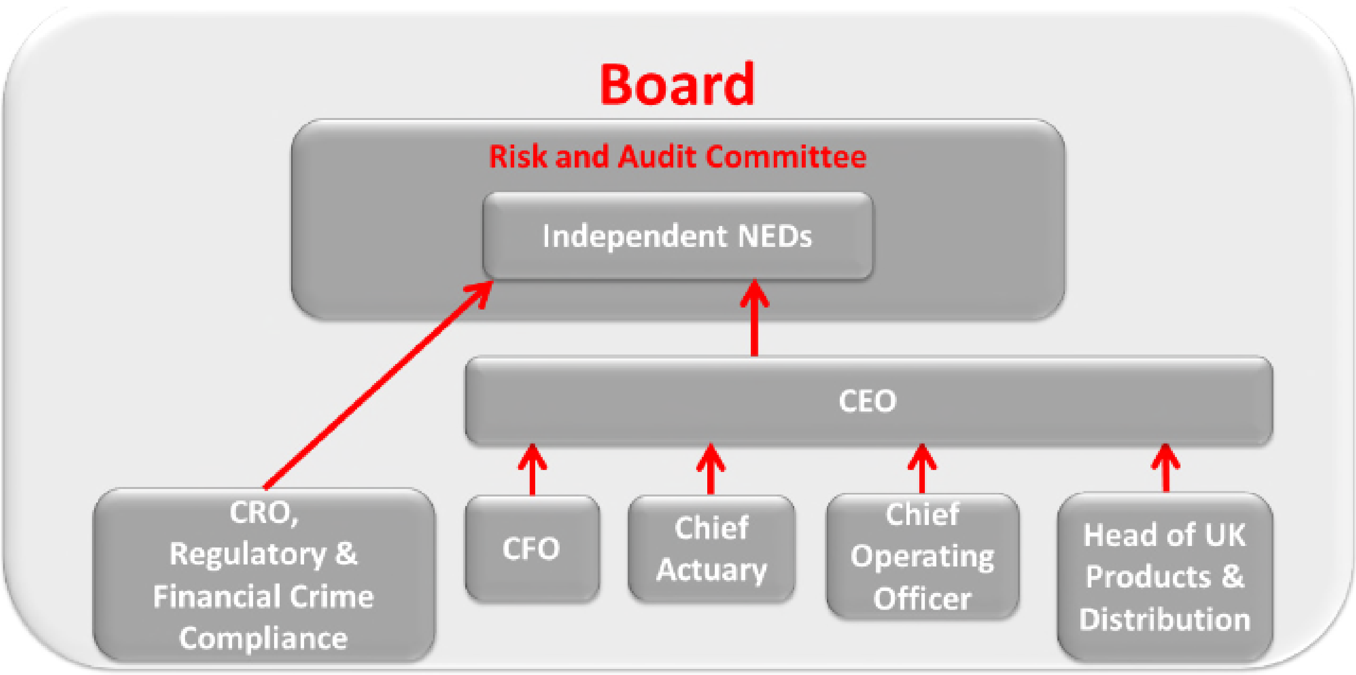
- Board Risk and Audit Committee (RAC)

RAC is the Board Committee that acts on the Board's account in, amongst other matters, the ongoing oversight of Risk Management systems and the effectiveness of the Governance structure, and their ongoing appropriateness for use by the Company's management in the control of the Risks. The RAC is required to ensure that any material matters are reported to, and considered by, the full Board.

The Company's governance committee structure remained unchanged at year end and is detailed in the diagrams below:



The Company's key functions organisational structure is illustrated in the diagrams below:



Internal Audit provides independent assurance and sits outside the management structure and reports to HSBC Global Internal Audit in addition to reporting to the Board.

As part of the regular SMCR requirements Statements of Responsibilities (SoRs) were updated during 2023 but remained largely unchanged compared to prior period.

- Chief Executive Officer (CEO) SMF1

The CEO's specific responsibilities include:

- Carrying out the management of the conduct of the whole of the business;
- The execution of the firm's business model within the Company; and
- Leading the development of the firm's culture and standards in relation to the carrying on of its business and the behaviours of its staff, and for embedding in the day-to-day management of the firm.

- Chief Risk Officer (CRO) SMF4

  The CRO is responsible for overseeing the implementation and ongoing effectiveness of risk management and associated procedures and controls in the Company. This includes the assessment of vulnerabilities through stress-testing and scenario analysis and reporting on this position through the annual Own Risk and Solvency Assessment (ORSA), in accordance with Solvency II Article 45.

- Head of Regulatory Compliance (HoRC) SMF16

The HoRC's specific responsibilities include:

- ➢ Maintain a permanent and effective compliance function which operates independently to assess the adequacy and effectiveness of the measures and procedures put in place and the actions taken to address any deficiencies in the firm's compliance with its regulatory conduct obligations;
- ➢ Advise and assist the relevant persons responsible for carrying out regulated activities to comply with the firm's conduct obligations under the regulatory system; and
- ➢ Ensuring that every person who performs a key function is a fit and proper person.

- Head of FCC (HoFCC) SMF17

The HoFCC's specific responsibilities include:

- ➢ Establishment and maintenance of effective anti-money laundering systems; and
- ➢ Oversight of compliance with the FCA's rules on systems and controls against money laundering.

- Chief Finance Officer (CFO) SMF2

The CFO's specific responsibilities include:
The production and integrity of the Company's financial information and its regulatory reporting, including:

- ➢ the valuation of the assets and liabilities:

(a) assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction;
(b) liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.

- ➢ the management of the allocation and maintenance of the Company's capital and liquidity and for the development and maintenance of the financial aspects of the Company's business model.

- Chief Actuary (CA) SMF20

The CA's specific responsibilities include:

- ➢ The production and integrity of the firm's actuarial information and its regulatory reporting, including: coordinating the calculation of the technical provisions and ensuring the appropriateness of the data, methodologies; underlying models and assumptions made in their calculation, including in those circumstances set out in Article 82 of the Solvency II Directive;
- ➢ Advising the Board on the management of the allocation and maintenance of the firm's capital in so far as it relates to the Company's Technical Provisions; and
- ➢ Oversight of the overall underwriting policy, claims processes and adequacy of reinsurance arrangements.

- Head of Internal Audit (HoIA) SMF5

The HoIA's specific responsibilities include:

- ➢ Provide for an effective internal audit function including the independent evaluation of the adequacy and effectiveness of the internal control system and other elements of the system of governance; and
- ➢ The independent evaluation of the Company compliance with the laws, regulations and administrative provisions adopted.

- Head of Product and Chief Distribution Officer SMF18

The Head of Product and Chief Distribution Officer's responsibilities include:

- ➢ Responsible for leading of the Company's relationship with its third party distribution partners;
- ➢ Responsible for all products sold via the Company's digital and direct to customer sales channels;
- ➢ Responsible for the Company's product manufacturing and sourcing capability for customers;
- ➢ Responsible for setting and implementation of Reinsurance Strategy;
- ➢ Responsible for the management of the firm's reinsurance claims;
- ➢ Responsible for the firm's underwriting policy and strategy;

- Responsible for the firm's reinsurance arrangements;
- Responsible for setting the parameters of the HSBC Group Asset Management (HGAM) and HSBC Group Security Services (HSS) customer funds, against which performance is monitored.

- Chief Operating officer (COO) SMF24

The COO's specific responsibilities include:

- Responsible for the setting, and the delivery, of customer service standards;
- Accountable for ensuring that complaints are correctly identified; investigated thoroughly;
- Responsible for the firm's IT;
- Responsible for the Business Continuity Framework;
- Responsible for ensuring that the firm's underwriting activity is executed in accordance with the firm's underwriting strategy;
- Responsible for overseeing the management of the control environment for the firm's internal operations in order to run and deliver customer operations and help to manage change in the bank;
- Responsible for the outsourcing framework in respect of INGB's strategic and commercial Preferred Service Providers.

- Other Overall Responsibility Function – HR SMF 18
  - Leads and manages the activities of the firm's HR in accordance with the Group's Risk Management Framework.
  - Inputs into and challenges the development of the Global HR Function's plan and provides input into the development of the firm's strategy and risk appetite (which is approved by the firm's Board).

(b) Material changes in the system of governance

There were no material changes to the system of governance.

(c) Remuneration policy (Directors and employees)

The Company has no employees and thus no employee remuneration policy is disclosed. All staff are employed by a fellow subsidiary undertaking and a recharge is made to the Company.

The Directors' remuneration policy can be found in the 2023 Annual Report and Accounts for HSBC Holdings plc in the following section: Corporate Governance, Directors' Remuneration Report, Directors' Remuneration policy.

(d) Material transactions with shareholders, with persons who exercise a significant influence on the Company, and with members of the administrative, management or supervisory body

Refer to the Company's financial statements for the year ended 31 December 2023, Note 21 Related party transactions, for a summary of the material transactions.

(e) Adequacy assessment of the system of governance

The system of governance is well established and each element is considered to be working effectively. A System of Governance Effectiveness Review is undertaken annually by the Risk Function and the findings are presented to the Board. Operating within the strong HSBC Group Values Framework, there is a positive culture of continuous improvement and a focus on conduct risk and ensuring the right outcomes for the customer. Values based performance is linked to remuneration, encouraging desired behaviours. There is evidence of an effective culture of challenge in the business at both the Board and Board committees.

The governance structure and documented controls are assessed to be compliant with the requirements of Solvency II.

The responsibilities of the control functions are well established within the business and were formalised in preparation for Solvency II. As part of SMCR a robust No Gaps exercise was conducted ensuring all areas of the business were fully captured, documented and reflected in the Statement of Responsibilities (SoR) which was first lodged with the FCA during December 2018. These SoRs are reviewed at least annually.

B.2. Fit and proper requirements

(a) Description of the requirements concerning skills, knowledge and expertise applicable to the persons who effectively run the Company or have other key functions

The key functions are encompassed within D.6.2.1.1. Registered Individuals – UK Country Policy, which includes the FCA FIT: Fit and proper test for employee's and senior personnel. The fit and proper test is a test to assess an individual's suitability to perform a specific function. It will vary depending upon the function performed and will include consideration of personal characteristics, level of competence, qualifications and training. In particular, The FCA view important consideration to:

- Honesty;
- Integrity;
- Reputation;
- Competence;
- Capability; and
- Financial soundness.

(b) Description of the process for assessing the fitness and the propriety of the persons who effectively run the Company or have other key functions

The Company is required to implement a range of checks that enable an informed decision to be made about the suitability of an individual for engagement or retention.

The Group has risk assessed all roles as requiring either Standard Vetting or Enhanced Vetting (EV), and has designated a series of vetting checks that enables HSBC to minimise the risk of unsuitable individuals being engaged by the Group in either population. Standard roles will be subject to vetting checks only at point of entry to the Group. EV roles will be subject to checks for both internal and external applicants prior to engagement and repeated every three years whilst the person remains in such a role.

Businesses and Functions must annually review the Enhanced Vetting Role (EVR) definition to ensure that the roles subject to EV continue to properly align with where the risk is perceived to be, and confirm that this review has been undertaken.

Certain roles may require the jobholder to be approved by regulators prior to the person starting in the role. These roles are clearly identified and procedures exist so that the vetting team knows to undertake appropriate checks and regulatory approval is obtained prior to the person starting in the role.

Hiring managers undertake appropriate due diligence on internal candidates using performance management information, rating history, and through review of development plan information.

Performance Management includes, inter alia, objective setting, evidence based assessment against objectives, general performance in role and of values-aligned behaviours.

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

B.3.1 Risk management system

(a) Description of the risk management system

The Company has a Risk Management Framework and Policy (RMF&P) which governs the overall management of risk that the Company takes and holds to achieve its strategic aims. It spans multiple risk types and focuses on optimising the balance and interaction of the different types of risks and between risk and return. The RMF&P provides an effective and efficient approach to govern and oversee the organisation and monitor and mitigate risks to the delivery of the strategy.

The RMF&P promotes increased risk awareness throughout the organisation and facilitates better operational and strategic decision-making, promoting a strong risk culture and ensuring that how the Company operates is consistent with the nature and level of risk that stakeholders are willing to take.

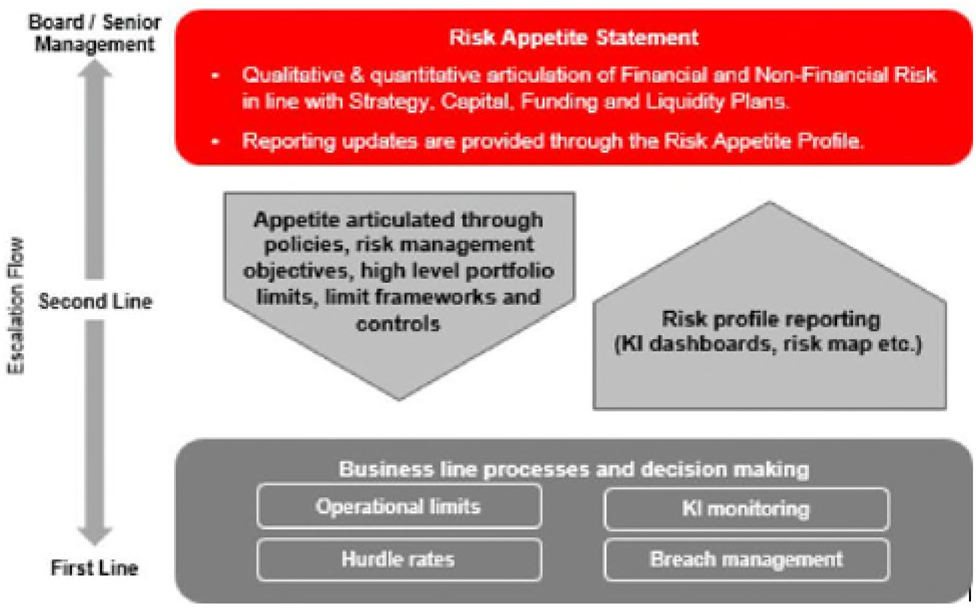
The Company's risk culture and values provide the principles that underpin the RMF&P. The Board sets the Company's strategy, risk appetite, plans and performance targets – in doing this the Board has an essential role in providing the 'tone from the top' to embed the risk culture within the organisation.

Day-to-day responsibility for risk management is cascaded through the delegation of individual accountability, with reporting and escalation facilitated through the Risk Governance structures. Policies, procedures and limits are defined to ensure activities remain within an understood and appropriate level of risk.

Identification, measurement monitoring and reporting of risks is essential to inform day-to-day and strategic decision making. This is supported by an effective system of controls to ensure compliance.

All employees have a role to play in risk management. Fundamental to the RMF&P is the implementation and operation of the three lines of defence model that takes into account the Company's business and functional structures. The model delineates management accountabilities and responsibilities over risk management and the control environment thereby creating a robust control environment to manage inherent and emerging risks.

The diagram below illustrates the risk management framework:



Risk Appetite is the Board's articulation of accepted and tolerated levels of risk and return on an enterprise wide perspective. Risk Appetite provides the anchor between the Strategy, Risk and Finance, enabling senior management to optimally allocate capital to finance strategic growth within tolerated risk levels.

Risk Appetite contributes significantly to a strong and integrated risk management framework and risk culture, helping direct and support sustainable growth against the backdrop of a heightened risk environment. Risk Appetite is also used in active risk management, alongside other enterprise risk management.

Define & Enable	HSBC's culture is rooted in our purpose and shaped by our values: We value difference; We succeed together; We take responsibility and We get it done. These guide us in all our actions, underpin our culture and set out the behaviours we expect. We use three Lines of Defence to define roles, responsibilities and clear accountabilities. There must be a clear segregation between risk ownership, risk oversight and stewardship and independent assurance to help support effective identification, assessment, management, and reporting of risks. The use of a Risk Taxonomy helps ensure consistency and comparability in risk categorisation. Our Risk Appetite articulates the level and types of risks that we are willing to take in order to achieve our strategic objectives. Policies and procedures support our management of risk and are critical to controlling our risks effectively in line with our risk appetite. We comply with the letter and spirit of all laws, rules, standards, codes of conduct, regulatory guidance, and regulations which are issued by regulators, government bodies, global organisations or equivalent agencies that have the power to impose legal or regulatory obligations on Group Entities.
Identify & Assess	To run the Company safely and to grow our business sustainably and in line with risk appetite, it is important to identify our risks and assess their potential impacts. Identified risks should have clear ownership, and their potential impacts assessed as part of the Company's risk profile. Proactive management is required of any material risks identified, and whenever possible, immediate action should be taken to limit the impacts on our business and customers.
Manage	Risk Management is the ongoing process involving both the First LOD and Second LOD to ensure we monitor and manage our risks in accordance with our risk appetite and, where necessary, appropriate risk management actions are taken in a timely manner. Risk management activities are undertaken at all levels of the Company and Group to ensure risk exposures are within the risk appetite set for the Company.
Aggregate & Report	Risk reporting enables senior management and stakeholders to make informed decisions by providing insightful analysis from accurate and timely data together with subject matter expert perspectives from across the Three LOD. Risk reporting helps senior management to understand what the top risks are and if they are managed within risk appetite. It also provides visibility of common themes and systemic issues across the organisation, which enables us to manage risks more proactively and effectively.
Govern	This is how we govern risk management, with a specific focus on our formal committee structure and escalation routes.

(b) Description of how the risk management system, including the risk management function, are implemented and integrated into the organisational structure and decision-making processes

Please refer to section B.1(a) above.

B.3.2 Own Risk Solvency Assessment (ORSA)

(a) ORSA process

The ORSA process comprises the following components:

- Identification and assessment of risks (including those that are not considered for regulatory capital purposes) both now and emerging.
- Assessment of data quality.
- Assessment of current solvency needs by quantifying the risks and assessing the financial resources available to meet the capital required.
- Comparison of risk profile to risk appetite, with an explanation of any deviations and actions planned.
- Assessment of any deviation in risk profile from the assumptions underlying the capital requirement.
- Assessment of future solvency needs through production of a projected balance sheet allowing for new business and planned dividends, and an assessment of this against risk appetite.
- Stress and scenario analysis.
- Reconciliation of the Own Economic Capital Balance sheet with the Standard Formula and any other bases used by the Company, including an assessment of the appropriateness of Standard Formula and of the Internal model for the relevant components.
- Validation by both the first line and second line.
- Confirmation of continuous compliance with the regulatory requirements for the Technical Provisions and Capital.

- The results of the ORSA should inform the business strategy and be taken into account on an on-going basis in the strategic decisions of the Company. In particular, it should be taken into account in medium term capital management, business planning and product development and design.
- The ORSA should be challenged and signed off by the Board.

(b) ORSA reviewed and approval by administrative, management or supervisory body

A risk and solvency assessment is performed on a regular basis, no less than annually, and without delay following any change in the risk profile and subsequently approved by the Board of Directors.

(c) Own solvency needs and capital and risk management interaction

The capital requirement is determined by the Standard Formula. The Company has assessed that it should hold additional solvency capital beyond the Standard Formula SCR in relation to operational risk because of the Company's profile and global brand. The Standard Formula is assessed for appropriateness against the risk profile on an annual basis. The operational risk add-on is calculated using a scenario based model which is integrated with the risk management system. Risks are identified, quantified and managed though a Risk Control Assessment process, and for each of the top risks a typical and extreme loss scenario is derived. These scenarios feed into the overall capital required.

The Company holds a capital buffer according to its Capital Policy. This takes into account Risk Appetite, scenario analysis, historic volatility and market practice. The Capital Policy links directly with the Risk Appetite and is monitored via the Risk Management Information. The capital held for each risk is shown in the table in C1.1.b below.

B.4. Internal control system

(a) Internal control system

The Company maintains an robust level of internal control commensurate with the scale and nature of its operations. A proper internal control environment is of fundamental importance and is a process effected by all levels of staff, all of the time. The business must operate, and must be seen to be operating, in an orderly and efficient manner with proper controls in place to safeguard assets, operations and records in order to manage operational risk within appetite and to preserve the integrity of financial reporting.

Internal controls are subject to regular monitoring and include the following:

- personnel – clear and concise operational procedures available to all personnel to ensure that they can understand and carry out their responsibilities effectively and communicate any problems in respect of non-compliance;
- organisational structure - responsibilities and reporting lines are clearly defined and allocated;
- effective communication lines internally that escalate information quickly to the appropriate level;
- segregation of duties and potential conflicts of interest - key duties are segregated; areas of potential conflict are identified and mitigated appropriately;
- authorisation and approval - all transactions require authorisation and approval by an appropriate responsible person;
- an established financial control environment includes routine controls such as reconciliations, audit trails, spot checks with appropriate supervision by management;
- financial reporting is prepared in accordance with Group standards;
- risk assessments cover all risks facing the entity and are reported regularly; and
- business contingency plans are periodically tested to avoid disruption to business and potential losses.

(b) Compliance function

The Head of Regulatory Compliance has specific responsibilities which includes:

- Ensuring that the firm has complied with the regulations, conduct standards and administrative provisions adopted;
- To establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the firm to comply with its conduct obligations under the regulatory system, as well as associated risks, and put in place adequate measures and procedures designed to minimise such risks and to enable the appropriate regulator to exercise its powers effectively under the regulatory system; as well as to enable any other competent authority to exercise its powers effectively;
- To monitor and, on a regular basis, to assess the adequacy and effectiveness of the measures and procedures put in place in accordance with regulatory conduct requirements, and the actions taken to address any deficiencies in the firm's compliance with its obligations;
- To advise and assist the relevant persons responsible for carrying out regulated activities to comply with the firm's conduct obligations under the regulatory system;
- The oversight of Consumer Duty;
- The oversight of the firm's regulatory reporting; and
- The obligation to satisfy itself that every person who performs a key function is a fit and proper person.

B.5. Internal audit function

(a) Internal audit function implementation

It is the policy of the HSBC Group that business units and support functions are audited by Global Internal Audit (GIA) using a risk based approach.

Risks relevant to the business are assessed holistically and on an end to end basis. The in-scope processes, key applications and products are described within the Risk Profiles of the Company.

The Asset Management and Insurance Audit Team (Insurance audit) is a specialist team within GIA which has primary responsibility for determining the annual audit plan and for auditing the UK insurance business. In doing so, it engages with other specialist audit teams to inform and, where necessary support, the audits for the Company. The audit plan is agreed annually with the Risk and Audit Committee.

Other specialist or functional audit teams may also conduct audits covering the Company exclusively, or as part of wider audits.

Insurance audit follows the GIA methodology and Risk Assessments are tailored to meet the Company's specific requirements. This is then reflected in a population of potential audits specific to the Company.

(b) Independence and objectivity

GIA role as the third line of defence is independent of the first and second lines of defence. In cases where GIA performs similar testing or monitoring activities to those undertaken by the first or second lines of defence, these are undertaken as part of GIA's independent assurance role and are not to be relied upon by management as a substitute for, or supplement to, first or second line of defence activities.

The independence of GIA from day-to-day line management responsibility is fundamental to its ability to deliver objective coverage of all parts of the Group. GIA must have an impartial, unbiased attitude and avoid any conflict of interest.

All Internal Audit teams report to the Group Head of Internal Audit either directly or via the Audit Head of a particular Business Line, Business Function, Region or Country and also to their respective Audit and Risk Committees. GIA are standing attendees of the Company's Risk and Audit committee meetings.

GIA is not responsible for the management of risk or the implementation of an effective control framework to mitigate risk to levels deemed to be acceptable to the Group. These areas are the responsibility of the Board and management. Consequently, GIA personnel have no line management reporting responsibilities.

Staff seconded to GIA for particular assignments are required to adopt the same standards and procedures as regards to the independence as permanent staff and are under the direction of GIA management for the duration of their work.

B.6. Actuarial function

The Chief Actuary is responsible for the 1st line calibration of the actuarial elements of all material Model Applications, explicitly including, but not limited to, the Technical Provisions that are held on the Company's Balance Sheet. The Chief Actuary also has oversight duties in relation to key risk management and risk mitigation that impact the model calibration, notably (but not limited to) data accuracy, claims management, underwriting and reinsurance agreements and oversight of product pricing.

B.7. Outsourcing

Outsourcing standards applied by the Company set out a structured approach to the establishment and management of arrangements with service providers. They have been established to ensure the risk from outsourcing does not impair the Company's financial performance or the soundness of the activities and quality of services to customers. Third parties are required to meet HSBC Group standards. These include, but are not limited to, the following areas:

- Secure handling of HSBC and customer information;
- Standards of customer care;
- Continuity of service; and
- Compliance with all applicable laws and regulations.

Key elements of the Company's activities are outsourced to external service providers, either to third parties or to other areas of the HSBC Group. Contractual agreements with third parties are supported by service level agreements while those with other areas of the HSBC Group are documented in Inter group Service Agreement (IGSA).

Service provider performance is monitored on an on-going basis, and a comprehensive dashboard comprising key metrics for each service provider is reviewed quarterly by the UK Insurance Executive Committee (ExCo).

The Company has the following Material Outsourcing Arrangements:

Service provider	
Internal (HSBC Group)	**Description of service outsourced**
1. HSBC UK Bank plc (HBUK)	The Company outsources the provision of a variety of services including complaint handling, financial crime checks and customer service calls HBUK.
2. HSBC Global Services (UK) Limited (ServCo)	The Company outsources management services to ServCo which include product management, customer services (policy underwriting, administration and claims processing), risk management, financial accounting, human resources, property services, IT, investment accounting, unit pricing and offshore operational processing.
3. Other HSBC Group Companies (HSBC Global Asset Management (UK) Limited)	Other Group companies provide asset management services to the Company.
External (Third party)	
1. Outsourced Professional Administration Limited (OPAL)	The Company outsources the administration of the Onshore Investment Bond (OIB) product and the externally distributed HSBC Life Protection Plan (HLP) to an external service provider. The OIB product is sold on three external intermediary platforms which provide custodian and pricing services to the Company.
2. Swiss Re Europe S.A UK Branch.	The Company outsources claims adjudication, administration and complaint handling for HSBC Life Income Protection and Group Income Protection products to a specialist provider of reinsurance of this type of product. The products are largely reinsured by the same provider.
3. Donnelly Financial Solutions UK Limited (DFIN)	DFIN have been engaged to provide the PRIIPs (Regulations for packaged retail investment products) solution for HSBC Life (UK) Limited. This includes the production of the new Key Information Document (KID) as prescribed under the PRIIPS regulation. The services provided by DFIN include obtaining from fund managers data on their funds to produce calculations in fund and product KID's and publishing these documents on the HSBC website. Additionally, DFIN will manage the implementation of the above to include testing of data quality and accuracy before publication.
4. M&G Wealth	The Company has a contract in place with M&G Wealth for the provision of platform services to the Onshore Investment Bond Select (OIB).

All named outsourcing arrangements are domiciled in the UK unless stated otherwise.

B.8. Any other information

There is no other material information regarding the system of governance that has not already been disclosed in sections B.1 – B.8 above.

C. Risk profile

C.1 – C.6. Underwriting, Market, Credit, Liquidity, Operational and other material risks

The following required sections are addressed in sections C1.1-5 below:
C.1. Underwriting risk;
C.2. Market risk;
C.3. Credit risk;
C.4. Liquidity risk;
C.5. Operational risk;
C.6. Other material risks.

C.1.1 Risk exposure

(a) Risk assessment

The Company has categorised risks into high level risk classes to facilitate effective management and to introduce consistency into the risk management process. The risks to which the Company is exposed are set out in section (b) below. Risks are assessed quantitatively where possible and for most this is done by stressing the risks using the EIOPA/PRA defined Standard Formula parameters (now adopted by the PRA) to determine the impact of an extreme event for each risk. This is complemented by other stress testing and management defined scenario analyses. The quantitative assessments are performed on a regular basis and monitored against the Board approved Risk Appetite and Tolerance thresholds. In addition to quantitative assessments, qualitative assessments are performed.

(b) Material risk exposures

The table below sets out the different risks the Company is exposed to along with either the quantitative (standard formula basis) or high level qualitative assessment for each:

Risk class	Scope	High level Assessment
Insurance Underwriting - Claims	The risk due to uncertainties in the occurrence, amount and timing of claim payments. This includes mortality, morbidity and catastrophe risks. The Company has no exposure to longevity risk.	£35million
Insurance Underwriting - Lapses	The risk due to uncertainties in the occurrence, amount and timing of lapses.	£80million
Insurance Underwriting - Expenses	The risk due to uncertainties in the occurrence, amount and timing of expenses.	£23million
Market	The risk of adverse movements in interest rates, market prices, currencies or inappropriate investment practices, causing losses to the Company.	£117million
Counterparty Credit	The risk that a counterparty of the Company will be unable or unwilling to meet a commitment that it has entered into with the Company. This includes Reinsurers, Corporate Bond Investments and intermediary clawback due to indemnity commission.	£7million
Liquidity	The risk that the Company, although solvent, either does not have sufficient financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost.	The Company holds sufficient liquid funds such that no additional capital is required.
Strategic	The risks to business plans and strategic objectives resulting from poor execution, inability to adapt to changes in external environment, or failure to meet stakeholder expectations.	This is assessed through scenario analysis and the conclusion is that solvency can be maintained within the next five years, however poor strategic execution could lead to lower profits and increased expense risk.
Operational	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.	£26million. The Standard Formula assessment is £8.1m, but the voluntary capital-add on of £18.2million is currently held to cover the deficiencies in the Standard Formula capital calibration for this risk.

The high level assessment figures don't allow for diversification within each risk class stated above, except for operational risk which is shown net of all diversification (for consistency with reported figures).

The company writes protection and investment business, with limited market exposure, and high levels of re-insurance covering mortality risk. New business volumes, mix, and profitability are a key risk for the Company. Achieving sales growth targets and selling a balanced mix of profitable new business is necessary to sustain the business and cover costs. There are actions underway to achieve this. Other key risks include the growing exposure to third party risk from both an operational and a distribution perspective. Distribution risks should reduce further through sales expansion to large Third Party Mortgage Intermediaries, increasing diversification by intermediary and improving the quality of sales. The recognition of the deferred tax asset in Q3 2023 has changed the required capital profile of the Company – reducing market risk, life underwriting risk and loss absorbing capacity of deferred tax. There have been no other material changes to the Company's risk profile during the year.

(**c) Investments in accordance with the 'prudent person principle'**

For the assets backing the Technical Provisions and Own Funds, the Company's Investment Strategy is to maximise return subject to adhering to the Company's Risk Appetite and the Prudent Person Principle. The key elements of the Investment Strategy are to:

- Ensure sufficient levels of liquid assets are held to meet all claims and expenses arising as part of normal business activity both as they fall due and in a stressed scenario;
- Manage interest rate risk and liquidity risk over the long term, primarily through matching net non-linked liabilities on a realistic basis (where positive) with assets of similar duration, yield and currency as far as possible;
- Cover the (non-negative) technical provisions, SCR and risk margin with sterling denominated assets of appropriate quality, liquidity and volatility;
- Limit investment credit risk by investing within the credit rating limits in the Company's latest approved Investment Credit Risk Mandate;
- Invest only in instruments and funds which are within our approved Market Risk Mandate where we are able to identify, assess and monitor the inherent risks of that investment; and
- Adhere to HSBC Group Guidance on Sustainability and Prohibited Investment List.
- Subject to the above, choose assets to maximise yields, where possible.

The application of the Investment Strategy and Policy results in investment in liquid high quality assets.

C.1.2. Material risk concentrations

There is a catastrophe concentration risk due to the large number of employees at the head office with staff insurance benefits. Capital for this is calculated based on the Standard Formula catastrophe scenario and the capital is held within the insurance underwriting risk capital component. This risk is materially reinsured, using three reinsurers to reduce concentration to any one reinsurer. Note that this risk has significantly reduced due to hybrid working, but the capital requirements are unaltered pending plans for HSBC to move to a new Head Office.

C.1.3. Risk mitigation techniques

The key risk mitigating technique is reinsurance, exchanging mortality and morbidity risks for counterparty risk. The Reinsurance Strategy sets out the approach and factors considered in the usage of reinsurance. Reinsurance management information is monitored in the Risk Appetite on a quarterly basis, with escalations occurring, where necessary, to the RMM.

C.1.4. Expected profit included in future premiums (EPIFP)

The total amount of the expected profit included in future premiums is £150.0m as at December 2023 (December 2022: £167.9m). The fall in EPIFP is due to the aging profile of the portfolio alongside the approach whereby only product groups with a negative BEL are included in EPIFP and the values are gross of reinsurance. There were no changes to the underlying calculation methodology.

The Company estimates the EPIFP by applying the following assumptions:

- Unit-linked life business: No profit is attributable to future premiums; and
- Non-linked regular premium business: All future profits are attributable to future premiums.

C.1.5. Stress testing and sensitivity analysis

A suite of testing is carried out which includes:

- Single risk stress tests;
- Multi-risk scenarios;
- Projected strategic risk scenarios;
- Business failure testing;

- Liquidity testing.

The scenarios are defined by management workshops with representatives from around the business.

The table below shows the impact of a various adverse shocks for each of the key risks:

	Impacts			
	Own Funds £million	**Net Capital Required £million**	**Free Assets £million**	**Impact on Solvency Margin %**
September 2023 economic balance sheet set at Solvency Risk Appetite level of 146%	**235.8**	**161.5**	**74.3**	**146%**
Insurance underwriting risk shocks				
*Death and disability claims increase by 10% in all future periods and no premium reviews	(10.8)	(0.1)	(10.7)	(7%)
*Death and disability claims increase by 10% in all future periods and premiums are reviewed	(6.6)	(0.5)	(6.1)	(4%)
**A pandemic results in the death of 65 out of every 100,000 people over a short period	(3.8)	0.0	(3.8)	(2%)
*Lapses reduce by 13% in all future periods	2.8	8.3	(5.5)	(6%)
Expenses +7% with +70bps inflation	(8.4)	0.4	(8.8)	(6%)
Market risk shocks				
25% immediate fall in equity & property markets	(27.7)	(23.0)	(4.7)	2%
Interest rates are 88 basis points lower in all future periods	(0.7)	5.5	(6.2)	(6%)
Credit risk shock				
Increase in commission default on HLP (from 10% to 25%)	(1.3)	0	(1.3)	(1%)
Credit spreads +50bps	(2.6)	0.0	(2.6)	(2%)
Operational risk shock				
Operational risk: highest moderate event	(14.3)	0.0	(14.3)	(9%)
**These sensitivities were not re-run for 2023 and include the 2021 impacts *These sensitivities were not re-run for 2023 and include the 2022 impacts				

The date of the sensitivities is aligned to the ORSA and based on Q3 balance sheet. This is then trued up to allow for the deferred tax asset impacts and an assumed artificial dividend to take the base position down to the risk appetite of 146%

The above sensitivities are set at a 1 in 20 likelihood. In addition, other scenarios were produced scenarios testing volumes and profitability risks in the medium term. These all demonstrate that the Company is well capitalised and this is projected to remain the case over the business planning horizon. Reinsurance mitigates the impact of mortality and morbidity risks and although equity risk does have a significant impact on surplus, the solvency is much less sensitive due to the offsetting capital impacts. Scenarios with greater impacts emerging over time can be mitigated by management actions. The capital buffer is sufficient to absorb a moderate stress or scenario.

The climate risks to which the Company is exposed are mainly market, credit and reputational risks. Market and credit risks have limited impact on solvency. Direct physical risks (increased mortality and morbidity) are longer term and mitigated via reinsurance. There is indirect exposure via the reinsurers who may be more exposed to climate risk on their general insurance portfolios, but this is mitigated by using reinsurers with high credit ratings. Overall, the Company is not materially exposed to the risks of climate change.

C.7. Any other information

There is no other material information regarding risk profile that has not already been disclosed above.

D. Valuation for solvency purposes

Below is the solvency and financial statement balance sheets as at 31 December 2023 which illustrates the differences between the two bases due to reclassification and valuation adjustments:

Balance sheet	*Valuation reference*	Solvency £'000	Financial statements £'000	Difference £'000	Reclassification adjustments £'000	Valuation adjustments £'000	*Note*
Assets							
Deferred acquisition costs		0	0	0	0	0	
Deferred tax assets		98,092	88,456	9,636	0	9,636	D.1.(b)2
Investments (other than assets held for index-linked and unit-linked funds)	*D1.1.*	208,870	3,136,464	(2,927,594)	(2,927,594)	0	
- Equities		0	0	0	0	0	
- Government Bonds		4,932	4,739	193	193	0	
- Corporate Bonds		36,858	36,215	643	643	0	
- Investment funds		115,121	3,095,510	(2,980,389)	(2,980,389)	0	
- Derivatives		0	0	0	0	0	
- Deposits other than cash equivalents		51,959	0	51,959	51,959	0	
- Other investments		0	0	0	0	0	
Assets held for index-linked & unit-linked funds	*D1.1.*	3,033,253	0	3,033,253	3,033,253	0	
Loans & mortgages to individuals		0	0	0	0	0	
Reinsurance recoverables from:							
Life and health similar to life, excluding index-linked and unit-linked	*D.1.2, D.2*	16,749	168,282	(151,533)	0	(151,533)	
- Health similar to life	*D.1.2, D.2*	20,278	0	20,278	0	20,278	D.1.(b)2
- Life excluding health and index-linked and unit-linked	*D.1.2, D.2*	(3,529)	168,282	(171,811)	0	(171,811)	D.1.(b)2
Life index-linked and unit-linked	*D.1.2, D.2*	(3,312)	0	(3,312)	0	(3,312)	D.1.(b)2
Insurance & intermediaries receivables	*D1.3*	532	0	532	0	532	
Reinsurance receivables	*D1.3*	38,914	11,469	27,445	0	27,445	D.1.(b)3
Receivables (trade, not insurance)	*D1.3*	1,397	2,830	(1,433)	(1,657)	224	D.1.(b)3
Cash and cash equivalents	*D1.4*	64,636	168,523	(103,887)	(103,887)	0	
Any other assets, not elsewhere shown		0	0	0	0	0	
Total assets		**3,459,131**	**3,576,024**	**(116,893)**	**115**	**(117,008)**	
Liabilities							
Technical provisions - life (excluding index-linked and unit-linked)		23,487	0	23,487	0	23,487	
Technical provisions - health (similar to life)		7,611	0	7,611	0	7,611	
- TP calculated as a whole		0	0	0	0	0	
- Best Estimate	*D.2*	1,661	0	1,661	0	1,661	D.1.(b)2
- Risk margin	*D.2*	5,950	0	5,950	0	5,950	D.1.(b)2
Technical provisions - life (excluding health and index-linked & unit-linked)		15,876	0	15,876	0	15,876	
- TP calculated as a whole		0	0	0	0	0	D.1.(b)2
- Best Estimate	*D.2*	8,334	0	8,334	0	8,334	D.1.(b)2
- Risk margin	*D.2*	7,542	0	7,542	0	7,542	D.1.(b)2
Technical provisions - index-linked & unit-linked		2,972,011	3,211,947	(239,936)	0	(239,936)	
- TP calculated as a whole		3,027,606	3,211,947	(184,341)	0	(184,341)	D.1.(b)2
- Best Estimate	*D.2*	(62,063)	0	(62,063)	0	(62,063)	D.1.(b)2
- Risk margin	*D.2*	6,468	0	6,468	0	6,468	D.1.(b)2
Provisions other than technical provisions		54	54	0	0	0	
Deferred tax liabilities	*D.3.1*	23,686	0	23,686	0	23,686	D3.1
Derivatives		0	0	0	0	0	
Debts owed to credit institutions		115	0	115	115	0	
Insurance & intermediaries payables	*D.3.2*	47,098	15,725	31,373	0	31,373	D.1.(b)4
Reinsurance payables	*D.3.2*	9,408	9,408	0	0	0	
Payables (trade, not insurance)	*D.3.2*	35,244	32,991	2,253	0	2,253	D.1.(b)4
Any other liabilities, not elsewhere shown		0	19	(19)	0	(19)	
Total liabilities		**3,111,103**	**3,270,144**	**(159,041)**	**115**	**(159,156)**	
Excess of assets over liabilities		**348,028**	**305,880**	**42,148**	**0**	**42,148**	

D.1. Assets

(a) Material classes of assets

Refer to Note 2. Summary of significant accounting policies, in the Company's financial statements, for the year ended 31 December 2023.

D.1.1 Investments

Investments include the following financial asset classes:

1.1.1 Investments other than assets held for index-linked and unit-linked funds which include the following asset categories:

- corporate bonds;
- cash;
- investment funds; and
- deposits other than cash equivalents.

1.1.2 Assets held for index-linked and unit-linked funds which include the following asset categories (grouped together and shown as a single balance on the solvency balance sheet):

- equities;
- investment funds; and
- cash and cash equivalents.

All investment assets are valued on a fair value basis for solvency purposes, in line with the Company's IFRS accounting policies in the financial statements. Under these accounting policies, all the investments assets are at fair value through profit and loss.

Fair values of investments other than assets held for index-linked and unit-linked funds are based on quoted market prices for identical instruments in active markets for equities, corporate bonds and investment funds while the fair values of deposits other than cash are equal to the notional amounts invested.

Fair values of investment assets held for index-linked and unit-linked funds are based on quoted market prices for identical instruments in active markets for equities, investment funds and derivatives. Refer to Note 11, Financial assets at fair value through profit or loss, in the Company's financial statements for the year ended on 31 December 2023 for further detail on the IFRS valuation of financial assets.

Deposits other than cash equivalents comprise short term deposits, other than transferable deposits, that have a remaining maturity of less than one year and cannot be used directly to make payments at any time. Exchanging these deposits for cash or transferable deposits is not subject to significant penalties or restrictions.

As these assets are reported on a fair value basis in the IFRS financial statements, there are no adjustments required for solvency purposes. The solvency valuation for interest bearing investments will include accrued interest as at 31 December 2023.

There have been no changes to the recognition or valuation bases for investments during the current year.

D.1.2. Reinsurance recoverables

Reinsurance recoverables are technical provisions and the valuation information is included in section D.2 Technical provisions below.

D.1.3. Receivables

Receivables include the following asset classes:
a) insurance and intermediaries' receivables;
b) reinsurance receivables; and
c) receivables (trade, not insurance, income tax recoverable).

The receivable balances consist mainly of balances due from reinsurers.

Receivables, on the solvency balance sheet, are financial assets in terms of IFRS. These receivables are classified as fair value through profit or loss, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

In order to estimate the fair value of these receivables, they have been assessed for counterparty default risk. The counterparty default risk assessment did not produce any material adverse results and thus no adjustments were required to the receivables. Receivables are credit-impaired when there is observable data to support that a credit impairment loss is required, this will be recognised in the Statement of profit or loss, further detail on this is included in note 2 Summary of significant accounting policies, in the Company's financial statements, for the year ended 31 December 2023. For solvency valuation purposes, based on the fair value assessment, the receivable balances, including any adjustments where appropriate, are deemed to be at fair value.

There have been no changes to the recognition or valuation bases for receivables during the current year.

D.1.4. Cash and cash equivalents

Cash and cash equivalents include highly liquid, transferable deposits that are readily exchangeable for currency on demand at par and which are directly usable for making payments, without penalty or restriction.

Cash and cash equivalents are financial assets and thus are classified at fair value through profit or loss in the IFRS financial statements. Short-term bank deposits have been reclassified from cash equivalents under IFRS to 'Deposits other than cash equivalents' for solvency purposes on the basis that they cannot directly be used to make payments until they reach maturity date and are subject to restrictions. The solvency valuations include accrued interest receivable as at 31 December 2023, where applicable.

There have been no changes to the recognition or valuation bases for cash and cash equivalents during the current year.

(b) Material differences between the solvency and IFRS balance sheets

Reclassifications of assets held for index-linked and unit-linked funds:

For solvency purposes the assets held for index-linked and unit-linked funds are reclassified, which has no net asset impact on the balance sheet. All assets and unit-linked derivative liabilities that are held by unit linked and index linked contracts are grouped together in one line on the solvency balance sheet. These unit-linked and index-linked assets and derivative liabilities are reclassified from their respective financial asset categories under IFRS to 'assets held for index-linked and unit-linked funds' on the solvency balance sheet.

Material solvency accounting basis adjustments:

(b) 1. Best estimate liabilities (BEL)

The unit-linked and non-linked IFRS technical provisions, included in the IFRS statutory accounts, are reversed as they will be replaced by the best estimate liabilities on a solvency basis. The technical provisions include both the gross liabilities and reinsurance recoverables. The best estimate liabilities are the technical provisions on a solvency basis (refer to section D.2 below).

(b) 2. Risk margin

The risk margin is included on a Solvency basis and is calculated as part of the technical provisions valuation (refer to section D.2 below).

(b) 3. Receivables

Under IFRS17, certain claims recoverable balances are included in the reinsurance contract assets therefore the adjustments return the true outstanding receivable balances and remove the timing differences.

(b) 4. Payables

Under IFRS17, claims related balances are included in the insurance contract liabilities therefore the adjustments return the true outstanding payable balances and remove the timing differences.

(b) 5. Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

A deferred tax asset has been recognised in 2023, relating to historic tax losses, based on the recognition and measurement criteria in IAS 12. The conclusion was that the recognition threshold was met, due to the increase in interest rates which resulted in higher projected future taxable income (investment return and gains), which supported the expected utilisation

The corporation tax basis is the IFRS statutory basis. The valuation adjustments for solvency reporting above, described in (b) 1-4 above, result in a change in net assets, which is a temporary difference and thus a deferred tax adjustment is made on these temporary differences at the prevailing corporation tax rate.

D.2. Technical provisions

(a) Value of technical provisions and main assumptions

The table below gives the technical provisions for each material line of business:

	Best Estimate Liability (BEL)				
2023	Gross £'000	Reinsurance £'000	Net £'000	Risk Margin £'000	Total £'000
Health similar to life	1,661	(20,279)	(18,618)	5,950	(12,668)
Life excluding health and index-linked and unit-linked	8,334	3,529	11,863	7,542	19,405
Life index-linked and unit-linked	2,965,543	3,312	2,968.855	6,467	2,975,322
	2,975,538	(13,438)	2,962,100	19,959	2,982,059

	Best Estimate Liability (BEL)				
2022	Gross £'000	Reinsurance £'000	Net £'000	Risk Margin £'000	Total £'000
Health similar to life	(9,098)	3,176	(5,922)	10,278	4,356
Life excluding health and index-linked and unit-linked	(28,219)	8,199	(20,020)	15,482	(4,538)
Life index-linked and unit-linked	2,398,471	3,006	2,401,477	43,642	2,445,119
	2,361,154	14,381	2,375,535	69,402	2,444,937

Commentary on material variances

- The movement in the Best Estimate Liability on non-linked business is due to movement in provisions for the new business written in the year, offset to an extent by the run off of the existing business book, plus a significant reduction in the Risk Margin following regulatory changes under CP12/23
- In addition, explicit provisions are held for future reviews on the Term and IP book.
- Reserves previously held for the present value of future tax fees arising on the Onshore Investment Bond have now been released following a Deferred Tax Asset being recognised.
- The increase in Unit Linked Life during 2023 was mainly due to new business and market movements during the period.
- In addition, the Company's expense overrun reserve has been refreshed to reflect latest business

The Risk Margin has reduced in the year, due to changes in regulations giving a lower cost of capital and introducing a tapering factor into the calculation. Note also, the Risk margin includes an allowance for the Company's Capital Add-on (CAO).

- Methodology

The methodology used to calculate technical provisions follows the provisions of the PRA rules and Solvency II regulations.

The approach taken to calculate the best-estimate liability is as follows:

Liabilities are largely estimated with a policy-by-policy approach. Liabilities not estimated in this way are those where policy grouping or a model points approach is taken or where a universal provision is made outside of the projection model. All policies in force at the valuation date contribute to the total liability.

Material policy cashflows consist of policyholder premiums, policyholder charges, policyholder claims from adverse events, maturity benefits, expenses, commission and investment income.

Note that any cashflows relating to reinsurance are excluded since the best-estimate liability is defined to exclude the risk mitigating effects from reinsurance contracts. However, the technical provisions are also calculated on a net of reinsurance basis which includes amounts recoverable from reinsurance contracts.

The cashflow projections are based on a number of assumptions which are given below. In general,

- Economic assumptions are on a market-consistent basis.
- Non-economic assumptions are set based on an analysis of the Company's recent experience.

- For each policy, cashflows are summed within each month and discounted back to the valuation date using the risk-free yield curve published by the PRA for the calculation of technical provisions.

- Risk margin

The risk margin is calculated in accordance with Article 58 of the Level 2 guidance using the Cost of Capital method. In line with the regulations, all risks are considered other than those within the Market Risk module. The methodology is to project capital requirements at future time points using suitable risk drivers and introducing a tapering factor into the calculation alongside reductions in Lapse capital in the year following the recognition of future capital gains tax fee income associated with OIB as a Deferred Tax Asset, aggregate using standard formula correlations, multiply by 4% cost of capital and discount back to the valuation date using risk-free rates. The Risk margin includes an allowance for the Company's CAO.

- Segmentation

The regulations specify that life insurance obligations should be segmented into homogeneous risk groups, and as a minimum by lines of business, when calculating technical provisions.

The approach of HSBC Life UK has been to segment by lines of business as required; and then by primary risk driver, identified as either death, disability/morbidity or savings. This gives a total of nine possible categories for segmentation.

The table below gives a high level overview of allocation to these groups:

Risk Driver	Health insurance	Index- / unit-linked life insurance	Other life insurance
Death	-	Unit-linked life and accelerated CI (25%)	Life term assurance, accelerated CI (25%), whole of life, group life
Disability / Morbidity	Income protection, WOP, accelerated CI (75%), standalone CI, group IP & CI	Unit-linked standalone CI and accelerated CI (75%)	-
Savings	-	Investment bonds, unit-linked bonds	-

Assumptions

- Lapse/Paid-Up Rates

All products have mechanisms by which the policyholder can choose to take some action which changes future cashflows in some way. These include terminations, surrenders, paid-up (i.e. ceasing regular contributions in whole or in part) and ad-hoc partial withdrawals. Assumptions about the rate at which these actions occur are estimated annually following an analysis of the Company's experience over a recent period.

- Claim Rates

The Company's products involve the payment of the sum assured to the policyholder in the event of an adverse event such as death or sickness. Assumptions about the rate at which these events occur are estimated annually by analysing all the Company's available historic claims experience.

- Expenses

Expense assumptions are based on the estimated administrative costs for the current year. These are separated into acquisition, maintenance and claims processing costs. The expenses are allocated between products. The expenses assumed aim to reflect the expected future inflation and business volumes in 2023, as well as the changes to the Company.

- Market/Credit Assumptions

All financial projections are made at the risk-free interest rate provided by the PRA. No volatility adjustment or matching premium is added. The best estimate price inflation assumptions are set equal to the implied inflation rates as published by the Bank of England. Claims inflation is set equal to price inflation, whereas expense inflation is calculated as price inflation plus an adjustment, to reflect that whilst most of the Company's expenses increase in line with earnings, rather than prices, it is reasonable to allow for salary increases to be partially offset by increased productivity. Other market and credit assumptions are made with reference to external data for example Standard & Poor's default rates.

- Other Assumptions

Future management actions:

Solvency II requirements allow management actions to be taken into account in the calculation of Technical Provisions and capital requirements. The Company allows for management actions in respect of expenses and for reviewing premiums and charges, where it is within the conditions of the policy, in the event of an adverse claims event.

- Future Discretionary Benefits:

The Company has no products with future discretionary benefits.

- Taxation:

The Company has assumed that the application of current tax legislation will not change, except where future changes have been substantively enacted.

(b) Level of uncertainty associated with the value of technical provisions

Material uncertainty in the calculation of technical provisions:
Uncertainty relates primarily to how future actual experience will differ from the best estimate assumptions used to calculate the technical provisions. The key assumptions are interest rates, lapse rates, expenses, mortality rates, and morbidity rates. A robust assumption setting process is followed in order to ensure the uncertainty is well understood.

Claims assumptions are based on long term experience. No changes to claims assumptions were made due to Covid-19. Similarly persistency experience has been reviewed and no changes to assumptions were made because of Covid-19. The Company continues to monitor for any changes to long term experience due to Covid-19. The level of uncertainty within the assumptions used in the calculation of the technical provisions is regularly monitored and is not considered to have a material impact on total liabilities under reasonably foreseeable events.

Refer to Note 3. Management of insurance and financial risk, in the Company's financial statements for the year ended 31 December 2023 for further detail on material uncertainty in the calculation of technical provisions.

(c) Material differences between solvency and financial statements valuation

The valuation in the financial statements uses the IFRS reporting basis, which uses IFRS17 methodology for 2023 onwards. This basis sets liabilities to be calculated using best-estimate assumptions and includes a risk adjustment and contractual service margin within the liabilities.

For solvency purposes the Company uses the Solvency II regulations as adopted by the PRA. This basis sets liabilities to be calculated using best-estimate assumptions and includes a risk margin within the liabilities.

Refer to section D above for the quantitative analysis of the valuation differences.

(d) Matching adjustment

No matching adjustment is applied.

(**e) Volatility adjustment**

The volatility adjustment is not used.

(**f) Transitional risk-free interest rate-term structure**

The transitional risk-free interest rate-term structure is not applied.

(**g) Transitional deduction**

The transitional deduction is not applied.

(**h) (i) Recoverables from reinsurance contracts and special purpose vehicles**

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within 'loans and receivables'), as well as longer term receivables (classified as 'reinsurance assets') that are dependent on expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

(h) (ii) Material changes in assumptions made in the calculation of technical provisions

There are no material changes in the relevant assumptions compared to the previous reporting period.

D.3. Other liabilities

(a) Methods and assumptions used in the valuation of other liabilities, excluding technical provisions

D.3.1. Deferred tax liabilities

A deferred tax liability was also recognised on transition to IFRS17, which is based on the net asset impact of the IFRS 17 transition balance sheet restatement and the valuation differences between IFRS Insurance Contract liabilities and Solvency II Technical Provisions.

D.3.2. Payables

Payables include:
- Insurance & intermediary payables;
- Reinsurance payables; and
- Payables (trade, not insurance).

Payables are classified as fair value through profit or loss in the IFRS financial statements. The valuation of all material balances are annually assessed, on an individual basis, to estimate their fair value. For solvency valuation purposes, based on the fair value assessment, the payable balances, including any adjustments where appropriate, are deemed to be at fair value.

There have been no changes to the recognition or valuation basis for payables during the current year.

(b) Material differences between solvency and financial statements valuation

No material differences

D.4. Alternative methods for valuation

No alternative valuation method has been used.

D.5. Any other information

There is no other material information regarding the valuation of assets and liabilities for solvency purposes that has not already been disclosed in sections D.1 – D.4 above.

E. Capital management

E.1. Own funds

(a) Objectives, policies and processes employed for managing its own funds

The Company must hold a buffer over the solvency capital requirement, for the following reasons:

- To enable it to write new business, that is to meet the development costs of new contracts and the capital requirements from writing new business;
- To ensure solvency (without need for capital injection) on an ongoing basis withstanding ordinary volatility in economic and non-economic experience, and in the event of mild stress scenarios; and
- To protect against regulatory intervention.

The optimum level of capital buffer ensures that:

- A capital injection is not required over the planning time horizon with an acceptable confidence level to the Parent Banking entity; and

- Excess capital is not sitting with the Company reducing return on capital to the shareholders.

In terms of Solvency II, Pillar 1, the Company's solvency capital requirement (SCR) is determined on a standard formula basis. Solvency II, Pillar 2, requires the Company to do its own assessment of the capital required for current and future risks.

The PRA requires the capital requirement for the Company, under Solvency II Pillar 2, to be based on the Company's own capital assessment. The Company's own capital assessment is the internal capital assessment basis used for managing the Company. It utilises internally developed methodology based on the Group's Operational Risk model for operational risk assessment, and intermediary default. The PRA Standard Formula is used for the assessment of all other risk types.

- Triggers for reviewing the capital management policy

If at any point there are material changes in the Solvency II reporting basis, or in the Company's strategy, or material deviations from the Financial Resource Plan (FRP), then dividends should be put on hold and this policy reviewed. It should also be reviewed on an annual basis.

- Capital planning period:

The business' capital planning period is for the next 5 years.

- Material changes:

The Company's solvency capital requirement (SCR) is determined on a standard formula basis with an additional Voluntary Capital Add-on relating to operational risk.

The target capital level is 156% (2022: 130%) of the Company's assessment of the capital required, with a minimum absolute target buffer of £50million. Where the actual capital exceeds the target level, a dividend payment should be considered to bring the solvency margin down to the target level. Other considerations such as liquidity, projected new business sales, distributable reserves and reinsurance exposure are all considered when determining what level of dividends can be paid.

The risk appetite is that the solvency margin should remain above 146% (2022: 120%) of the Company's assessment of the capital required with a minimum buffer of £35m. This is based on a 1 in 10 year event.

The Company's Solvency Capital Requirement (SCR) is determined on a Standard Formula basis with an additional Capital Add-on (CAO). The CAO has remained at £18.2m in 2023.

There have been no material changes to the objectives, policies and processes for managing own funds during the year.

(b) – (d) Structure, amount and quality of own funds (Pillar 1)

The table below summarises the structure of the Company's basic own funds:

	2023	2022
	£'000	£'000
Basic own funds: Tier 1		
Ordinary share capital	**94,375**	94,375
Reconciliation reserves	**155,562**	188,845
Basic own funds: Tier 3		
Deferred tax asset	**98,091**	-
Excess of assets over liabilities	**348,028**	283,220

- Basic own funds: Tier 1

The Company Tier 1 own funds are eligible to cover the Solvency Capital Requirement and Minimum Capital Requirements. The Company's own funds are not subordinated and have no fixed duration.

1. Ordinary share capital

The Company's ordinary share capital possesses the necessary characteristics to be classified as tier 1 capital as required in the Solvency II Directive. The Board can rescind its resolution to pay a dividend at any time up to the time of actual payment.

2. Reconciliation reserve

The reconciliation reserve consists of excess of assets over liabilities less ordinary share capital. Article 88 of the Solvency II Directive states that basic own funds include excess of assets over liabilities. Excess of assets over liabilities is considered to be free from any foreseeable liabilities and available to absorb losses due to adverse business fluctuations, both on a going-concern basis as well as in the case of winding-up and thus is classified as tier 1 own funds.

3. Foreseeable dividends

The Company treats foreseeable dividends as any proposed dividends that are approved by the Board up to the date that the Solvency II regulatory reports are approved by the Board. An interim dividend becomes payable to the shareholder when it is paid, rather than when the Board resolves to pay it. There is no legal liability to pay interim dividends, even when it has been declared by the Board. The Board can rescind its resolution to pay an interim dividend at any time up to the time of actual payment.

On 28th March 2024, an interim dividend of £20m was paid.

- Basic own funds: Tier 3

During 2023 the company recognised a deferred tax asset (see D.1.(b)3 above). The deferred tax asset is offset by the transition deferred tax liability and the net deferred tax balance is recognised as Tier 3 capital in line with the solvency II legislation and guidance.

- Significant changes during the year

There has been no significant change in the Company's own funds during 2023.

(e) Material differences between equity in the financial statements and the excess of assets over liabilities

Equity versus excess of assets over liabilities

The table below summarises the difference between the total shareholders' equity in the IFRS statutory accounts and the excess of assets over liabilities (own funds) for solvency purposes:

	2023	2022
IFRS versus solvency	**£'000**	£'000
Total shareholders' equity (IFRS)	**305,880**	128,401
Accounting basis adjustments	**42,148**	154,819
Excess of assets over liabilities (Solvency)	**348,028**	283,220

2022 comparatives are based on IFRS 4 whereas the 2023 is under IFRS17. The adjustments to equity from IFRS4 to IFRS17 for 2022 is £67,759k to bring the 2022 IFRS17 equity value to £196,160k. Please refer to the statutory accounts transition note 23 for explanation of this movement.

The reduction in the accounting basis adjustments is principally due to the recognition of the deferred tax asset in Q3 2023. Under IFRS the deferred tax asset was not previously recognised but it has always been recognised under Solvency II and therefore adjusted.

Refer to D.1.(b) above for the material solvency accounting basis adjustments.

(f) Transitional arrangements

The Company has not applied any transitional arrangements.

(g) Ancillary own funds

The Company currently has no ancillary own funds.

(h) Significant restriction affecting the availability and transferability of own funds

The Company recognises a deferred tax asset that is classified as a Tier 3 asset. This restricts the value recognised for solvency purposes to 15% of the SCR. At December 2023 this reduced the value of the net assets by £49.4m.

(i) Own fund ratios

The Company does not disclose any ratio's in addition to the ratios in S.23.01 in the QRT's.

	2023	2022
	£'000	£'000
Excess of assets over liabilities (Solvency)	**348,028**	283,220
Restriction for Solvency purposes	**(72,886)**	-
Solvency capital requirement (SCR)	**168,039**	197,938
Solvency ratio	**164%**	143%
Minimum capital requirement (MCR)	**42,010**	49,485

The solvency ratio of 164% is based on the standard formula SCR including the Capital Add-on (CAO).

(j) Principal loss absorbency mechanism and trigger point

The principal loss absorbency mechanisms (PLAM) and trigger point in terms of paragraph (1)(e) of Article 71 of the Delegated Regulations only applies to the following own funds items:

- paid-in subordinated mutual member accounts;
- paid-in preference shares and the related share premium account; and
- paid-in subordinated liabilities.

The Company does not make use of any of the own funds items listed above and thus the PLAM and related trigger points are not applicable.

E.2. Solvency capital requirement and minimum capital requirement

(a) & (b) Solvency Capital Requirement (SCR) split by risk modules and Minimum Capital Requirement (MCR)

- Solvency Capital Requirement

The amounts of the undertaking's Solvency Capital Requirement (standard formula basis) split by risk modules is as follows (rounded to the nearest £m):

	2023	2022
Risk module	£'million	£'million
Market	88	149
Default risk	7	6
Life underwriting	66	109
Health underwriting	37	43
Non-life underwriting	-	-
Gross capital before diversification	199	307
Less: Diversification between sub-risk modules	(57)	(82)
Basic SCR (BSCR)	142	225
Operational risk (includes Capital Add-On of £18.2m (2022: £18.2m)	26	25
Aggregate capital before diversification	167	250
Less: Diversification between BSCR and operational risk module	-	-
Aggregate capital after diversification	167	250
Less: Loss absorbing capacity of tax and technical provisions	-	(52)
SCR	167	198

The final amount of capital held will be based on the Company's own assessment of the capital needed to maintain the business.

- Minimum Capital requirement

The Minimum Capital Requirement for HSBC Life (UK) Ltd. is calculated as £42million (2022: £49.5million).

There are no balances relating to the SCR and MCR which are currently under supervisory assessment.

(c) Simplified calculations used for standard formula

No simplified calculations have been used for standard formula.

(d) Undertaking- specific parameters used for standard formula calculations

No undertaking-specific parameters have been used for standard formula calculations.

(e) & (f) Local regulatory capital add-on disclosure (if non-disclosure option above has not been exercised)

The Company holds a Capital Add-on of £18.2m (2022: £18.2m) within its Operational Risk Module as agreed with the PRA on 6 September 2021.

(g) Minimum Capital Requirement (MCR) inputs

The Minimum Capital Requirement calculations use Solvency II regulations as adopted by the PRA with the following inputs:

- Unit Linked best estimate liability for products without guarantees;
- Basic SCR, using the standard formula calculations;
- Total Capital at risk, after reinsurance is allowed for.

The best estimate liability for non-linked products is set to a minimum of zero in order to avoid reducing the Minimum Capital Requirement.

(**h) Material change to the Solvency Capital Requirement (SCR) and to the Minimum Capital Requirement (MCR)**

The SCR has decreased from £198m to £167m in the year, driven by removal of capital previously associated with the future value of tax fees on the Onshore Investment Bond, given the BEL for this has also been removed and a DTA setup. Diversification benefit has decreased to reflect decrease in pre-diversified capital with market and lapse risk affected from this change.

E.3. Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement

Duration-based equity risk sub-module has not been applied in the calculation of the solvency capital requirement.

E.4. Difference between the standard formula and internal model used

The Company does not currently use an internal model.

E.5. Non-compliance with minimum capital and solvency capital requirements

The Company has complied with both the MCR and SCR during the year.

E.6. Any other information

There is no other material information regarding capital management that has not already been disclosed in sections E.1 – E.5 above.

Glossary of terms

Term/Acronym	Definition
AMSB	Administrative, management or supervisory body
BSCR	Basic Solvency Capital Requirement
BEL	Best estimate liability
Board	Board of Directors of HSBC Life (UK) Limited
CA	Chief Actuary
CAO	Capital Add-On
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGT	Capital Gains Tax
CRO	Chief Risk Officer
D2C	Direct to customer
EIOPA	European Insurance and Occupational Pensions Authority
EPIFP	Expected profit included in future premiums
ExCo	Executive Management Committee
Group	HSBC Holdings plc. and its subsidiaries
Group Insurance	HSBC Group's insurance function which oversees the insurance businesses across the different global regions.
HBEU	HSBC Bank plc
HBUK	HSBC UK Bank plc
HLP	HSBC Life Protection
IA	Internal audit
KID	Key information document
LACDT	Loss Absorbing Capacity of Deferred Tax
NED	Non-executive director
ORSA	Own Risk Solvency Assessment
PRIIPs	Regulations for packaged retail investment products
RAC	Risk and Audit Committee
RMM	Risk Management Meeting
ServCo	HSBC Global Services (UK) Limited
SFCR	Solvency and Financial Condition Report
SMCR	Senior Manager Certified Regime
SMF	Senior Manager Function
SoR	Statement of responsibilities
TGC	Technical Governance Committee

Appendix 1: Quantitative reporting templates (QRT's)

S.02.01.02
S.05.01.02
S.05.02.01
S.12.01.02
S.17.01.02 (Non-life thus not applicable)
S.19.01.21 (Non-life thus not applicable)
S.22.01.21 (No long term guarantees or transitional measures are applied thus not applicable)
S.23.01.01
S.25.01.21
S.25.02.21 (Standard formula only thus not applicable)
S.25.03.21 (Standard formula only thus not applicable)
S.28.01.01
S.28.02.01 (Only Life insurance activities thus not applicable)

HSBC Life (UK)

Solvency and Financial Condition Report

Disclosures

31 December

2023

(Monetary amounts in GBP thousands)

General information

Undertaking name	HSBC Life (UK) Limited
Undertaking identification code	213800KZ35X4GE4TK590
Type of code of undertaking	LEI
Type of undertaking	Life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2023
Currency used for reporting	GBP
Accounting standards	IFRS
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	98,092
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	208,870
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	41,789
R0140	*Government Bonds*	4,932
R0150	*Corporate Bonds*	36,857
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	115,121
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	51,959
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	3,033,253
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	13,438
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	16,749
R0320	*Health similar to life*	20,279
R0330	*Life excluding health and index-linked and unit-linked*	-3,529
R0340	*Life index-linked and unit-linked*	-3,312
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	532
R0370	Reinsurance receivables	38,914
R0380	Receivables (trade, not insurance)	1,397
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	64,636
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	3,459,131

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	0
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	
R0550	*Risk margin*	
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	23,488
R0610	*Technical provisions - health (similar to life)*	7,611
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	1,661
R0640	*Risk margin*	5,950
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	15,877
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	8,334
R0680	*Risk margin*	7,542
R0690	Technical provisions - index-linked and unit-linked	2,972,010
R0700	*TP calculated as a whole*	3,027,606
R0710	*Best Estimate*	-62,063
R0720	*Risk margin*	6,467
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	54
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	23,686
R0790	Derivatives	
R0800	Debts owed to credit institutions	115
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	47,098
R0830	Reinsurance payables	9,408
R0840	Payables (trade, not insurance)	35,244
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	3,111,102
R1000	**Excess of assets over liabilities**	348,029

S.05.01.02

Premiums, claims and expenses by line of business: Life insurance and reinsurance obligations

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		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	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross	74,344		411,242	73,098					558,684
R1420	Reinsurers' share	48,243		957	40,593					89,794
R1500	Net	26,101		410,285	32,504					468,890
	Premiums earned									
R1510	Gross	74,344		411,242	73,098					558,684
R1520	Reinsurers' share	48,243		957	40,593					89,794
R1600	Net	26,101		410,285	32,504					468,890
	Claims incurred									
R1610	Gross	44,807		151,189	42,781					238,777
R1620	Reinsurers' share	34,518		532	32,405					67,455
R1700	Net	10,289		150,657	10,376					171,323
	Changes in other technical provisions									
R1710	Gross	-8,816		144,532	-4,029					131,686
R1720	Reinsurers' share	-17,250		-437	-1,330					-19,017
R1800	Net	8,433		144,969	-2,699					150,703
R1900	**Expenses incurred**	13,773		20,748	22,363					56,883
R2500	**Other expenses**									0
R2600	**Total expenses**									56,883

S.05.02.01

Premiums, claims and expenses by country: Life insurance and reinsurance obligations

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
R1400								
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	558,684						558,684
R1420	Reinsurers' share	89,794						89,794
R1500	Net	468,890						468,890
	Premiums earned							
R1510	Gross	558,684						558,684
R1520	Reinsurers' share	89,794						89,794
R1600	Net	468,890						468,890
	Claims incurred							
R1610	Gross	238,777						238,777
R1620	Reinsurers' share	67,455						67,455
R1700	Net	171,323						171,323
	Changes in other technical provisions							
R1710	Gross	131,686						131,686
R1720	Reinsurers' share	-19,017						-19,017
R1800	Net	150,703						150,703
R1900	**Expenses incurred**	56,883						56,883
R2500	**Other expenses**							
R2600	**Total expenses**							56,883

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**		3,027,606								3,027,606						0
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole										0						0
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**			-62,063			8,334				-53,729		1,661				1,661
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default			-3,312	0		-3,529	0			-6,841		20,279	0			20,279
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re			-58,751	0		11,864	0			-46,888		-18,617	0			-18,617
R0100	**Risk margin**		6,467			7,542					14,009	5,950					5,950
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole										0						0
R0120	Best estimate										0						0
R0130	Risk margin										0						0
R0200	**Technical provisions - total**		2,972,010			15,876					2,987,886	7,611					7,611

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	94,375	94,375		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	155,562	155,562			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	98,092				98,092
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	348,029	249,937	0	0	98,092
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			0	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	0
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R0390	Other ancillary own funds	0			0	0
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	348,029	249,937	0	0	98,092
R0510	Total available own funds to meet the MCR	249,937	249,937	0	0	
R0540	Total eligible own funds to meet the SCR	275,143	249,937	0	0	25,206
R0550	Total eligible own funds to meet the MCR	249,937	249,937	0	0	
R0580	**SCR**	168,039				
R0600	**MCR**	42,010				
R0620	**Ratio of Eligible own funds to SCR**	163.74%				
R0640	**Ratio of Eligible own funds to MCR**	594.95%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	348,029
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	192,467
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	155,562
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	149,993
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	149,993

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	88,418		
R0020	Counterparty default risk	6,945		
R0030	Life underwriting risk	66,143		
R0040	Health underwriting risk	37,244		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-56,988		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	141,761		

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	8,078
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	149,839
R0210	Capital add-ons already set	18,200
R0220	**Solvency capital requirement**	168,039
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	0

	Calculation of loss absorbing capacity of deferred taxes	LAC DT
		C0130
R0640	LAC DT	
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	0
R0030	Income protection insurance and proportional reinsurance	0	0
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	0	0
R0060	Other motor insurance and proportional reinsurance	0	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	0
R0080	Fire and other damage to property insurance and proportional reinsurance	0	0
R0090	General liability insurance and proportional reinsurance	0	0
R0100	Credit and suretyship insurance and proportional reinsurance	0	0
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	0
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	0	0
R0160	Non-proportional marine, aviation and transport reinsurance	0	0
R0170	Non-proportional property reinsurance	0	0

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	26,293

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	0	
R0220	Obligations with profit participation - future discretionary benefits	0	
R0230	Index-linked and unit-linked insurance obligations	2,968,855	
R0240	Other life (re)insurance and health (re)insurance obligations	0	
R0250	Total capital at risk for all life (re)insurance obligations		7,873,565

	Overall MCR calculation	C0070
R0300	Linear MCR	26,293
R0310	SCR	168,039
R0320	MCR cap	75,618
R0330	MCR floor	42,010
R0340	Combined MCR	42,010
R0350	Absolute floor of the MCR	3,495
R0400	**Minimum Capital Requirement**	42,010