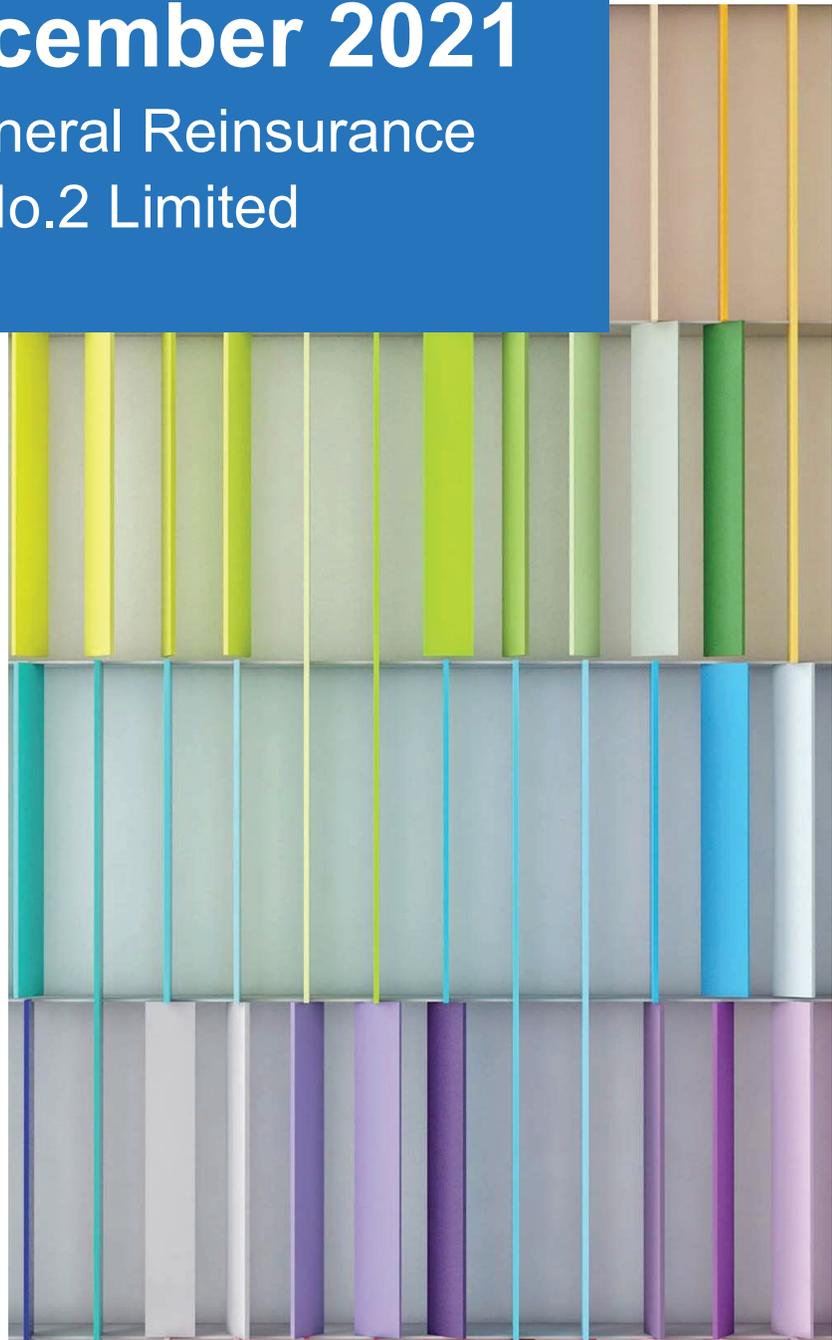




Financial Condition Report

31st December 2021

Legal & General Reinsurance
Company No.2 Limited



LEGAL & GENERAL REINSURANCE COMPANY NO.2 LIMITED
FINANCIAL CONDITION REPORT
31 DECEMBER 2021

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A. BUSINESS AND PERFORMANCE

Particulars regarding the organisational structure, insurance business activities and financial performance

A.1 NAME OF INSURER

Legal & General Reinsurance Company No.2 Limited ("L&G Re 2" or the "Company").

A.2 NAME AND CONTACT DETAILS OF THE INSURANCE SUPERVISOR AND GROUP SUPERVISOR

	Insurance Supervisor	Group Supervisor
Name:	Bermuda Monetary Authority ("BMA")	Prudential Regulation Authority ("PRA")
Jurisdiction:	Bermuda	United Kingdom
Email Address:	rreid@bma.bm	prudential_Legal&General@bankofengland.co.uk
Phone Number:	+1 (441) 278 0211	+44 (0)20 3461 4444

A.3 NAME AND CONTACT DETAILS OF THE APPROVED AUDITOR

Organisation:	KPMG Audit Limited
Jurisdiction:	Bermuda
Address:	Crown House 4 Par-la-Ville Road Hamilton, HM08
Phone Number:	+1 (441) 295 5063

A.4 OWNERSHIP DETAILS

Number of owners:	One
Owner Name:	Legal & General Re Holdings Limited
Ownership Percentage:	100%

A.5 WHERE THE INSURER IS PART OF A GROUP, A GROUP STRUCTURE CHART SHOWING WHERE THE INSURER FITS WITHIN THE GROUP STRUCTURE

The Company principally sits within the Legal & General Retirement Institutional ("LGRI") division for governance purposes. For the purposes of Group consolidation, the Company reports 100% into its parent Legal & General Re Holdings Limited, who ultimately reports into its parent Legal & General Group PLC as per diagram 1.

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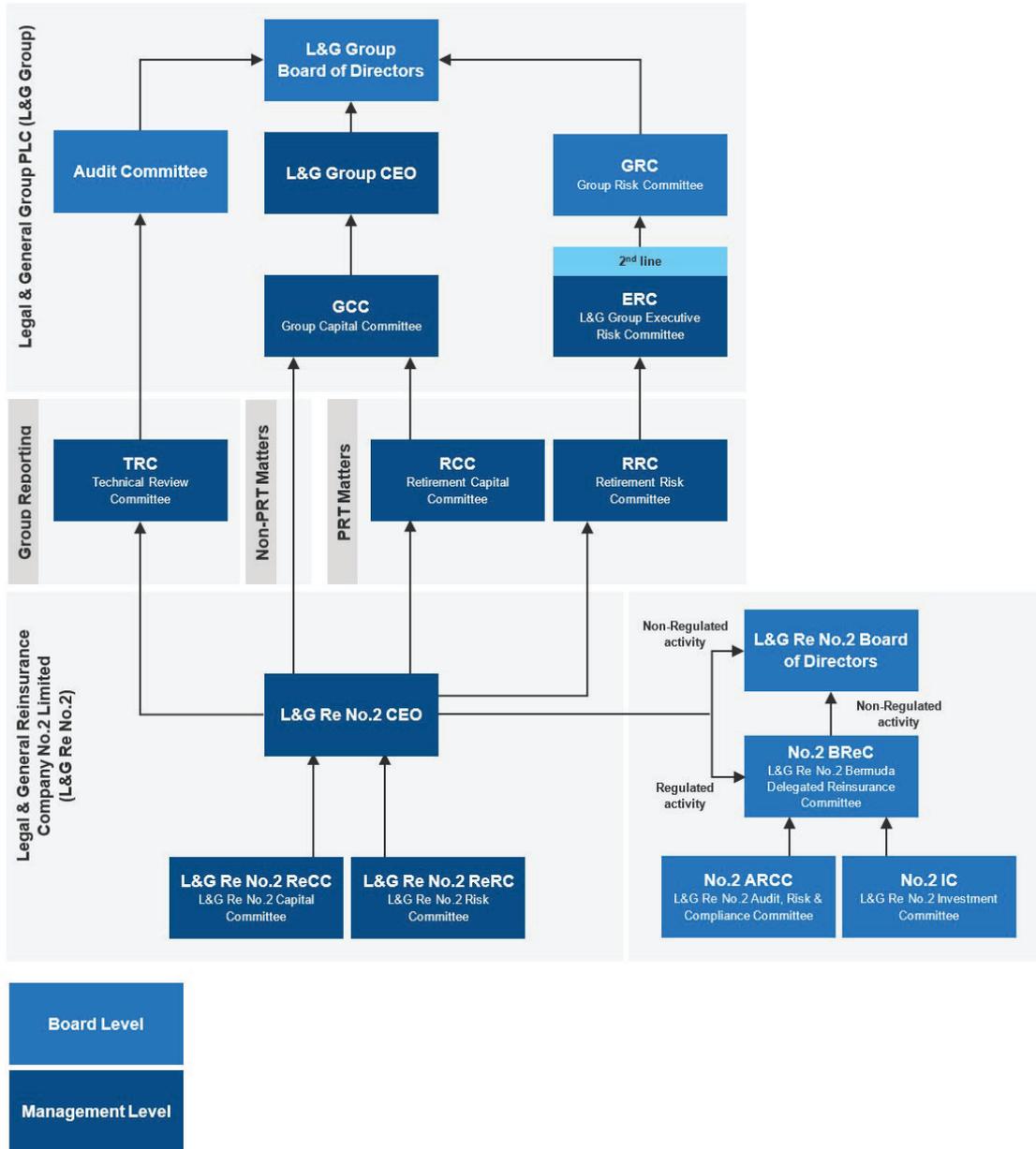
Diagram 1: Group Consolidation



The Company has a local governance structure and is also required to satisfy divisional and Group level governance. This is demonstrated in the diagram below:

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Diagram 2: Governance Structure



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A.6 INSURANCE BUSINESS WRITTEN BY BUSINESS SEGMENT AND BY GEOGRAPHICAL REGION DURING THE REPORTING PERIOD

Line of Business

	Gross Premium Written		Net Premium Written	
	2021		2021	
	CA\$m		CA\$m	
Long-Term Business	494		494	
Total	494		494	

Geographical Location

North America	494	494
Total	494	494

A.7 PERFORMANCE OF INVESTMENTS DURING THE REPORTING PERIOD

Type and Market Value	2021	Commentary
	CA\$m	
Government and Provincial Securities	157	Government securities held largely relates to CAD Federal bonds, held to match reinsured liabilities and provide portfolio liquidity.
Other Fixed Rate Securities	410	Holdings of other fixed rate securities primarily relates to corporate bonds. These are held to match reinsured liabilities and typically purchased as part of new business investments.
Accrued Interest	4	n/a
Cash and Cash Equivalents	28	Cash and short term cash equivalents are held for liquidity management purposes.
Total	599	

Source: L&G Re 2 Report and Accounts 2021

[Details on material income and expenses incurred](#)

Investment performance is reported by the Company as investment return in its financial statements. The Company earns an investment return from holdings in financial instruments which are held on behalf of policyholders to back their insurance contracts and as Company capital.

The total investment return for the Company as reported in the financial statements in 2021 was CA\$1m. The total investment return comprises the expected return included in the IFRS operating profit plus the variance between actual and expected investment performance.

Investment income includes dividends, interest, rent and fair value gains and losses. Dividends are accrued on an ex-dividend basis. Interest is included on an accrual's basis. Interest income for financial assets which are not classified as Fair Value Through Profit-or-Loss ("FVTPL") is recognised using the effective interest method. Investment income is presented net of investment management fees and rebates.

Total expenses incurred by the Company as reported in the financial statements in 2021 were CA\$6m.

A.8 ANY OTHER MATERIAL INFORMATION

The Company was incorporated on 11 February 2021 in accordance with section 14 of the Companies Act 1981. The license to operate as a long-term Class E reinsurer in Bermuda under Bermuda's Insurance Act of 1978 was issued effective 12 April 2021. The principal activity of the Company is the provision of life reinsurance solutions globally, focussing on PRT) in selected international markets.

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On 24 August 2021, the Company entered into a Business Transfer Agreement with Legal & General Reinsurance Company Limited (“L&G Re”). L&G Re transferred to the Company its rights and obligations, including the associated investments and collateral arrangements, related to its Canadian PRT business.

The Company entered into a Canadian PRT transaction, reinsuring the liabilities of a Canadian pension plan on a quota share basis from an undisclosed Canadian insurance partner.

The Company’s business continuity plans had been tested during COVID-19 since the establishment of the company, and current processes ensure the capability and capacity for employees to work from home, therefore the resilience of our business operations is clear and we have well established management procedures to respond to similar events in future.

L&G Group and its global subsidiaries (“Legal & General”) recognise that companies have an obligation to ensure that their business and supporting supply chains are slavery free.

Legal & General’s full modern slavery statement can be found at:

www.legalandgeneralgroup.com/csr/modern-slavery-statement/.

B. GOVERNANCE STRUCTURE

[Particulars of corporate governance, risk management and solvency self-assessment frameworks](#)

The Company's Board is accountable for the long-term success of the Company by setting the Company's strategic objectives and monitoring performance against those objectives. The Board is led by the Chairman, and as at 31 December 2021 comprised one Executive Director and four non-executive directors. The day-to-day management of the Company is led by the Chief Executive Officer ("CEO").

The Company Board meets formally on a regular basis and is responsible for setting Company strategy. The Company operates within a clearly defined delegated authority framework. The delegated authority framework ensures that there is an appropriate level of Board contribution to and oversight of key decisions and that the day-to-day business is managed effectively.

The Company's governance framework is intended to ensure that all decision making is appropriate and subject to robust controls and oversight. The Company operates a three lines of defence structure to ensure appropriate segregation of responsibilities.

B.1 BOARD AND SENIOR EXECUTIVES

B.1.1 DIRECTORS AND OFFICERS

Directors	
Name	L&G Re 2 Board Position
Tim Stedman	Chairman of the L&G Re 2 Board, Bermuda Delegated Reinsurance Committee ("BRc") and Investment Committee ("IC"), Member of the Audit Risk and Compliance Committee ("ARCC")
Amy Ellison	Board Member, Chief Executive Officer, Member of BRc and IC
Carl Moxley	Board Member
Helena Hawthorn	Board Member
Edward Houghton	Board Member

Committee Members	
Name	L&G Re 2 Committee Position
Derek Stapley	Independent Non-Executive BRc Member, Chairman of the ARCC
Johnny Chow	IC Member, ARCC Member
Tom Bryant	BRc Member, ARCC Member
Matthew Roche	Chief Investment Officer, BRc Member
Michael Walsh	Chief Financial Officer, BRc Member, IC Member

Officers	
Name	Officer Position
Amy Ellison	Chief Executive Officer ("CEO")
Michael Walsh	Chief Financial Officer ("CFO")
Thomas Ault	Chief Business Development Officer ("CBDO")
Zane Olivier	Chief Actuary ("CA")
Matthew Roche	Chief Investment Officer ("CIO")
Nick Burke	Chief Risk Officer ("CRO")
Tina Yang	Chief Operating Officer ("COO")
Aleem Qureshi	Chief Strategy Officer ("CSO")

[Description of segregation of these responsibilities](#)

There are eight primary officers of the Company, the CEO, CFO, CBDO, CA, CIO, CRO, COO and CSO

The CFO leads the finance function that is responsible for financial management, including financial reporting and valuation methodology and assumptions. The CBDO leads the new business function and retains responsibility for all new business related activities. The CA retains responsibility for capital management and

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optimisation, including the Bermuda Solvency Capital Requirement and Commercial Insurers' Solvency Self-Assessment. The CIO retains responsibility for the full asset portfolio of the Company, including investment manager oversight, ALM and investment strategy development across a variety of asset classes. The CRO leads the risk function and is responsible for the risk management framework of the Company. The COO leads the operations and technology function and is responsible for managing an efficient, robust and secure operating model. The CSO is responsible for the strategy to drive growth in our target markets.

Zane Olivier (CA) is the Approved Actuary ("AA"). The AA is independent from the calculation of the Best Estimate Liabilities ("BEL") and the underlying valuation basis. The AA is responsible for providing an opinion on the sufficiency of the long-term reserves of the company and supporting the regulatory requirements to the BMA.

Only one member of the Board, the CEO, is directly involved with the day-to-day management of the Company.

B.1.2 DESCRIPTION OF REMUNERATION POLICY AND PRACTICES AND PERFORMANCE- BASED CRITERIA GOVERNING THE BOARD, SENIOR EXECUTIVES AND EMPLOYEES

The remuneration policy is set by the Company Board taking into consideration the Group remuneration policies. Senior executives and employees are remunerated in the same way. Base salary is set to be competitive within the local Bermuda market. A discretionary performance related bonus is paid annually reflecting the performance of the Group, the LGRI division and the Company, as well as that of the senior executive or employee during the calendar year. Bonuses above a certain threshold are subject to deferral with the deferral amount increasing with the size of the bonus. Deferred awards are normally held in shares for three years.

The Group operates a Share Bonus Plan ("SBP") which provides the vehicle for deferral of annual bonuses in the majority of cases and allows for a limited number of awards of shares to high potential individuals and those with critical skills.

The Group also operates a Performance Share Plan ("PSP") which is offered to a small number of senior executives each year in recognition of the strategic and influential role that they hold in terms of driving company performance, as well as their individual contribution. Participation in the plan for one year does not guarantee participation in future years.

The Board members that are employed by the L&G Group are remunerated in line with Group remuneration policies. Non-executives are remunerated consistent with local market practice; compensation is not made in the form of shares in the Company or parent company.

B.1.3 DESCRIPTION OF THE SUPPLEMENTARY PENSION OR EARLY RETIREMENT SCHEMES FOR MEMBERS, THE BOARD AND SENIOR EXECUTIVES

The Company provides a defined contribution pension plan for all eligible employees in line with local Bermuda market practice. The Company does not have additional supplemental pension schemes nor any early retirement schemes. There is no pension plan for the Company's non-executives.

B.1.4 ANY MATERIAL TRANSACTIONS WITH SHAREHOLDER CONTROLLERS, PERSONS WHO EXERCISE SIGNIFICANT INFLUENCE, THE BOARD OR SENIOR EXECUTIVES

There are no material transactions with the Board members or senior executives outside of the Company's remuneration policies.

B.2 FITNESS AND PROPRIETY REQUIREMENTS

B.2.1 DESCRIPTION OF THE FIT AND PROPER PROCESS IN ASSESSING THE BOARD AND SENIOR EXECUTIVES

Application of the Policy

The L&G Group has in place a fit and proper policy which applies to the Company, the purpose of which is to set out the procedures required by regulated companies within the L&G Group to assess the fitness and propriety of individuals who run these undertakings or who hold other key functions in them.

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Key Requirements

In summary, the policy requires that the Company shall establish, implement and maintain documented policies and adequate procedures to ensure that all persons who are responsible for running the entity or are responsible for other key functions are at all times fit and proper.

The assessment of fitness and propriety covers the following factors:

- Honesty, integrity and reputation
- Competence and capability
- Financial soundness

L&G Re 2 Assessment Procedures

Defined processes are in place to ensure that the fitness and propriety of applicants is carefully considered before an application to the regulators to grant approval is submitted. An assessment will also be taken before a notification is made to the regulators in relation to the appointment of a key function holder.

The Company will only support an application for approval or a notification if it is believed that the candidate meets all the elements of the fit and proper test.

Each application will be looked at on its own merits, on a case-by-case basis, but the following principle generally applies to all applications:

- Has the candidate been open and honest with the Company and disclosed all relevant matters.

If the candidate has disclosed any incidents pertaining to their fitness and propriety, the following will be considered:

- The seriousness of the issue and the relevance to the specific role applied for
- The passage of time since the incident occurred
- Whether the issue relates to an isolated incident or whether there is a pattern of adverse behaviour

Fit and proper assessment criteria have been developed and each application will be considered against these criteria, regardless of the current approved status of the individual.

The criteria are:

- Knowledge – does the individual have generic knowledge of the industry sector and specific knowledge of the firm;
- Qualifications – does the individual have prerequisite or supporting relevant qualifications;
- Skills – does the individual demonstrate the appropriate level of business and interpersonal skills;
- Behaviour – does the individual demonstrate the appropriate attitudes and standards of ethical behaviour; and
- Expertise – does the individual achieve positive and fair outcomes and meet performance standards expected of the post.

The assessment criteria are also relevant in assessing the continuing fitness and propriety of approved persons.

Maintaining Fitness and Propriety

From time to time, individuals will be required to certify that there has been no change to the information provided at the point of approval and consequently, the fitness and propriety status is unchanged.

L&G Group's policies and procedures place an obligation on approved persons to notify the Group Conduct Risk and Group HR Director in the event of any pending or actual criminal, civil or other disciplinary charges, judgements, petitions for bankruptcy, or other actions or disciplinary measures whatsoever, against them or any entity, body or other entity with which he/she is, or has been, associated.

Should such a notification occur, the Company will assess the information to decide whether the individual remains fit and proper. If the assessment ultimately concludes that the individual can no longer remain as an approved person, a notification will be made to the regulators in line with the regulatory requirements.

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The Company's performance management process is the primary mechanism for tracking on-going competency. The Company will take appropriate steps to monitor an individual's financial soundness on an on-going basis.

B.2.2 DESCRIPTION OF THE PROFESSIONAL QUALIFICATIONS, SKILLS, AND EXPERTISE OF THE BOARD AND SENIOR EXECUTIVES TO CARRY OUT THEIR FUNCTIONS

L&G Re 2 Board Members

Tim Stedman, Chairman and Legal & General Group Chief Actuary

Tim Stedman has been at L&G since 1997 and has over 30 years' experience in the life insurance sector. During his time with L&G, Tim has held a number of different financial reporting and risk management roles. From 2007 until 2013, he was Actuarial Function Holder for L&G Assurance Society (LGAS). LGAS is the entity through which the Group accepts the majority of its life assurance risks including the c£90bn annuity portfolio.

Tim became Group Actuary in 2010 and led the project to gain approval of the Group's Solvency II internal model in 2015. He has responsibility for capital management and optimisation across the Group as well as the on-going operation and development of the Group's capital modelling and ensuring compliance with Solvency II. Since 2016, Tim has led the Group's work on Insurance Capital Standards.

Tim is a Fellow of the Institute and Faculty of Actuaries and has a BSc in Mathematics from the University of Manchester.

Tim is the Chairman of the Boards and Bermuda Reinsurance Committees for both Legal & General Reinsurance Company Limited and Legal & General Reinsurance Company No.2 Limited.

Amy Ellison, Chief Executive Officer, Legal & General Reinsurance

Amy has been CEO of Legal & General Reinsurance (L&G Re) since June 2021, having first joined the Legal & General (L&G) Group in 2016. A chartered accountant with more than 20 years of financial-services industry experience, Amy has worked in several senior management roles within L&G including Defined Contribution, Retail and Personal Investing Finance Director for our Investment Management business, and as Head of Audit for four of L&G's businesses. In 2019, Amy took up an eight-month secondment as Senior Policy Lead as part of the Independent Review of the Financial Reporting Council, working with our Group Chairman, Sir John Kingman.

Alongside Amy's responsibilities for financial strategy and performance, she has held several governance roles at L&G, including as a director on the L&G UCITS ETF plc Board and as the Chair of LGIM's Asset Pricing and Valuations Committee.

Before joining L&G, Amy spent 15 years with PwC in the UK and Australia and was responsible for the delivery of audits and assurance services to globally listed insurance and asset management clients.

Amy is an accomplished musician, having received a postgraduate diploma in performance from the Royal Northern College of Music and holds a master's degree in music from the University of Edinburgh.

Amy is a member of the Boards of both Legal & General Reinsurance Company Limited and Legal & General Reinsurance Company No.2 Limited.

Helena Hawthorn, Head of Legal, Legal & General Retirement Institutional

Helena has been at Legal & General (L&G) since 2016 and has over 15 years' experience in the retirement sector. As Head of Legal, she has supported the growth of L&G's institutional retirement business to help pension schemes de-risk their obligations and secure their members' benefits. She also supervises the negotiation of significant asset and longevity reinsurance from the UK and oversaw the legal and regulatory work for the creation of Legal & General Reinsurance Company No.2 Limited. Since 2017 she has also advised the L&G Group on management of its own £2bn pension schemes.

Before joining L&G, Helena spent 10 years as a solicitor in private practice advising sponsoring employers and trustee boards on their legal and governance obligations in relation to their defined benefit pension schemes.

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Helena is a member of The Law Society and has a degree in History from the University of Oxford. She is a member of the Board of Legal & General Reinsurance Company No.2 Limited.

Carl Moxley, CFO, Legal & General Retirement Institutional

Carl is the Chief Financial Officer for the Legal & General Retirement Institutional division. He is responsible for the ownership of their P&L, balance sheet, capital and expenses of the c£90bn business. He joined the organisation in 2017 as the Chief Risk Officer of the total Retirement business. He has over 15 years' experience in capital and balance sheet management.

Prior to this he was the Group Capital Solutions Director at Aviva, having responsibility for leading large asset and liability transactions and their Group stress and scenario testing framework. He also spent seven years at Swiss Re in a variety of reserving, capital, structuring and pricing roles.

Carl is a Fellow of the Institute of Actuaries. He is a member of the Boards of both Legal & General Reinsurance Company Limited and Legal & General Reinsurance Company No.2 Limited.

Ed Houghton, Legal & General Group Strategy and Investor Relations Director

Ed is Group Strategy and Investor Relations Director at Legal & General (L&G). Before joining L&G, he was Managing Director at Bernstein, where he covered European insurers and asset managers as a Senior Research Analyst, co-heading a highly ranked sector team. Prior to Bernstein, Ed worked at Aviva from 2003 to 2011, where he held a variety of senior roles in strategy and finance both at a Group level and for Aviva Europe across a variety of mature and emerging markets.

Ed began his career as a strategy consultant at Accenture in 2001. He is a member of the Board of Legal & General Reinsurance Company No.2 Limited.

Committee Members

Derek Stapley (Non-Executive, ARCC Chair and BReC Member)

Derek is a Chartered Accountant with thirty years' experience in the Financial Services Industry. Derek currently serves as an independent director on the boards of several private or listed investment funds, insurance companies and private client structures. He chairs the Audit and Risk Committee for several of these companies. Derek is a former partner in Ernst & Young's Financial Services Office. He spent 20 years with Ernst & Young, Bermuda, holding a number of positions including several years as the leader of the Investment Funds Practice. In 2006, he joined Ernst & Young's Global Asset Management Group where he specialized in the Alternative Investment Industry before leaving the Firm in 2009. Derek, who is Scottish and Bermudian, holds a Bachelor of Arts degree in Accounting from the Caledonian University in Glasgow. He is a member of the Institute of Chartered Accountants of Scotland and of the Institute of Directors in Bermuda. .

Michael Walsh (Chief Financial Officer , IC and BReC Member)

Following roles as Legal & General Reinsurance's (L&G Re) Chief Actuary and Chief Business Development Officer, Mike became L&G Re's Chief Financial Officer. During his time with L&G Re, Mike has overseen the execution of multiple PRT transactions, including the largest in Ireland in 2018, as well as L&G's inaugural transaction in Canada and L&G Re's award-winning pandemic stop-loss reinsurance.

Prior to joining L&G Re, Mike held a variety of roles, including as an adviser to sponsors and trustees of pension funds, as well as senior roles within the UK pension risk transfer market. He oversaw the launch of Partnership into the bulk annuity market and the completion of more than 30 bulk annuity transactions. Across his career, Mike has also been responsible for developing pricing capability in the innovative medically underwritten bulk annuity market; overseeing production of quotations; leading product development; and implementing major improvements to systems, governance and processes.

Mike has a Master's in Mathematics with Statistics and is a Fellow of the Institute of Actuaries, for which he has been a member of the working parties and organising committees of Member Interest Groups. .

Johnny Chow (IC and ARCC Member)

Johnny Chow is the Chief Investment Officer for Legal & General Retirement (LGR), with responsibility for overseeing the c£90bn asset portfolio backing annuitant liabilities, including setting investment strategy, asset liability management and portfolio oversight. Johnny has held this role since 2019 and prior to this served as

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the Head of Portfolio Construction for LGR. Before joining Legal & General Johnny worked at J.P. Morgan where he has held multiple roles including Exotic Credit Trading, Credit Correlation Trading and Counterparty Hedging Trading. Johnny is a CFA since 2016 and holds a Master's in Mathematical Finance from the University of Toronto.

Tom Bryant (BReC and ARCC Member)

Tom Bryant is responsible for the delivery of the financial reporting of the Legal & General Retirement Institutional (LGRA) business, internal controls across finance, business planning and cost management. Previously he was Head of Audit for the Legal & General's (L&G) Institutional and Retail Retirement business and Group Finance function.

Before joining L&G in 2014, Tom was Head of Internal Audit for the Head Office Operations, for QBE Insurance Group in Sydney and the QBE captive reinsurer, Equator Re, in Bermuda. Until 2010 Tom worked for PwC in the UK and Australia in financial services external audit. Tom has over 20 years' experience in financial reporting, internal and external audit of life insurance companies and pension schemes. He is a Chartered Accountant and Certified Internal Auditor and has PhD and BEng in Civil Engineering from the University of Bristol.

Tom is a member of the reinsurance committees and audit committees of both Legal & General Reinsurance Company Limited and Legal & General Reinsurance Company No.2 Limited.

Matt Roche (Chief Investment Officer and BReC Member)

As Legal & General Reinsurance's (L&G Re) Chief Investment Officer, Matt manages the company's full asset portfolio and is responsible for investment manager oversight, ALM, and investment strategy development across a variety of asset classes.

Matt's work enables L&G Re to deliver its target returns within the desired risk appetite, with a large focus on asset optimisation of new business transactions and associated structuring.

Prior to joining L&G Re, Matt held a variety of roles at the Legal & General (L&G) Group, including at other international subsidiaries and a period working in longevity risk. He spent a substantial part of his career in pension risk transfer pricing and business development for L&G in the UK.

Matt graduated from Edinburgh University with a Master's in Mathematical Physics, is a Fellow of the Institute of Actuaries and holds the Chartered Enterprise Risk Actuary designation.

Primary Officers and Senior Management

Tom Ault (Chief Business Development Officer)

As Chief Business Development Officer, Tom takes responsibility for Legal & General Reinsurance's (L&G Re) new business strategy and clients in the Canadian and European markets with oversight of the pricing function.

Prior to joining L&G Re, Tom spent 19 years at Aon where he was a Partner within the retirement consulting practice in Canada and the UK. At Aon, he held a number of Canadian leadership roles, most recently with responsibility for retirement innovation, the pension risk settlement and longevity practice, and the local Vancouver market.

Tom is a Fellow of the Canadian Institute of Actuaries and the Institute of Actuaries, and he holds a Master's in Mathematics and Statistics. He is a member of the Canadian Institute of Actuaries International Affairs Council.

Zane Olivier (Chief Actuary)

Zane is the Chief Actuary at Legal & General Reinsurance (L&G Re). Zane has worked in the Legal & General Group since 2016, heading up both the actuarial reporting team for L&G Re and the actuarial reporting team for Legal & General's retirement division in London. Before joining Legal & General, Zane worked in a variety of roles in the industry and as a consultant, with a particular focus on Solvency II and capital optimisation.

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Zane graduated from the University of Warwick with a bachelor's degree in Mathematics, Operations Research, Statistics and Economics, and is a Fellow of the Institute and Faculty of Actuaries.

Nick Burke (Chief Risk Officer)

As Chief Risk Officer, Nick heads up Legal & General Reinsurance's (L&G Re) risk function. Since joining L&G Re in 2014, he has held a variety of roles including Pricing Manager and Business Development Director. He was also involved in the market entry for each of L&G Re's PRT territories.

Prior to joining L&G Re, Nick worked for Irish Life. He is a Fellow of the Institute and Faculty of Actuaries and also holds the Chartered Enterprise Risk Actuary accreditation. He has a Master's in Mathematics and Physics.

Tina Yang (Chief Operating Officer)

Tina's core responsibilities as Chief Operating Officer include improving operational efficiency and management control to enable Legal & General Reinsurance (L&G Re) to deliver at its optimal capacity. In addition, Tina also leads our effort for blockchain application development and reporting digitisation and automation.

Prior to joining L&G Re, Tina was a consulting actuary with Milliman in Chicago. She has undertaken extensive work with Variable Annuity products and her experience includes liability modelling and analysis in product pricing, in-force business valuation and management, dynamic hedging programmes, and mergers and acquisitions. She successfully led a number of outsourcing programmes using technology and highly streamlined processes to deliver efficient client solutions.

Tina studied Actuarial Science and Computer Science at the University of Waterloo, Canada. She has an MBA from the University of Oxford and is a Fellow of the Society of Actuaries.

Aleem Qureshi (Chief Strategy Officer)

As Legal & General Reinsurance's (L&G Re) Chief Strategy Officer, Aleem is responsible for the overall strategy to drive growth in our target markets.

Prior to joining L&G Re, Aleem worked for Canada Life, where he led their life insurance solutions team responsible for product development, pricing and in-force management of their Term and Universal Life insurance products. There he led the launch of an innovative flexible term life insurance product in the Canadian market. He also led Canada Life's Pension Risk Transfer unit that was responsible for pricing, business development, maintaining relationships with consultants and reinsurers, longevity research, and new product development. Aleem led Canada Life to record sales over his time in their PRT unit along with the launch of a first of its kind streamlined longevity swap and Liability Driven Investment offering.

Prior to this, Aleem was in retirement consulting with Willis Towers Watson in their New York and Toronto offices serving US and Canadian pension plan sponsors.

Aleem is a Fellow of the Society of Actuaries, a Fellow of the Canadian Institute of Actuaries, and a CFA Charterholder.

B.3 RISK MANAGEMENT AND SOLVENCY SELF-ASSESSMENT

B.3.1 A DESCRIPTION OF THE RISK MANAGEMENT PROCESS AND PROCEDURES TO EFFECTIVELY IDENTIFY, MEASURE, MANAGE AND REPORT ON RISK EXPOSURES

Risk management system

The Company follows a 'three lines of defence' risk governance model which is in line with the L&G Group policy, whereby:

- The Company is responsible for risk taking within the parameters of the approved risk appetite and accountable for managing risks in line with the Company's risk policies;
- Risk functions led by the CRO provide objective challenge and guidance on risk matters;
- Group Internal Audit ("GIA") providing independent assurance on the effectiveness of business risk management and the overall operation of the risk framework.

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Understanding the risks that we may be exposed to and deploying strategies to ensure residual exposures remain within acceptable parameters is an integral part of our business. We seek to deeply embed the necessary capabilities to assess and price for those risks that we believe offer sustainable returns within the Company; as well as ensuring the skill sets to closely manage those risk factors which could otherwise lead to unexpected outcomes. The risk management framework supports informed risk taking by our business, setting out those rewarded risks for which we accept exposure; and the risks that we want to avoid; together with risk limits and standards of internal control to ensure exposures remain within our overall risk appetite.

[Risk appetite](#)

The Company's risk appetite statements set out the overall attitude to risk, and the ranges and limits of acceptable risk taking. The ARCC leads a regular review of the risk appetite, assessing the continued appropriateness of the Company's key measures and tolerances relative to the risk exposures of the Company. Additionally, as part of the planning cycle, assessment is made of the level of risk taking proposed in the plan and the capacity for risk taking within the overall appetite framework.

The risk appetite is approved by the Board on the recommendation of the ARCC and the Company.

[Risk taking authorities](#)

The parameters of acceptable risk taking defined within the risk appetite are cascaded to the CEO and senior managers through documented divisional and entity mandates.

Mandates articulate the product types and features that may be written; the asset classes that may be held; the target capital positions and ranges of earnings volatility within which the overall profile of risks should be managed; and tolerances for specific risk exposures. Activities that would result in a business operating outside agreed parameters require formal approval.

[Risk Policies](#)

Risk control

The Company sets formal policies for the management of market, insurance, credit, liquidity and operational risks. The policies specify the overall strategies for ensuring each risk type is managed in line with the Company's risk appetite and the minimum control standards that should be applied in managing significant risk exposures.

Risk mitigation

The Company deploys a range of risk management techniques to manage and mitigate risks, and to ensure risk exposures are within the approved risk appetite. For example, derivatives are used to hedge unrewarded risks as part of the Company's asset liability management activity. The framework of controls includes documented underwriting policies and structured delegated pricing and underwriting authorities. It also includes investment policies which take into account the nature of the liabilities, guarantees and other embedded options given to policyholders.

[Risk identification and assessment](#)

Review process

The Company operates a risk identification and assessment process under which the Company regularly consider changes in the profile of existing and emerging risks. The assessment process evaluates the risks that are inherent in all products as well as those that are presented from changes in the environments that the Company operates in.

Commercial Insurer's Solvency Self-Assessment

The risk identification and assessment process forms part of the Company's broader 'Commercial Insurers' Solvency Self-Assessment' ("CISSA") process, the on-going assessment of the risks to which the Company is exposed and an evaluation of the sufficiency of resources to sustain the business strategy over the horizon of the Group plan.

[Risk Management Information](#)

The risk MI framework is structured to report and support the review of ongoing and emerging risks and assess actual risk positions relative to the risk limits and targets that are set.

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Risk oversight

The CRO, who is independent of first line, supports the Board and the ARCC in articulating acceptable risk taking and ensuring the effective operation of the risk and capital framework. This includes ongoing assessment of the Company's capital requirements to confirm that they meet regulatory solvency requirements.

The CRO also provides objective challenge and guidance on a range of risk matters to business managers, including the risks implicit in product developments, business transactions and new asset classes, and strategies for managing risks in line with the Company's overall risk appetite.

Risk committees

The Board has ultimate responsibility for the risk management framework. The ARCC, supported by the CRO, serves as the focal point for risk oversight activities.

The Company Board:

- Owns the overall Risk Management system
- Owns the risk appetite statements
- Is the ultimate owner of the Company's regulatory relationships

The L&G Re 2 Risk Committee ("ReRC") ensures the effectiveness of the overall risk management system and recommends to the Board any changes to the risk appetite. The ReRC meets on a quarterly basis.

The executives are accountable for:

- The implementation and operation of the risk management system
- Identifying, measuring, managing, monitoring and reporting risks within the business
- Ensuring all business decisions are informed by risk-based measures by reference to the agreed risk appetite statements wherever appropriate
- Ensuring appropriate risk taking and risk assurance resources are in place

The CRO leads the risk management function which represents the second line of defence.

GIA provides the third line of defence across the Group. It provides assurance to the Group Audit Committee, executive directors and risk management function that the design and operation of the risk management system is appropriate for all risk types.

B.3.2 DESCRIPTION OF HOW THE RISK MANAGEMENT AND SOLVENCY SELF-ASSESSMENT SYSTEMS ARE IMPLEMENTED AND INTEGRATED INTO THE INSURER'S OPERATIONS; INCLUDING STRATEGIC PLANNING AND ORGANISATIONAL AND DECISION MAKING PROCESS

This item has been included in B.3.1 above.

B.3.3 DESCRIPTION OF THE RELATIONSHIP BETWEEN THE SOLVENCY SELF- ASSESSMENT, SOLVENCY NEEDS, AND CAPITAL AND RISK MANAGEMENT SYSTEMS

The purposes of the CISSA are to assess the Company's risks and to evaluate whether there are sufficient financial resources to sustain the business strategy over the plan horizon.

Given the relative nascency of the business and relatively strong level of capitalisation currently, it was decided to use the Bermudian Economic Balance Sheet ("EBS") balance sheet as the CISSA basis. The EBS position is assessed under various stresses in the CISSA and relative to the Company's capital risk appetite, which broadly aims to withstand an adverse loss event and still maintain a margin above its regulatory target capital level. The Company's EBS basis together with its capital risk appetite brings together the underlying risk and capital management processes by which the Company assesses, monitors and measures the Company's risks, review the business against risk appetite and tolerances and project the solvency position over the business plan. The exclusive use of the EBS basis for CISSA projections is seen as temporary and a more bespoke risk-adjusted measure will be adopted in due course. The CISSA cycle is aligned with the strategic and business planning process so that the key elements can interact and inform forward looking decision-making.

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Integration of CISSA processes

Regular CISSA processes are aligned with the strategic and business planning process, providing key CISSA inputs in line with the plan.

Throughout the year, the Company monitors its performance against the current plan as well as monitoring risk and capital MI.

B.3.4 DESCRIPTION OF THE SOLVENCY SELF-ASSESSMENT APPROVAL PROCESS INCLUDING THE LEVEL OF OVERSIGHT AND INDEPENDENT VERIFICATION BY THE BOARD AND SENIOR EXECUTIVES

The L&G Re 2 Board is responsible for appropriate and proportionate oversight of capital management activities to ensure they are carried out in the spirit of the Group capital management policy.

The L&G Re 2 Board also ensures that there are adequate processes and procedures in place to meet their obligations under this framework.

The Board delegates the day-to-day capital management to the L&G Re 2 BReC, who delegates responsibility to the L&G Re 2 CEO, who executes their authority through the L&G Re 2 Capital Committee ("ReCC").

The Company's capital risk appetite is the responsibility of the L&G Re 2 Chief Actuary. The Company's risk appetite more generally is the responsibility of the L&G Re 2 CRO and is reviewed annually (or at other times when it is required).

Refer to B.3.1 and B.3.3 above for additional information.

B.4 INTERNAL CONTROLS

B.4.1 DESCRIPTION OF THE INTERNAL CONTROLS SYSTEM

Internal control system

The Company's internal control framework seeks to ensure that:

- An organisational structure is defined, with clarity of roles, responsibilities and reporting lines
- Appropriate management information and reporting processes are defined
- Frameworks for decision making (including the delegation of authority) are articulated
- Clear segregation of duties is in place
- Conflicts of interest are managed
- Administrative and accounting procedures are aligned with requirements
- Personnel have sufficient skills, knowledge and expertise to discharge their responsibilities (including those relating to the regulatory environment)
- Adequate and orderly records of business are maintained
- The security of customer data and other internal records is ensured
- Business procedures combat financial crime
- Processes are in place to deal with policyholder claims and complaints
- The integrity of manual and computerised business systems is ensured
- Processes ensure assessment of the possible impact of any changes in the legal environment

The ARCC oversees the adequacy and effectiveness of the internal control framework, primarily through the receipt of reports from GIA, external auditors, and risk teams in the second line of defence.

B.4.2 DESCRIPTION OF HOW THE COMPLIANCE FUNCTION IS EXECUTED

The Company CRO retains all compliance responsibilities, including fraud, anti-money laundering and anti-terrorist financing ("AML/ATF"), and anti-bribery and corruption ("ABC") responsibilities. The Company compliance policies have been approved by the Company Board and are reviewed periodically. All local policies comply with Group compliance policy and consider regulatory requirements. The CRO ensures that:

- All staff have annual training on compliance policies
- All staff read and sign the compliance policies upon commencement of their employment
- Company policies are kept in-step with Group and regulatory requirements

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All compliance activity is reported to the ARCC.

B.5 INTERNAL AUDIT (IA)

Description of how the IA function is implemented and how it maintains its independence and objectivity when conducting its functions

GIA is an independent and objective assurance and advisory function whose primary role is to support the Group Board and Executive Management in the protection of the assets, reputation and sustainability of the group.

GIA also supports group Executive Management in accomplishing business objectives by adopting a systematic and disciplined approach to the evaluation and improvement of the design and effectiveness of the group's risk management, control and governance processes.

Group Internal Audit carries out:

- independent reviews and audits of the controls mitigating the key risks in all areas of the business, prioritised according to the relative risk of each assignment as determined by the Group Chief Internal Auditor in conjunction with senior management;
- reviews of major business change initiatives; and
- reviews of the risk management and internal control processes.

GIA's work may also include reviewing relevant post-mortem or 'lessons learned' analyses following significant adverse events at an organisation. The role of GIA's involvement in any events will generally be determined as part of the audit planning process or on an ad hoc basis, where required.

GIA is responsible for the development of an internal audit plan, with a corresponding delivery timetable and budget. The plan typically details proposed audits over the next twelve months. GIA reviews the plan regularly and advises the Board, through the Group Audit Committee, of any material alterations to it. Any impact of resource limitations and significant interim changes are communicated promptly to the Board.

The Internal Audit plan is developed using a risk-based methodology, including input from executive and non-executive senior management. Any significant deviation from the approved internal audit plan is communicated through the activity reporting process.

Internal control objectives considered by GIA include:

- effectiveness of design and operation of processes and their actual outcomes, assessed against the group's established values, ethics, risk appetite and policies;
- the appropriateness of the organisation's risk and control culture, including the attitude and approach taken by all levels of management to risk management and internal control
- efficiency of operations, and use of resources;
- compliance with policies, plans, procedures, laws and regulations;
- reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information; and
- safeguarding of assets.

The Group Chief Internal Auditor reports functionally to the Chair of the Group Audit Committee and administratively to the Group Chief Executive Officer.

The Internal Audit activity remains free from interference by anyone within the group. This includes the choice of business areas to audit, procedures, frequency, timing, or the content of the GIA reports. This ensures that GIA can maintain a necessary independent and objective perspective.

Internal auditors have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditors' judgement.

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Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and will not lose their objectivity when forming judgements.

The Group Chief Internal Auditor confirms to the Group Audit Committee, at least annually, the organisational independence of internal audit activity.

B.6 ACTUARIAL FUNCTION

Description of how the actuarial function is implemented

The Company has its own actuarial team that is supported by the wider Group Actuarial Function for the Company's Economic Balance Sheet ("EBS") reporting.

The Approved Actuary presents an annual report to the Company Board providing an opinion on the reasonableness of the calculation of the technical provisions ("TP") and its compliance with Bermuda Regulations.

The requirements covering the calculation of TP are addressed through various activities, in particular, Actuarial Function review of the calculations and the membership of oversight committees. A number of reports during the year are provided to the Board or Committees on the data, models, methodologies, assumptions and results of the EBS TP calculation.

The Actuarial Function contributes to the effective implementation of the risk management system through various activities and the membership of a number of key committees with risk and financial reporting responsibilities. Areas of focus, both within the responsibility of the risk function and more generally, with significant levels of Actuarial Function involvement include: the Bermuda Solvency Capital Requirement ("BSCR"); the CISSA; identifying, measuring and monitoring risks; asset-liability modelling (including liquidity management); product pricing; financial reporting and business plans.

B.7 OUTSOURCING

B.7.1 DESCRIPTION OF THE OUTSOURCING POLICY AND INFORMATION ON ANY KEY OR IMPORTANT FUNCTIONS THAT HAVE BEEN OUTSOURCED

The Company follows the L&G Group's Outsourcing and Essential Supplier Services Policy ("Outsourcing Policy"). The outsourcing policy sets out the framework and minimum standards of control and governance that the Company expects to be applied in the management of risks associated with outsourced and essential supplier service arrangements in line with regulatory requirements. The policy specifies that an activity should not be outsourced where it would materially impair the quality of the Company's system of governance; unduly increase the Company's exposure to operational risk; impair the ability of supervisory authorities to monitor the Company's compliance with its obligations; or undermine continuous and satisfactory service to the Company's policyholders.

The policy requires that for all outsourced arrangements a rigorous evaluation and supplier selection process is undertaken having regard for the financial stability, expertise, ability and capacity of the supplier to deliver the required service. The policy also specifies that a written contract must be in place which must include: a service level agreement; the conditions under which the arrangement may be terminated; provision for the orderly transition of services to another provider or the Company if the contract is terminated; a defined mechanism to resolve disputes arising out of/ or relating to the contract; appropriate contingency plans should the supplier be unable to provide the required service; and provision for the continued availability of any software upon which the Company is reliant. Contracts must also ensure access to the providers premises, business management and any data relating to the outsourced activity, by GIA, risk and compliance functions, its external auditors and supervisory authorities; and appropriate warranties that Legal & General and client data is adequately protected against unauthorised access at all times. All outsourced arrangements must be managed under the direction of a named relationship manager. The risk function maintains oversight of the management of outsourcing arrangements established by the first line business operations.

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The following external outsourcing arrangements are considered to cover critical or important operational functions or activities and is monitored in line with the policy.

Service providers	Goods/services	Jurisdiction
FIERA	Services	Canada
CIBC	Services	Canada
Cohort- Company Secretarial	Services	Bermuda
Expertise - HR	Services	Bermuda
CCS Group Limited – IT	Services	Bermuda
Cognizant Microsoft Business Group - IT	Services	Canada

B.7.2 DESCRIPTION OF MATERIAL INTRA-GROUP OUTSOURCING (“INSOURCING”)

Insourcing is the use by one L&G Group company of another company within the Group for the supply of business facilities or services. The Company’s core insourced relationships with Group are as follows:

- actuarial reporting calculation services by LGR’s finance teams;
- staff services are provided by LGRB;
- treasury services by Legal & General Finance Plc;
- the provision of employees and procurement services, mortality advice, legal advice, risk advice and investment advice as required by Legal & General Resources Limited;
- reporting services provided by Accounting Services team as per the service agreement set in place; and
- accounts payable services provided by Financial Accounting Operations service (“FAO”) as per the service agreement set in place

B.8 ANY OTHER MATERIAL INFORMATION

None.

C. RISK PROFILE

Particulars on exposures on underwriting risk, market risk including off balance sheet exposures, credit risk, liquidity risk, operational risk and other material risks.

C.1 MATERIAL RISKS THAT THE INSURER IS EXPOSED TO, INCLUDING HOW THESE RISKS ARE MEASURED AND ANY MATERIAL CHANGES THAT HAVE OCCURRED DURING THE REPORTING PERIOD

The Company currently uses the Bermuda Solvency Capital Requirement relative to its available capital on an Economic Balance Sheet basis together with its capital risk appetite framework to quantitatively assess risk exposures. In terms of capital requirement, credit and insurance (longevity) risks remain the most significant risks. Market risk, which includes interest rate risks, covers other more material risks for which capital is held.

Underwriting risk

Risk exposure and controls

The Company is exposed to underwriting (also known as insurance) risk as a consequence of the reinsurance products offered. Underwriting risk is the exposure to loss arising from insurance risk experience being different to that anticipated. Detailed below are the risks the Company is exposed to and the associated controls operated.

Principal risk	Risk Mitigations
<p><i>Longevity risks</i></p> <p>For annuity contracts, the Company is exposed to the risk that mortality experience is lower than assumed. Lower than expected mortality would require payments to be made for longer and increase the cost of benefits provided.</p> <p>Long-term mortality experience and rates of improvement for annuitant business has increased uncertainty as a result of the ongoing COVID-19 global pandemic. At present it is generally accepted to be too early to determine with any accuracy the long-term likely effects of the pandemic on longevity estimates.</p>	<p>Annuity business is priced having regard to trends in improvements in future mortality. The Company regularly reviews its longevity experience and industry projections of longevity and adjusts the pricing and valuation assumptions accordingly.</p>
<p><i>Expense risk</i></p> <p>Pricing long term insurance business requires assumptions regarding the future cost of product servicing. A significant adverse divergence in actual expenses experience could reduce product profitability.</p>	<p>In determining pricing assumptions, account is taken of changes in price indices and the costs of employment, with stress testing used to evaluate the effect of significant deviations. Actual product servicing costs are monitored relative to the costs assumed with the business plan, with variances investigated.</p>

Risk concentration

Whilst exposure to concentration risk is an inherent aspect of writing insurance business, there is limited appetite for the scale or frequency of events anticipated in product pricing materially diverging from expectations as a consequence of significant accumulations of exposure to a single event or counterparty.

Market risk

Risk exposure and controls

The Company is exposed to market risk as a consequence of the Company's new business strategy and for investments held for existing business. Market risk is the exposure to loss as a direct or indirect result of

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fluctuations in the value of, or income from, specific assets.

Principal risk	Risk mitigations
<p><i>Investment performance risk</i></p> <p>The Company is exposed to the risk that the income from, and value of, assets held to back insurance liabilities do not perform in line with investment and product pricing assumptions leading to a potential financial loss.</p>	<p>Models are used to assess the impact of a range of future return scenarios on investment values and associated liabilities in order to determine optimum portfolios of invested assets. For immediate annuities, which are sensitive to interest rate risk, analysis of the liabilities is undertaken to create a portfolio of securities, the value of which changes in line with the value of liabilities when interest rates change.</p>
<p><i>Currency risk</i></p> <p>To diversify credit risk within the annuities business corporate bond portfolio, investments are held in corporate bonds denominated in currencies not directly matched to the liabilities. The Company also invests in overseas assets. Fluctuations in the value of, or income from, these assets relative to profits reported in CA\$ could result in unforeseen loss.</p>	<p>To mitigate the risk of loss from currency fluctuations, currency swaps and forwards are used to hedge exposures to assets denominated in currencies other than CA\$. Hedging arrangements are placed with strongly rated counterparties with collateral requirements being subject to regular review and reconciliation with the counterparties. In all cases, it is not possible to perfectly hedge currency risk, leaving some residual risk. This residual risk is monitored against defined limits and tolerances.</p>
<p><i>Interest rate risk</i></p> <p>Interest rate risk is the risk that the Company is exposed to lower returns or loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets and liabilities arising from changes in underlying interest rates.</p> <p>The Company is exposed to interest rate risk on the investment portfolio it maintains to meet the obligations and commitments under its non-linked insurance and investment contracts, in that the proceeds from the assets may not be sufficient to meet the Company's obligations to policyholders.</p>	<p>To mitigate the risk that guarantees and commitments are not met, financial instruments are purchased, which broadly match the expected benefits payable, by their nature and term. The composition of the investment portfolio is governed by the nature of the liabilities, the expected rate of return applicable on each class of asset and the capital available to meet the price fluctuations for each asset class, relative to the liabilities they support.</p> <p>Asset liability matching significantly reduces the Company's exposure to interest rate risk. The sensitivity to interest rate changes of the Company's profits and balance sheet equity on an International Financial Reporting Standards ("IFRS") basis is included in the Company's analysis and disclosed within the financial statements.</p>

Risk concentration

The Company holds a significant portfolio of investment assets to meet obligations to policyholders. Investment classes include bonds and cash. Some exposure to concentration risk is an inherent aspect of operating significant portfolios of investment assets. However, the Company has limited appetite for the scale or frequency of events anticipated in investment management strategies materially diverging from expectations as a consequence of significant accumulations of exposure to a single event or counterparty. Where required, limits are set on the maximum aggregate exposures to investment, banking and reinsurance counterparties, sectors and geographies.

Concentrations of risk are reported as part of the Company's risk monitoring and reporting framework. The risk management reports presented provide both qualitative and quantitative information on concentration risks, as well as on material risk drivers and mitigating actions taken where exposures are outside acceptable tolerances.

Credit risk

Risk exposure and controls

The Company is exposed to credit risk as a consequence of the new business strategy and the investments held for existing business. Credit risk is risk of a financial loss as a result of the default or failure of third parties

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to meet their payment obligations to the Company, or variations in market values as a result of changes in expectations related to those risks. Detailed below are the principal credit risks which the Company is exposed to:

Principal risk	Risk mitigations
<p><i>Bond default risk</i></p> <p>A significant portfolio of corporate bonds is held to back the liabilities arising from writing annuities. Whilst the portfolio is diversified, the asset class is inherently exposed to the risk of issuer default, with financial loss.</p>	<p>Portfolio level and specific issuer limits are set by financial strength rating, sector and geographic region so as to limit exposure from a default event. Issuer limits are regularly reviewed to take account of changes in market conditions, sector performance and the re-assessment of financial strength by rating agencies and the Company's own internal analysts. Exposures are monitored relative to limits. Financial instruments may be used to mitigate the impact of rating downgrades and defaults. If appropriate, actions are taken to trade out investments that are judged to have an elevated risk of default.</p>
<p><i>Banking counterparty risk</i></p> <p>The Company is exposed to potential financial loss should banks or the issuers of financial instruments default on their obligations to us. The Company is also exposed to counterparty risks in respect of the providers of settlement and custody services.</p>	<p>The Company controls its exposures to banking counterparties and the issuers of financial instruments using a framework of counterparty limits. These limits take account of the relative financial strength of the counterparty as well as other exposures that the Company may have. Limits are subject to regular review with actual exposures monitored against limits. The Company has defined criteria for the selection of custody and settlement services. The financial strength of providers is regularly reviewed.</p>

Risk concentration

A significant portfolio of corporate bonds is held to back the liabilities arising from writing annuities. The Company can be exposed to concentrations of credit risk within the portfolio from events impacting a specific sector or geography or through concentrations of exposure to an individual counterparty. Accumulations of exposures to credit risk in relation to individual counterparties can also arise through holdings in cash, equities, bonds and property and through reinsurance and as a result of delegated premium collection arrangements.

The Company manages the credit concentration risk by setting quantitative limits on maximum exposures to counterparties. The Company's Investment Committee is responsible for reviewing the aggregate exposures for the Company and the extent to which specific limits are required for concentrations by counterparty, sector and geographic areas. Where exposures are identified as being outside acceptable ranges, it will initiate action within the relevant portfolio to manage the exposure.

Liquidity risk

Risk exposure

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

The Company's exposure to liquidity risk primarily arises from contingent events including timing difference of cash flows, such as annuity payments due to policyholders and other operational cash flows. The Company is also exposed to "Collateral risk" under its derivatives and reinsurance contracts which requires the Company to post eligible assets.

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Principal risk	Risk mitigations
<p><i>Derivative Collateral risk</i></p> <p>Within the annuities businesses, the use of financial instruments to hedge default, interest rate, currency and inflation risks can require the posting of collateral with counterparties, and as such an appropriate pool of the asset types specified by counterparties must either be held or readily available.</p>	<p>Liquidity requirements to meet potential derivative collateral calls are actively managed. Typically the overall fund of investment assets held to meet the long term liabilities arising from annuity business is held in cash and other highly liquid investment types for general liquidity purposes.</p>
<p><i>Reinsurance Collateral risk</i></p> <p>The Company's existing business and anticipated new business is collateralised with the cedant. By the terms of collateral agreements linked to reinsurance contracts written, the collateral must meet certain requirements on amount and quality of assets. An appropriate pool of assets must either be held or readily available to post as additional reinsurance collateral under stress events</p>	<p>Asset requirements to meet potential reinsurance collateral calls are actively managed. The amount of reinsurance collateral required and posted is monitored by management on a regular basis.</p>

Liquidity risk management

The Company does not seek exposure to liquidity risk as a part of its business model, but accepts that exposure to liquidity risk can arise as a consequence of the markets in which it operates, the products that it writes and through the execution of investment management strategies.

The Company seeks to manage its funds and liquidity requirements on a pooled basis and to ensure the Group maintains sufficient liquid assets and standby facilities to meet a prudent estimate of its net cash outflows. In addition, the Company ensures that, even under stress scenarios, the Company has access to the funds necessary to cover all outgoing collateral requirements and liabilities. Overall, the Company maintains sufficient funds for business-as-usual purposes. It is the Company's policy that the business remains self-sufficient from a liquidity perspective by maintaining sufficient liquid assets and assessing the appropriateness of the composition of the assets in terms of their nature, duration and liquidity to meet obligations as they fall due. The Company also maintains sufficient eligible assets to meet collateral requirements that arise from their normal business conduct and under the two defined stressed scenarios.

The primary sources of liquidity across the Company are cash and government securities.

Liquidity stress testing

The exposure to liquidity risk is measured by liquidity coverage ratios ("LCRs") under extreme liquidity stress scenarios on short-term, near-term and longer-term horizons. The main purpose of the model is to measure the compliance to the approved risk appetite defined in the Liquidity Risk Management Framework. As a Company standard, the liquidity stress testing is performed monthly or more frequently if needed.

LCR is defined as total sources of liquidity divided by total liquidity requirements.

Operational risk

Risk exposure and management

Operational risk is defined as loss arising from inadequate or failed internal processes, people, systems or external events. Potential for exposure to operational risk extends to all the Company's businesses. The Company has constructed a framework of internal controls to minimise material loss from operational risk events recognising that no system of internal control can completely eliminate the risk of error, financial loss, fraudulent action, or reputational damage. The Company has also adopted the culture whereby each area of the business and a member of the Senior Management Team are responsible for the operational excellence and control within that area.

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Mitigation techniques are deployed via the internal control framework, which comprises the systems, processes and procedures that ensure business operations are conducted so as to meet all obligations to all stakeholders, comply with regulation and legislation, and minimise the risk of material error or fraud. The Company aims to implement effective controls (both preventative and detective) to reduce operational risk exposures, except where the costs of such controls exceed the expected benefits. It is accepted that no system of control will eliminate the risk of financial loss or reputational damage, and all employees are expected to report weaknesses and deficiencies as soon as they are identified. Risk events and issues are logged to provide management the visibility. These data are analysed frequently to identify repetitive instances and instruct the company to address them promptly.

Dependency on a single supplier (both internal and external to the Group) to provide a product or service supporting a critical business function can give rise to a concentration of operational risk. Techniques deployed to mitigate this include business continuity and recovery plans in the event of a supplier failure, a defined mechanism to resolve disputes relating to a contract, and orderly exit and termination plans. Further details are provided in section B7: Outsourcing.

Sensitivities

As part of the CISSA, the Company performs a number of stress tests. The stresses are carried out looking at the impact of a move in one or a small number of risk factors over a one-year time horizon. The stresses are chosen to focus on areas where greater understanding is considered more beneficial and are also chosen to ensure that the key risks are well represented. The stresses do not allow for management actions when calculating the sensitivities.

The stresses include:

- Credit Risk: Default and downgrade tests to better understand the behaviour of the credit portfolio.
- Market Risk: Interest rate and inflation stress tests to help understand the interactions and the hedging arrangements.
- Insurance Risks: Longevity stress tests to demonstrate the sensitivity to different long-term mortality improvement rates for annuity business and changes in current expectations of mortality rates.

The stresses demonstrate that the most material risks are credit and longevity. To mitigate these risks management monitor the credit quality of the portfolio and focus on improving their understanding of future longevity trends.

The Company is able to meet the capital requirement following the stress testing performed.

C.2 HOW RISKS ARE MITIGATED INCLUDING THE METHODS USED AND THE PROCESS TO MONITOR THE EFFECTIVENESS OF THESE METHODS

Refer to C.1 above and C.4 below.

C.3 MATERIAL RISK CONCENTRATIONS

Refer to C.1 above and C.4 below.

C.4 HOW ASSETS ARE INVESTED IN ACCORDANCE WITH THE PRUDENT PERSON PRINCIPLE AS STATED IN PARAGRAPH 5.1.2 OF THE CODE

The Company is capitalised sufficiently to meet its ongoing business objectives from a local regulatory perspective. The shareholder funds supporting this business, as well as the assets that back the insurance liabilities, require a robust investment strategy.

The Company holds a broad range of investment assets to meet the obligations arising from its business. The performance and liquidity of investment markets and movements in interest rates, exchange rates and inflation can impact the value of these assets as well as the value of the underlying obligations. A potential mismatch of assets and liabilities may impact the earnings, profitability and the capital requirements of the Company.

The Company seeks to match the asset and liability cash flows to reduce the impact of changing economic conditions, in line with the prudent risk management principles applied by the Company and regulation.

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Additionally, a range of risk management strategies are used to manage volatility in returns from investment assets and the broader effects of adverse market conditions.

The Company has the following risk management strategy to manage the investment portfolio of the company.

Market risk

The Company's exposure to market risk is influenced by one or more external factors, including changes in specified interest rates, financial instrument prices, foreign exchange rates and indices of prices or rates.

Significant areas where the Company is exposed to these risks are:

- assets backing insurance contracts;
- assets and liabilities denominated in foreign currencies; and
- other financial assets and liabilities.

The Company follows the Group market risk policy. The Group market risk policy sets out the overall framework for the management of market risk. The policy is reinforced by more granular investment policies for long term and other business, which have due regard to the nature of liabilities and guarantees and other embedded options given to policyholders.

The Company is ultimately responsible for the management of market risk. The Company manages market risk using the following methods:

Asset liability matching

The Company manages its assets and liabilities in accordance with regulatory requirements, reflecting the differing types of liabilities it has.

For business such as immediate annuities, which is sensitive to interest rate risk, analysis of the liabilities is undertaken to create a portfolio of securities, the value of which changes in line with the value of liabilities when interest rates change. This type of analysis helps protect profits from changing interest rates. Interest rate risk cannot be completely eliminated, due to the nature of the liabilities and early redemption options which may be contained in the assets.

The Company holds a range of asset types to meet liabilities. This allows the Company to devise an investment strategy which maximises risk-adjusted returns to its shareholders.

Derivatives

The Company uses derivatives to reduce the market risk arising in the long-term fund. The most widely used derivatives are over the counter and exchange traded swaps. The Company may use futures to facilitate efficient asset allocation within the long term funds. In addition, derivatives within the long term fund are used to improve asset liability matching and to manage interest rate, foreign exchange and inflation risks. It is the Company's policy that amounts at risk through derivative transactions are covered by cash or corresponding assets and that swaps are collateralised as appropriate to reduce counterparty risk.

Interest rate risk

Please refer to C.1.

Inflation risk

Although the Company is not directly exposed to inflation risk, if the Company were to enter into inflation linked contracts we would manage the risk of movements in price indices through the use of inflation swaps or similar instruments.

Currency risk

The Company is potentially exposed to loss as a result of fluctuations in the value of, or income from, assets denominated in foreign currencies. The Company manages its currency risk exposure in respect of assets denominated in currencies other than the liability currency by backing obligations with investments in the same currency and through hedging using derivatives.

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Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. These changes may be as a result of features of the individual instrument, its issuer, or factors affecting all similar financial instruments traded in the market.

The Company controls its exposure to geographic price risks by using internal country credit ratings. These ratings are based on macroeconomic data and key qualitative indicators. The latter take into account economic, social and political environments.

Credit risk

Exposure to loss if another party fails to perform its financial obligations to the Company.

The Company follows the L&G Group credit risk policy. The Group credit risk policy defines the overall framework for the management of credit risk. Credit risk exposures primarily arise in relation to corporate bonds.

The Company holds fixed and variable rate securities to back part of its insurance liabilities. Significant exposures are managed by the application and regular review of concentration limits, with allowance being made in the actuarial valuation of the insurance liabilities for possible defaults.

Liquidity risk

The Company follows the L&G Group Liquidity Risk Policy which defines the overall framework for the management of liquidity risk. The Company does not seek exposure to liquidity risk in its own right, but recognises that exposure to liquidity risk can arise as a consequence of the markets in which it operates, the products that it writes and through the execution of investment management strategies.

The liquidity risks to which the Company may be exposed, primarily stem from low probability events that if not adequately planned for, may result in unanticipated liquidity requirements.

In using derivatives to manage market risk (particularly for FX and interest rates), the Company accepts exposure to liquidity risk arising from posting of initial and variation margins to clearing houses and investment bank counterparties. These liquidity requirements are modelled under low probability, extreme stress events with liquid assets being held in our asset portfolio to meet these requirements in line with the Group Liquidity Risk Policy.

A limited level of contingent liquidity risk is an accepted element of writing contracts of insurance. However, the Company seeks to maintain sufficient liquid assets and standby facilities to meet a prudent estimate of the cash outflows that may arise from contingent events. The level of required liquidity to be maintained by insurance funds is identified using techniques including cash flow analysis for ranges of extreme scenarios and stress tests for shock events.

To ensure an appropriate pool of liquid assets are maintained in line with a prudent estimate of cash outflows, the profile of investment assets held to meet future liabilities from writing insurance business are structured to include an appropriate proportion of cash and other readily realisable assets. The required profile is formally defined as part of asset benchmarks provided to the investment managers, with regular MI provided by the investment manager on the actual holding relative to the fund benchmark.

The Company manages its banking relationships, capital raising activities, overall cash and liquidity position and the payment of dividends, with support from its ultimate holding company, L&G Group's Treasury function. L&G Group seeks to manage its corporate funds and liquidity requirements on a pooled basis and to ensure the Group maintains sufficient liquid assets and standby facilities to meet a prudent estimate of its net cash outflows. In addition, it ensures that, even under adverse conditions, the Group has access to the funds necessary to cover surrenders, withdrawals and maturing liabilities.

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**C.5 THE STRESS TESTING AND SENSITIVITY ANALYSIS TO ASSESS MATERIAL RISKS,
INCLUDING THE METHODS AND ASSUMPTIONS USED, AND THE OUTCOMES**

Refer to C.1 and C.4 above.

C.6 ANY OTHER MATERIAL INFORMATION

None.

D. SOLVENCY VALUATION

Particulars of the valuation bases, methods and assumptions on the inputs used to determine solvency.

D.1 THE VALUATION BASES, ASSUMPTIONS AND METHODS USED TO DERIVE THE VALUE OF EACH ASSET CLASS

Assets

The Company's assets as at 31 December 2021 under EBS are CA\$598,718k, including CA\$110,835k of shareholder fund assets.

Unless otherwise stated, assets have been recognised in accordance with IFRS.

Individual assets and liabilities have been valued separately and can offset each other, where permitted, in accordance with IFRS accounting principles.

D.2 THE VALUATION BASES, ASSUMPTIONS AND METHODS USED TO DERIVE THE VALUE OF TECHNICAL PROVISIONS AND THE AMOUNT OF THE BEST ESTIMATE. THE AMOUNT OF THE RISK MARGIN AS WELL AS THE LEVEL OF UNCERTAINTY TO DETERMINE THE VALUE OF THE TECHNICAL PROVISIONS SHOULD BE INCLUDED:

A summary of the TPs is set out below. The TPs are calculated as the sum of the BEL and risk margin ("RM") plus any outstanding monies owed to Legal & General Resources Bermuda Limited ("LGRB").

Technical provisions 2021 (CA\$'000)	Long-Term Business BEL	LGRB Liability	Risk Margin	Total
L&G Re 2	487,952	5,878	13,720	507,549

Source: 2021 L&G Re 2 BSCR

The BEL is calculated using the scenario-based approach ("SBA").

The main cash flows cover future financial obligations of policyholder benefits, and expenses of running the business (including investment expense and commission payments). Future management actions are allowed for, where these are deemed to be objective, realistic and verifiable. The management actions used in the calculation of the TP consider the time delays and costs applicable to their implementation.

The RM is the cost that would be incurred in holding the non-market risk BSCR necessary to support the insurance and reinsurance obligations over their lifetime, determined using a cost of capital rate. The RM is calculated separately from the BEL. The RM is the present value of the cost of capital required, to cover the BSCR for certain defined risks (referred to here as the "RM capital requirement"), to meet adverse deviations on the underlying best estimate cash flows over the full run-off of the business. The RM capital requirement covers underwriting risk, credit risk associated with reinsurance contracts and operational risk. Future new business is not allowed for in the RM capital requirement.

The RM is calculated allowing for diversification between the risks within the Company. The discount rate used in the cost of capital calculation is the relevant basic risk-free rate. The cost of capital rate is set to 6% as prescribed by the BMA.

The calculation of the TPs is dependent on the quality of the data underlying the calculations. The data quality has been assessed in line with Bermuda Regulations. This assessment has concluded that the quality and sufficiency of data used in the preparation of the above TPs is such as to enable a reliable and adequate calculation of the TPs.

Further information on material elements of the TPs is set out below:

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Best Estimate Liabilities (BEL)

The BEL is calculated using deterministic actuarial projection models, in line with the methodology described above.

Risk Margin

The RM capital requirement is projected forward for each future year over the run-off of the business.

Longevity is the most material component of the RM capital requirement. Best estimate and stressed future cash flows are projected to capture the capital requirement at future points in time and the discounted cost of capital is applied. The RM capital requirement is projected using a proxy approach i.e. the projected capital requirements are estimated using appropriate “carrier” functions.

Main assumptions

This section covers the assumptions used in the calculation of the BEL.

Cash flow projections are determined using best estimate assumptions for each component of cash flow and for each policy group. The assumptions used in the valuation of the BEL are the same best estimate assumptions as the basis for calculating IFRS assumptions, excluding the margin for prudence included within the IFRS assumptions.

The best estimate assumptions are derived by reference to the most recent experience and any relevant market data (e.g. future mortality improvement factors calculated using the Continuous Mortality Investigation Bureau model).

Assumptions are set by following an established methodology which has been discussed with the Board. In some cases assumptions can vary significantly from year to year. Assumptions are set for homogeneous risk groups to avoid introducing distortions that might arise from combining business with different characteristics.

Economic assumptions

The economic assumptions have been set such that they reflect the economic conditions at the valuation date.

Risk free yield curve

The discount rates used by the Company are based on the risk-free discount curves provided by the BMA and are subject to an adjustment in line with the SBA, designed to capture both the sensitivity to interest rates and the degree to which the assets and liabilities are cashflow matched.

Inflation

Expense and unit cost inflation rates have been set by reference to external indicators as at the valuation date.

Non-economic assumptions

Expenses

The cash flow projection used to calculate the BEL takes into account administrative, investment and claims expenses, allowing for future expense inflation. The assumptions for long term maintenance costs are set based on the forecast expenses, suitably adjusted where necessary, and include overhead expenses in line with the approved methodology.

Mortality

Regular investigations of mortality experience against appropriate base tables are conducted, with the portfolio segmented by groups of contracts that are expected to exhibit similar mortality trends. An investigation is carried out from time to time (typically every three years) to review the fit of the experience to an appropriate base mortality table. In other years, assumptions are compared to the results of the most recent experience investigations and revised where the experience implies a shift that is likely to be due to more than random fluctuation.

The assumption for annuitant mortality is set as a combination of a base table (i.e. the rate of mortality currently experienced by annuitants) plus future improvements (i.e. how the rates of mortality will change over time).

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D.3 DESCRIPTION OF RECOVERABLE FROM REINSURANCE CONTRACTS, INCLUDING SPECIAL PURPOSE INSURERS AND OTHER RISK TRANSFER MECHANISMS

n/a

D.4 THE VALUATION BASES, ASSUMPTIONS AND METHODS USED TO DERIVE THE VALUE OF OTHER LIABILITIES

Provisions other than TPs

Provisions other than TPs are valued in accordance with IFRS, at an amount representing the best estimate of the expenditure required to settle the obligation or to transfer it to a third party at the balance sheet date.

Derivatives

All derivative contracts are measured at fair value in accordance with IFRS by reference to market transactions or using valuation models incorporating market-based assumptions.

D.5 ANY OTHER MATERIAL INFORMATION

None.

E. CAPITAL MANAGEMENT

Particulars regarding an assessment of capital needs and regulatory capital requirements.

E.1 ELIGIBLE CAPITAL

E.1.1 DESCRIPTION OF THE CAPITAL MANAGEMENT POLICY AND PROCESS TO DETERMINE CAPITAL NEEDS FOR BUSINESS PLANNING, HOW CAPITAL IS MANAGED AND ANY MATERIAL CHANGES DURING THE REPORTING PERIOD.

The Company Board has established risk appetite statements to set the objective for capital management. The Company aims to maintain an appropriate buffer of capital resources over the minimum regulatory capital requirements. The Board sets a quantitative risk appetite for regulatory capital requirements and the Company monitors the capital resources relative to the risk appetite.

The Board is responsible for setting Company strategy.

The Company intends to prepare on a yearly basis a five-year business plan which incorporates capital planning and dividend projections, consistent with the Group's business plan, to forecast how the capital position is expected to develop over the business planning period and consider the impact of the strategy on the capital position. Performance against the capital plan is monitored on a regular basis and is used to inform decisions on the capital structure and dividend policy.

E.1.2 ELIGIBLE CAPITAL

	2021 CA\$'000	2020 CA\$'000
Tier 1	91,127	n/a
Tier 2	42	n/a
Tier 3	-	n/a
Total	91,169	n/a

Source: 2021 L&G Re 2 BSCR

The Company has issued share capital.

E.1.3 ELIGIBLE CAPITAL BY REGULATORY LIMITATIONS

The Company has met all of its eligible capital requirements for both ECR and MSM.

E.1.4 CONFIRMATION THAT ELIGIBLE CAPITAL IS SUBJECT TO TRANSITIONAL ARRANGEMENTS AS REQUIRED UNDER THE ELIGIBLE CAPITAL RULES

Eligible capital has allowed for transitional arrangements as approved by the BMA.

E.1.5 IDENTIFICATION OF ANY FACTORS AFFECTING ENCUMBRANCES AFFECTING THE AVAILABILITY AND TRANSFERABILITY OF CAPITAL TO MEET THE ECR

None.

E.1.6 IDENTIFICATION OF ANCILLARY CAPITAL INSTRUMENTS THAT HAVE BEEN APPROVED BY THE AUTHORITY

None.

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E.1.7 IDENTIFICATION OF DIFFERENCES IN SHAREHOLDER'S EQUITY AS STATED IN THE FINANCIAL STATEMENTS VERSUS AVAILABLE STATUTORY CAPITAL AND SURPLUS

No differences are noted between the shareholder's equity as stated in the financial statements and the available statutory capital and surplus.

E.2 REGULATORY CAPITAL REQUIREMENTS

E.2.1 AMOUNT OF THE ECR AND MSM AT THE END OF THE REPORTING PERIOD

	2021	2020
	CA\$'000	CA\$'000
Minimum Margin of Solvency	12,142	n/a
Enhanced Capital Requirement	26,539	n/a
Enhanced Capital Requirement Ratio	344%	n/a

Source: 2021 L&G Re 2 BSCR

E.2.2 IDENTIFICATION OF ANY NON-COMPLIANCE WITH THE MSM AND THE ECR

None.

E.2.3 DESCRIPTION OF THE AMOUNT AND CIRCUMSTANCES SURROUNDING THE NON-COMPLIANCE, THE REMEDIAL MEASURES TAKEN AND THEIR EFFECTIVENESS

None.

E.2.4 WHERE THE NON-COMPLIANCE HAS NOT BEEN RESOLVED, DESCRIPTION OF THE AMOUNT OF THE NON-COMPLIANCE AT THE END OF THE REPORTING PERIOD

None.

E.3 APPROVAL INTERNAL CAPITAL MODEL USED TO DERIVE THE ECR

E.3.1 DESCRIPTION OF THE PURPOSE AND SCOPE OF THE BUSINESS AND RISK AREAS WHERE THE INTERNAL MODEL IS USED

The Company does not use an approved internal model.

F. SUBSEQUENT EVENT

F.1 DESCRIPTION OF SUBSEQUENT EVENT

There were no subsequent events since 31 December 2021.

F.2 APPROXIMATE DATE OR PROPOSED TIMING OF THE SUBSEQUENT EVENT

Refer to F.1.

F.3 CONFIRMATION OF HOW THE SUBSEQUENT EVENT HAS IMPACTED OR WILL IMPACT

Refer to F.1.

F.4 ANY OTHER MATERIAL INFORMATION

There is no other material information to report on at the date of the FCR filing.

Declaration

We, the undersigned, declare that to the best of our knowledge and belief, this financial condition report fairly represents the financial condition of the insurer in all material respects.

<p>DocuSigned by: <i>Amy Ellison</i> 9DC16EB325D4408... AMY ELLISON, CEO</p>	<p>4/28/2022</p> <hr/> <p>Date</p>
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<p>DocuSigned by: <i>Nick Burke</i> 38C7D01386474E3... NICK BURKE, CRO</p>	<p>4/28/2022</p> <hr/> <p>Date</p>
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GLOSSARY

A

AA

Approved Actuary

ALM

Asset liability management.

Annuity

A regular payment from an insurance company made for an agreed period of time (usually up to the death of the recipient) in return for either a cash lump sum or a series of premiums which the policyholder has paid to the insurance company during their working lifetime.

ARCC

L&G Re 2 Audit, Risk and Compliance Committee.

B

Best estimate liabilities (“BEL”)

The probability-weighted average of best estimate future cash flows, discounted using the EBS Scenario Based Approach.

BMA

The Bermuda Monetary Authority was established by statute in 1969. It supervises, regulates and inspects financial institutions operating in the jurisdiction. It also issues Bermuda’s national currency, manages exchange control transactions, assists other authorities with the detection and prevention of financial crime, and advises Government on banking and other financial and monetary matters.

Bermuda Solvency Capital Requirement (“BSCR”)

This is the BMA’s regulatory capital requirement.

C

CA

Chief Actuary

Capital Coverage Ratio

Also known as the solvency coverage ratio. The eligible Own Funds on a regulatory basis divided by the Bermuda Solvency Capital Requirement. This represents the number of times the BSCR is covered by eligible Own Funds.

CBDO

Chief Business Development Officer.

CEO

Chief Executive Officer.

CFO

Chief Financial Officer.

IMC

Internal Model Controller.

CISSA

Commercial Insurer’s Solvency Self-Assessment, a forward-looking assessment of own risks.

COMPANY

Legal & General Reinsurance Company No.2 Limited.

CRO

Chief Risk Officer.

D

Deduction and Aggregation (“D&A”)

A method of solvency consolidation, where approved non-EEA entities’ contribution to the group Solvency II balance sheet is based on the entity’s local regulatory basis.

E

EBS

The Economic Balance Sheet represents the regulatory capital balance sheet, comprising Technical Provisions, Assets and Capital Requirements as set out by the BMA regulations.

EEA

European economic area.

EIOPA

European Insurance and Occupational Pensions Authority.

Eligible Own Funds (“EOF”)

The amount of Own Funds available to meet the BSCR. This includes any adjustments for eligibility requirements as defined by the Solvency II Delegated Regulations.

F

FVTPL

Fair Value through Profit and Loss.

G

GIA

Group Internal Audit.

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I

Internal Model (“IM”)

A solvency calculation model tailored to the individual risk profile of a specific firm.

International financial reporting standards (“IFRS”)

These are accounting guidelines and rules that companies and organisations follow when completing financial statements. They are designed to enable comparable reporting between companies, and they are the standards that all publicly listed groups in the European Union (EU) are required to use.

L

LCR

Liquidity Coverage Ratio.

LGA

Legal & General America, Inc.

LGAS

Legal and General Assurance Society Limited.

LGC

Legal and General Capital.

LGIM

Legal & General Investment Management.

LGR

Legal & General Retirement division.

LGRB

Legal & General Resources Bermuda Limited.

LGRI

Legal & General Retirement Institutional.

L&G Re

Legal & General Reinsurance Company Limited.

L&G Re 2

Legal & General Reinsurance Company No.2 Limited.

L&G Re 2 Board

Legal & General Reinsurance Company No.2 Limited’s Board of directors.

Liability driven investment (“LDI”)

A form of investing in which the main goal is to gain sufficient assets to meet all liabilities, both current and future. This form of investing is most prominent in final salary pension plans, whose

liabilities can often reach into billions of pounds for the largest of plans.

Liquidity coverage ratio (“LCR”)

The measure of exposure to liquidity risk. The LCR is defined as total sources of liquidity divided by total liquidity requirements.

Longevity

Risk associated with increasing life expectancy trends among policyholders and pensioners.

M

MI

Management information.

Mortality rate

Rate of death, influenced by age, gender and health, used in pricing and calculating liabilities for future policyholders of life and annuity products, which contain mortality risks.

O

Own Funds

The amount of capital available to cover a firm’s BSCR.

Outsourcing Policy

Legal & General Group’s Outsourcing and Essential Supplier Services Policy.

P

Pension risk transfer (“PRT”)

PRT represents bulk annuities bought by entities that run final salary pension schemes to reduce their responsibilities by closing the schemes to new members and passing the assets and obligations to insurance providers.

PRA

Prudential Regulation Authority was created as a part of the Bank of England by the Financial Services Act (2012) and is responsible for the prudential regulation and supervision of insurance companies in the UK.

R

Reporting Period

The reporting period is from the date of incorporation, 11 February 2021, to the year then ended, 31 December 2021.

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Risk Appetite

The aggregate level and types of risk a company is willing to assume in its exposures and business activities in order to achieve its business objectives.

investment. It is usually expressed as a percentage.

Risk margin (“RM”)

The cost of providing funds to cover the Bermuda Solvency Capital Requirements over the lifetime of the associated insurance policies. The approach for calculating the risk margin is prescribed in BMA regulations.

S

Solvency coverage ratio

Also known as the capital coverage ratio. The eligible Own Funds on a regulatory basis divided by the Bermuda Solvency Capital Requirement. This represents the number of times the BSCR is covered by eligible own funds.

Solvency II

In effect since 1 January 2016, the Solvency II regulatory regime is a harmonised prudential framework for insurance firms in the EEA. This single market approach is based on economic principles that measure assets and liabilities to appropriately align insurers’ risk with the capital they hold to safeguard policyholders.

Solvency II Delegated Regulation

Commission Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

Solvency II Directive

Directive 2009/138/EC of the European Parliament (Solvency II Directive).

T

Technical provisions (“TP”)

The sum of the best estimate liabilities and the risk margin.

V

Value-at-risk (“VaR”)

The estimated loss for a given probability over a one-year period.

Y

Yield

A measure of the income received from an investment compared to the market value of the