

# **FIL Life Insurance Limited**

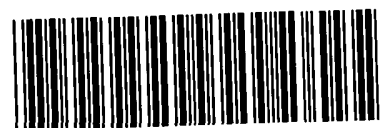
Company registration number: 03406905

## **Annual Report and Financial Statements**

**for the year ended**

**31 December 2021**

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# **FIL Life Insurance Limited**

**Annual report and financial statements  
for the year ended 31 December 2021**

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<b>Contents</b>	<b>Pages</b>
Directors, officers and principal advisers	2
Strategic report	3-6
Directors' report	7-9
Independent auditors' report	10-16
Profit and loss account	17
Balance sheet	18
Statement of changes in equity	19
Statement of cash flows	20
Notes forming part of the financial statements	21-40

# FIL Life Insurance Limited

Directors, Officers and Principal advisors  
for the year ended 31 December 2021

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## Directors, officers and principal advisers

### Directors

D C Huntley	
M Jaekel	
A S Lanser	(Resigned on 1 September 2021)
S Maher	
W Mayall	(Resigned on 2 September 2021)
J Webb	(Resigned on 13 April 2021)
J M Holohan	(Appointed on 1 September 2021)
G M Reid	(Appointed on 2 September 2021)
D Robertson	(Appointed on 13 April 2021)

### Chief Executive

D Robertson

### Company Secretary

FIL Investment Management Limited  
4 Cannon Street  
London  
EC4M 5AB

### Actuaries

Milliman LLP  
11 Old Jewry  
London  
EC2R 8DU

### Solicitors

Slaughter and May  
One Bunhill Row  
London  
EC1Y 8YY

### Independent Auditors

PricewaterhouseCoopers LLP  
7 More London Riverside  
London  
SE1 2RT

### Principal bankers

Barclays Bank plc  
PO Box 46116  
London  
EC4N 8WB

### Registered Office

Beech Gate  
Millfield Lane  
Lower Kingswood  
Tadworth  
Surrey, KT20 6RP

# FIL Life Insurance Limited

## Strategic report for the year ended 31 December 2021

The directors present their Strategic report for the year ended 31 December 2021.

### Principal activities

The principal activity of FIL Life Insurance Limited ("the Company" or "FIL Life") is to provide insured pension products linked to funds managed by the FIL Limited group of companies ("FIL Group") and selected fund partners.

The company is authorised in the UK by the Prudential Regulation Authority ("PRA") and regulated in the UK by the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority.

### Business review

During the year, the Company added a further 21 new clients (31 December 2020: 13 new clients) bringing total assets held to cover linked liabilities to £42,113,146,000 (31 December 2020: £36,754,794,000) including reinsurance assets. The Company added 27 new funds and 143 client-specific funds (31 December 2020: 7 new funds and 127 client-specific funds). 10 clients were lost during the year (31 December 2020: 4).

The Company offers a broad range of life funds that invest in funds managed both by Fidelity and third party fund managers. Where the funds are invested via a reinsurance contract with another life insurer, the assets are separately disclosed.

### Key performance indicators ("KPIs")

The Board monitors the progress of the Company using a number of metrics. These include the following KPIs:

	12 months to December 2021	6 months to December 2020
	£000	£000
Assets held to cover linked liabilities	24,767,207	21,906,646
Assets held to cover linked liabilities – reinsured funds	17,345,939	14,848,148
<b>Total assets held to cover linked liabilities</b>	<b>42,113,146</b>	<b>36,754,794</b>

### Principal Risks and Uncertainties

Details of the principal risks and uncertainties to which the Company is exposed are set out in note 24.

### Future Developments

The Company expects to operate in existing markets and products during the coming year. The Company is UK focussed only.

The Company was not significantly affected by Covid-19 during the period as technology solutions have enabled remote working.

# FIL Life Insurance Limited

## Strategic report for the year ended 31 December 2021

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### Ukraine Crisis

Given the recent escalation of events due to Russia commencing an invasion of Ukraine, this is an extremely uncertain time, with heightened concern broadly about the situation, the human cost and also potential for volatility in financial markets. We are monitoring the situation very closely, with all relevant teams across Fidelity International meeting regularly so we can react swiftly and ensure we meet the needs of our clients. Market volatility is an inevitable and inherent part of investing, and we have well established processes in place to deal with it, as well as Business Continuity Plans and robust processes in place to deal with fund liquidity, cyber related issues and other operational risks that may arise.

The US, EU and UK and other governments have issued sanctions against Russia targeting individuals, companies, and sectors. In consultation with our key stakeholders, we will review and comply with any economic sanctions imposed where required.

From a supplier perspective, FIL Life has no material exposure to Russia or Belarus involving counterparties or vendors at this time. The FIL Group has a system in place to evaluate counterparties and vendors in line with our policies and sanctions-related obligations. We will continue to implement this policy and system.

The Company does not have any material exposure either directly or indirectly through its investments.

### Statement on Section 172(1) of the Companies Act

Section 172 of the Companies Act 2006 ("s172") places a duty on directors to promote the success of the company for the benefit of shareholders as a whole, having regard to a number of broader matters including the likely consequence of decisions for the long term, the need to act fairly between members of the company, and the Company's wider relationships.

The directors have acted in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of the company's sole shareholder ("FIL Limited"). In doing so, they have had regard to a range of matters, including the impact of decisions in the long term, the interests of key stakeholders including employees, suppliers, customers, the community and the environment, and the reputation of the company for high standards of business conduct.

The FIL Group's purpose and goals are set out in its Corporate Governance Statement contained in the Directors' Report within the FIL Limited Group's financial statements. As part of the FIL Group, the company shares the FIL Group's purpose and goals. The board makes decisions with regard to the long-term interests of its sole shareholder with due regard to the impact of decisions on all relevant stakeholders. In working towards the Company's goals, the board have had due regard for the key stakeholders of the company and the FIL Group, as set out as follows.

#### *Customers*

The company's purpose, working together to build better financial futures, stresses the importance of collaboration to its business, working together both as colleagues and in partnership with its clients. It also underlines our focus on sustainable, long-term outcomes, together with an aspirational focus on the future. The business aims to provide the best investment services and products to suit customer needs and desired outcomes. The Company aims to give people the power to get and stay in great financial health as they move towards their retirement. The FIL Group's core values of Integrity and Trust are implemented throughout its engagement with customers.

#### *Suppliers*

Key considerations around suppliers are discussed in the Engagement with Key Stakeholders section of the Directors' Report on pages 7-8.

# FIL Life Insurance Limited

Strategic report  
for the year ended 31 December 2021

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## Statement on Section 172(1) of the Companies Act 2006 (*continued*)

### *Communities and environment*

More detail on engagement with Customers and the Environment is included within the Engagement with Key Stakeholders section of the Directors' Report on pages 7-8.

Having reviewed the likely financial impact of climate change on the Company, and considering the type of business it writes, the Directors consider the Company is not exposed to insurance risk or financial risks relating directly to climate change. The Directors will continue to carefully monitor and plan to mitigate the risks of climate change to the business operations.

### *Reputation and high standards of business conduct*

The reputation of the FIL Group is vital to the confidence of customers and is a significant focus for the Board. As set out in the Corporate Governance Statement contained in the Directors' Report within the FIL Limited's financial statements, the FIL Group seeks to operate to the highest standards of conduct. All staff employed by the FIL Group are subject to the Fidelity International Code of Conduct and Ethics, which emphasises the FIL Group's commitment to keeping its reputation untarnished and provides a framework for employees to manage their personal affairs in a way consistent with that reputation, and this is further supported by the Whistleblowing Policy, which is covered in further detail within the Corporate Governance Statement within the FIL Group's financial statements. The company performs regulated activities and maintains an open and proactive relationship with the Prudential Regulation Authority (the "PRA").

### *Response to COVID-19*

The impact of the coronavirus (COVID-19) disease continued to be felt during the year and has caused significant volatility and uncertainty within the global economy and financial markets, and significant personal dislocation for the FIL Group's employees and for the FIL Group's customers and suppliers. The FIL Group has continued to respond to the COVID-19 crisis with appropriate consideration given to the impact on each of its key stakeholder groups and the Board has been kept informed of key developments and management actions; taking key decisions as necessary.

The FIL Group continues to actively support employees in a range of ways throughout the pandemic, with the vast majority of staff working from home which was successfully implemented ahead of the original 'lockdown' imposed by the UK Government. Following the emergence of the Omicron variant, the FIL Group has taken a prudent stance on the Return to Office Working arrangements, closely following UK Government guidance and ensuring the welfare of staff continues to be of paramount importance during this period, as working practices change to hybrid and flexible working. The FIL Group Board has considered and reflected on the steps taken to ensure staff wellbeing during these unprecedented times and whether there are unidentified or longer-term implications in this regard.

The FIL Group continues to maintain its ability to service customers and has suffered no significant reduction in service levels after the change to staff working from home model. This change necessitated revisions to certain operating practices and procedures and the risk implications of these revisions and compensatory controls continue to be carefully monitored. Customer contact has been maintained through digital channels, with call centres remaining open, enabling the business to continue working to high service levels. Complaint trends have been carefully monitored and the root causes of these assessed to identify any key themes that were impacting customer experience.

The ARC has monitored the risk profile of the business during this period and the ongoing effectiveness of its control environment and remains comfortable with both aspects.

Engagement in the community and charitable donations have continued throughout the pandemic, as the FIL Group continued to support local charities throughout the period. It has also continued to progress its aim to conduct current and future business operations in a sustainable manner.

# FIL Life Insurance Limited

**Strategic report  
for the year ended 31 December 2021**

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## **Statement on Section 172(1) of the Companies Act 2006 (*continued*)**

### *Response to COVID-19 (continued)*

Throughout the pandemic, the FIL Group has continued to have an open and honest relationship with the regulator including regular dialogue. The FIL Group continues to maintain adequate capital and liquidity to support the business in meeting its obligations and upholds the highest standards of business conduct. The FIL Group did not participate in any emergency government support schemes relating to COVID-19.

### **Approval**

This Strategic Report was approved on behalf of the Board on 29 March 2022.

*Duncan Robertson*

**D Robertson**  
Chief Executive Officer

**29 March 2022**

# FIL Life Insurance Limited

## Directors' report for the year ended 31 December 2021

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The directors present their report together with the audited financial statements for the year ended 31 December 2021.

Details of the business review and future developments are included within the Strategic report on page 3.

### Directors

The directors of the company who were in office throughout the year, and up to the date of signing the financial statements are listed on page 2.

### Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

### Results, dividends and transfer to reserves

The profit for the year amounted to **£2,904,000** (period to December 2020: £1,256,000). This amount has been retained in shareholders' funds. Total shareholders' funds were **£62,292,000** (period to December 2020: £59,388,000).

No dividends were declared or proposed during the year (period to December 2020: Nil).

### Actuary

Mr J Jenkins (pending PRA's approval) of Milliman LLP performed the role of the Company's Actuary for the valuation.

### Financial Instruments

Information on the use of financial instruments by the Company and its management of financial risk is disclosed in note 17.

### Engagement with Key Stakeholders

#### Suppliers

The company recognises suppliers as critical to its ongoing success and depends upon them to fulfil a broad range of services including, but not limited to, fund administration, accounting, custody, market data, and technology. The company seeks to partner with third parties who operate in accordance with the company's own business values, which are reflected in our Supplier Code of Conduct.

The company engages with its key suppliers regularly, to undertake due diligence, risk assessment, and ongoing oversight, in order to ensure that they meet the high standards and behaviours the company and its clients expect. Additionally, the company works with key suppliers in order to build ongoing partnerships and collaborate towards short-and long-term goals.

The company is committed to the fair treatment of suppliers and ensures prompt payment for all third parties that it works with.



# **FIL Life Insurance Limited**

## **Directors' report for the year ended 31 December 2021**

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### **Customers**

The company's purpose, working together to build better financial futures, is based on the premise it believes it fulfils a vital role in society. The work that FIL Life does, together with the FIL Group, and the services it offers to its clients, across all its business areas has one focus in mind - to help those clients have a better future because their financial situation allows them to. It also underlines the focus on sustainable, long-term outcomes, together with an aspirational focus on the future. The company operates within the FIL business line Workplace and Personal Financial Health ("WPFH"). WPFH aims to give people the power to get and stay in great financial health throughout every stage of their lives. The company's core values of Integrity and Trust are implemented throughout its engagement with customers. The company interacts with clients in a number of ways and actively listens to clients' needs by seeking feedback, for example through client surveys, which informs continuous improvements to client experience.

### **Communities and environment**

The FIL Group has a pro-active approach to Corporate Social Responsibility and seeks to build better futures by supporting a number of charitable causes to improve the lives of others and support the environment in which we operate, which is adopted by the company within the FIL Group. The FIL Group partners with local charities to help to build better futures for the community in which it operates. It also aims to conduct current and future business operations in a sustainable manner which helps create a better future for the environment, with key focus areas of Pollution, Prevention, Carbon Reduction, Waste minimisation and responsible use of resources.

### **Streamlined Energy and Carbon reporting ("SECR")**

FIL Life has no employees and no physical presence, with all its operations outsourced to other FIL Group entities and therefore qualifies as a low energy user and is not required to make any SECR disclosures. The SECR related disclosures for the UK entities of the FIL Group, to which most operations are outsourced, can be found in the consolidated financial statements of FIL Holdings (UK) Limited ("FHL").

### **Statement of disclosure of information to auditors**

So far as the directors are aware there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Independent auditors**

The directors appointed PricewaterhouseCoopers LLP as auditors to the company.

There is no requirement under the Companies Act 2006 or the Company's Articles of Association to hold an Annual General Meeting or lay the Company's Report and Financial Statements before the shareholders. The Company has also elected to dispense with the need to appoint auditors annually.

# FIL Life Insurance Limited

## Directors' report for the year ended 31 December 2021

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### Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

### Approval

This directors' report was approved on behalf of the Board on 29 March 2022.

*Duncan Robertson*

**D Robertson**  
Chief Executive Officer

**29 March 2022**

# **FIL Life Insurance Limited**

## **Independent auditors' report to the members of FIL Life Insurance Limited**

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### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, FIL Life Insurance Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2021; the Profit and loss account, the Statement of changes in equity and the Statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 9, we have provided no non-audit services to the company in the period under audit.

#### **Our audit approach**

##### *Overview*

##### *Audit scope*

- The company is a wholly-owned life insurance entity within the FIL Limited group and therefore we did not apply any group scoping.
- We audited all of the material financial statement line items to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole.

# FIL Life Insurance Limited

## Independent auditors' report to the members of FIL Life Insurance Limited (*continued*)

### Key audit matters

- The risk of fraud in revenue recognition

### Materiality

- Overall materiality: £622,916 (2020: £593,880) based on 1% of Net Assets, for all balances other than Assets held to cover linked liabilities and Technical provisions for linked liabilities and the associated line items in the Profit and loss account for which £421,131,445 (2020: £367,547,938) has been used based on 1% of assets held to cover linked liabilities.
- Performance materiality: £467,187 (2020: £445,410).

### *The scope of our audit*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

### *Key audit matters*

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Consideration of the Impact of COVID-19, which was a key audit matter last year, is no longer included because of our agreement with management's assessment that the impact on the Company has not been, and is unlikely to be significant. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<i>The risk of fraud in revenue recognition</i>  The calculation of revenue is not determined to be a complex area however there is a presumption that management always has the opportunity to manipulate revenue through top up manual journals.	We have performed the following procedures with regards to the risk of fraud in revenue recognition: <ul style="list-style-type: none"><li>• Tested a sample of journal entries focused on particular revenue journals made by management outside the normal course of business.</li></ul> In addition, we have performed the following procedures over revenue: <ul style="list-style-type: none"><li>• Obtained an understanding of the control activities related to revenue;</li><li>• Assessed the revenue recognition accounting policy for compliance with accounting standards;</li><li>• On a sample basis re-performed the calculation of asset management fees;</li><li>• Agreed a sample of inputs to the calculation related to asset management rates to supporting documentation;</li></ul>

# FIL Life Insurance Limited

## Independent auditors' report to the members of FIL Life Insurance Limited (*continued*)

	<ul style="list-style-type: none"> <li>• Agreed a sample of inputs related to net asset values (NAVs) to the underlying system;</li> <li>• Tested the operation of controls related to the calculation of NAVs; and</li> <li>• Agreed a sample of asset management and policy administration fees to supporting evidence, including invoices and cash receipts.</li> </ul> <p>We found no material exceptions in our testing.</p>
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### *How we tailored the audit scope*

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We have performed a full scope audit, taking into account our determination of materiality and of the risks of material misstatement in the financial statements.

### *Materiality*

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<i>Overall company materiality</i>	£622,916 (2020: £593,880).
<i>How we determined it</i>	1% of Net Assets, for all balances other than Assets held to cover linked liabilities and Technical provisions for linked liabilities and the associated line items in the Profit and loss account for which £421,131,445 (2020: £367,547,938) has been used based on 1% of assets held to cover linked liabilities.
<i>Rationale for benchmark applied</i>	The company's primary focus is on its regulatory capital and satisfying its capital requirements. As such we deem that net assets ("Total Shareholder's fund") is the most appropriate benchmark in determining materiality. The company issues unit-linked pension policies. As a result, Technical provisions - investment contract liabilities are covered by Assets held to cover linked liabilities and return on investment contracts derived on the assets is offset by the change in policyholder liabilities under investment contracts. In accordance with the guidance on the audit of insurers issued in the United Kingdom by the Financial Reporting Council we have applied a higher materiality for these balances for the purpose of identifying and evaluating the effect of misstatements that are likely only to lead to a reclassification between line items within assets and liabilities. This materiality is based on 1% of assets held to cover linked liabilities.

# FIL Life Insurance Limited

## Independent auditors' report to the members of FIL Life Insurance Limited (*continued*)

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We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £467,187 (2020: £445,410) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above 5% (2020: 5%) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Conclusions relating to going concern

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

- Performing a risk assessment to identify factors that could impact the going concern basis of accounting, including the impact of Covid-19;
- Obtaining and evaluating the Directors' Going Concern assessment, based on the Company's projected Solvency coverage and liquidity position driven from the Company's Own Risk and Solvency Assessment, and challenging the basis and any material assumptions using our knowledge of the Company's business;
- Considered information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of going concern; and
- Reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

# FIL Life Insurance Limited

## Independent auditors' report to the members of FIL Life Insurance Limited (*continued*)

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### *Strategic report and Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### *Auditors' responsibilities for the audit of the financial statements*

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

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

# FIL Life Insurance Limited

## Independent auditors' report to the members of FIL Life Insurance Limited (*continued*)

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Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to increase the revenue of the company, and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Discussions with the Board, internal audit and senior management involved in Risk and Compliance functions and the company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading key correspondence with the Prudential Regulation Authority and Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Audit Committee, and Board of Directors;
- Identifying and testing journal entries based on risk criteria; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



# **FIL Life Insurance Limited**

## **Independent auditors' report to the members of FIL Life Insurance Limited (*continued*)**

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### **Other required reporting**

#### **Companies Act 2006 exception reporting**

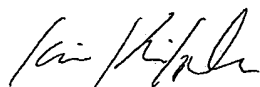
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### **Appointment**

Following the recommendation of the Audit Committee, we were appointed by the directors on 17 December 1998 to audit the financial statements for the year ended 31 December 1998 and subsequent financial periods. The period of total uninterrupted engagement is 24 years, covering the years ended 31 December 1998 to 31 December 2021.



**Iain Kirkpatrick** (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

**29 March 2022**

# FIL Life Insurance Limited

## Profit and loss account for the year ended 31 December 2021

### Technical account – Long-term business

	Note	12 months to December 2021 £000	6 months to December 2020 £000
Return on investment contracts		5,253,847	3,611,226
Other technical income, net of reinsurance	7	67,273	29,578
Claims incurred, net of reinsurance			
Claims paid	8		
- Gross amount		488	258
- Reinsurer's share		(488)	(258)
		-	-
Change in other technical provision, net of reinsurance			
- Gross amount		(1,215)	(362)
- Reinsurer's share		1,302	394
		87	32
Change in policyholder liability under investment contracts		(5,253,847)	(3,611,226)
Net operating expenses	9	(63,944)	(28,150)
Taxation attributable to long term business		(395)	(277)
Balance on the long-term business technical account		3,021	1,183

### Non-technical account

	Note	12 months to December 2021 £000	6 months to December 2020 £000
<b>Balance on long-term business technical account</b>		3,021	1,183
Tax credit attributable to balance on long-term business technical account		395	277
Shareholders' pre-tax profit from long term business		3,416	1,460
Investment income	10	94	90
<b>Profit on ordinary activities before tax</b>		3,510	1,550
Tax on profit on ordinary activities	11	(606)	(294)
Profit for the financial period		2,904	1,256
Total comprehensive income for the period		2,904	1,256

All the amounts above are derived from continuing activities. The notes on pages 21 to 40 form an integral part of these financial statements. All recognised gains and losses are dealt with in the profit and loss account.

# FIL Life Insurance Limited

Balance sheet  
as at 31 December 2021

<b><u>Assets</u></b>	<b>Note</b>	<b>12 months to December 2021 £000</b>	<b>6 months to December 2020 £000</b>
<b>Investments</b>			
Other financial investments	12	1,364	1,207
<b>Assets held to cover linked liabilities</b>	13	42,113,146	36,754,794
<b>Reinsurer's share of technical provisions</b>			
Long-term business provisions	14	11,617	13,320
<b>Trade and other receivables</b>			
Debtors: amounts due within one year	15	10,074	2,441
<b>Other assets</b>			
Cash at bank and in hand	16	130,540	123,049
<b>Prepayments and accrued income</b>			
Other prepayments and accrued income		607	820
<b>Total assets</b>		<b>42,267,348</b>	<b>36,895,631</b>
<b><u>Liabilities</u></b>			
<b>Capital and reserves</b>			
Called up share capital	18	12,000	12,000
Capital contribution		22,000	22,000
Profit and loss account		28,292	25,388
<b>Total shareholder's fund</b>		<b>62,292</b>	<b>59,388</b>
<b>Technical provisions</b>			
Long-term business provision	19	11,918	13,709
Investment contract liabilities	20	42,113,146	36,754,794
<b>Provisions for other risks and charges</b>			
Provision for taxation	21	-	38
<b>Creditors</b>			
Other creditors including taxation	22	60,705	44,468
Claims outstanding		19,287	23,234
		<b>79,992</b>	<b>67,702</b>
<b>Total liabilities</b>		<b>42,205,056</b>	<b>36,836,243</b>
<b>Total equity and liabilities</b>		<b>42,267,348</b>	<b>36,895,631</b>

The notes on pages 21 to 40 form an integral part of these financial statements. The financial statements were approved by the Board of Directors on 29 March 2022. They were signed on their behalf by:

*Duncan Robertson*

**D Robertson**  
Chief Executive Officer

*S Mah*

**S Maher**  
Director

Company registration number: 03406905

## FIL Life Insurance Limited

### Statement of changes in equity for the period ended 31 December 2021

	Called up share capital £000	Capital contribution £000	Retained earnings £000	Total equity £000
<b>At 1 July 2020</b>	<b>12,000</b>	<b>22,000</b>	<b>24,132</b>	<b>58,132</b>
Total comprehensive income for the period	-	-	1,256	1,256
<b>At 31 December 2020</b>	<b>12,000</b>	<b>22,000</b>	<b>25,388</b>	<b>59,388</b>
Total comprehensive income for the year	-	-	2,904	2,904
<b>At 31 December 2021</b>	<b>12,000</b>	<b>22,000</b>	<b>28,292</b>	<b>62,292</b>

The notes on pages 21 to 40 form an integral part of these financial statements.

# FIL Life Insurance Limited

## Statement of cash flows for the period ended 31 December 2021

	Note	12 months to December 2021 £000	6 months to December 2020 £000
<b>Profit for the period</b>		<b>2,904</b>	<b>1,256</b>
<b>Add non-cash expenditure</b>			
Net loss on insurance business		87	32
Accrued interest		(11)	(18)
<b>Cash flows from operating activities</b>			
Net movement in operational assets & liabilities		4,500	(23,362)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>4,576</b>	<b>(23,348)</b>
<b>Cash flows from investing activities</b>			
Interest received		11	18
<b>Net cash inflow from investing activities</b>		<b>11</b>	<b>18</b>
<b>Cash flows from finance activities</b>			
Restricted cash		(120)	-
<b>Net cash generated from finance activities</b>		<b>(120)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7,371</b>	<b>(22,074)</b>
Cash and cash equivalents at beginning of year		121,894	143,968
<b>Cash and cash equivalents at end of year</b>		<b>129,265</b>	<b>121,894</b>
<b>Cash and cash equivalents comprise:</b>			
Cash at bank		20,416	23,866
Institutional liquidity funds		108,849	98,028
<b>Cash and cash equivalents at end of year</b>	<b>16</b>	<b>129,265</b>	<b>121,894</b>
Restricted cash *		1,275	1,155
<b>Cash at bank and in hand</b>		<b>130,540</b>	<b>123,049</b>

Included in the Cash and Cash Equivalents are £48,560,000 (period to December 2020: £38,641,000) in respect of liabilities to customers, where the funds have not yet been invested or are in the process of being settled; these assets are not available for use by the company.

\* An amount of £1,275,000 (period to December 2020: £1,155,000) for the funds held with respect to Master Trust is included within a restricted bank account, which has been represented and separated from cash and cash equivalents in the current and prior period as a result of the restriction.

The notes on pages 21 to 40 form an integral part of these financial statements.

# FIL Life Insurance Limited

## Notes forming part of the financial statements for the period ended 31 December 2021

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### 1. General Information

FIL Life Insurance Limited is a private company limited by shares and incorporated in England. The registered office is Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP. The Company's principal activities are set out in the Strategic Report.

The start date for the period covered by reporting is 1 January 2021 and the end date for the period covered by reporting is 31 December 2021. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

### 2. Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103") and the Companies Act 2006. The FIL Life financial statements have been prepared in compliance with the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance groups.

FRS 102 applies to financial statements that are intended to give a true and fair view of a reporting entity's financial position and profit or loss (or income and expenditure) for a period.

FRS 103 also applies to an entity complying with FRS 102 and is intended to give a true and fair view of a reporting entity's financial position and profit or loss (or income and expenditure) for a period.

FRS 103 is applicable for accounting of insurance contracts. As per FRS 103, an insurance contract is "A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event occurs".

FIL Life has two business lines, one is annuity business, which is fully reinsured by Hannover Rück SE and the other being the defined contribution (unit linked) business. As per the above definition only the annuity business and associated reinsurance fall under the ambit of being insurance contracts.

For the defined contribution business, there is no embedded insurance risk and it does not fall within FRS 103. The report will not include commentary on FRS 103 except for the disclosures required by it.

### 3. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### (a) Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

The financial statements are prepared in sterling which is the functional currency of the company and are rounded to the nearest £000.

# FIL Life Insurance Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 *(continued)*

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## 3. Principal accounting policies *(continued)*

### *(b) Going concern*

The directors have, at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual report and financial statements.

### *(c) Statement of cash flows*

For the purposes of the statement of cash flows, cash and cash equivalents includes cash at bank, deposits held at call with banks and other short-term highly liquid investments with original maturity of three months or less but excludes restricted cash.

### *(d) Other technical income*

Fees charged for investment management services and policy administration charges are recognised net of rebates (for contracts where the company acts in an agency capacity, otherwise they are shown gross) when the related services are provided. Investment management performance related fees are recognised at the point when entitlement arises.

### *(e) Investment income*

Finance Income represents the interest earned on Institutional Liquidity Funds ("ILF"). Interest is accounted for on an accruals basis.

### *(f) Claims*

Claims incurred comprise claims paid in the year and changes in provisions for outstanding claims, together with any other adjustments to claims from previous years. Reinsurance recoveries are accounted for in the same period as the related claim.

### *(g) Technical provisions – Long-term business provision and associated reinsurers' share*

The Company in the past has written annuities that transfer significant insurance risk. The legacy annuity policies relate to benefits due for 979 (2020: 999) individuals. No new annuity business has been written since 2011. The annuity portfolio is fully reinsured to Hannover Rück SE. The reinsurance treaty also consequently transfers significant insurance risk. No collateral is held in relation to the reinsurance assets.

The technical provisions and associated reinsurers' share are computed by the Company's Actuary. A Solvency II basis has been adopted with the technical provisions measured as the best estimate liability plus a risk margin. The best estimate liability is the discounted present value of future annuity payments using best estimate assumptions to reflect an assessment of the future experience of mortality and inflation. The reinsurers' share is on a best estimate basis and also provides for the risk of credit default by the reinsurer. The risk margin is presented in the technical provisions and reinsurers' share of technical provisions on a gross of reinsurance basis (unlike Solvency II which is net of reinsurance). Further details are contained within note 19.

### *(h) Return on Investment contracts*

Return on investment contracts includes dividends, interest income and net fair value gains/(losses) on the assets held to cover linked liabilities. Dividends are recorded on the date on which the shares are quoted ex dividend. Interest income is accounted for on an accruals basis.

# FIL Life Insurance Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 (*continued*)

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## 3. Principal accounting policies (*continued*)

### (i) *Investments*

Listed investments held are stated at market value. Other investments are included at directors' valuation, having prudent regard to their realisable value. Purchases and sales of investments are accounted for using trade date accounting.

### (j) *Investment management expenses*

Investment management expenses are recognised on an accruals basis. These expenses relate to the outsourcing of the investment management process and policyholder administration to other group companies. As a result of this, an arrangement fee of 95% (period to December 2020: 95%) of the company's total fee income is distributed between the group companies providing outsourced services.

All new business costs are incurred by the outsourced provider. No allowance has therefore been made for any deferred acquisition costs.

### (k) *Investment contract liabilities*

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Unit-linked contracts written by the Company, where the liability under the contract is dependent on the value of the underlying financial assets are classified as investment contracts unless the contracts also contain features that transfer significant insurance risk.

Amounts received in respect of unit-linked investment contracts, which principally involve the transfer of financial risk, are accounted for using deposit accounting, under which amounts collected are credited directly to the balance sheet, as an adjustment to the liability to the policyholder. Financial liabilities in respect of unit-linked investment contracts are measured at fair value through profit and loss and are presented in the balance sheet as 'Investment contract liabilities'.

Fees receivable from unit-linked investment contracts and investment income and interest payable on contract balances are recognised in the profit and loss account in the year they are assessed unless they relate to services to be provided in future years, in which case they are deferred and recognised as the service is provided. There are no front-end fees and so no deferral is made.

### (l) *Dividend policy*

Dividends and other distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the directors.

These amounts are recognised in the statement of changes in equity.

### (m) *Financial instruments*

The Company has chosen to apply the recognition and measurement provisions of IAS 39 (as adopted for use in the EU) and the disclosure requirements of FRS 102 in respect of financial instruments.

#### **Financial assets**

The Company classifies its financial assets into the following categories: Assets held to cover linked liabilities and Other financial investments – seed capital. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.



# FIL Life Insurance Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 (*continued*)

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## 3. Principal accounting policies (*continued*)

### *Financial assets (continued)*

#### *i) Other financial investments – Seed capital*

Financial assets are classified into this category are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. They are held at fair value through profit and loss and represent funding provided by the shareholder to launch new funds.

#### *ii) Assets held to cover linked liabilities*

Financial assets classified into this category are also assets whose performance is evaluated on a fair value basis. They are held at fair value through profit and loss and represent assets held to back the associated unit-linked investment contracts on behalf of policyholders.

For both of the prior categories, the fair values of financial instruments traded in active markets are based on quoted bid prices on the balance sheet date. The fair values of financial instruments that are not traded in an active market (for example, unlisted equities and over-the-counter derivatives), are established by the directors using valuation techniques which seek to arrive at the price at which an orderly transaction would take between market participants. The specific valuation techniques used are described in Note 17.

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the profit and loss account within 'Return on Investment Contracts' in the period in which they arise.

### *Financial liabilities*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Creditors are also financial liabilities and are recognised initially at fair value, net of directly attributable transaction costs. Creditors are subsequently stated at amortised cost, using the effective interest method.

#### *(n) Foreign currencies*

The functional currency of the company is Sterling and all figures are stated in Sterling. There are no transactions in currencies other than Sterling.

#### *(o) Taxation*

Current tax expense is charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations for the year.

Deferred tax assets and liabilities are recognised in accordance with the provisions of FRS 102. Deferred tax is recognised in respect of all material timing differences that have originated but not reversed by the balance sheet date. Deferred tax is not discounted.

The transfer of the balances on the long-term business technical account to the non-technical account is grossed up by the attributable tax, using the effective rate of tax applicable for the year.

# FIL Life Insurance Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 *(continued)*

---

## 3. Principal accounting policies *(continued)*

### *(p) Cash and cash equivalents*

Cash and cash equivalents consist of cash at banks, deposits held at call with banks (excluding restricted cash), treasury bills and other short-term highly liquid investments with less than 90 days maturity from the date of acquisition.

### *(q) Debtors*

Short-term debtors, with no stated interest rate and receivable within one year, are measured at transaction price less any impairment. A provision for the entire outstanding balance is recognised on any debtors older than 90 days. Any losses arising from impairment are recognised in the profit and loss account. All debt instruments which are basic financial instruments are measured at amortised cost using the effective interest method, less any impairment.

### *(r) Creditors*

Short-term creditors, with no stated interest rate and payable within one year, are measured at transaction price. Other financial liabilities are measured at amortised cost.

### *(s) Current and deferred tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- i) the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- ii) any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

## 4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

# FIL Life Insurance Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 (continued)

## (a) Critical judgments in applying the entity's accounting policies

The company currently does not have any critical judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## (b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### Annuity valuation

The company makes estimates for the discount rate, mortality, longevity and inflation in the valuation of the annuity business. Further details are contained within note 14.

## 5. Staff costs

With the exception of any non-executive Directors (see note 6), the Company does not employ any staff itself. There are no direct staff costs. Staff are provided as part of the Insurance Agency and Services Agreement by FIL Pensions Management.

## 6. Directors' remuneration

	12 months to December 2021 £000	6 months to December 2020 £000
Directors' emoluments	145	73
Aggregate emoluments	<u>145</u>	<u>73</u>
Highest paid director	<u>80</u>	<u>40</u>

Executive directors receive no incremental emoluments for performing their roles as directors of the company.

## 7. Other technical income, net of reinsurance

	12 months to December 2021 £000	6 months to December 2020 £000
Policy administration and asset management fees	67,273	29,578
Total technical income	<u>67,273</u>	<u>29,578</u>

All income was earned in the UK.

# FIL Life Insurance Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 (*continued*)

## 8. Annuity payments

The Annuity business is fully reinsured with Hannover Rück SE.

### Claims incurred, net of reinsurance

	12 months to December 2021 £000	6 months to December 2020 £000
Gross amount	488	258
Reinsurer's share	(488)	(258)
	-	-

## 9. Net operating expenses

	12 months to December 2021 £000	6 months to December 2020 £000
Insurance agency services payments (see note 25)	49,665	22,630
Rebate payments	11,281	4,185
Compliance fees	958	554
Consultancy fees	178	107
Other administrative expenses	1,862	674
<b>Total other expenses</b>	<b>63,944</b>	<b>28,150</b>

### Auditors' remuneration

During the year the Company obtained following services from the Company's auditors and their associates at costs as detailed below.

	12 months to December 2021 £000	6 months to December 2020 £000
Fees payable to the Company's auditor and their associates for the audit of the financial statements	155	95
Fees payable to the Company's auditor and their associates for other services		
-Stakeholder audit fees	19	-
-Solvency II audit work	18	18
<b>Total auditors' expenses</b>	<b>192</b>	<b>113</b>

# FIL Life Insurance Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 (*continued*)

## 10. Investment income

	12 months to December 2021 £000	6 months to December 2020 £000
Interest income	83	72
Finance income	11	18
<b>Total investment income</b>	<b>94</b>	<b>90</b>

## 11. Tax on profit on ordinary activities

### *Long term business technical account*

	12 months to December 2021 £000	6 months to December 2020 £000
UK corporation tax at 19% (December 2020: 19%)		
Current tax on income for the period	686	313
Adjustment in respect of prior years	268	-
Current tax on ordinary activities	954	313
Deferred tax	(348)	(19)
<b>Tax on profit on ordinary activities</b>	<b>606</b>	<b>294</b>

### *Non-technical accounts*

UK corporation tax at 19% (December 2020: 19%)		
Current tax on income for the period	211	17
Tax attributable to balance on long term business technical account	395	277
<b>Tax on profit on ordinary activities</b>	<b>606</b>	<b>294</b>

# FIL Life Insurance Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 (*continued*)

## 11. Tax on profit on ordinary activities (*continued*)

*Factors affecting the tax charge for the year*

The tax assessed for the year is lower than (period to December 2020: the same as) the standard rate of corporation tax in the UK of 19% (period to December 2020: 19%). The difference is explained below.

	12 months to December 2021 £000	6 months to December 2020 £000
Profit on ordinary activities before tax	3,510	1,550
Profit on ordinary activities before tax at the standard rate of UK corporation tax of 19% (December 2020: 19%)	667	294
Adjustment in respect of prior years	268	-
Others	(19)	-
Movement in prior year deferred tax	(310)	-
<b>Total tax charged for the year</b>	<b>606</b>	<b>294</b>

### *Deferred tax*

The movement on the deferred tax liability which relates to a transitional difference arising from a change in the taxation basis of Insurance companies and deferred tax asset which relates to tax credits recovered for policyholders (tax deductible when paid to policyholders' accounts) is as follows:

	12 months to December 2021 £000	6 months to December 2020 £000
Deferred Tax Liability at 1 January 2021/1 July 2020	38	57
Deferred tax credit in the profit and loss account	(348)	(19)
<b>Deferred Tax (Asset)/Liability at 31 December</b>	<b>(310)</b>	<b>38</b>

A deferred tax asset or liability has been recognised in accordance with the transitional provision agreement between the Company and HMRC as a result of the new tax regime applicable for insurance companies which became effective from 1 January 2013. A deferred tax asset is recognised for tax credits which are deductible when paid to policyholders.

# FIL Life Insurance Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 (*continued*)

## 12. Other financial investments

	12 months to December 2021 £000	6 months to December 2020 £000
<b>Seed capital - units in funds</b>		
Carrying value	1,364	1,207
Purchase price	699	983

Seed capital represents funding provided by the shareholder to launch new funds. The fair value of seed capital is based on bid prices. The Board has authorised the use of capital for the purpose of seeding new funds or share classes. Each share class of a Fund is seeded with £4,000 until assets within that share class reach a pre-determined level when it can be withdrawn.

## 13. Assets held to cover linked liabilities

	12 months to December 2021 £000	6 months to December 2020 £000
<b>Carrying value</b>		
Fund assets	24,767,207	21,906,646
Reinsured assets	17,345,939	14,848,148
<b>Policyholder financial assets</b>	<b>42,113,146</b>	<b>36,754,794</b>
<b>Purchase price</b>		
Fund assets	19,575,174	18,587,816
Reinsured assets	13,189,548	11,858,349
<b>Policyholder financial assets</b>	<b>32,764,722</b>	<b>30,446,165</b>

## 14. Reinsurer's share of technical provisions - long-term business provisions

	12 months to December 2021 £000	6 months to December 2020 £000
Annuity life business at start of year	13,320	13,940
Claims recovered under reinsurance	(488)	(258)
Change in technical provisions	(1,215)	(362)
<b>Annuity life business at end of year</b>	<b>11,617</b>	<b>13,320</b>

The main assumptions in calculating the best estimate liability are as follows:

- Discount rate – the GBP risk-free interest rate term structure prescribed (basic risk free rate curve including the credit risk adjustment but with no matching or volatility adjustment) and provided by PRA and EIOPA as at 31 December 2021 and 31 December 2020 respectively.
- Mortality – base mortality assumptions are 99% of the PMA16 tables for males and 98% of the PFA16 table for females (31 December 2020; 89% of the PMA08 tables for males and 90% of the PFA08 table for females).
- Longevity – longevity improvements are the CMI 2020 mortality projections model with a 1.50% long-term rate of mortality improvement for both males and females (December 2020: 2019 CMI and 1.50% and 1.40%). All parameters are otherwise as per the Core parameterisation, 31 December 2021 and 31 December 2020.
- Inflation – the UK Government's liability forward rate inflation curve provided by the Bank of England as at 31 December 2021 and 31 December 2020.

# FIL Life Insurance Limited

## Notes forming part of the financial statements for the year ended 31 December 2021 (continued)

### 14. Reinsurer's share of technical provisions - long-term business provisions (continued)

As set out in accounting policy (g), the reinsurer's share of technical provisions includes a risk margin calculated on the reinsurers share following the principles set out in the Solvency II Delegated Act 2015/35. The risk margin is based upon the forecast future longevity risk and counterparty risk relating to the annuity business only, discounted using EIOPA discount rate as noted above and the prescribed cost of capital of 6%.

### 15. Debtors: amounts due within one year

	12 months to December 2021 £000	6 months to December 2020 £000
Receivables arising from investment contracts for management fees	-	93
Other receivables	1,989	164
Recoverable from HM Revenue and Customs	8,085	2,184
<b>Trade and other receivables</b>	<b>10,074</b>	<b>2,441</b>

### 16. Cash at bank and in hand

Included in the Cash and Cash Equivalents are £48,560,000 (period to December 2020: £38,641,000) in respect of assets of customers, where the funds have not yet been invested or are in the process of being settled; these assets are not available for use by the Company. The corresponding liability is shown in other creditors, including taxation.

	12 months to December 2021 £000	6 months to December 2020 £000
Cash at bank	21,691	25,021
Institutional liquidity fund ("ILF")	108,849	98,028
<b>Total cash at bank</b>	<b>130,540</b>	<b>123,049</b>

### 17. Financial asset measurement basis

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Recent transactions in an identical asset if there is unavailability of quoted prices (Level 2).
- Inputs for the asset or liability that are based on observable and non-observable market data (Level 3).



# FIL Life Insurance Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 (continued)

## 17. Financial asset measurement basis (continued)

The following table presents the Company's financial assets and liabilities that are measured at fair value at 31 December 2021.

	12 months to December 2021 £000	6 months to December 2020 £000
<b>Assets (Level 1)</b>		
Financial assets at fair value through profit and loss		
• Policyholder assets	42,113,146	36,754,794
• Seed capital	1,364	1,207
<b>Total financial assets</b>	<b>42,114,510</b>	<b>36,756,001</b>

Included in the amounts above are investments for the benefit of life insurance unit-linked policyholders who bear the investment risk totalling £42,113,146,000 (period to December 2020: £36,754,794,000). The fair value of the liabilities follows the fair value of the linked assets matching these linked liabilities and are considered to be Level 1.

The unit linked investment contracts are included in the financial statements at fair value and are classified within Level 1. The fair value of cash and cash equivalents are classified as Level 1.

## 18. Called up share capital

	12 months to December 2021 £000	6 months to December 2020 £000
<b>Allocated, called up and fully paid</b>		
12,000,000 (December 2020: 12,000,000) ordinary shares at £1 each	12,000	12,000

## 19. Long-term business provision

	12 months to December 2021 £000	6 months to December 2020 £000
Long-term business provision at start of year	13,709	14,361
Claims recovered under reinsurance	(488)	(258)
Change in technical provisions	(1,303)	(394)
<b>Long-term business provision at end of year</b>	<b>11,918</b>	<b>13,709</b>

	Base £000	Interest rates up £000	Interest rates down £000	Longevity £000
Best estimate liabilities (gross)	10,694	9,513	11,058	11,783
Reinsurance asset	10,621	9,453	10,982	11,696
<b>Net exposure</b>	<b>73</b>	<b>60</b>	<b>76</b>	<b>87</b>

# FIL Life Insurance Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 (*continued*)

## 19. Long-term business provision (*continued*)

The main assumptions in calculating the best estimate liability are as follows:

- Discount rate – the GBP risk-free interest rate term structure prescribed (basic risk-free rate curve including the credit risk adjustment but with no matching or volatility adjustment) and provided by PRA and EIOPA as at 31 December 2021 and 31 December 2020 respectively.
- Mortality – base mortality assumptions are 99% of the PMA16 tables for males and 98% of the PFA16 table for females (31 December 2020; 89% of the PMA08 tables for males and 90% of the PFA08 table for females).
- Longevity – longevity improvements are the CMI 2020 mortality projections model with a 1.50% long-term rate of mortality improvement for both males and females (December 2020; 2019 CMI and 1.50% and 1.40%).
- Inflation – the UK Government's liability forward rate inflation curve provided by the Bank of England.

As set out in principle accounting policy (g), the reinsurer's share of technical provisions includes a risk margin calculated on the reinsurer's share following the principles set out in the Solvency II Delegated Act 2015/35. The risk margin is based upon the forecast future longevity risk and counterparty risk relating to the annuity business only, discounted using EIOPA discount rate as noted above and the prescribed cost of capital of 6%.

The annuity business is fully reinsured to Hannover Rück SE and is not considered sensitive to a change in interest rates. A 1% fall in interest rates would increase the net balance sheet liabilities by £1,600 due to the change in the risk of credit default by the reinsurer.

## 20. Investment contract liabilities

	12 months to December 2021	6 months to December 2020
	£000	£000
Liabilities to customers under investment contracts	<b>42,113,146</b>	<b>36,754,794</b>

## 21. Provision for taxation - Deferred tax liabilities

A deferred tax liability of £Nil (period to December 2020: £38,000) has been recognised to reflect future liabilities arising on transition to the new tax regime (which became effective from 1 January 2013).

## 22. Other creditors including taxation

	12 months to December 2021	6 months to December 2020
	£000	£000
Other payables, including fund purchases	<b>59,144</b>	<b>42,343</b>
Amounts payable to group companies	<b>1,561</b>	<b>2,125</b>
	<b>60,705</b>	<b>44,468</b>

# FIL Life Insurance Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 (*continued*)

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## 23. Capital risk management

The Company is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and PRA to carry out contracts of insurance and is required to maintain adequate financial resources. It must be able to demonstrate that its available capital exceeds the capital requirement at any time.

The Company maintains an efficient capital structure from a combination of equity shareholders' funds, consistent with the company's risk profile and the regulatory and market requirements of its business.

In order to ensure that the Company retains a capital surplus, the capital management policy is to maintain a buffer over and above the minimum capital requirement of the higher of:

- i) the Solvency Capital Requirement ("SCR") also known as the Pillar 1 requirement plus the Master Trust capital requirement, less any amounts held; (i) as security in favour of the Master Trust; and (ii) by the Master Trust for the purpose of meeting the capital requirement ("MT"); and
- ii) the requirements identified through the Own Risk & Solvency Assessment ("ORSA") also known as the Pillar 2 requirement.

The capital management policy goal is to hold a discretionary buffer over the greater of the SCR and ORSA requirements, as determined by the Board. The discretionary buffer is subject to a quarterly review by the Chief Financial Officer function holder (Senior Management Function ("SMF") 2) and an annual review by the Board.

The Company's total available capital resources are £62,145,000 (December 2020: £58,717,000). The total capital is held by the insurance business and is constrained by regulatory requirements. This means it may not be possible for the capital to be used to provide funding for other businesses.

The Solvency II regime has been effective since 1 January 2016 and established a new set of EU-wide capital requirements, risk management and disclosure standards. As part of the Brexit process, the PRA have incorporated these requirements into UK legislation. The Company is subject to these regulations and is required to meet a Solvency Capital Requirement (SCR) which is calibrated to seek to ensure a 99.50% confidence of the ability to meet obligations over a 12 month time horizon. The Company calculates its SCR in accordance with the standard formula prescribed in the Solvency II regulations as the assumptions underlying the standard formula are considered to be a reasonable but prudent fit for the Company's risk profile.

# FIL Life Insurance Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 (*continued*)

## 23. Capital risk management (*continued*)

### Capital position statement

The following table has been included for information and is based upon the Prudential Regulation Authority's (the "PRA") interpretation of the Solvency II Delegated Acts.

	12 months to December 2021 £000	6 months to December 2020 £000
Total shareholders' funds as per financial statements	62,292	59,388
Adjustments to restate in accordance with regulatory requirements		
a) Value in force business (VIF)	4,885	3,862
b) Estimated risk margin on unit-linked business	(3,532)	(3,334)
c) Ring fenced asset	(1,275)	(1,155)
d) Deferred taxation (SII)	(225)	(44)
Total capital resources available to meet regulatory requirements	62,145	58,717
Regulatory capital requirement	(25,259)	(24,206)
<b>Surplus of capital resources over regulatory requirements</b>	<b>36,886</b>	<b>34,511</b>
<b>Own funds at 1 January 2021</b>	<b>58,717</b>	
Change in value in force business (VIF)	1,023	
Change in unit-linked risk margin	(198)	
Change in ring fenced asset	(120)	
Change in deferred taxation	(181)	
Comprehensive income for the year	2,904	
<b>Own funds at 31 December 2021</b>	<b>62,145</b>	

### Analysis of liabilities

#### Sensitivity to insurance risk

The only insurance risk in the company relates to a small book of annuity business. As described in note 14 the business is fully reinsured and the sensitivity to any insurance risk is not considered material. Under Solvency II, the capital position is not sensitive to lapse and persistency under the short contract boundary and value in force business (VIF).

## 24. Risk management policies

The primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of its performance objectives, including failing to exploit opportunities. The Board of Directors recognise the critical importance of having efficient and effective risk management systems in place and has adopted the FIL Group-wide risk management and policy framework supported by individual policies specific to FIL Life. The Company's key operational indicators (such as accounts and key performance indicators) and the Company's key operational policies and guidelines are periodically reviewed and approved by the Board.

As part of this, the Company is also subject to periodic internal audit by FIL Group's Internal Audit department. In addition, FIL Life Insurance Limited engages external advisors including an external Actuary and legal advisors, as appropriate.

# FIL Life Insurance Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 (*continued*)

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## 24. Risk management policies (*continued*)

The Company monitors its identified key risks on a regular basis. This enables the Company to assess the overall risk exposure and to determine which risks and what level of risk the Company is prepared to accept and the adequacy of planned mitigating actions.

The Company's business is subject to the regulatory requirements of the Solvency II and Prudential Regulatory Authority, which prescribe the type, quality and concentration of investments, and the level of assets to be maintained in order to meet insurance liabilities. These requirements also impose certain rules upon the valuation of the Company's assets and liabilities and certain minimum capital requirements to minimise the risk of insolvency. Further details are contained within note 23.

The Company's risk management objectives and policies are primarily designed to protect the Company's regulatory capital, thereby safeguarding policyholders' interests whilst ensuring the ability to meet cash flow requirements.

### Principal risks and uncertainties

#### Insurance risk

The Company engages primarily in unit linked business and has a small legacy annuity book. The inherent risk in Annuity business is Longevity Risk. The company has reinsured its portfolio of annuities with Hannover Rück SE. There is a minimal insurance risk for the company. The capital position will also be sensitive to persistency under Solvency II.

#### Financial risk

The Company is exposed to financial risk through its cash holdings, its receivable balances, seed capital investments, reinsurance of annuities and its investment in the Fidelity Institutional Liquidity Fund plc. The most important components of this financial risk are market risk (including interest rate risk and currency risk), credit risk and liquidity risk.

##### a) Market risk

Market risk is the risk of adverse financial impact due to changes in fair values of financial instruments from fluctuations in interest rates, property prices and equity prices. Market risk to the Company is limited as, through a 100% matching of policyholder assets and liabilities, the risk on the valuation of assets is borne by the policyholders. There is a minimal market risk in respect of seed capital investments.

##### *Interest rate risk*

The Company's main exposure to interest rate risk relates to interest bearing assets in the form of deposits and cash held with the Company's banks or other approved institutions. The impact of a fall or increase in interest rates has not been shown on the basis of materiality following sensitivity analysis.

The other interest rate risk is on account of discounting of future annuity payments under the legacy annuity business. The annuity portfolio is completely reinsured by Hannover Rück SE. Other than in the event of default by the reinsurer, the company has no principal risk on account of this.

##### *Currency risk*

The Company is not directly exposed to currency rate risk as all cash and holdings in investments are currently denominated in Pounds Sterling.

# FIL Life Insurance Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 (continued)

## 24. Risk management policies (continued)

### b) Credit risk

Credit risk is assumed whenever the Company is exposed to loss if another party fails to perform its financial obligations to the Company, including a failure to perform them in a timely manner.

The Company is exposed to the default of banks where there are cash balances held with those banks, and to the default of the managers of institutional liquidity funds. The Company holds cash on deposit with Barclays Bank plc, Bank of America and HSBC Bank plc. Barclays Bank plc and Bank of America are A rated, and HSBC Bank plc is AA rated by Standard & Poor's. Accounts receivable balances are held predominantly with other FIL Group companies which are considered low risk.

The Company performs an assessment of the risk profile of a counterparty prior to taking on a credit exposure. The factors to be considered will vary according to both the type of credit and the counterparty being considered. Only approved counterparties may be dealt with.

External credit ratings are monitored against appetite. An approved counterparty is one that is assigned an external rating of BBB+ or higher or a Dun & Bradstreet risk indicator of 3 or better. Cash balances or deposits are only placed with approved relationship banks or liquidity funds. The Company undertakes ongoing monitoring of the credit quality of the counterparty and an assessment of the claims payment ability where the counterparty is a reinsurer.

Appropriate provision is made where an amount is not considered to be recoverable. At 31 December 2021, no financial assets included in the table below are past due or impaired.

A credit risk policy and related controls have been put in place.

December 2021 Credit Rating (S&P)	AAA £000	AA £000	A £000	Total £000
Institutional liquidity fund ("ILF")	108,849	-	-	108,849
Cash and cash equivalents	-	3,000	18,691	21,691
	<u>108,849</u>	<u>3,000</u>	<u>18,691</u>	<u>130,540</u>
December 2020 Credit Rating (S&P)	AAA £000	AA £000	A £000	Total £000
Institutional liquidity fund ("ILF")	98,028	-	-	98,028
Cash and cash equivalents	-	-	25,021	25,021
	<u>98,028</u>	<u>-</u>	<u>25,021</u>	<u>123,049</u>

### c) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulties obtaining funds to meet commitments associated with financial and other liabilities. All policyholder assets can be readily liquidated. The Liquidity risk for policyholder assets is minimal, as the proceeds will be provided by sale of the underlying assets.

Any deferment of sale proceeds can be matched by deferring payment to policyholders as per the policy contracts. Detailed investment and disinvestment policies and guidelines are in place and updated periodically.

# FIL Life Insurance Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 (continued)

## 24. Risk management policies (continued)

### c) Liquidity risk (continued)

Situations that could potentially result in liquidity strains on FIL Life's resources are supported by a formal agreement with Financial Administration Services Limited ("FASL") for the provision of liquidity. Both the Company and FASL meet regularly to identify upcoming liquidity needs.

For each main category of business, the following shows the gross liability at 31 December 2021 analysed by duration. The total liability is split by duration in proportion to the present value of cash-flows estimated to arise during that period. For unit linked liabilities, all liabilities are presented in the "Up to a year" category to reflect the contractual surrender basis.

<b>December 2021</b>	<b>Up to a Year '£000</b>	<b>1 - 5 Years '£000</b>	<b>Over 5 Years '£000</b>	<b>Total '£000</b>
Unit linked liabilities	42,113,146	-	-	42,113,146
Annuity liabilities	518	2,096	8,080	10,694
Risk margin	59	240	926	1,225
Other payables	79,992	-	-	79,992
<b>Total</b>	<b>42,193,715</b>	<b>2,336</b>	<b>9,006</b>	<b>42,205,057</b>

<b>December 2020</b>	<b>Up to a Year '£000</b>	<b>1 - 5 Years '£000</b>	<b>Over 5 Years '£000</b>	<b>Total '£000</b>
Unit linked liabilities	36,754,794	-	-	36,754,794
Annuity liabilities	523	2,113	9,494	12,130
Risk margin	68	275	1,236	1,579
Other payables	67,740	-	-	67,740
<b>Total</b>	<b>36,823,125</b>	<b>2,388</b>	<b>10,730</b>	<b>36,836,243</b>

### d) Operational risk

Operational risk arises as a result of inadequate or failed internal processes, people or systems or from external events. It includes operational activities performed by outsourced service arrangements to providers, primarily FIL Pensions Management as described in note 25, covering areas such as, conduct, technology, information security, change management, legal, fraud and compliance risks.

Operational risks are assessed according to the potential impact of the event concerned. These impact assessments are made against financial, operational, policyholder, employee and reputation criteria. Operational risks are reported, as with other risks, on a quarterly basis. A holistic view of the Company's financial and non-financial risks, including operational risks, is discussed at Board level on a quarterly basis.

### e) Expense risk

Expense risk is managed by the Company through the assessment of business unit profitability, and frequent monitoring of expense levels. Expense risk is mitigated under the terms of the Insurance Advisory and Sales Agreement in place between the Company and FIL Pension Management.

# FIL Life Insurance Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 (*continued*)

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## 24. Risk management policies (*continued*)

### f) Derivatives risk

There are no derivatives in FIL Life Insurance Limited.

### g) Unit linked contracts

For unit-linked contracts the Company matches all the liabilities with assets in the portfolio on which the unit prices are based. There is therefore no interest, price, currency or credit risk for the Company on these contracts.

Amounts under unit-linked contracts are generally repayable on demand and the Company is responsible for ensuring there is sufficient liquidity within the asset portfolio to enable liabilities to unit linked policyholders to be met as they fall due. However, the terms of funds investing in less liquid assets permit the deferral of redemptions for predefined periods in circumstances where there are not sufficient liquid assets within the fund to meet the level of requested redemptions.

## 25. Insurance Agency Services Agreement

The Company has entered into an agreement with FIL Pensions Management ('FPM'), a related party with common ownership to the Company, to receive insurance agency and other insurance intermediary services. Under the terms of the agreement, payments in consideration of the service are made subject to the Company making a sufficient return. FPM indemnifies the Company for any losses arising from errors in providing these services up to the value of the annual consideration. Provisions for liabilities related to such errors are included in the Annual Report and Financial Statements of FPM and the Solvency & Financial Conditions Report ("SFCR") for the Company. Although the Company is fully indemnified, we draw attention to a provision of £6,764,000 (December 2020: £7,672,000) which FPM has recognised in its financial statements for the year ended 31 December 2021, to cover potential liabilities arising from processing errors identified in its defined contribution pension business. While FPM continues to investigate the extent of the error and the number of impacted clients, the current provision represents FPM's best estimate of the likely future redress at the balance sheet date.

The provision is shown gross of amounts recoverable from FPM's insurance arrangements. Insurance recoverable can only be recognised as an asset when it is virtually certain that the company will receive reimbursement on settlement of the provision. At 31 December 2021 FPM has recognised an insurance recoverable of £3,293,000 (December 2020: £4,184,000) which is included in debtors.

## 26. Related party transactions

### a) Transactions involving directors or key management

No contract of significance existed at any time during the year in which a director or key manager was materially interested, or which requires disclosure as a related party transaction as defined under FRS 102 Section 33 "Related Party Disclosures".

### b) Transactions involving other related parties

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to the use of exemptions by FIL Life Insurance Limited's shareholders.

The company has taken advantage of the exemption permitted by section 33.1A of FRS 102 not to disclose related party transactions with entities that are wholly owned subsidiaries of the FIL Group.



# FIL Life Insurance Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 (*continued*)

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## 27. Ultimate parent company

The Company's immediate and ultimate parent undertaking and controlling company is FIL Limited, a company incorporated in Bermuda which owns 100% of the Company's issued share capital. FIL Limited is the only parent undertaking to consolidate these financial statements.