

FINANCIAL CONDITION REPORT (“FCR”)

forming part of the annual regulatory reporting package submitted to the Bermuda Monetary Authority (“BMA”) by 30 April 2022

FOR THE YEAR ENDED 31 DECEMBER 2021



PACIFIC LIFE RE

Pacific Life Re International Limited and its subsidiaries

30 April 2022

FINANCIAL CONDITION REPORT (“FCR”)



PACIFIC LIFE RE INTERNATIONAL LIMITED

DECLARATION STATEMENT


To the best of our knowledge and belief, the financial condition report fairly represents the financial condition of Pacific Life Re International Limited and its subsidiaries as at 31 December 2021 in all material respects.

DocuSigned by:

73BE6C00F544496...

David Howell
Chief Executive Officer,
Chair & Principal Representative

28 April 2022

DocuSigned by:

FB16FD3D28AF4F5...

Rhys Faulkner
Chief Actuary and
Bermuda Chief Pricing Officer

28 April 2022



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Executive Summary

The purpose of the report is to provide additional qualitative and quantitative information, over and above that contained in the annual audited financial statements, to policyholders and other stakeholders to understand the performance, governance structure, risk profile, solvency and capital position of Pacific Life Re International Limited ("RIBM") and its subsidiaries ("the Company") as at 31 December 2021. Unless the context indicates otherwise, the terms "the Company" or "our" means Pacific Life Re International Limited and its consolidated subsidiaries.

This Financial Condition Report ("FCR") is prepared in compliance with the Bermuda Insurance (Public Disclosure) Rules 2015, following the structure and guidelines contained therein. All figures provided in the report are in United States dollars. The functional currencies of the Company are the Pound Sterling, United States Dollar, Canadian Dollar and Australian Dollar.

This FCR has six sections:

- A Business and Performance;
- B Governance Structure;
- C Risk Profile;
- D Valuation for Solvency Purposes;
- E Capital Management; and
- F Subsequent Event.

A Business and Performance

This section provides particulars regarding the organisational structure, insurance business activities and financial performance.

RIBM is a wholly owned subsidiary of Pacific Life Re Global Limited ("RGBM"). RGBM is a wholly owned subsidiary of Pacific Life Re Holdings LLC ("PLRH LLC"), which is in turn wholly owned by Pacific LifeCorp ("PLC"). Both PLRH LLC and PLC are intermediate Delaware stock holding companies. PLC is a wholly owned subsidiary of Pacific Mutual Holding Company ("PMHC"), a Nebraska mutual holding company. The corporate structure that sits under PMHC is referred to as the "Pacific Life Group". RIBM is a reinsurance carrier participating in PMHC's global life reinsurance division ("Pacific Life Re", "PL Re" or the "Division"). The group structure can be seen in section A5 below. PL Re operates through four Business Units ("BU"): Europe, Retro (encompassing the reinsurance and retrocession business carried on in North America), Asia and Australia. RIBM was issued a Class E license by the Bermuda Monetary Authority ("BMA") in 2020.

The Division commenced a multi-year project in 2019 to move the Division's headquarters to Bermuda and created two new regulated entities in Bermuda, RGBM and RIBM. On 25 June 2021, a Business Transfer Agreement was signed governing the transfer of business between Pacific Life Re Limited ("PLRL") and RIBM. The Division is progressing with the restructuring and the remainder of the PLRL business is expected to transfer during 2022 or early in 2023, subject to applicable regulatory approvals.

On 1 January 2021, the entire share capital of Pacific Life Re Holdings Limited ("PLRH") was contributed to RGBM from PLRH LLC. On 1 July 2021, the entire share capital of PLRH was contributed to RIBM from RGBM. As a consequence of this, PLRH became a direct subsidiary of RIBM and PLRL became an indirect subsidiary of RIBM. The contribution of PLRL is the main driver of the changes in the Company's performance compared to the prior year. RIBM owns 100% of the issued share capital of PLRH and also Pacific Life Re (Australia) Pty Limited ("PLRA").

PLRL writes life, critical illness and income protection reinsurance and retrocession business, in the United Kingdom ("UK") and Ireland, Asia, Australia and North America and longevity reinsurance



business, in the UK and North America. The Company has extended its annuity market expertise to include asset backed longevity risk transfer, Global Funded Solutions ("GFS") reinsurance business. GFS is a new single premium annuity business line set up to write asset intensive business in PLRL's chosen markets. The business is 100% retroceded from PLRL to Pacific Life Insurance Company ("PLIC") and as a result PLRL bears no insurance risk associated with the GFS business. PLRA writes life, income protection, critical illness and total and permanent disability reinsurance business in Australia.

In 2021, RIBM established regulated branches in the UK and Singapore in readiness to assume the reinsurance business undertaken by PLRL. As part of the corporate restructuring of the Division, most assets and liabilities of PLRL and its branches transferred to RIBM and its branches with effect from 1 January 2022. In particular:

- the transfer of PLRL's UK and Ireland business under Part VII of the Financial Services and Markets Act 2000, which was approved by the English High Court on 3 December 2021, was implemented on 1 January 2022. An additional business transfer under a Guernsey insurance business transfer scheme was completed, and one contractual novation of an Irish law governed treaty came into effect. This means that RIBM UK Branch is now the operational reinsurance carrier for UK and Ireland business in the Division from 1 January 2022;
- the retrocession treaty between PLRA and PLRL was novated to RIBM with effect from 1 January 2022 and all investment management and custody arrangements in relation to that business have also been contractually transferred to RIBM; and
- all in-force treaties of PLRL Singapore Branch were novated with effect from 1 January 2022, except for two treaties which were novated with effect from 1 July 2021, with consent of the counterparties which means that there is effectively 100% risk transfer from PLRL Singapore Branch to RIBM Singapore Branch.

The authorisation process for RIBM Canada Branch is ongoing and it is expected that this branch will be authorised and the business of PLRL's Canada Branch transferring to it by early 2023.

The authorisation process for RIBM Korea Branch is ongoing and it is expected that this branch will be authorised and the business of PLRL's Korea Branch transferring to it by early 2023.

The Company's underwriting result on a United States of America Generally Accepted Accounting Principles ("US GAAP") consolidated basis for the year ended 31 December 2021 was income of \$90.7 million (2020: loss of \$8.6 million). The main drivers for the change in the underwriting result were as follows:

- PLRL was contributed to the RIBM in 2021, contributing \$73.4 million to the Company's underwriting result.
- PLRA contributed an underwriting result of \$17.3 million (2020: loss of \$8.6 million) to the Company's underwriting result, this was largely due to a release of COVID-19 reserves on the Australian business, as the very strict lockdown policy kept the impact on mortality low, offset by adverse claims experience from the retail disability income portfolio and adverse claims experience from some group treaties on the total and permanent disability business.

The investment performance for the year ended 31 December 2021 returned an investment loss of \$88.4 million (2020: \$12.8 million). The main drivers of the investment performance were as follows:

- Unrealised losses from the fixed income securities due to rising government bond yields;
- Realised gains from the fixed income securities that were sold during the year; and
- Interest payments from the fixed income securities held.

The 2021 performance of the Company includes the full year of PLRH and PLRL, despite the entities being contributed to RIBM on 1 July 2021, in accordance with US GAAP. The 2020 comparatives of the Company do not include PLRH and therefore PLRL, but they include the full year of PLRA despite it



being contributed to RIBM on 1 October 2020 and the BMA granting a Class E license, effective from 6 August 2020, in accordance with US GAAP.

B. Governance Structure

The Company is subject to an overarching system of governance which is consistently applied to the whole Division. The system of governance has been designed to promote the sound, effective and prudent management of the reinsurance and retrocession carriers (i.e. RGBM, RIBM, PLRL and PLRA) within the Division. In addition to the Division system of governance, each of PLRH, PLRL and PLRA have a separate system of governance.

Central to the Division system of governance is RIBM's Board (the "Board"), which comprises a mix of executive directors and non-executive directors ("NEDs") including independent non-executive directors ("INEDs"). The Board is responsible for the overall oversight of the Company including:

- setting the corporate strategy and overseeing management's prudent and effective planning for and implementation of the same;
- adopting and maintaining a system of governance framework and related corporate governance, controls, and risk management; and
- approving the Company's risk appetite and overseeing its effective implementation and monitoring by management.

The Board has delegated some of its powers and discretions to the following permanent committees:

- Board Audit Committee ("BAC") (which is responsible for matters set out in its terms of reference, including assisting the Board in the financial reporting processes, internal controls, and internal/external audit processes);
- Board Risk Committee ("BRC") (which is responsible for matters set out in its terms of reference and advising the Board on the Company's risk framework); and
- Board Remuneration Committee ("RemCo") (which is responsible for matters set out in its terms of reference and advising the Board on the Company's remuneration).

Overall responsibility for the internal audit function rests with the Division Head of Internal Audit, who, in order to maintain independence, has a direct reporting line to the Head of the Pacific Life Group internal audit function. The annual internal and external audit plans are reviewed and approved by the BAC.

C Risk Profile

The Company's key risks consist of insurance risks i.e., longevity, mortality, morbidity and persistency.

As at 31 December 2021, the Company's in-force portfolio consisted of protection reinsurance and retrocession business and longevity reinsurance business. The protection business consists of mortality and morbidity risks written in the UK and Ireland, and the Singapore and Korea PLRL branches and some mortality business written in the Canada PLRL branch, as well as protection reinsurance of both retail insurance products and insurance provided through large pension funds (group insurance) written in Australia. The longevity business comprises both longevity swap and annuity business, mainly in the UK. PLRL's UK and Ireland and Singapore branch business has since transferred to RIBM on 1 January 2022 as part of the Corporate Restructure exercise and as a result PLRL consists of the business within the Korea and Canada branches which is planned to transfer to RIBM by early 2023, however, the timing of the transfer of the remaining PLRL business is uncertain as it is dependent on regulatory approval of the RIBM branches.

In line with the Company's Risk Strategy, this primarily results in preferred insurance risks (longevity, mortality, and morbidity) being accepted. Insurance business is subject to risk appetites and limits set out in the Division Insurance Risk Policy.



Management has continued to focus on managing the risks arising from the pandemic on staff, operations, business planning and claims. The total impact of COVID-19 claims is within the total mortality shock stress capital.

At the time of writing, there are clear humanitarian concerns in relation to the military conflict between Russia and Ukraine. Management have assessed our financial, insurance, and operational risk positions. This will remain an area of focus as the situation develops over time. Management have reviewed the investment portfolios for exposure to assets that might be impacted by ongoing instability in Ukraine. None of the investments held by the Company have direct exposure to any Russian or Ukrainian issuers. The Company has no direct insurance exposure to Russia or Ukraine. Operational considerations include our SAP data centres in Poland. Management have undertaken business impact assessments in relation to these data centres and business continuity plans are in place. A disaster recovery test was completed successfully in October 2021.

D Valuation for Solvency Purposes

The bases, methods and main assumptions used for the valuation of the Company's assets, technical provisions and other liabilities are consistent with the BMA rules. The Economic Balance Sheet ("EBS") measurement basis is fair value, using quoted prices for invested assets where available. The fair value of an asset is the amount for which it could be exchanged between knowledgeable willing parties in an arm's length transaction.

The main driver of the changes in the Company's Valuation for Solvency Purposes compared to the prior year was the contribution of PLRL to RIBM in 2021.

E Capital Management

The Company's BMA Bermuda Solvency Capital Requirement ("BSCR") is the Transition Enhanced Capital Requirement ("ECR"). The ECR is a blend of the original basis and revised methodology following the revision of the BSCR by the BMA in 2019. As at 31 December 2021, the Company has an ECR of \$782.9 million (2020: \$108.8 million) and a solvency coverage ratio of 316% (2020: 251%). The minimum margin of solvency ("MSM") is calculated using a formulaic approach. Only Eligible capital (Tier 1 & 2) is available to cover the MSM, subject to limits. The Company has an MSM ratio at 31 December 2021 of 1,263% (2020: 1,003%).

	2021	2020
	\$' 000	\$' 000
Eligible Capital	2,472,482	272,689
ECR	782,908	108,752
ECR Ratio	316%	251%
MSM	195,727	272,689
MSM Ratio	1,263%	1,003%

F Subsequent Events

The corporate restructuring of the Division under which most assets and liabilities of PLRL and its branches (save for the business in PLRL Korea Branch and PLRL Canada Branch, as this currently remains in the respective PLRL branches) transferred to RIBM and its branches was successfully executed with effect from 1 January 2022. Loan notes were issued by RIBM to PLRL as consideration on 1 January 2022 in accordance with the Business Transfer Agreement dated 25 June 2021 and the Loan Note Instrument dated 1 January 2022 (see section F.1 below).



The loan note Instrument dated 1 January 2022, and accrued interest on them, were dividended from PLRL to PLRH, and then from PLRH to RIBM, on 20 April 2022. Immediately upon receipt by RIBM of the dividend of the loan notes, the loan notes automatically terminated in accordance with the terms of the loan note instrument, and as of 20 April 2022, RIBM has no further obligations in respect of those loan notes.

On 1 January 2022, RIBM became the primary borrower to a loan with MUFG Bank Limited and Mizuho Bank Limited (as Joint Mandated Lead Arrangers and Joint Bookrunners) as a result of the restructuring. The amount of the loan liability on 1 January 2022 was \$130.4 million.

On 18 November 2021, RIBM received approval from the BMA for Tier 2 Ancillary Capital of up to \$230.0 million. The arrangement is effective from 1 January 2022. See section B.1 for the Material transactions over the period with persons who exercise significant influence.

On 18 March 2022 RIBM paid RIBM a distribution of \$200.0 million.



A. Business and Performance

A.1 Name and legal form of the undertaking

Pacific Life Re International Limited ("RIBM").

A.2 Name and contact details of the insurance supervisor and group supervisor

	Insurance Supervisor	Group Supervisor
Name:	Bermuda Monetary Authority, BMA House, 43 Victoria Street, Hamilton HM 12 Bermuda	The Nebraska Department of Insurance, PO Box 82089, Lincoln, Nebraska 68501-2089
Jurisdiction:	Bermuda	Nebraska, USA
Email Address:	insuranceinfo@bma.bm	Laura.Arp@Nebraska.gov
Phone Number:	+1 441-295-5278	402-471-2201

A.3 Name and contact details of the approved auditor

Organisation:	Deloitte Ltd Corner House, 20 Parliament Street, Hamilton HM 12, Bermuda
Name:	Muhammad Khan
Jurisdiction:	Bermuda
Email Address:	muhammad.khan@deloitte.com
Phone Number:	+1 441-292-1500

A.4 Qualifying holdings in the undertaking

Owner Name	Ownership Percentage
Pacific Life Re Global Limited	100%

The ultimate parent company and controlling party of the Company is PMHC.



A.5 Group structure

The corporate structure of the Bermuda operating entities and subsidiaries, including their United States ("US") intermediate parent company, as at 31 December 2021, is set out below:

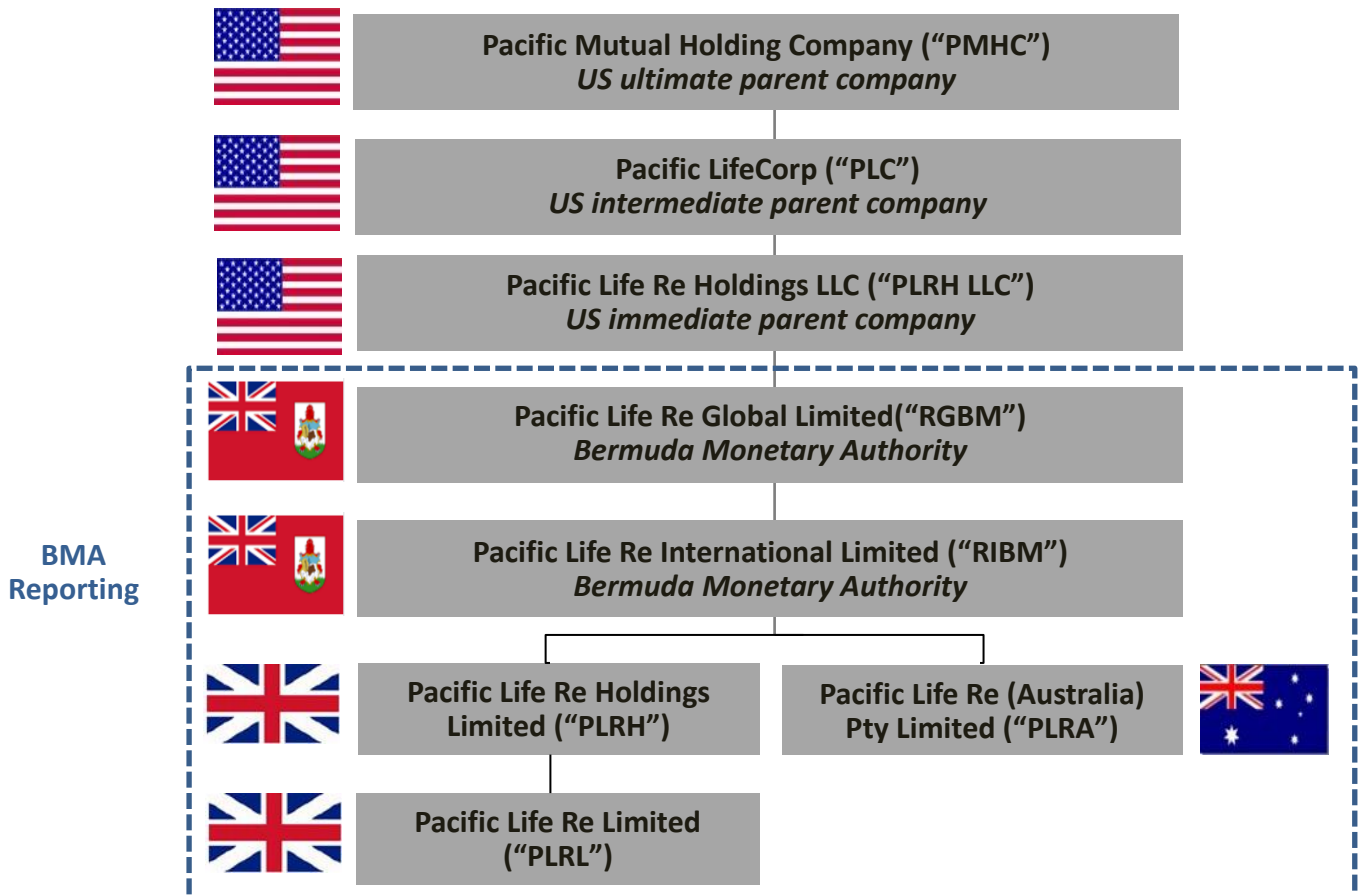


Figure 1 – Corporate structure chart.

For more than 150 years, the Pacific Life Group, headquartered in California, has been providing financial protection and retirement solutions. During this time, the Pacific Life Group has expanded both in product and service lines as well as in geographic presence. During a 1997 corporate restructuring, PMHC was formed to become the ultimate parent company of the Group.

The Pacific Life Group's primary business operations include (1) providing life insurance products, annuities and mutual funds; (2) offering to individuals, businesses and pension plans a variety of investment products and services; and (3) offering a comprehensive range of wholesale life risk management products to other insurers and reinsurers, this latter category being the reinsurance business carried on by PL Re.

PL Re comprises the Pacific Life Group's reinsurance business and operations. These encompass the reinsurance and retrocession business carried on by RGBM, RIBM and their affiliate companies PLIC, PLRL and PLRA.

PL Re is one of the largest and most experienced reinsurance providers in the life reinsurance and longevity market. PL Re provides life, critical illness, income protection, hospital cash, and longevity reinsurance and retrocession products and services.



A.6 Insurance business written by business segment and by geographical areas of operation during the reporting period

The change in the premiums earned from 2020 is largely due to the following:

- inclusion of PLRL for the full year as a result of the entire share capital of PLRH (PLRL's parent entity) being contributed to RIBM on 1 July 2021; and
- the Australia business retroceded from PLRA to PLRL eliminates in the RIBM consolidation in 2021 as both entities are subsidiaries of RIBM in 2021.

The table below shows the business written by geographic location on a US GAAP consolidated basis for the years ended 31 December 2021 and 2020.

	US GAAP 2021				
	Australia	Asia	Europe	North America	Total
Premiums	\$'000	\$'000	\$'000	\$'000	\$'000
Gross	529,284	235,991	822,967	9,754	1,597,996
Reinsurers' share	(31,207)	-	(83,868)	(2,609)	(117,684)
Other Insurance Income	-	1,358	6,607	-	7,965
Net	498,077	237,349	745,706	7,145	1,488,277

	US GAAP 2020				
	Australia	Asia	Europe	North America	Total
Premiums	\$'000	\$'000	\$'000	\$'000	\$'000
Gross	528,948	-	-	-	528,948
Reinsurers' share	(302,490)	-	-	-	(302,490)
Other Insurance Income	-	-	-	-	-
Net	226,458	-	-	-	226,458

Figure 2 – Summary of business written over the reporting period by geographical location.

The table below shows the business written by business segment on a US GAAP consolidated basis for the years ended 31 December 2021 and 2020. The contribution of PLRL has resulted in the inclusion of Longevity business in 2021.

	US GAAP 2021		
	Protection	Longevity	Total
Premiums	\$'000	\$'000	\$'000
Gross	1,451,055	146,941	1,597,996
Reinsurers' share	(42,208)	(75,476)	(117,684)
Other Insurance Income	1,358	6,607	7,965
Net	1,410,205	78,072	1,488,277

	US GAAP 2020		
	Protection	Longevity	Total
Premiums	\$'000	\$'000	\$'000
Gross	528,948	-	528,948
Reinsurers' share	(302,490)	-	(302,490)
Other Insurance Income	-	-	-
Net	226,458	-	226,458

Figure 3 – Summary of business written over the reporting period by business segment.



A.7 Performance of investments and material income and expenses for the reporting period

The performance of investments and material income and expenses for the reporting period are presented below on a US GAAP consolidated basis.

Information on income and expenses arising from investments over the reporting period

The following table shows the fair market value of the Company's investment portfolio:

	US GAAP	
	2021	2020
	\$'000	\$'000
Fixed Income Securities		
US Government	244,528	14,946
Non-US Government	1,224,620	220,867
US States, Municipalities, and Political Subdivision	152,604	111,759
Corporate Securities	1,123,635	269,100
Asset and Mortgage backed Securities	18,320	-
Total	2,763,707	616,672

Figure 4 – Summary of fixed income securities by investment type.

The increase from 2020 is largely due to PLRL becoming an indirect subsidiary of RIBM during 2021.

Income and expenses arising from investments over the reporting period are shown below:

		US GAAP	
		2021	2020
		\$'000	\$'000
Investment income	Fixed income securities	45,333	6,213
	Cash	-	-
	Total	45,333	6,213
Gains/(losses) on fixed income securities	Realised gains	25,775	7,702
	Realised losses	(2,113)	-
	Net unrealised losses*	(153,900)	(622)
	Total	(130,238)	7,080
Less: Investment expenses		(3,502)	(471)
Total net investment income		(88,407)	12,822

Figure 5 – Summary of earned investment income over the reporting period.

*The unrealised gains or losses are recognised in other comprehensive income.

The Company earned investment income on fixed income securities of \$45.5 million during the year ended 31 December 2021 (2020: \$6.2 million). \$38.0 million of the increase from 2020 is due to PLRL becoming an indirect subsidiary of RIBM during 2021.

The Company realised net gains on its fixed income securities of \$23.7 million during the year ended 31 December 2021 (2020: \$7.7 million).

The Company experienced net unrealised losses on its fixed income securities of \$153.9 million during the year ended 31 December 2021 (2020: \$0.6 million) due to rising government bond yields.



Material income and expenses during the reporting period

Underwriting result

The Company's US GAAP underwriting result for the year ended 31 December 2021 was an income of \$90.7 million (2020: loss of \$8.6 million). The main drivers for the change in the underwriting result were as follows:

- PLRL was contributed to the RIBM in 2021, contributing \$73.4 million to the Company's underwriting result.
- PLRA contributed an underwriting result of \$17.3 million (2020: loss of \$8.6 million) to the Company's underwriting result, this was largely due to a release of COVID-19 reserves on the Australian business, as the very strict lockdown policy kept the impact on mortality low, offset by adverse claims experience from the retail disability income portfolio and adverse claims experience from some group treaties on the total and permanent disability business.

	US GAAP	
	2021	2020
	\$'000	\$'000
Premiums		
Gross	1,597,996	528,948
Reinsurers' share	(117,684)	(302,490)
Other Insurance Income	7,965	-
Net	1,488,277	226,458
Policy benefits incurred		
Gross	949,151	191,582
Reinsurers' share	(35,452)	(87,998)
Net	913,699	103,584
Change in future policy benefit reserves		
Gross	182,393	322,590
Reinsurers' share	112,164	(222,526)
Net	294,557	100,064
Acquisition costs, including commission and other insurance expenses		
Gross	194,949	131,879
Reinsurers' share	(5,654)	(100,497)
Net	189,295	31,382
Underwriting result	90,726	(8,572)

Figure 6 – Summary of the underwriting result over the reporting period.



Reconciliation of underwriting result to the loss for the year in the US GAAP consolidated financial statements.

	US GAAP	
	2021	2020
	\$'000	\$'000
Underwriting result (figure 6)	90,726	(8,572)
Net investment income (figure 5)	(88,407)	12,822
Remove net unrealised losses included in net investment income (figure 5)	153,900	622
Other (expenses) / income	(64)	94
Realised foreign currency gains / (losses)	2,109	(369)
Operating expenses	(176,690)	(32,415)
Interest expenses	(1,180)	(97)
Tax charge (figure 8)	(32,205)	(6,001)
Net loss, US GAAP consolidated financial statements	(51,811)	(33,916)

Figure 7 – reconciliation from the underwriting result to the net loss in the US GAAP consolidated financial statements

Operating expenses

Operating expenses include employee costs, property costs and IT costs and recharges thereof. The increase in operating expenses is largely due to PLRL being contributed to RIBM in 2021.

Tax charged to the Statement of Operations

	US GAAP	
	2021	2020
	\$'000	\$'000
Current tax credit	(3,248)	(82)
Deferred tax charge	35,453	6,083
Total tax charge	32,205	6,001

Figure 8 – Summary of tax charge over the reporting period.

The total tax charge in the year is largely due to deferred tax write offs as a result of PLRL making a branch profits exemption election ("BPE") and the PLRL corporation tax rate increasing from 19% to 25% offset by the tax credits for the losses incurred in the year. The BPE was confirmed by Her Majesty's Revenue and Customs ("HMRC") on 22 December 2020, with an effective date of 1 January 2021. The overseas branches of PLRL were subject to tax in the UK prior to the election, but are no longer subject to UK tax but subject to tax in their local jurisdictions. Further information about the tax charged to the Statements of Operations is included in the 'tax note' in the Company's US GAAP consolidated financial statements.

Intra-group transactions

The material intra-group transactions are included in the 'transactions with affiliates' note in the RIBM US GAAP consolidated financial statements.

A.8 Any other material information

The Company's pledged assets are included in the 'commitments and contingencies' note in the RIBM US GAAP consolidated financial statements.



B. Governance Structure

B.1 General information on the system of governance

The Company is subject to an overarching system of governance that applies to the whole Division. The system of governance document describes the main elements of the Division's system of governance and is available to all staff. The document is approved by the Board and is reviewed and updated annually.

Board and Senior Executives

The Board of Directors fulfils a critical role in the sound and prudent governance, oversight and successful operation of the Company. The mix of skill, knowledge, expertise and experience within the Board is commensurate with the nature, scale and complexity of the business and its composition is reviewed by the Chair annually. The Board meets at least four times a year and conducts a self-assessment of its performance and effectiveness annually, led by the Chair. The Board's powers, authorities and duties are vested in it by RIBM's Bye-Laws, RIBM's Board Reserved Matters, the Division system of governance, Treaty Authority documents (where relevant) and is subject to the Code of Conduct adopted by the BMA and the Bermuda Insurance Act 1978 as amended.

The Chair of the Board is responsible for the operation, leadership and governance of the Board, ensuring its effectiveness and setting its agenda.

The Chief Executive Officer ("CEO") has delegated authority from the Board to manage the business of the Company on a day-to-day basis.

The NEDs all have industry relevant experience and are responsible for providing guidance to and challenging the executives. As at 31 December 2021, the Board consisted of four NEDs, three of which were INEDs. In 2022, one of the INEDs was designated as the Lead Director and acts as the chair and voice of the NEDs in various discussions with the executives.

The responsibilities of the Directors are agreed with each Director and recorded.



Members of the RIBM Board who served during the year ended 31 December 2021 were as follows:

Members	Role	Date Appointed/Resigned
David Howell	Chief Executive Officer and Chair	31 March 2020
Rhys Faulkner	Chief Actuary and Bermuda Chief Pricing Officer	31 March 2020
Sian McAlpin	Bermuda Chief Risk Officer	Resigned on 21 September 2021
Gary Falde	NED (Pacific Life Representative)	31 March 2020
Amanda Sodergren	INED and Chair of the Audit Committee and Risk Committee and Lead Director	1 September 2020
Costas Miranthis	INED	1 September 2020
Simon Machell	INED	1 January 2021
Kerri Michelle Moloney	Division Chief Risk Officer	28 September 2021
Court Post	Bermuda Chief Financial Officer	21 September 2021

Figure 9 – Members of the Board who served during the year ended 31 December 2021.

Board Committees

The Board has delegated some of its powers and discretions to the following permanent committees, and the scope of that delegation is set out in the relevant committee's terms of reference:

- Board Audit Committee (BAC);
- Board Risk Committee (BRC); and
- Board Remuneration Committee (RemCo).

Board Audit Committee

The BAC is responsible for assisting the Board in carrying out its duties in respect of financial reporting processes, internal controls, performance of the internal and external audit processes, approval of the annual accounts.

The Company's BAC consists of a mix of Executives and NEDs of which three members are NEDs, with two being INEDs and one non-independent NED. It meets four times a year with the mandate to convene additional meetings as circumstances require. The Chairperson of the BAC is an INED, who reports at each Board meeting on the activities of the BAC.

Board Risk Committee

The BRC is responsible for assisting the Board on the Company's risk framework, including overall design of the framework, risk strategy, risk appetite, Capital Management Policy and other risk policies relevant to the Company.

The BRC oversees the risk function's implementation of the framework, in particular, the annual Commercial Insurer's Solvency Self-Assessment ("CISSA"), and is responsible for monitoring risk exposures in relation to RIBM's risk appetite. It is also responsible for reviewing the adequacy and



effectiveness of risk management information ("Risk MI"), any exceptions reported therein, and the adequacy and effectiveness of actions proposed by management to address them.

As at 31 December 2021 the Company's BRC consisted of a mix of Executives, INEDs and one non-independent NED. The Chairperson of the BRC is an INED and reports quarterly to the Board on the BRC's activities. The BRC meets at least four times a year with the mandate to convene additional meetings as circumstances require.

Board Remuneration Committee

The RemCo meets at least annually and is responsible for reviewing an annual report prepared by management which details the Company's proposed fixed and variable remuneration for staff serving in the previous year, compliance with the principles set out in the Division Remuneration Policy and whether the Division Remuneration Policy and practices are effective and consistent with effective risk management and regulatory requirements.

The Division CEO is the Chairperson of RemCo, who reports annually to the RIBM Board on RemCo activities. Other members of RemCo include three INEDs. The Chief Executive Officer of the Pacific Life Group (the "PL CEO") consults with Pacific Life HR team on the employment arrangements relating to the Division CEO. The PL CEO's recommendations on the Division CEO employment arrangements will be presented to the Lead Director for review and approval on behalf of the Company's Board and RemCo.

Executive responsibility

Bermuda Executive Team

The Bermuda Executive Team is responsible for RGBM, the head office operations of RIBM and the branches, as well as Pacific Life Services Bermuda Limited ("RSBM") and Pacific Life Holdings Bermuda Limited ("RHBM"). The team comprises of:

- The CEO;
- The Division Chief Risk Officer ("CRO");
- The Bermuda Chief Financial Officer ("CFO"); and
- The Chief Actuary and Bermuda Chief Pricing Officer.

Division Executive Committee

The Division Executive Committee ("ExCo") is responsible for coordinating developments and initiatives within the business, including those that involve more than one department or company, and explores strategic, business and operational issues before they are presented to the Board of RIBM, if required.

Division ExCo decisions and recommendations are subject to the Board Reserved Matters of RIBM. To that extent, any decisions and recommendations made by the Division ExCo which are subject to Board Reserved Matters may be altered, adapted or rejected by RIBM's Board.

Remuneration Policy

The Company recognises that employee rewards and incentives are a significant determinant of behaviour and that setting these appropriately is an important means to nurture an appropriate risk culture and to ultimately promote the long-term success of the business.

The Company has adopted the Division's Remuneration Policy, the objectives of which are:



- to align individual objectives with the strategy and the interests of the relevant BU, the Division and PMHC, the ultimate shareholder of the Company;
- to ensure that, so far as is possible, the incentives applicable to individual employees are consistent with effective risk management and that any perverse incentives are eliminated;
- to mitigate the potential for any misalignment of incentives to result in adverse outcomes for the business, its clients or its ultimate shareholder;
- to establish a clear and transparent process for the setting of incentives and the determination of any subjective judgements; and
- to establish clear roles and responsibilities for those involved in remuneration decisions and processes.

Across the Division, for most team members, remuneration is comprised of two component parts: fixed remuneration and variable remuneration. Senior leadership remuneration comprises a third element, long term incentive plan ("LTIP"), which encourages a long-term strategic outlook. Further, remuneration for non-executive directors is determined with reference to market rates to encourage strong candidates and appropriate discharge of duties. These are explained more fully below.

Fixed remuneration

Fixed remuneration takes into account an individual's professional experience and qualifications, relevant laws and regulations, local labour market conditions and internal benchmarking.

Variable remuneration – annual incentive plan

PL Re has implemented an annual incentive plan ("AIP"), which is designed to create a strong relationship between an employee's performance and reward. An employee's AIP target is set depending on the level of the employee's seniority and is based on a percentage of the employee's annual salary.

An AIP bonus is determined by an employee's own performance, as well as that of the Division and the BU in which they work. Heads of Legal, Corporate Actuarial/In-force Management and Risk Management teams are part of the Division Bonus Pool (rather than their BU Pool) in order to ensure independence of their incentives from the results of the BU that they work in.

Variable - long term incentive plan

The purpose of the Division's rolling LTIP is to incentivise the ExCo and certain other senior employees by aligning their interests with the longer-term strategy of Pacific Life. An employee's LTIP target is set depending on the level of the employee's seniority and is based on a percentage of the employee's annual salary.

The LTIP remuneration is based on the Division's post-tax US GAAP RoE over a three-year period and metrics associated with the wider Pacific Life group. Explicit arrangements are included to allow for non-payment in case of material adverse corporate or individual performance.

Non-Executive Directors

The remuneration of INEDs is designed to attract and maintain high quality board members while being consistent with and supportive of maintaining their independence. The INEDs receive a set fee for their services and are not entitled to any performance-based options or bonus payments. The NED who represents Pacific Life received no remuneration relating to his role as a Director during the reporting period but entered into arrangements directly with the Company on 28 March 2022.



Supplementary pension or early retirement schemes

Employees of Division entities may be eligible to participate in pension or superannuation schemes.

Material transactions over the period with persons who exercise significant influence

During the year ended on 31 December 2021, RIBM was party to the following material transactions with one or more of its shareholders, persons who exercise significant influence, the Board or senior executives:

- On 25 June 2021, PLRL entered into a Business Transfer Agreement with RIBM under which it committed to transfer its business to RIBM on the terms and subject to the conditions contained in it (see section F below).
- On 1 July 2021, the entire share capital of PLRH was contributed to RIBM from RGBM. As a consequence of this, PLRH became a direct subsidiary of RIBM and PLRL became an indirect subsidiary of RIBM.
- On 23 September 2021, RIBM entered into a promissory note agreement of \$100 million with PLIC. There was an initial draw down of \$70.0 million, which remained payable as at 31 December 2021. The principal amount is repayable on 30 September 2022 and bears interest at 0.70% per annum on the drawn amount and 0.2% on the undrawn facility.
- On 18 November 2021, RIBM received approval from the BMA for a Tier 2 Ancillary Capital arrangement of up to \$230.0 million. Consequently, a share subscription agreement (the "SSA") between RIBM, RGBM, PLRH LLC and PLC was entered into on 30 November 2021. Under the SSA RIBM may, on demand, require that PLC procures that RGBM subscribes for up to 230.0 million shares in RIBM. If RIBM breaches minimum solvency requirements, it must exercise its rights under the SSA. If triggered, PLC shall make an advance to PLRH LLC which PLRH LLC shall use to subscribe for shares in RGBM of the same amount. RGBM will then in turn be required to subscribe for an equivalent amount of shares in RIBM. A corresponding fee agreement was entered into between PLC and RIBM on 30 November 2021. The Tier 2 Ancillary Capital, SSA and corresponding fee agreement became effective from 1 January 2022.
- On 1 August 2020, RIBM entered into guarantee agreements with each of PLC and PLIC under which PLC and PLIC guarantee the performance of RIBM's non-affiliate reinsurance obligations. The PLIC guarantee is secondary to the agreement provided by PLC and will only be triggered in the event of non-performance by PLC. RIBM pays fees to PLC and PLIC for these guarantees which are settled on an annual basis. (PLRA and PLRL have the benefit of equivalent guarantees.)
- On 23 November 2021, PLRA, PLRL and RIBM entered into an agreement to novate the retrocession treaty between PLRA and PLRL to RIBM with effect from 1 January 2022. Following the novation, PLRA will retrocede 25-75% of PLRA business on a quota share basis to RIBM.
- On 20 December 2021 PLRL Singapore Branch, RIBM Singapore Branch and RGBM entered into a novation agreement and recapture agreement in respect of a retrocession agreement between PLRL Singapore Branch and RGBM concerning a small number of large lives in Singapore. Pursuant to the novation and recapture agreements such retrocession arrangements were novated from PLRL Singapore Branch to RIBM Singapore Branch on 1 January 2022 and recaptured by RIBM Singapore Branch on 1 January 2022.
- On 21 December 2021 PLRL, RIBM and RGBM entered into a novation agreement and recapture agreement in respect of a retrocession agreement between PLRL and RGBM concerning a small number of large lives in Australia. Pursuant to the novation and recapture agreements such retrocession arrangements were novated from PLRL to RIBM on 1 January 2022 and recaptured by RIBM on 1 January 2022.
- In accordance with the Part VII transfer, the retrocession arrangements between PLRL and PLIC transferred to RIBM UK Branch with effect from 1 January 2022, such that RIBM UK Branch will retrocede the majority of the longevity business on a quota share basis to PLIC.
- In accordance with the Part VII transfer, the retrocession agreement between PLRL and RGBM transferred to RIBM UK Branch with effect from 1 January 2022, such that RIBM UK Branch will retrocede some of its UK and Ireland retro pool on a quota share basis to RGBM.



- On 1 January 2022, RIBM entered into a Loan Note Instrument that had been agreed on 25 June 2021 and issued Loan Notes in accordance with its terms to PLRL.
- RIBM received \$372.4 million of capital contributions from RGBM in 2021.

B.2 Fit and proper requirements – Board and Senior Executives

Overview

In order for the Company to conduct its business activities and recruitment practices in accordance with the Pacific Life Group's guiding principles and high ethical standards, the Company has adopted the Division's Fitness and Propriety Policy.

Under this Policy, due diligence is carried out on all Board and senior executives before their appointment. Once appointed or employed, these individuals are subject to ongoing fitness and propriety checks.

Determining an individual's skills, knowledge and expertise – Board assessment and senior executives

RIBM maintains procedures for ensuring that the Board and senior executives are 'fit and proper', which means ensuring that each individual is reputable, has previously demonstrated the appropriate competence and integrity in fulfilling occupational, managerial or professional responsibilities, and that he or she has no conflicts of interest which could affect the proper performance of their duties.

In addition to a robust interview process that is designed to assess competence and suitability for a role, Board and senior executives are subject to thorough background checks prior to carrying out services for the Company, including verifying academic and professional qualifications and memberships, verifying information on the CV for a period of ten years, checking any directorships or significant shareholdings of the applicant, and conducting any further checks which are necessary under regulatory requirements. The Company also repeats some of these checks on an annual basis.

Description of the Professional qualifications and skills of the Board and Senior Executives

<p>David (Dave) Howell</p> <p>Chief Executive Officer, Chair & Principal Representative (Director)</p>	<p>David is the CEO of the PL Re Division of the Pacific Life Group and has over 25 years' experience in life reinsurance. As part of this role, David is the CEO of the UK reinsurance entity, PLRL. He is a director of several PL Re Division companies and a former director of PLRA. David has been the CEO of the PL Re Division since 2006 after joining as deputy CEO in late 2005. Prior to joining PL Re, he was the Chief Pricing Officer for Swiss Re Life and Health based in Zurich and has previously held various roles within Swiss Re and M&G Re across Switzerland, the UK, and Canada.</p> <p>David obtained his Bachelor of Mathematics Degree from the University of Waterloo in 1990 and became a Fellow of the Society of Actuaries in 1997.</p>
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<p>Rhys Faulkner</p> <p>Chief Actuary and Bermuda Chief Pricing Officer (Director)</p>	<p>Rhys has been the Chief Actuary and Bermuda Chief Pricing Officer since February 2020, having previously held the position of Head of Divisional Actuarial Reporting since early 2018. Rhys is responsible for overseeing Actuarial Reporting activities across the Division. He was previously the Chief Actuary (SMF20) for PLRL. He previously held a variety of roles within Actuarial Reporting at Pacific Life Re from 2009 to 2018 and before that, worked in the Pricing team, where he was responsible for pricing Protection and Longevity business. He began his career within Pensions Consultancy at Hewitt Bacon and Woodrow.</p> <p>Rhys obtained his Mathematics and Management Science Degree from the University of Manchester Institute of Science and Technology in 2001 and became a Fellow of Institute and Faculty of Actuaries in 2008.</p>
<p>Gary Falde</p> <p>Non-executive Director</p>	<p>Gary had been Chief Actuary at PLIC since 2011, retiring in November 2021. However, he continues his directorships with various PL Re entities as a representative of PLIC, including the Company's reinsurance affiliate in the UK, PLRL. He joined Pacific Life in 1980 and spent nearly 25 years in the Life Insurance Division where he was promoted to vice president, Planning and Finance in 1998. He served as Appointed Actuary from 2001 through to 2015, responsible for opining on the compliance and adequacy of the company's statutory reserves. He has focused substantial efforts on developing new US principle-based reserving standards through key leadership positions in the American Academy of Actuaries' Life Reserves Work Group. He also served in industry committee chair roles on principle-based reserving and life insurance captives for the American Council of Life Insurers.</p> <p>Gary is a Member of the American Academy of Actuaries and Fellow of the Society of Actuaries.</p>
<p>Courtney (Court) Post</p> <p>Bermuda Chief Financial Officer (Officer)</p>	<p>Court rejoined PL Re on 1 June 2020 as Bermuda CFO. In addition to his role as a director of RIBM, he is a director of RHBM, RSBM (as chair) and an officer with financial oversight responsibilities for RGBM. Previously, he was Vice President at RenaissanceRe in Bermuda from March 2019 – May 2020 and held the role of Director of Forecasting, Planning & Analysis. He spent 8 years with PL Re between 2011 – 2019, more recently as the Divisional Head of Financial Planning & Analysis in London, UK and earlier as AVP Financial Planning & Analysis in Toronto, Canada. Earlier in his career Court held a variety of financial reporting roles at: The Salesforce Group in Toronto, Canada; Artex Risk Solutions (Bermuda) Limited in Bermuda; Middlefield Group in Toronto, Canada; Arthur J. Gallagher in Bermuda.</p> <p>Court is a Chartered Professional Accountant ("CPA") and a member of CPA Canada. He is also the holder of a Chartered Financial Analyst ("CFA") designation and a member of the CFA Institute.</p>
<p>Kerri Michelle Moloney</p> <p>Division Chief Risk Officer</p>	<p>Michelle joined PL Re as the Division CRO in February 2021 from Protective Life Insurance Company where she had been the CRO. Prior to Protective Life, Michelle worked for Wells Fargo as SVP of Strategy and Regulation for their reinsurance division. Michelle is responsible for overseeing risk management activities across PL Re and leads PL Re's team of risk management professionals, and has line management responsibilities for the legal and compliance team. As Division CRO, she oversees second line risk management activities and the governance and validation of PL Re's economic capital models.</p> <p>Michelle obtained a Joint Honors Bachelor of Mathematics from the University of Waterloo in 1992. She joined the Fellowship of the Society of Actuaries and</p>



	Canadian Institute of Actuaries in 1997 and became a Chartered Financial Analyst in 1999.
<p>Amanda Sodergren</p> <p><i>Independent Non-Executive Director & Board Audit Committee and Board Risk Committee Chair</i></p> <p><i>(Lead Director)</i></p>	<p>Amanda joined the boards of RGBM and RIBM in September 2020. She brings with her over 30 years of experience in international insurance/reinsurance and banking with expertise in board governance, M&A, corporate restructuring and integration, enterprise risk management and global insurance regulation. She is an Independent Director of Equator Reinsurances Limited, where she serves as the Audit Committee Chair and a member of the Risk and Capital Committee. In 2019, she was appointed as an independent Director at OmegaCat Reinsurance Ltd and in 2017, as an Independent Director at AlphaCat Funds. In 2016, she was appointed to serve as an Independent Director and member of the Audit and Risk Committees of Hellenic Mutual War Risks Association (Bermuda) Limited and The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited. She joined PartnerRe Ltd in December 2000 as Associate General Counsel and from June 2004 to December 2012, she was Chief Legal Counsel and Chief Ethics Officer and, from January 2012 to December 2013, she continued serving at PartnerRe Limited as Consulting Counsel. From 2004 to 2012, she was a Director of Partner Reinsurance Company Limited.</p> <p>Amanda is a Fellow of the Association of Corporate and Certified Accountants and has an LLB Honours from the University of London.</p>
<p>Costas Miranthis</p> <p><i>Independent Non-Executive Director</i></p>	<p>Costas joined the boards of RGBM and RIBM in September 2020. He has over 30 years of insurance/reinsurance experience. He is an Independent Non-Executive Director at Hiscox Dedicated Insurance Fund Plc, Hiscox Ltd, Argus Group Holdings Limited and Gatland Holdings Jersey Limited. He joined PartnerRe Limited in 2002 and held a variety of roles until he stepped down from his role as President and CEO in 2015. In 2007, he moved to Zurich to become CEO of PartnerRe Europe and deputy CEO of PartnerRe Global. The following year he was appointed CEO of PartnerRe Global, assuming responsibility for all the support functions of the Global BUs. In 2002 as Group Chief Actuarial Officer, he was tasked with setting up and overseeing the group actuarial function. He began his career at Tillinghast-Towers Perrin (now Willis Towers Watson).</p> <p>Costas is a Fellow of the Institute of Actuaries and a Member of the American Academy of Actuaries. He has an MA Economics from the University of Cambridge.</p>
<p>Simon Machell</p> <p><i>Independent Non-Executive Director</i></p>	<p>Simon joined the board of RIBM on 1 January 2021. He holds the Independent Non-Executive Director role across a number of the current PL Re Division entities as listed below, and is Chair of the boards of PLRA and PLRL. Simon has over 30 years' of general and life insurance/reinsurance experience. He has considerable experience of setting up and running Boards, serving as a Board member, corporate restructures and M&A. He resides in Singapore.</p> <p>Since 2013 Simon has advised Insurers, brokers and risk managers on strategy and business improvement in Asia and Europe.</p> <p>Simon joined Aviva Limited in 2007 where he held the role of CEO of APAC for five years before taking on the role of CEO, Higher Growth Markets. During his time as CEO of APAC, Simon was accountable for all aspects of the Aviva business in Asia covering 10 markets, sales in excess of GBP 2 billion and oversaw teams of 12,000 people. When he took on the role of CEO of Higher Growth Markets, the portfolio included 14 markets across Asia and Eastern Europe with over GBP 2.5 billion in premiums and GBP 200m of profits. In</p>



	<p>addition, Simon served as Board Chairman and NED for seven markets. He stepped down from his role at Aviva in 2013.</p> <p>Prior to joining Aviva Limited, Simon spent 13 years at Norwich Union General Insurance and held a variety of roles until he stepped down from his roles as CEO. Earlier in his career, Simon held consulting, audit and finance roles at Ernst & Young and Legal & General.</p> <p>Simon is a qualified accountant and obtained his FCA designation (Fellow Chartered Accountant). He has a BA Honours from the University of Durham.</p>
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Figure 10 – Professional qualifications and skills of the Board and Senior Executives

B.3 Risk management and solvency self-assessment

Risk Management Process

The Division Risk Management Policy describes the overall approach, principles and processes employed by the Company in relation to risk management. In particular, it describes the methods used for identifying, recording, mitigating and controlling, monitoring, and measuring/reporting on risks that arise in the course of business activities.

The Company operates a three lines of defence risk management model, where the first line comprises all departments other than the risk management and internal audit functions. Each department's role in the first line of defence is to prudently manage risks arising within its day-to-day activities. This includes the identification and assessment of risk and the design and implementation of appropriate controls. The majority of risk management activities are conducted by the first line of defence. The second line of defence comprises the risk management function, and the third line of defence is the internal audit function.

Risk identification for the Division is carried out through a variety of means. All material risks are recorded in the Division Risk Register. Various activities contribute to keep the risk assessments up to date. The Division Risk Management Committee ("DRMC") and BRC review the emerging risk reviews that are conducted periodically by the BU Risk Management Committees ("BURMC"). Economic Capital ("EC") assumptions, methodologies and results are also reviewed periodically.

The Company internally measures each quantifiable risk exposure by assessing the EC required to withstand a 1 in 200 level adverse event. The results of this assessment are captured in the CISSA process and reported to the BRC. Non quantifiable risks are measured qualitatively by considering their potential impact on the reputation or operations of the Company alongside their likelihood. The measurement of risks takes into account both capital and liquidity impacts.

Risk reporting is carried out via Risk MI. The purpose of Risk MI is to enable management to assess the evolving nature of exposure to identified risks and to monitor the effectiveness of related controls.

Risk MI packs capture metrics within each risk category with predefined thresholds designed to provide early warning of emerging issues and to drive corrective actions. Risk MI packs are produced on a quarterly basis at BU level for review by BURMCs, and at Division level for review by the DRMC.

Risk management and solvency self-assessment systems implementation

The Company's risk management framework is integrated into its operations through the risk policies and procedures, risk reporting systems and related controls. Risk reporting systems include the Division Risk Register and Risk MI. DRMC owns the Division Risk Register and conducts an annual review to ascertain whether the appropriate risks are included, that their ratings are correct, and the appropriate level of attention is being devoted to the most material risks. The internal control



framework considers the risks in all the key processes and ensures that they are understood, managed and reported in line with the risk management framework requirements. The risk management policies for the Company have been approved by the Board. Risk reporting specific to the Company is in development following the transfer of business to RIBM and will evolve over the next year.

The CISSA is performed by using an internal EC model. The EC model also underpins the annual business planning process. The Company's CISSA report documents the assessment of the solvency needs and is reviewed by the Board as part of the process. This assessment considers the needs over a five-year time horizon and includes a review of the solvency needs under a base scenario and also a range of scenarios that are relevant to the business. The solvency position and liquidity position are monitored by the DRMC and the Board on a quarterly basis on both an EC basis and the BSCR basis. The EC model is subject to strict model governance and change control process which is set out in the Division EC Model Governance and Change Policy. This Policy helps to ensure that the integrity of the EC model is not compromised by changes made to the models and that the model continues to produce reliable, accurate and relevant information.

The Internal Control Framework, in section B.4 considers the risks in all the key processes and ensures they are understood, managed and reported in line with the risk management framework requirements.

Relationship between the solvency self-assessment, solvency needs & capital, and risk management

The Company's CISSA process captures the business plan and the quality and quantity of capital needed to support this plan over a five-year time horizon under base and stress scenarios. It also captures a description of the key risks the Company is facing and the plans to mitigate these risks.

Frequency and timing

The CISSA is performed on at least an annual basis. Interim CISSA will be carried out whenever there is a significant change in risk profile.

Level of oversight and independent verification by the Board and Senior Execs

The Division CRO is responsible for ensuring that results and conclusions regarding each CISSA are communicated to relevant staff.

The CISSA is owned and produced by the Division CRO and Risk Management team which is the second line of defence. There is input from the Actuarial and Finance teams into the process, they form part of the first line of defence. There is periodic review of the process by Internal Audit who form the third line of defence. Where deemed necessary, inputs prepared by the first line are subject to internal review by someone within the team other than the person who carried out the work. The second line then carry out a review of the inputs before including them in the assessment.

The CISSA is reviewed by senior management, including the Bermuda CFO and the Chief Actuary and Bermuda Chief Pricing Officer before submission to the Board for review. BRC members carry out a review of the CISSA following senior management review.

The Board and senior management take the results of the CISSA, and the insights gained from it, into account in carrying out their functions and in the design and implementation of the system of governance, including capital management, business planning and product development and design.



B.4 Internal Controls

The Company have adopted the Division Operational Risk Policy in order to ensure a consistent internal control system across BUs. The Operational Risk Policy requires that internal controls are in place to mitigate the likelihood/severity of manifestation of operational risks related to all material processes and that such controls are adequately documented and operational. The Operational Risk Policy sets out:

- The responsibilities of each individual to whom a process has been allocated;
- The requirements for documenting controls;
- Requirements for ongoing accuracy and completeness of the process controls;
- The process for changing a control; and
- The process for reviewing controls.

The Pacific Life Group has established a Risk and Control Self-Assessment ("RCSA") framework for management of process related operational risks. This framework is underpinned by a bottom-up, internal control framework which captures all material business processes across the Division. Under the RCSA framework the processes within the internal control framework are periodically assessed using a risk based approach which considers the likelihood and impact of operational events (a) on the assumption that no controls are in place and (b) based on controls that are actually in place i.e. on both an inherent & residual risk basis. The RCSAs record controls that are relevant to each process and MI that is used as a Key Risk Indicator to monitor the risk.

Compliance Function

The Company adheres to the Division's Compliance Function Policy, which lists the following objectives:

- to develop, implement and enforce policies, procedures and standards;
- inform and train employees about applicable legal, regulatory, policy, ethical requirements and standards;
- monitor and assess compliance processes, systems and controls;
- detect and respond appropriately to a violation of law, regulation, policy or ethical standard; and
- take appropriate steps to prevent the recurrence of any such violation.

The Company is engaged solely in reinsurance and retrocession business and is not therefore directly subject to material conduct of business regulation. Therefore, its compliance requirements are predominantly prudential insurance regulations and generally applicable legal and regulatory requirements.

The compliance function comprises all members of the Division's Legal Department, which has legal professionals assigned to each BU. Overall responsibility of the compliance function within PL Re rests with the Division General Counsel and, subject to oversight from the Division CRO, aspects of the compliance function are outsourced by RIBM to PLRS pursuant to an intra-group services agreement (see Section B.7 below).

The Division General Counsel is also a member of Pacific Life's Compliance Committee which comprises the Group Chief Compliance Officer and senior compliance officers from each of Pacific Life's divisions. Pacific Life's Compliance Committee oversees compliance activities across the wider Pacific Life Group.

The Division General Counsel has responsibility for the Bermuda entities' compliance function, including ultimate responsibility for compliance in RIBM and RGBM and in respect of operations in Bermuda. The Division Centre legal team support the Division General Counsel in discharging this



responsibility. Further, the lawyers responsible for overseeing compliance in PLRL and PLRA report to the Division General Counsel.

B.5 Internal Audit

Overall responsibility for the internal audit function rests with the PL Re Division Head of Internal Audit, who, in order to maintain independence has a reporting line to Pacific Life's Head of Internal Audit. Internal audit provides independent, risk-based and objective assurance, advice, and insight regarding the effectiveness and efficiency of risk management, control, and governance processes to enhance and protect organisational value. An annual audit plan is reviewed and approved by the Audit Committee. The Head of Internal Audit is invited to present reports, including an overall judgement of the function's activities, at the Audit Committee. Where relevant, non-financial matters will be reported to the Board Risk Committee or Board.

B.6 Actuarial Function

Overall responsibility for the actuarial function rests with the Chief Actuary. The actuarial function is responsible for:

- the calculation of technical provisions, including assessing the adequacy of methodologies and assumptions and quality of the underlying data;
- assisting in the execution of the risk management framework, particularly as it relates to modelling policyholder liabilities and capital requirements;
- assisting the pricing and product design process, and inputting to the design of risk transfer mechanisms where appropriate (e.g. retrocession); and
- providing input and challenge on the appropriateness of assumptions, based on analysis of past experience against expectations and expectations of future experience.

The Approved Actuary ("AA") of the Company is Kelvin Lam of Deloitte. The AA is responsible for opining on the reasonableness of the Technical provisions.

B.7 Outsourcing

Description of the outsourcing policy and information on any key or important functions that have been outsourced

The Company has adopted the Division's Third Party and Outsourcing Risk Management Policy, the purpose of which is to ensure that:

- decisions regarding outsourcing are made in an appropriate and consistent manner;
- outsourcing arrangements are appropriately documented, managed and controlled; and
- relevant approvals and/or notifications are sought internally and from relevant regulators.

The Policy sets out the review and authorisation process that must be undertaken for third party and outsourcing agreements. This process includes carrying out a risk assessment and due diligence on prospective service providers (including intra-group), in addition to periodic reviews and assessments to manage existing service arrangements. Any outsourcing by the Company is carried out in accordance with the provisions of the Insurance Act 1978 and the Insurance Code of Conduct.

The Division's philosophy in relation to outsourcing outside the Pacific Life Group is only to outsource non-core functions, and only where this can provide better value for money or enhanced service. Intra-group outsourcing is chosen over external outsourcing where this is possible and provides better economy of scale for the Pacific Life Group and/or the Division.



Material intra-group outsourcing

A summary of RIBM's material intra-group outsourcing arrangements are set out in the table below:

Group Supplier	Description of material outsourcing	Jurisdiction
Pacific Life Services Bermuda Limited (RSBM)	Intra-group agreement with RSBM for the provision of staff and general office services in Bermuda, executives, finance and treasury, risk and internal audit support, actuarial oversight and IT network services.	Bermuda
Pacific Life Re Services Limited (PLRS)	Intra-group agreements with PLRS for the provision of (i) certain Division support services including IT network services, finance and treasury, actuarial reporting support, legal, compliance and risk; and (ii) services for RIBM's branches, particularly RIBM's UK Branch for which it provides staff and general office services in the UK.	UK
Pacific Life Insurance Company (PLIC)	Intra-group agreement with PLIC including the provision of investment management services, IT, Information Security and Internal Audit (via PLRS).	USA (California)
Pacific Life Re Services Singapore Pte. Limited (RSSG)	Intra-group agreement with RSSG for the provision of services for RIBM's Singapore Branch	Singapore
Pacific Services Canada Limited (PSCL)	Intra-group agreement with PSCL for the provision of services for RIBM's Canada Branch (once authorised and operational).	Canada

Figure 11 – The material outsourcing of RIBM.

Asset liability management, investment policy and liquidity management function

A number of BU Investment Committees ("BUIC") are responsible for monitoring the quality and performance of investments made in respect of localised assets. These BUICs are then subject to oversight from the Division Investment Committee, which is responsible for monitoring the quality and performance of investments made by PL Re legal entities, including RIBM. Day to day management of the Company's investment portfolios is delegated to Schroders Investment Management Limited (and its group companies) and Pacific Life Investments, in each case acting in accordance with investment guidelines approved by the Division Investment Committee or the applicable BU Investment Committees.

B.8 Any other material information

The material aspects of the Company's system of governance are summarised in sections B.1 to B.8 above.



C. Risk Profile

As at 31 December 2021, the Company's in-force portfolio consisted of protection reinsurance and retrocession business and longevity reinsurance business. The protection business consists of mortality and morbidity risks written in the UK and Ireland, and the Singapore and Korea PLRL branches and some mortality business written in the Canada PLRL branch, as well as protection reinsurance of both retail insurance products and insurance provided through large pension funds (group insurance) written in Australia. The longevity business comprises both longevity swap and annuity business, mainly in the UK. PLRL's UK and Ireland and Singapore branch business has since transferred to RIBM on 1 January 2022 as part of the Corporate Restructure exercise and as a result PLRL consists of the business within the Korea and Canada branches which is planned to transfer to RIBM by early 2023, however, the timing of the transfer of the remaining PLRL business is uncertain as it is dependent on regulatory approval of the RIBM branches.

In line with the Company's Risk Strategy, this primarily results in preferred insurance risks (longevity, mortality and morbidity) being accepted. Insurance business is subject to management risk appetites and limits set out in the Division Insurance Risk Policy.

C.1 Material risks that the insurer is exposed to

Risks are measured using both the BSCR regulatory basis, and an EC basis whenever quantifiable.

The Company is exposed to a number of material risk categories:

- Insurance risk: includes longevity, mortality, morbidity;
- Market risk: includes interest rate, currency, credit spreads;
- Credit risk: includes counterparty;
- Operational risk: includes strategic, reputation, IT including cyber, regulatory, legal;
- Liquidity risk; and
- Group risk

The table below sets the description of each risk as well as the key provisions in the related Risk Management Policy to prudently manage these risks.

Risk	Risk Policy Provisions to Manage Risks
<p>Insurance Risk</p> <p>The risk of financial loss arising from fluctuations in the timing, frequency and severity of insured events, including the rate at which in-force business lapses</p> <p>Key Insurance risk includes:</p> <p>Longevity</p> <p>Mortality</p> <p>Morbidity & Disability</p> <p>Persistency</p>	<p>Insurance Risk Policy contains methods for identifying, assessing, monitoring and controlling. Key provisions include:</p> <ol style="list-style-type: none"> a) Insurance risk appetite limits which limit exposure to individual events by setting maximum limits per life in reinsurance treaties and setting up retrocession arrangements to manage the risk of cessions on the same lives from different sources. These include: <ol style="list-style-type: none"> i) Retention limits by territory and legal entity ii) Minimum Target Pricing Returns iii) Geographic concentration limits iv) Longevity aggregate capacity limit b) Risk assessment (new business treaty reviews) c) Valuation - BU R&D teams carry out internal experience analyses d) Monitoring - The Division and BU Risk Management Committees are responsible for monitoring exposure to insurance risks and the effectiveness of insurance risk controls. Risk MI is reviewed on a quarterly basis by the Risk Management Committees.
<p>Market Risk</p> <p>The risk of loss or adverse fluctuation in the value of PL Re's liabilities and invested assets as a result of movements in interest rates, inflation rates or exchange rates. Key risks include: Interest rate</p>	<p>Market Risk Policy contains methods for identifying, assessing, monitoring and controlling. Key provisions include:</p> <ol style="list-style-type: none"> a) Investment guidelines b) Minimise exposure to both interest rate, inflation rates and exchange rate fluctuation through its asset/liability matching management processes which are documented within the respective BU investment guidelines c) Investment Committee oversight d) Valuation procedures and target duration for liabilities e) New business market risk assessment



Exchange rate, credit spread	f) Monitoring - asset/liability matching by duration and currency
Credit Risk The risk of financial loss arising from the failure of another party to perform its financial obligations to the firm, including failing to perform them in a timely manner	Credit Risk Policy contains methods for identifying, assessing, monitoring and controlling. Key provisions include: a) Counterparty limits by BU and rating b) Collateral and reset arrangements -the Company require specific terms c) Investment guidelines d) Letters of Credit e) Internal retrocession f) Legal entity credit rating g) Annual assessment of exposure to individual counterparties h) Monitoring – exposure limits, quarterly monitoring
Operational Risk The risk of loss resulting from inadequate or failed internal processes and controls, people, systems, or external events including legal and compliance risk. Losses include financial loss, reputational damage or business interruption. Key risks include: Reputation Model Risk IT (continuity & cyber) Legal Third Party & Outsourcing	Operational Risk Policy contains methods for identifying, assessing, monitoring and controlling. Key provisions include: a) Attestation by process owners, half yearly b) Risk and control self-assessments c) Operational event reporting d) Monitoring via operational Risk MI e) Legal – appropriate contractual terms f) Control frameworks and associated policies for IT, third parties and outsourcing, financial reporting, model risk & assumptions, and incident & business continuity. g) Oversight/monitoring is provided by committees and Board including the Division Risk Management Committee (DRMC) who reports on operational and model risk matters to PL Enterprise Operational Risk Committee, Risk Management Committees, and entity Board.
Liquidity Risk The risk of financial distress as a result of a sudden increase in the need for liquid assets to meet contractual obligations. Ultimately liquidity risk could result in insolvency from having insufficient liquid resources to meet obligations as they fall due.	Liquidity Risk Policy contains methods for identifying, assessing, monitoring and controlling. Key provisions include: a) Liquidity risk strategy to hold sufficient liquid assets to cover payment obligations under stressed scenarios which are evaluated annually. The maintenance of a buffer of available liquid assets over stressed payment obligations mitigates liquidity risk in lieu of holding additional capital. b) Weekly monitoring of cash requirements with consideration of likely short-term outflows.
Group Risk The risk of loss arising from membership of the Pacific Life group. This risk may manifest itself through default on intragroup retrocession, failure to provide agreed services, or a negative impact on the creditworthiness of PL Re carriers.	Group Risk Policy contains methods for identifying, assessing, monitoring and controlling. Key provisions include: a) Maintaining an appropriate level of capital remaining in the entity post default on all intragroup retrocession b) Clear documentation of all intragroup outsourcing c) Annual group risk assessment d) Monitoring via Risk MI

Figure 12 – Summary of material risks and mitigants.

Material changes over the reporting period

PLRH became a direct subsidiary of RIBM and PLRL became an indirect subsidiary of RIBM in 2021. This has introduced longevity and critical illness risks to the risk profile. This section has been updated to reflect that change.

C.2 Mitigation of risk – methods used and the process to monitor the effectiveness

See section C.1 above.

C.3 Material risk concentration

There are no significant exposures to concentration risk within the Company; all material risks were within risk appetite during the year.



C.4 Asset investments – prudent person principle

The Company's market risk strategy is guided by the "prudent person" principle as specified in paragraph 5.1.2 of the BMA Insurance Code of Conduct, in that the Company only invests in assets and instruments where the risks of which can properly be identified, measured, monitored, managed and controlled. Exposures to counterparty concentrations are managed through defined limits and ratings.

The Company invests its portfolio of assets according to prudent person principle restrictions identified in its investment guidelines which are designed to promote the liquidity, security and quality of the portfolio and returns of such assets are assessed in relation to their risk via the associated capital charges.

The only permitted investments are investment grade fixed income securities, short term deposits and units in fixed income funds. Acquisition of equities, property, commodities, derivatives, alternative asset classes (such as hedge funds) and non-investment grade securities are expressly excluded.

C.5 Outcome of stress testing and sensitivity testing results

The Company has incorporated additional stresses and scenarios in its testing regime to reflect the introduction of additional risks from PLRL. The stresses and scenarios carried out as part of the CISSA process covering the most material insurance and market risks. The stresses are carried out looking at the impact of a move in one or a small number of risk factors over a one-year time horizon.

The stresses and scenarios include:

- Cancer Cure scenario – the solvency position is tested for cancer cure through a deterministic scenario based on cure for all cancers. Testing of the scenario indicated that the exposure is modest.
- Pandemic scenario – the solvency position is tested for a pandemic resulting in a 1 per mille spike in mortality claims, combined with a 25% loss on forced asset sale. Testing of the scenario indicates that the overall impact is moderate.
- Combined mortality and morbidity stress – the solvency position is tested for a 5% increase in the mortality and morbidity rates. Testing of the scenario indicates that the overall impact is modest.
- PLIC failure – PLRL retroceded, and RIBM UK Branch retrocede, business to PLIC, a failure of PLIC due to a credit event would result in a recapture of the risks by RIBM UK Branch. The scenario measures the impact on RIBM of the risks reverting back to RIBM UK Branch. While a material scenario, the ECR ratio remains above 100%.
- Asia CI claims deterioration – this scenario shows the impact on RIBM of adverse critical illness claims in Asia. Testing of the scenario indicates that the overall impact is modest.

In all stress and scenario tests, the capital ratio on a BMA basis is at or above the applicable target operating range.

C.6 Any other material information

The material risks outlined in C.1 will remain the same, however the magnitude of the risks may change. Future development of the GFS line of business is expected to grow and with it the associated credit and market risks.

Management has continued to focus on managing the risks arising from the pandemic on staff, operations, business planning and claims. The total impact of COVID-19 claims is within the total mortality shock stress capital.



At the time of writing, there are clear humanitarian concerns in relation to the military conflict between Russia and Ukraine. Management have assessed our financial, insurance, and operational risk positions. This will remain an area of focus as the situation develops over time. Management have reviewed the investment portfolios for exposure to assets that might be impacted by ongoing instability in Ukraine. None of the investments held by the Company have direct exposure to any Russian or Ukrainian issuers. The Company has no direct insurance exposure to Russia or Ukraine. Operational considerations include our SAP data centres in Poland. Management have undertaken business impact assessments in relation to these data centres and business continuity plans are in place. A disaster recovery test was completed successfully in October 2021.



D. Valuation for Solvency Purposes

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

Valuation policies have been chosen to reflect quoted prices and, where these are not available, other data from active markets for the same or similar items has been used. In the absence of either quoted prices or other data from an active market, other valuation techniques are applied to the assets and other liabilities.

Section D contains the Company's consolidated financial information, unless stated otherwise.

As detailed in section A, PLRL was contributed to RIBM in 2021 and is the main driver of the changes in the Company's Valuation for Solvency Purposes compared to the prior year.

D.1 Bases, methods and main assumptions used for the valuation for solvency purposes for each material class of asset

The table below shows the EBS value of each material class of asset for the Company as at 31 December 2021 and 2020. In the sections following the table, further details are provided for the material EBS classes of asset.

	EBS 2021	EBS 2020
	\$'000	\$'000
Cash and cash equivalents	366,278	34,024
Investments	2,763,707	616,672
Investment income due and accrued	20,668	3,576
Accounts and premiums receivable	531,161	66,424
Reinsurance balances receivable	122,522	-
Other assets	30,896	600
Total assets	3,835,232	721,296

Figure 13 – Summary of assets.

Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months' maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values.

The EBS measurement basis for cash and cash equivalents is fair value in line with US GAAP, which is approximated by amortised cost. This is a reasonable approximation due to the short-term nature of cash and cash equivalents and due to the low risk of counterparty default based on counterparty credit ratings.

Investments

The EBS measurement basis for financial investments is fair value, on initial recognition and subsequently, the fair value of an asset is the amount for which it could be exchanged between knowledgeable willing parties in an arm's length transaction. This measurement basis is consistent with the Company's investment and risk management strategy to manage its financial investments on a fair value basis.



Purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the assets, measured at their fair values.

As at the end of the period all financial investments were modelled with significant observable market inputs.

Investment income due and accrued

This relates to investment income earned but not received on the financial investments.

The EBS measurement basis is fair value.

Accounts and premiums receivable

Accounts and premium receivable relate to assumed business and consist of premium and other receivables.

The EBS measurement basis for accounts and premium receivables is fair value, which is approximated by amortised cost. This is a reasonable approximation due to the short-term nature of insurance and intermediaries' receivables and due to the low risk of counterparty default based on low historic default experience and on counterparty credit ratings.

Reinsurance balances receivable

Reinsurance balances receivables relate to outwards business (including affiliates) and consist of collateral balances receivable.

The EBS measurement basis for reinsurance receivables is fair value, which is approximated by amortised cost. This is a reasonable approximation due to the short-term nature of reinsurance receivables and due to the low risk of counterparty default based on counterparty credit ratings.

Other assets

Deferred acquisition costs, value of business acquired and prepayments

The EBS measurement basis for deferred acquisition costs is nil as it is implicitly included in the premium provisions valuation. The EBS measurement basis for value of business acquired is nil. The EBS measurement basis for prepayments is nil as they cannot be utilised to pay policyholders.

Sundry assets

Sundry assets relate to receivables on the balance sheet which are not attributable to (re)insurance operations.

The EBS measurement basis for sundry assets is fair value, which is approximated by amortised cost. This is a reasonable approximation due to the short-term nature of receivables (all are due within 12 months) and due to the low risk of counterparty default.

Property, plant and equipment

Property, plant and equipment held for own use consists of computer equipment, fixtures and fittings and leasehold improvements.



The EBS measurement basis for property, plant and equipment held for own use is fair value, which is approximated by cost less accumulated depreciation and impairment where it has been demonstrated that the difference between fair value and cost is not material.

Based on the materiality threshold, an assessment will be performed at each balance sheet date to determine whether adjustments are necessary to bring the carrying value of property, plant and equipment held for own use under US GAAP to fair value under EBS.

D.2 Bases, assumptions and methods used to derive the value of technical provisions and the amount of the best estimate.

In the sections following the table, further details are provided in relation to the assumptions and methodology for the best estimate liability ("BEL") and risk margin components of technical provisions calculated in line with the EBS valuation principles, as defined in the BMA's Group Prudential Standards and Guidance Note for Commercial Insurers and Groups (dated 30 November 2016).

	EBS 2021	EBS 2020
	\$'000	\$'000
Gross long-term business insurance provisions	(2,989,740)	858,581
Less: Reinsurance Recoverables	2,539,447	(554,338)
Risk margin	490,019	26,617
Total long-term insurance business technical provisions	39,726	330,860

Figure 14 – Summary of technical provisions.

Methodology applied in deriving the technical provisions

The value of technical provisions is equal to the sum of a BEL and a risk margin.

Technical provisions valuation methodology

The BEL is the probability-weighted average of future cash outflows, taking into account the time value of money using the relevant term dependent discount rate. The calculation of the best estimate is based on up-to-date and credible information and on realistic assumptions, and it is performed using adequate, applicable and relevant actuarial and statistical methods. The cash flow projection used in the calculation of the BEL includes all cash inflows and outflows required to settle the insurance and reinsurance obligations over the lifetime thereof. The best estimate is calculated gross of the amounts recoverable from reinsurance contracts, which are calculated separately.

The risk margin is calculated so as to ensure that the value of technical provisions is equal to the amount that insurance and reinsurance undertakings would be expected to require in order to acquire and meet the insurance and reinsurance obligations. It is based on the principle of allowing for the cost of holding capital to support risks which cannot be readily hedged.

The risk margin is calculated as the present value of the projected BSCR for non-hedgeable risks (insurance risks, operational risk, expense risk and counterparty default risk) multiplied by the assumed cost of capital rate. This is calculated on a total company basis, allowing for diversification between lines of business.

Key assumptions in deriving the technical provisions

This section covers key assumptions used to derive the BEL component of the technical provisions of the Company.



Relevant term dependent discount rate applied in deriving the technical provisions

Technical provisions are discounted using currency-specific risk-free discount rate term structures with an appropriate illiquidity adjustment, as published by the BMA. For currencies where the BMA does not publish discount rates, risk-free discount rates as published by EIOPA are used.

Note that for the purposes of calculating the risk margin, whilst pre-diversified capital amounts are calculated using the risk-free discount rate term structures with an appropriate illiquidity adjustment, the cost of capital amounts are discounted using the risk-free discount rates without illiquidity adjustment.

Policy expenses

Maintenance expense loadings are typically based on the expense assumptions adopted as part of the annual business planning process.

Investment-related expenses

Investment-related expenses largely comprise investment management fees but also include other expenses such as custodian fees and accounting fees. The expected expense cash flows are projected into the future and are discounted to the reference date. The expenses reflect the expected fees associated with holding an asset portfolio sufficient to meet the liabilities and capital requirements.

Other non-economic assumptions

For the purpose of calculating technical provisions, assumptions are used for lapses, mortality and morbidity. The best estimate assumptions for treaties are based on the assumptions used when the business was originally priced, adjusted for experience emerging over time. Pricing assumptions are based on the Terms of Trade assumptions, adjusted for treaty specific experience. Assumptions are treaty specific and reflect treaty specific experience.

Experience analyses are generally carried out annually for treaties where sufficient volumes of data are available.

Contract boundaries

The boundary for contracts is determined in accordance with BMA's Group Prudential Standards, suitably adjusted to reflect practical considerations where appropriate. No cash flows after the contract boundary are included in the valuation of technical provisions or the ECR. Where the Company's business is retroceded from affiliate companies, the contract boundary will reflect the arrangement between the affiliate company and their cedant.

Uncertainty associated with the value of technical provisions

Cash flow projections are performed on a deterministic as opposed to a stochastic basis, but the BEL is uplifted to account for a probability-weighted average of future cash flow projections. The assumptions underlying the deterministic cash flows reflect the Company management's best estimate of future experience, reflecting the underlying data as well as the judgment of management. These estimates therefore include an inherent level of uncertainty.



D.3 Recoverables from reinsurance contracts

The Company retrocedes a portion of its business to external parties as well as an affiliate.

The calculation of the reinsurance recoverable asset is consistent with the calculation of BEL described in section D.2. If deemed material, an adjustment is also made for expected losses due to default of the counterparty, which is based on an assessment of the probability of default of the counterparty and of the average loss resulting therefrom.

D.4 Bases, methods and main assumptions used for the valuation for solvency purposes for each material class of other liabilities.

The table below shows the EBS value of each material class of liabilities for the Company as at 31 December 2021 and 2020. In the sections following the table, further details are provided for the material EBS classes of other liabilities.

	EBS 2021	EBS 2020
	\$'000	\$'000
Insurance and reinsurance balances payable	236,071	91,995
Commission, expenses, fees and taxes payable	130,434	6,874
Loan and notes payable	130,377	-
Tax liabilities	389,232	-
Amounts due to affiliates	73,124	15,119
Accounts payable and accrued liabilities	8,340	3,759
Funds held under reinsurance contracts	335,316	-
Sundry liabilities	20,130	-
Total other liabilities	1,323,024	117,747

Figure 15 – Summary of other liabilities

Insurance and reinsurance balances payables

Insurance and reinsurance payables relate to:

- Assumed business past due at the balance sheet date and consist of deposits and advances from cedants.
- Reinsurance payables relate to ceded business past due and consist of amounts payable to cedents and retrocessionaires.

The EBS measurement basis for insurance and reinsurance payables is fair value, which is approximated by amortised cost. This is a reasonable approximation due to the short-term nature of insurance and intermediaries' payables.

Commission, expenses, fees and taxes payable

The majority of the balance relates to commission payable on assumed business past due at the balance sheet date.

The EBS measurement basis for commission, expenses, fee and tax payables is fair value, which is approximated by amortised cost. This is a reasonable approximation due to the short-term nature of insurance and intermediaries' payables.



Loan and notes payable

Loans and notes payable relate to debts, such as mortgage and loans, owed to credit institutions, and bank overdrafts, but excludes subordinated liabilities. Debts owed to credit institutions consist of principal and interest payable.

The EBS measurement basis for loans and notes payable is fair value, which is approximated by amortised cost.

Tax liabilities

Current tax liabilities are measured at the amounts expected to be paid to the tax authorities using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

The EBS measurement basis for tax liabilities is fair value, which is approximated by amortised cost. This is a reasonable approximation due to the short-term nature of the liabilities.

Deferred tax assets and liabilities are recognised in relation to the difference between the EBS value of assets and liabilities and the amount of those assets and liabilities for tax purposes. Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, in respect of all temporary differences that have originated but not reversed at the reporting date, with the exception that deferred tax assets are recognised only to the extent that management considers that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Amounts due to affiliates

These relate to non-(re)insurance payables, including loan and notes payable, and consist of intra-group payables with Pacific Life group companies outside of the Company.

The EBS measurement basis for amounts due to affiliates is fair value, which is approximated by amortised cost. This is a reasonable approximation due to the short-term nature of the liabilities.

Accounts payable and accrued liabilities

These relate to non-(re)insurance payables and consist of trade payables.

The EBS measurement basis for accounts payable and accrued liabilities is fair value, which is approximated by amortised cost. This is a reasonable approximation due to the short-term nature of the liabilities.

Funds held under reinsurance contracts

These relate to outwards business and consist of collateral balances from retrocessionaires in favour of PLRL.

The EBS measurement basis for funds held under reinsurance is fair value, which is approximated by amortised cost using the effective interest method. This is a reasonable approximation due to the short-term nature of deposits from reinsurers.

Sundry liabilities

These relate to deposit accounting payable balances with non-group companies.



The EBS measurement basis for funds held under reinsurance is fair value, which is approximated by amortised cost using the effective interest method. This is a reasonable approximation due to the short-term nature of these balances.

Any other liabilities, not shown elsewhere

Material contingent liabilities are included in the EBS balance sheet at fair value on a probability weighted cash-flow basis. This method recognises the expected present value of future cash-flows required to settle the contingent liability over the lifetime, using the basic risk-free interest rate term structure.

There are no contingent liabilities as at the end of the period.

D.5 Any other material information

For the year ended 31 December 2021, there is no other material information regarding solvency valuation required to be disclosed for purposes of this FCR.



E. Capital Management

Overview

The Company's objectives in managing capital are:

- To maintain financial strength and allocate capital efficiently to support new business growth;
- To satisfy the requirements of policyholders, shareholders, regulators and rating agencies; and
- To ensure that assets held are of appropriate quality.

E.1 Eligible Capital

Capital Management Policy

The Company has an overarching capital management process to ensure an appropriate level and form of capital is held. The Company's capital is benchmarked against its projected risk exposures to ensure that it is adequate to support planned business operations as well as certain stressed loss events. The form of the capital is designed to provide a balance between security, flexibility and liquidity.

The Company is required to hold sufficient capital to meet BMA regulatory requirements. The Company holds sufficient capital to meet its minimum regulatory requirement as defined under the Insurance Act. The Company's Capital Management Policy ("CMP") states that the Company will hold capital sufficient to meet the higher of EC requirements and the minimum BSCR including an additional solvency buffer. The buffer is held to ensure that minimum regulatory requirements continue to be met in most normal circumstances. The buffers have been approved by the Board.

A regulatory solvency ratio, which is the ratio of eligible capital resources to BSCR, is used to report the Company's solvency position to the BMA on a quarterly basis, in accordance with the BMA regime. There are appropriate levels of oversight from the specialist teams and the Board to ensure appropriate capital levels are managed and maintained. In particular:

- The Solvency ratio for the Company is monitored on a regular basis using three levels of triggers to determine when additional capital or other action is required.
- The Company's medium-term capital management plan for five years is set out in the annual CISSA. This enables the Board to understand the likely future solvency position and capital needs of the Company. The plan includes:
 - A projection of the regulatory and EC solvency position over at least the next 5 years, including the impact of sensitivities; and
 - Discussion of the sources and quality of capital.

Remedial actions will be considered if any of the solvency monitoring triggers are breached. The main considerations are listed below:

- Capital injection from PLC;
- Increased external retrocession;
- Review investment strategy; and
- Reduction to new business volumes, closure to new business or seeking cedant recapture of existing treaties.

The action to be taken will depend on which trigger(s) has been breached, the extent of the shortfall and the anticipated development of the solvency position over the subsequent months.



Eligible capital categorised by tiers

The Company's available capital comprises the sum of Tier 1 and Tier 2 capital.

	EBS 2021	EBS 2020
Capital Tier's	\$'000	\$'000
Tier 1 available capital	2,133,732	272,689
Tier 2 available capital	338,750	-
Total available capital	2,472,482	272,689

Figure 16 – Summary of available capital.

Tier 1 available capital

The table below shows the Company's Tier 1 available capital.

	EBS 2021	EBS 2020
Tier 1 Classes	\$'000	\$'000
Fully paid common shares	1,000	1,000
Contributed surplus or share premium	1,669,120	319,067
Statutory economic surplus	802,362	(47,378)
Excess encumbered assets transferred to Tier 2	(338,750)	-
Total Tier 1 available capital	2,133,732	272,689

Figure 17 – Summary of Tier 1 available capital.

Fully paid common shares

RIBM's share capital is fully paid up as at the end of the period.

Contributed surplus or share premium

This relates to additional paid in capital arising from the contribution of PLRA (\$244.1 million) and PLRH (\$977.6 million), as well as capital funding contributions. RGBM made capital contributions to RIBM of \$372.4 million in 2021.

Statutory economic surplus

Statutory economic surplus comprises retained earnings, the foreign currency translation reserve and other reserves.

Excess encumbered assets transferred to Tier 2

The transfer from Tier 1 to Tier 2 capital is to reflect any excess of encumbered assets.

There is an assessment to determine if there was any excess of encumbered assets over the policyholder obligations, capital requirement for encumbered assets and capital requirement for the policyholder obligations. Any excess would be included in a calculation to determine a transfer from Tier 1 to Tier 2.

Tier 2 available capital

This relates to the excess encumbered assets transferred from Tier 1 (2020: nil). RIBM received approval from the BMA for Tier 2 Ancillary Capital of up to \$230.0 million. The arrangement is effective from 1 January 2022.

Tier 3 available capital

RIBM has no Tier 3 capital during the year ended 31 December 2021 (2020: nil).



Eligible capital used to meet Enhanced Capital Requirements and the Minimum Margin of Solvency

The available capital to cover the ECR is subject to quantitative limits. The following table shows the eligible capital to cover ECR and MSM. The full available capital is eligible to meet the MSM and ECR.

Eligible Capital \$'000	2021				
	Limits	MSM	ECR	Applied to MSM	Applied to ECR
Tier 1 capital	Min	80%	50%	2,101,467	2,133,732
Tier 2 capital	Max	25%	50%	371,015	338,750
Total				2,472,482	2,472,482

Eligible Capital \$'000	2020				
	Limits	MSM	ECR	Applied to MSM	Applied to ECR
Tier 1 capital	Min	80%	50%	272,689	272,689
Tier 2 capital	Max	25%	50%	-	-
Total				272,689	272,689

Figure 18 – Summary of eligible capital.

Eligible capital to cover the transitional arrangements

The Company has adopted the transitional approach to capital requirements, phasing in the impact of moving between the previous and revised methodology following the revision of the BSCR by the BMA in 2019.

Identification of any factors affecting encumbrances affecting the availability and transferability of capital to meet the ECR

There is a transfer of Tier 1 to Tier 2 capital for any excess of encumbered assets. There is enough capital for the Company to meet the ECR requirements.

Identification of any ancillary capital instruments that have been approved by the authority

An ancillary own funds arrangement took effect from 1 January 2022 with approval of the BMA, but was not in place during the 2021 financial year.

Identification of differences in shareholders equity as stated in the financial statements versus available statutory capital and surplus

The starting point to determine available statutory capital and surplus is to prepare the Company's consolidated balance sheet on an EBS basis. The EBS balance sheet is derived from the US GAAP balance sheet by making adjustments to reflect the EBS basis of assets and liabilities. This EBS then provides the available capital and surplus which is then categorised into the three available capital tiers.



The US GAAP Consolidated Total Shareholders' Equity and the solvency valuation of the excess of the assets over the liabilities is set out below. The adjustments are documented in Section D. covering valuation of assets and liabilities.

	2021	2020
	\$'000	\$'000
US GAAP Shareholder' Equity to EBS Available Statutory Capital and Surplus		
US GAAP Consolidated Total Shareholders' Equity	1,476,393	325,973
Less: Prepayments measured at \$nil for EBS	(11,759)	(2,008)
Less: Deferred acquisition costs measured at \$nil for EBS	(824,413)	(27,516)
Less: Value of business acquired measured at \$nil for EBS	(3,052)	-
Net technical provisions measurement differences for EBS	2,183,165	(23,760)
Current and deferred taxes	(345,982)	-
Other	(1,870)	-
EBS Available Statutory Capital and Surplus	2,472,482	272,689

Figure 19 – Analysis of change from US GAAP Shareholders' Equity to EBS Available Statutory Capital and Surplus.

E.2 Regulatory Capital Requirements

Identification of the amount of the ECR and the Minimum Margin of Solvency at the end of the reporting period

	2021	2020
	\$'000	\$'000
Eligible Capital for ECR	2,472,482	272,689
ECR	782,908	108,752
ECR Ratio	316%	251%
Eligible Capital for MSM	2,472,482	272,689
MSM	195,727	27,188
MSM Ratio	1263%	1003%

Figure 20 – Summary of ECR and MSM for the Company.

Identification of Any Non-Compliance with the MSM and the ECR

None.

Circumstances surrounding the non-compliance and the remedial measures taken and their effectiveness

Not applicable.

Where the non-compliance has not been resolved, a description of the amount of the non-compliance at the end of the reporting period

Not applicable.

E.3 Approved Internal Capital Model

The Company has not applied to use an Internal Capital Model.



F Subsequent Events – Particulars and Explanations

F.1 Description of the significant event

The corporate restructuring of the Division under which most assets and liabilities of PLRL and its branches transferred to RIBM and its branches was successfully executed with effect from 1 January 2022. Loan notes were issued by RIBM to PLRL as consideration on 1 January 2022 in accordance with the Business Transfer Agreement dated 25 June 2021 and the Loan Note Instrument dated 1 January 2022. In particular:

- PLRL's transfer of UK and Irish business under Part VII of the Financial Services and Markets Act 2000, which was approved by the English High Court on 3 December 2021, was implemented on 1 January 2022. An additional business transfer under a Guernsey insurance business transfer scheme was completed, and one contractual novation of an Irish law governed treaty came into effect. This means that RIBM UK Branch is now the operational reinsurance carrier for UK and Ireland business in the Division from 1 January 2022;
- the retrocession treaty between PLRA and PLRL was novated to RIBM with effect from 1 January 2022 and all investment management and custody arrangements in relation to that business have also been contractually transferred to RIBM;
- all in-force treaties of PLRL Singapore Branch were novated with effect from 1 January 2022, except for two treaties which were novated with effect from 1 July 2021, with consent of the counterparties which means that there is effectively 100% risk transfer from PLRL Singapore Branch to RIBM Singapore Branch;
- the authorisation process for RIBM Korea Branch is ongoing and it is expected that this branch will be authorised and the business of PLRL's Korea Branch transferring to it by early 2023; and
- the authorisation process for RIBM Canada Branch is ongoing and it is expected that this branch will be authorised and the business of PLRL's Canada Branch transferring to it by early 2023.

The loan note Instrument dated 1 January 2022, and accrued interest on them, were dividended from PLRL to PLRH, and then from PLRH to RIBM, on 20 April 2022. Immediately upon receipt by RIBM of the dividend of the loan notes, the loan notes automatically terminated in accordance with the terms of the loan note instrument, and as of 20 April 2022, RIBM has no further obligations in respect of those loan notes.

On 1 January 2022, RIBM became the primary borrower to a loan with MUFG Bank Limited and Mizuho Bank Limited (as Joint Mandated Lead Arrangers and Joint Bookrunners) as a result of the restructuring. The amount of the loan liability on 1 January 2022 was \$130.4 million.

On 18 November 2021, RIBM received approval from the BMA for a Tier 2 Ancillary Capital arrangement of up to \$230.0 million. The arrangement is effective from 1 January 2022.

On 18 March 2022, RIBM paid RGBM a distribution of \$200.0 million.



F.2 Approximate date or proposed timing of the significant event

Refer to F.1 above.

F.3 Confirmation of how the significant event has impacted or will impact

Refer to F.1 above.

F.4 Any other material information

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



G. Glossary

Annual incentive plan	AIP
Approved Actuary	AA
Bermuda Monetary Authority	BMA
Bermuda Solvency Capital Requirement	BSCR
Best estimate liability	BEL
Board Audit Committee	BAC
Board of Directors	Board
Board Remuneration Committee	Remco
Board Risk Committee	BRC
Branch Profits Exemption Election	BPE
BU Investment Committees	BUIC
BU Risk Management Committee	BURMC
Business Unit	BU
Chief Executive Officer	CEO
Chief Executive Officer of the Pacific Life Group	PL CEO
Chief Financial Officer	CFO
Capital Management Policy	CMP
Chief Risk Officer	CRO
Commercial Insurers Solvency Self-Assessment	CISSA
Division Risk Management Committee	DRMC
Economic Balance Sheet	EBS
Executive Committee	ExCo
Financial Condition Report	FCR
Global Funded Solutions	GFS
Her Majesty's Revenue and Customs	HMRC
Independent Non-Executive Director	INED
Internal Economic Capital	EC
Long Term Incentive Plan	LTIP
Minimum Margin of Solvency	MSM
Non-Executive Director	NED
Pacific LifeCorp	PLC
Pacific Life Holdings Bermuda Limited	RHBM
Pacific Life Insurance Company	PLIC
Pacific Life Re or PL Re - PMHC's global life reinsurance division	Division
Pacific Life Re (Australia) Pty Limited	PLRA
Pacific Life Re Global Limited	RGBM
Pacific Life Re Holdings Limited	PLRH
Pacific Life Re Holdings LLC	PLRH LLC
Pacific Life Re International Limited	RIBM
Pacific Life Re International Limited and its subsidiaries	The Company
Pacific Life Re Limited	PLRL
Pacific Life Re Services Limited	PLRS
Pacific Life Services Bermuda Limited	RSBM
Pacific Mutual Holding Company	PMHC
Pacific Mutual Holding Company and its subsidiaries	Pacific Life Group



Pacific Services Canada Limited	PSCL
Risk and Control Self-Assessment	RCSA
Risk management information	Risk MI
Share subscription agreement	SSA
Transition Enhanced Capital Requirement	ECR
United Kingdom	UK
United States	US
US Generally Accepted Accounting Principles	US GAAP

Figure 21 – Glossary

