Risk overview

Risk management is central to everything we do as a life insurance company. It informs how we grow and manage the business, how we give comfort to our policyholders, investors and other stakeholders that we are a safe, responsible insurer that honours promises, and how we deliver stable returns over the long term.

For more detailed risks, see our Financial Condition Report

We have a conservative approach to risk that differentiates us from many of our competitors. We manage risk through a clearly defined risk strategy – the choices we make when dealing with risk; and risk appetite which is the level of risk we are prepared to accept in the business.

Our risk strategy can be summarised as follows:

- We will only make acquisitions and do reinsurance deals that are aligned with our business strategy, and where the risk and potential returns are within our risk appetite
- We will manage the businesses we acquire according to those same standards of risk and potential returns

Our highly experienced Board sets the risk appetite and approves the risk strategy annually. We express our risk appetite by reference to a number of qualitative statements which capture the outcomes we expect to deliver under different circumstances. These are then re-expressed as tangible limits, set to ensure that actual financial performance is in line with those qualitative statements. These limits determine the target surplus capital we expect within each of our insurance subsidiaries, as well as the acceptable range of value we would expect to deliver to investors in the circumstances of material stress events.

The following considerations underpin our risk appetite:

- Our business plans, which includes our medium-term objectives to grow and transform the business
- Delivering policyholder benefits in a secure, well-capitalised and well-governed environment
- Returning capital over time to institutional investors through a steady dividend yield and by building a global business through acquiring complementary risks
- Maintaining appropriate capital levels to support our target rating

Principal risk types

The Chief Risk Officer works with each function and the Chief Risk Officer, Australasia to ensure that we properly identify, assess and manage all material risks. The Chief Risk Officer updates the risk profile and submits it to the Board's Risk Committee and the Board regularly, as part of the risk report.

Resolution Life has a diversified risk exposure:

- Risks that are actively taken as part of insurance or asset management operations which are quantifiable and where capital is held to back the risk exposure. These largely include insurance, market (including investment credit) and counterparty risk. While the Company holds capital for operational risk, the key mitigation is strong processes and controls.
- Risks that we don't explicitly hold capital for but that we monitor and control, given their significance. These largely include liquidity (although the Company and insurance subsidiary companies hold liquidity cash buffers and have access to revolving credit facilities to ensure that liquidity risk is appropriately managed and mitigated), regulatory and compliance, M&A and transaction, refinancing, strategic and sustainability risk.
- Reputational risk is not considered a separate risk category but rather represents a possible consequence of any risk type, aside from the potential financial and compliance impact.