Allianz Insurance plc

Solvency and Financial Condition Report 2023

Summary

This is the solvency and financial condition report ("SFCR") for Allianz Insurance plc ("AZI", "the Company"). Publication of an SFCR is a mandatory requirement of Solvency II as implemented in the UK.

The ultimate parent undertaking is Allianz Societas Europaea ("Allianz SE"). Globally, Allianz SE is a financial services provider with more than 100 million retail and corporate customers in more than 70 countries. More information about Allianz SE and its operations around the world can be found on the Allianz SE website.

During 2023 the Company adopted the International Financial Reporting Standards ("IFRS") 9 and 17. For further information on this, please refer to the Company's Annual Report and Financial Statements.

The SFCR is made up of five key sections that together give a comprehensive view of the Company's business strategy and performance, its system of governance for the sound and prudent management of the business ("System of Governance"), its risk profile, its current valuation for Solvency II purposes, and its capital management approach and current capital position.

Section A looks at the business and performance of AZI during 2023. It starts with a section describing the legal structure of the Company and its place in the Allianz Holdings plc Group ("the Group") before covering the two main sources of the Company's profit – the underwriting of insurance and return on the investment portfolio. AZI reported a profit before tax for the year of £201m (2022: £75m restated).

Section B looks at the System of Governance. This section describes the ways in which the Company ensures that its business runs effectively and in compliance with the regulations of Solvency II.

The Company's Board of Directors have overall oversight of the business, while day to day running is conducted by management. The actions of management take place within the confines of the System of Governance. Further details regarding the Board and its committees is provided in section B.1.

The Company operates a "three lines of defence" model to risk management. The Risk Management Framework is embedded in the operations of the Company and is managed by the Chief Risk Officer ("CRO").

The Own Risk and Solvency Assessment ("ORSA") process forms a substantial part of the Company's Risk Management Framework. Produced at least annually, the ORSA report is provided to the Board to inform it of all risks facing the Company and outlines how these are assessed and managed. The ORSA process is overseen by the Board Risk Committee.

Finally, the section reviews how the Company relies on other companies to undertake some activities on its behalf. In Section B.7, the Company has outlined the most material outsourced activities.

Section C reviews the risks which the Company faces. These include:

- Underwriting Risk.
- Market Risk.
- Credit Risk.
- Liquidity Risk.
- Operational Risk.

Summary continued

Each type of risk is covered in turn. The risk itself and the methods for understanding, managing and mitigating that risk are described, and any major concentration of that risk type is identified.

This section confirms that each risk type to which the Company is exposed to is appropriately understood, managed and mitigated.

Section D reviews the statement of financial position of the Company. The statement of financial position is the main mechanism by which the solvency of the Company, the amount of capital it has available to protect it and its policyholders against a shock, is assessed. This section describes the methods used to value the items on that statement of financial position in accordance with Solvency II and explains any significant valuation differences to the valuation applied in the preparation of the Annual Report and Financial Statements.

In section D.2 Technical Provisions are considered. Technical Provisions represent the current amount required to transfer insurance obligations immediately to another insurance entity. They include the funds the Company has put aside specifically to pay future claims. Section D.2 examines in detail the separate elements that make up the technical provisions and explains the actuarial methods and assumptions used.

Section E refers to the capital available within the Company for the purpose of absorbing shocks. The amount of Own Funds required by Solvency II is defined by the Minimum Capital Requirement ("MCR") and the Solvency Capital Requirement ("SCR"). The MCR is the level of Own Funds below which the Company may no longer legally continue to trade, while the SCR is the minimum level treated as acceptable in normal circumstances by the Solvency II regime.

As at 31 December 2023, the MCR was £208m and is covered by £801m of eligible Own Funds (tier 1 only). As at 31 December 2023, the SCR was £500m and is covered by £845m of eligible Own Funds (£801m tier 1 and £44m tier 3). The Solvency ratio (that is, the percentage coverage of the SCR by Own Funds) is 169%. The Company has fully complied with the SCR throughout the period.

Further information about the quality of the Own Funds and the makeup of the SCR is provided in sections E.1 and E.2.

The Company uses an internal model to determine its capital requirements as opposed to the default standard formula prescribed by Solvency II. The key differences between the two methods are outlined in section E.4.

The SFCR contains a Statement of Directors' Responsibilities and the Independent Auditors' opinion in respect of those parts of the SFCR which are audited.

Finally, the following ("Quantitative Reporting Templates") ("QRTs") have been disclosed as an appendix to the SFCR;

- S.02.01 Balance Sheet.
- S.05.01 Premiums, claims and expenses by line of business.
- S.12.01 Life and Health SLT Technical Provisions.
- S.17.01 Non-life Technical Provisions.
- S.19.01 Non-life Insurance Claims Information.
- S.23.01 Own Funds.
- S.25.03 Solvency Capital Requirement (for undertakings on Full Internal Models).
- S.28.01 Minimum Capital Requirement (Only life or non-life insurance or reinsurance activity).

A. Business and Performance

This section is unaudited.

A.1 Business

Name and legal form of undertaking

The Company is a UK incorporated and domiciled company limited by shares, under company number 00084638.

Registered office: 57 Ladymead, Guildford, Surrey, England, GU1 1DB

Name and contact details of the supervisory authority responsible for financial supervision.

The Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA") are responsible for the financial supervision of the Company.

PRA: 20 Moorgate, London, EC2R 6DA

FCA: 12 Endeavour Square, London, E20 1JN

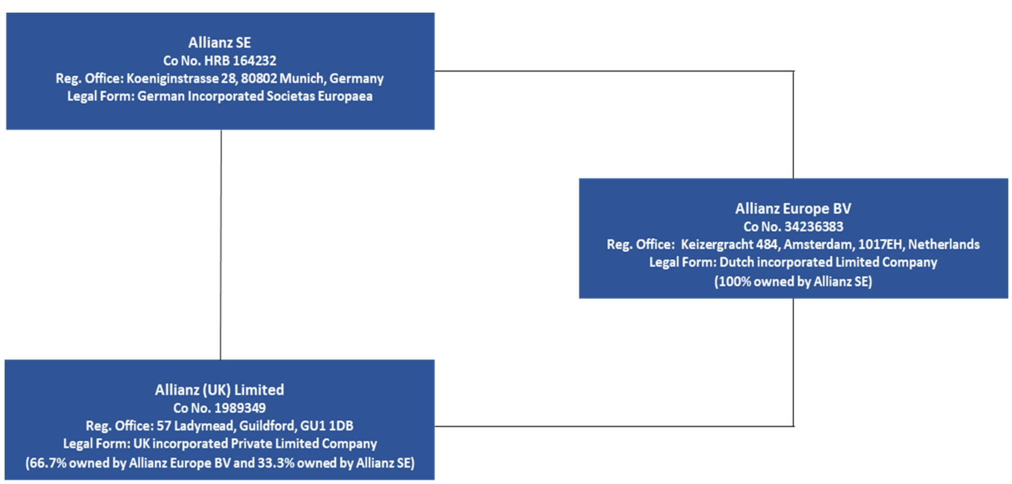
Name and contact details of the external auditor

PricewaterhouseCoopers LLP: 7 More London Riverside, London, SE1 2RT

Description of the holders of qualifying holdings in the undertaking

The Company is a wholly owned subsidiary (via intermediate holding companies) of Allianz SE, incorporated in Germany (Registered address; Koeniginstrasse 28, 80802 München, Germany).

The structure charts below describe the position of Allianz (UK) Limited ("Allianz UK") within the Allianz SE group, including details of the holders of qualifying holdings in the Company, and also its material related undertakings.

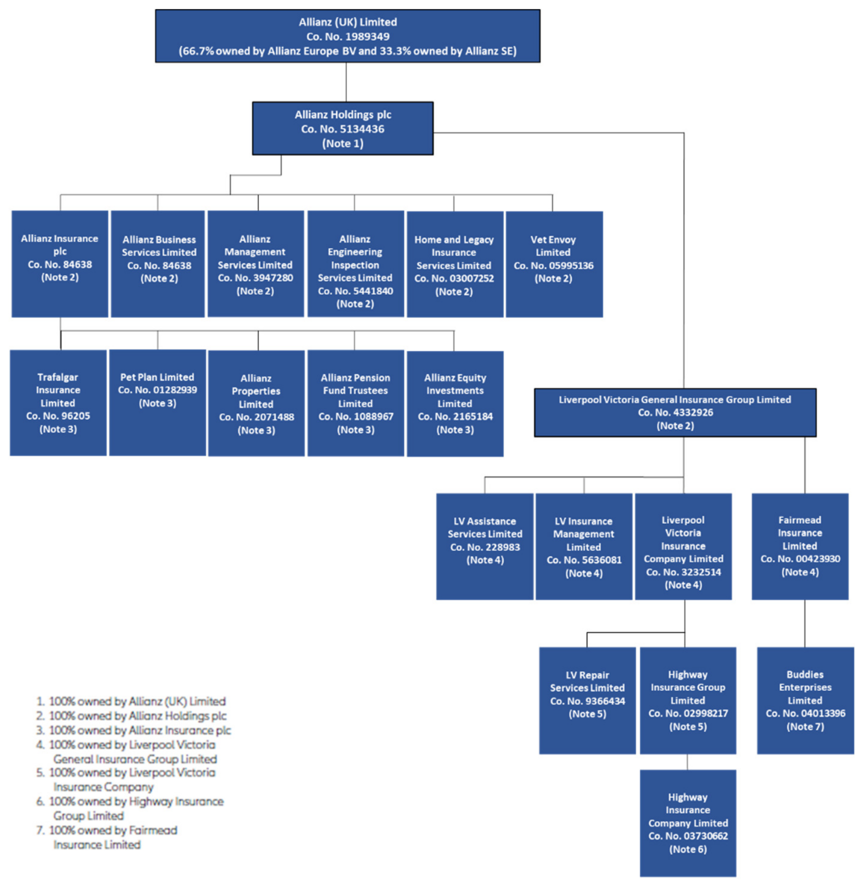


A. Business and Performance continued

Details of the undertakings within the group

All Allianz UK Group companies are UK incorporated. As at 31 December 2023, all Allianz UK companies had their registered offices at 57 Ladymead, Guildford, GU1 1DB.

All Allianz UK companies shown on this page are private limited companies except for Allianz Holdings plc ("AZH") and AZI which are public limited companies.



A. Business and Performance continued

Material lines of business and material geographic areas

AZI underwrites non-life insurance contracts within the UK.

AZI conducts non-life insurance business through both the broker and direct distribution channels. The primary sources of premium income are from the sale of commercial, pet and legal expenses insurance products. Commercial products include motor, property and liability contracts.

The following Solvency II non-life lines of business are the material lines written on either a standalone or packaged product basis:

- Motor vehicle liability insurance.
- Other motor insurance.
- Fire and other damage to property insurance.
- General liability insurance.
- Legal expenses insurance.
- Miscellaneous financial loss.

As a result of historical activity, there are also provisions in respect of non-proportional marine, aviation and transport reinsurance. As a result of underwriting motor vehicle liability and general liability there are provisions in respect of annuities stemming from non-life insurance obligations other than health insurance obligations. The only material geographical area in which the Company carries out business is the UK.

Significant business or other events occurring during the reporting period that have a material impact on the undertaking.

The UK continues to experience difficult economic conditions and there are a number of external factors that impacted the 2023 result. In particular, the heightened inflationary environment which posed a significant challenge across the market. Although inflation began to fall towards the end of 2023 and further declines may be expected in 2024, the longer-term outlook remains uncertain. In addition, increased frequency and severity of storms continues to pose increased pressure, although costs incurred in 2023 were modest and within the planned weather allowance. Investment income has benefitted from higher reinvestment yields and floating rate income however this is partly offset by increased discount unwind as a result of the higher discount rate.

There have been no significant changes to the structure or operations of the Company throughout 2023.

The SFCR and all tables within it are presented in pounds sterling rounded to the nearest million, which is consistent with the presentation in the International Financial Reporting Standards ("IFRS") financial statements. The QRTs are presented in pounds sterling rounded to the nearest thousand. Rounding differences of +/- one unit can occur.

A.2 Underwriting performance

The table below summarises the premium volume and underwriting performance in 2023, split by Solvency II line of business. The table shows the performance net of reinsurance including the whole account quota share.

	2023		
	Gross Written Premium (£m)	Net Earned Premium (£m)	Combined Operating Ratio
Motor vehicle liability	396	226	91%
Other motor	156	89	90%
Fire and other damage to property	585	284	95%
General liability	255	137	93%
Miscellaneous financial loss	727	406	70%
Legal expenses	35	20	82%
Total	**2,154**	**1,162**	**85%**

The discounted combined operating ratio ("COR") has been calculated as (claims incurred + reinsurance result+ expenses incurred) ÷ Insurance Service Revenue.

The Company has a whole account quota share reinsurance arrangement with an Allianz SE Group reinsurance company with 40% of premiums and claims ceded and the Company receiving a commission contribution of 25.5% of ceded earned premiums. This has the benefit of improving the solvency position by reducing the capital the Company is required to hold..

As noted above, the UK continues to experience heightened inflation. As a result, significant rate increases have been implemented. Although this resulted in slightly lower than expected new business generation, the Company continued to see premium growth year on year with written premium 8.0% higher than 2022. Commercial lines (Solvency II lines of business: motor vehicle liability, other motor, fire and other damage to property, general liability and legal expenses) premiums increased by 6.4%, despite the challenging Motor market, with growth across all major lines of business. Property and SMC both achieved double-digit percentage growth while Casualty also saw strong year-on-year growth. Specialty premium (mainly Pet, Solvency II lines of business: miscellaneous financial loss), increased 11.2% reflecting increased average premiums as well as the continuation of migration of the Pet business from Liverpool Victoria General Insurance Group Limited companies.

Focus remains on profitability and throughout 2023, the Company has maintained good underwriting and pricing discipline and continued its strategy of pursuing long-term profitable growth.

The Company's insurance service result increased significantly in 2023 with the COR improving to 85%. While inflation continued to impact the business, rate increases deployed helped mitigate the impact on profitability. Motor has experienced a multitude of challenges including rising repair costs, labour shortages and supply chain issues while Pet has also experienced further inflation reflecting increased drug and veterinary costs. Increased frequency of storms also continues to pose increased pressure, although costs incurred in 2023 were within the planned weather allowance. Despite these challenges, the Company saw improved performance in the Motor, SMC and Casualty accounts alongside increased discounting benefit driven by higher interest rates and improvements to commission and expenses. The Company's expense ratio improved 2.1% to 22.0% in 2023 with benefits driven by one-off items in addition to robust expense management. In January 2023, legal proceedings to recover costs incurred relating to PPI mis-selling redress concluded and the Company received a settlement of £50m which has been recognised within the expense ratio.

Throughout 2023, inflation has brought material uncertainty to current and future performance, driven by supply chain issues and materials shortages, rising energy costs, claims inflation costs and increased general expenses. The cost of living continues to be challenging for UK households. Whilst Consumer Price Inflation ("CPI") has fallen during 2023, it remains above the Government's target level and claims inflation remains higher than CPI. This challenge is expected to continue in 2024 and the Company will continue to react accordingly to prevailing macro-economic conditions.

A.3 Investment performance

The table below summarises the investment performance during 2023 of the funds directly invested by the Company and provides a comparison with the prior year.

								2023			2022		
(£m)	Carrying value 31/12/2021	Net additions /(disposals)	Net unrealised gains /(losses)	Carrying value 31/12/2022	Net additions /(disposals)	Net unrealised gains /(losses)	Carrying value 31/12/2023	Net realised gains /(losses)	Income	Expense	Net realised gains /l(losses)	Income	Expense
Fixed Income	**2,258**	**118**	**(236)**	**2,140**	**79**	**84**	**2,303**	**(7)**	**79**	**(4)**	**(19)**	**56**	**(4)**
Government	464	-	(44)	420	(2)	62	480	(3)	10	(4)	(17)	10	(4)
Securitised	410	(2)	(15)	393	(80)	(23)	290	-	19	-	-	10	-
Corporates	1,384	120	(177)	1,327	161	45	1,533	(4)	50	-	(2)	36	-
Deposits	**6**	**1**	**-**	**7**	**-**	**-**	**7**	**-**	**-**	**-**	**-**	**-**	**-**
Collective Investment Undertakings	**136**	**(58)**	**(5)**	**73**	**13**	**1**	**87**	**-**	**5**	**-**	**(11)**	**4**	**-**
Loans and mortgages	**251**	**(58)**	**(1)**	**192**	**1**	**2**	**195**	**-**	**11**	**-**	**-**	**4**	**-**
Total	**2,651**	**3**	**(242)**	**2,412**	**93**	**87**	**2,592**	**(7)**	**95**	**(4)**	**(30)**	**64**	**(4)**

The table above shows the investments held directly by the Company. Investment in real estate, small as a proportion of total assets, is held by a subsidiary company, Allianz Properties Limited ("APL"), which is treated as a participation in this report and so is not shown in the table.

The investment strategy of the Company is to invest in a high quality, well diversified investment portfolio that maximises total investment return, subject to solvency, liquidity, asset liability matching and other constraints. The Company invests in insurance assets to ensure the security, liquidity and quality of the portfolio as a whole, while taking into account the business model and nature and duration of its insurance liabilities.

Government bonds include an allocation to emerging market issuers. Securitised bonds in the portfolio consist entirely of asset backed securities (mainly AAA and AA-rated UK residential-backed mortgage securities), whilst covered bonds in the portfolio are classified under corporate bonds. Exposure to loans includes a commercial real estate loan and two intercompany loans, to Allianz Management Services Limited ("AMS") and APL. The market value of the loans at 31 December 2023 was £101m and £7m respectively. Further details concerning the loan arrangements are disclosed on page 36.

Investment income in 2023 was £91m compared with £64m in 2022. Investment operating income increased strongly over the year due to rising reinvestment yields and higher income from floating rate assets, while investment non-operating income suffered from realised losses and impairments. Unrealised gains increased over the year due to rising yields and widening spreads. Investment expenses are in line with the previous year.

A.4 Performance of other activities

In 2023, the Company incurred £16m (2022: £16m) of other expenses in management charges from a fellow Group undertaking for administrative and claims management services.

A.5 Any other information

During the year, the Company invested in restructuring activity with related costs reported within other expenses. A restructuring charge of £4m (2022: £4m) was incurred in 2023 relating to organisational design and changes to property footprint.

No dividends were received from subsidiaries in 2023.

The Company's principal risks and uncertainties are disclosed in the Strategic Report of the Company's Annual Report and Financial Statements.

The solvency ratio as at 31 December 2023 is 169% (2022: 174%).

B. System of Governance

This section is unaudited.

B.1 General information on the system of governance

Boards and Committees

The Company leverages the governance structure of the Group. The boards of the Company, AZH and other key regulated entities and holding companies within the Group (together the "Combined Board") have the same Directors. Board meetings for all of these entities are held together, with each company discussing matters relevant to it and the Directors considering matters from the perspective of each relevant company where relevant for each item on the agenda.

On 31 December 2023, the Board of the Company comprised of six independent non-executive Directors (including an independent non-executive Chair), one shareholder nominated non-executive Director and two executive Directors.

During the year, the Combined Board was strengthened by the appointments of Ulf Lange as an executive Director on 30 May 2023 and Oliver Corbett as an independent non-executive Director on 1 November 2023, whilst Christian Dinesen stepped down from his role as a non-executive Director on 10 April 2023, Simon McGinn stepped down from his role as an executive Director on 30 April 2023, Fernley Dyson stepped down from his role as an executive Director on 29 May 2023 and Stephen Treloar stepped down from his role as executive Director on 30 June 2023.

The executive Directors comprise the Chief Executive Officer ("CEO") (Colm Holmes), and the Chief Financial Officer ("CFO") (Ulf Lange). The role of the Chair (being the Chair of the Combined Board) is separate and clearly defined. The Chair is responsible for the effectiveness of the Board, including facilitating objective debate to ensure effective decision-making. The CEO is responsible for executing the strategy of the Company.

The Combined Board is responsible for deciding the business strategy and for ultimate oversight of the conduct and performance of the Group as a whole.

The Combined Board has established several committees and a system of internal control to ensure the efficient and effective operation of the Group's businesses. The committees include the Audit Committee, the Risk Committee, the Customer & Conduct Committee, the Compensation & Nomination Committee and the Finance & Investment Committee ("FICO"). In 2023, all of the Board's committees with the exception of the FICO were chaired by a non-executive Director. The Board's Committees provide constructive challenge and oversight across the work carried out by those committees. The FICO had one non-executive Director member, who stepped down from the Committee following the financial year end, and is chaired by the CEO. With that the FICO's governance was changed making it a sub-committee of the AZH Executive Committee. The Committees are responsible for oversight of their subject matter on behalf of the Group including the Company. Rolling forward agendas are reviewed at committee meetings and updated, as required, to ensure members have an advanced view of the key matters for consideration throughout the year. The Company's Board is satisfied that the governance structure is appropriate and that the Committees effectively consider matters on behalf of the Company.

The Board of the Company develops the strategy of the Company, monitors its performance and has oversight of the conduct of the Company. The Board of the Company considers the external reporting of the Company.

The implementation of the Company's strategy including a system of internal control is delegated by the Board to the CEO who is supported in this by the AZH Executive Committee and its sub-committees which consist of the accountable executives for the Group. During the year a project to simplify the sub-committee governance structure was implemented to support the CEO in effective implementation of the Group's strategy.

B. System of Governance continued

The Board regularly reviews its effectiveness and during 2023, an independent governance effectiveness review (the "Review") was carried out by Deloitte LLP. The Review inter alia covered Board and committee effectiveness in all respects. The methodology used included a documentation review, Board and senior management interviews, observation of Board and Committee meetings and workshops. The review concluded that governance was effective with a relatively small number of areas where there was scope for improvement.. During 2023, the Board and its Committees continued to monitor progress against agreed actions arising from the Review which were closed before the year end.

The Directors of the Company as at 31 December 2023 are detailed below, as well as their memberships of the AZH Board Committees. Some Directors had stepped down from their directorship during 2023 as outlined in the table below. In 2023, changes were implemented to the sub-committee governance structure resulting in AZH Executive Committee no longer being a committee of the Board but deriving authority from the CEO who the committee supports in implementing the Group's strategy. Following the 2023 financial year end, the FICO Committee became a sub-committee of the AZH Executive Committee.

		AZH Executive Committee	Risk Committee	Audit Committee	FICO	Compensation & Nomination Committee	Customer & Conduct Committee
Paul Evans	Non-Executive Director – Chair		X	X		X	X
Christian Dinesen[1]	Non-Executive Director		X	X		X	X
Denise Larnder	Non-Executive Director		X	X[8]			X
Teresa Robson-Capps	Non-Executive Director		X	X		X[9]	Chair
Andrew Torrance	Non-Executive Director		X	X	X	Chair	X
Christopher Townsend	Non-Executive Director						
Jose Vazquez	Non-Executive Director		Chair[10]	X			X
Oliver Corbett[2]	Non-Executive Director		X	Chair[6]		X	X
Ulf Lange[3]	Chief Financial Officer, AZH	X			X		
Colm Holmes	Chief Executive Officer, AZH	X			Chair		X
Stephen Treloar[4]	CEO Personal Lines	X			X		X
Simon McGinn[5]	CEO Commercial Lines	X			X		X
Fernley Dyson[7]	Chief Financial Officer, AZH	X			X		

1 – Resigned from all committees with effect from 10 April 2023. Ceased as chair of Audit Committee on 6 April 2023.

2 – Appointed to all roles as 1 November 2023 except as Audit Committee chair (see note 6).

3 – Appointed to the Board and FICO with effect from 30 May 2023. Appointed to AZH Executive Committee on 1 May 2023.

4 – Resigned from all roles with effect from 30 June 2023.

5 – Resigned from all roles with effect from 30 April 2023.

6 – Oliver Corbett was appointed as Interim Chair of the Audit Committee from 1 December 2023 (subject to regulatory approval). Necessary regulatory notifications were submitted to temporarily to allow Denise Larnder to temporarily stand down from her role as Chair of the Audit Committee.

7 – Resigned from all roles with effect from 29 May 2023.

8 – Appointed as Audit Committee Chair with effect from 7 April 2023, Christian Dinesen was Chair before that date. Oliver Corbett took over as Interim Chair of the Audit Committee from 1 December 2023 (see note 6).

9 – Appointed with effect from 11 April 2023.

10 – Appointed as Chair with effect from 7 April 2023, Denise Larnder was Chair before this date.

Potential conflicts of interest between the Company, its policyholders and other companies in the Group are regularly identified and managed. The processes in place to manage those conflicts include documented requirements for governance and appropriate independence. The Company's Board maintains and regularly reviews a register of the interests of the Directors.

The Customer & Conduct Committee is responsible for oversight of material customer and conduct matters both current and emerging, including reviewing matters from a customer impact perspective and implementation of the Consumer Duty regulation. The Committee is responsible for highlighting such matters that may require attention by the Company's Board, the Board of AZH or by the Allianz SE Group. Membership of the Committee during the year comprised an independent non-executive Director who acted as Chair, at least three other members who were independent non-executive Directors and one of whom was the Risk Committee Chair. In addition, the Committee membership also included the CEO and three other independent non-executive Directors and one of whom was the Customer & Conduct Committee Chair.

The Risk Committee is responsible for oversight of risks (current and emerging), that the Company faces and the links between different risks, the Enterprise Risk Management Framework within which the Company manages those risks, and the activities of the Risk function. The Risk Committee is also responsible for highlighting any risk issues that may require attention by the Company's Board, the Board of AZH or Allianz SE Group. Membership of the Risk Committee comprises an independent non-executive Director who acts as chair and at least three other independent non-executive Directors.

The Audit Committee is responsible for the oversight of policies and procedures relating to internal control and financial/regulatory reporting, to ensure the independence and effectiveness of internal and external audit functions and the integrity of financial and narrative statements for the Company. The Audit Committee is responsible for highlighting such matters that may require attention by the Company's Board, the Board of AZH or by the Allianz SE Group. Membership of the Audit Committee comprises an independent non-executive Director, who acts as chair, and at least two other members who must be independent non-executive Directors.

The Compensation & Nomination Committee is responsible for oversight of all compensation and nomination matters relating to executives and employees of the Company and the Group. The Compensation & Nomination Committee's responsibilities include oversight of the design, governance and operation of the Group's compensation system; identifying local risk takers and controlling their compensation according to applicable regulations; reviewing the size, structure, and composition of the Board; identifying non-executive Director candidates when vacancies arise; reviewing the leadership needs of the organisation; and reviewing gender pay gaps and diversity and inclusion matters. The Compensation & Nomination Committee is responsible for highlighting matters that may require attention by the Combined Board. Membership of the Compensation & Nomination Committee comprises an independent non-executive Director who acts as Chair and at least two other members who must be independent non-executive Directors. The Chair of the Risk Committee is invited annually to participate in the Committee's discussions around rewards reflecting risk taking and conduct issues. The Committee also reviews any Board performance evaluation process and recommendations.

The FICO Committee has responsibility for oversight and management of the investment portfolios of the Group (including the Company's portfolio) and for overseeing their investment related risks. The Committee also has responsibilities concerning, and reports by exception on, investment risk matters through risk reports to the Risk Committee. In addition to its investment portfolio responsibilities, the Committee's objectives include overseeing the planning and development of the Group asset allocation and investment income, overseeing the Group capital structure and liquidity position, and approving individual investment transactions with significant impact for companies within the Group. In 2023, membership of the Committee comprises of the CEO as Chair, the CFO who acts as Deputy Chair, the Group Chief

Investment Officer ("CIO"), the Regional CIO of Allianz Investment Management SE and an independent non-executive Director of the Company. Following year-end 2023, the membership of the FICO has changed and the committee is now a sub-committee of the AZH Executive Committee.

The implementation of the Company's strategy is delegated by the Board to the Group's CEO who is supported in this by the AZH Executive Committee and its sub-committees which consist~~s~~ of the accountable executives for the Group. A project to simplify the sub-committee governance structure was implemented during the year to support the CEO in effective implementation of the Group's strategy.

The AZH Executive Committee meets at least 10 times each year. The members of the AZH Executive Committee as at 31 December 2023 were:

- CEO ("the Chair").
- Chief Financial Officer.
- Managing Director, Commercial.
- Managing Director, Personal.
- Managing Director, Specialty.
- Chief People & Culture Officer.
- Chief Operating Officer.
- CRO.
- Chief Compliance and Corporate Affairs Officer.
- Chief Legal Officer and Company Secretary.
- Chief Actuary.
- Chief Audit Officer.

The sub-committees of the AZH Executive Committee comprise:

- Change and Investment Committee.
- Executive Conduct Committee.
- Executive Risk Committee.
- People Committee.
- Insurance Committee.
- Governance and Control Committee.
- Financial Reporting and Disclosure Committee.

Defined Roles and Responsibilities

The following four key functions required by Solvency II are each headed by the following individuals:

- Risk Function: John Berry – CRO.
- Compliance Function: Alison Rayner - Chief Compliance and Corporate Affairs Officer ("CCAO") (Margo Young – Chief Compliance Officer up to 14 February 2023).
- Actuarial Function: Laurence Townley – Chief Actuary.
- Internal Audit Function: Matthew Cox – Chief Audit Officer.

Key function authority, operational independence and resources are described in sections B.3 – B.6 of this report. All members of the Company's Board and AZH Executive Committee, the heads of the four key functions and certain other senior managers have been approved by the PRA and/or the FCA.

B. System of Governance continued

The Senior Managers and Certification Regime ("SM&CR") sets out the prescribed responsibilities which must be allocated to specific individuals in insurance companies. The following table sets out which role within the Company is responsible for the execution of each specific responsibility.

Prescribed Responsibility	Allocation
Senior Managers Regime	SMF1 Chief Executive
Certification Regime	SMF1 Chief Executive
Conduct rules training and reporting	SMF1 Chief Executive
Responsibilities map	SMF2 CFO
Anti-financial crime policies and controls	SMF1 Chief Executive
Obligations in Insurance for Fitness and Propriety	SMF9 Chair
Leading development of the firm's culture by the governing body as a whole	SMF9 Chair
Overseeing adoption of the firm's culture in the day-to-day management of the firm	SMF1 Chief Executive
Responsibility for production and integrity of firm's financial information and its regulatory reporting	SMF2 CFO
Management of the allocation and maintenance of the firm's a) capital and b) liquidity	SMF2 CFO
Responsibility for the performance of the firm's ORSA	SMF4 CRO
Induction, training and professional development of all members of the firm's governing body	SMF9 Chair
Induction, training and professional development of all the firm's SMF managers and Key Function Holders	SMF1 Chief Executive
Oversight of the independence, autonomy and effectiveness of Whistleblowing policies and procedures	SMF11 Chair of Audit Committee
Development and implementation of remuneration policies and practices	SMF12 Chair of Remuneration Committee
Obligations in respect of outsourced operational functions and activities	SMF1 Chief Executive
Development and maintenance of the firm's business model by the governing body	SMF1 Chief Executive

Solvency II requires that the System of Governance be subject to regular internal review. The Group, including the Company, conducts this review annually. It is a consolidated cross-functional assessment of elements of the System of Governance through all relevant sources for evaluation. Entity level control assessment testing forms part of the review and is carried out by the Internal Audit department. Adequacy assessment of certain selected System of Governance elements are also conducted.

The requirement to conduct the System of Governance review is reflected in the Group Governance and Control Policy. The System of Governance review is assessed by the Governance and Control Committee, which is a sub-committee of the AZH Executive Committee. The System of Governance review was also reviewed by the Risk Committee and AZH Board, ahead of a Statement of Accountability Attestation being completed by the CEO and CFO and returned to Allianz SE Group.

The System of Governance review for 2023 concluded that Allianz UK has in place a System of Governance that provides for sound and prudent management of the business. The following material and cross-functional observations for further improvement of the System of Governance, each with mitigation activities which have been planned and are in progress, have been identified and have been included in the Statement of Accountability provided to Allianz SE Group.

1. Information and document management – continue the implementation of information and document management enhancements to align fully with the Allianz Standard for Information and Document Management (ASIDM), in accordance with the agreed project plan. Target date for completion: Mid 2025.
2. Business performance monitoring and forecasting – noting the implementation of improvements to date, continue and embed enhancements to the processes for solvency forecasting by implementing the associated recommendation from the 2023 Risk Opinion on the 2024 – 2026 Business Plan. Target date for completion: 30 August 2024.
3. Risk Management – further improve the risk culture and control environment by implementing the recommendations from the December 2023 Risk lessons learnt review and carry out an external review of the embeddedness of the risk framework. Target date for completion: Q4 2024.
4. Operational Risk and Third Party Supplier Management – continue improvements and enhancements to the governance and risk management in relation to operational resilience and third party suppliers by completing the implementation of the findings from the operational resilience embedding programme and the project set up to ensure a consistent approach to third party risk management. Target date for completion: 31 December 2024.

The Company remuneration framework has been constructed to ensure that it is competitive and provides a balance of both fixed and variable pay but does not encourage excessive risk taking. The framework and the processes within it are reviewed by the Compensation & Nomination Committee. The review also monitors the remuneration framework's consistency with the Company's identified risk appetite.

The Compensation & Nomination Committee is responsible for the sign off of all remuneration decisions affecting the senior executive managers of the Company. This ensures impartiality of decision-making and ensures there are no conflicts of interest in respect of remuneration decisions and is guided by Group principles and requirements.

The remuneration of all employees comprises a combination of basic salary, appropriate benefits and a performance related bonus. In the case of some senior employees the bonus is paid as a combination of cash and long-term equity incentives whose value is related to the price of Allianz SE shares. The performance related bonus is based upon a combination of Company performance against targets and personal performance against specific personal objectives. Personal objectives comprise both business and behavioural components which receive equal emphasis. The most senior managers complete a 360-degree feedback process to contribute to their assessment. There is also a standard compliance objective. It is the responsibility of managers to ensure that personal targets which are in place are objective and understood by the participants.

Independent non-executive Directors receive fixed remuneration.

In this context "persons who exercise significant influence" are deemed equivalent to "People with Significant Control" as defined by the Companies Act 2006, together with the people with significant control over those people and so on to the ultimate group shareholder.

B.2 Fit and proper

The Company requires that all Directors and other senior managers possess integrity, good repute, specific skills, knowledge and the experience necessary to execute their respective roles. This requirement aligns to the requirements of the PRA and FCA within the UK regulatory SM&CR, and includes all managers identified as Key Function Holders and Key Function Performers. The individuals, with the support of their line managers, are responsible for ensuring that their skills, knowledge and experience remain adequate and kept up to date.

Processes are in place to assess the fitness and propriety of individual managers and Directors subject to the SM&CR prior to those persons joining the Company or assuming a relevant position. Thereafter, annually throughout their employment, a detailed attestation is required from the relevant individual. This includes declarations concerning:

- Criminal proceedings or investigations against them (or any firm over which they have held influence).
- Civil proceedings and bankruptcy orders or liquidation or similar proceedings against them (or any firm over which they have held influence).
- Disciplinary proceedings or findings against them.
- Regulatory proceedings or findings against them (or any firm over which they have held influence).
- Compliance with procedures concerning personal account dealings in Allianz SE and other securities.
- Potential or actual conflicts of interest.

B.3 Risk management system including ORSA

Risk Management Framework

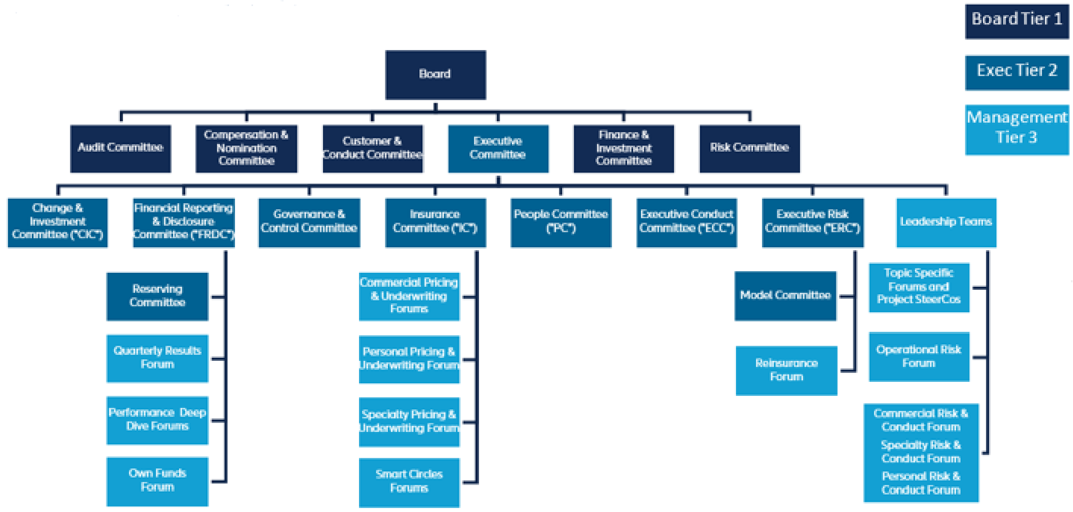
The design and operation of the Risk Management Framework is the responsibility of the Board, advised by the CRO. The Risk Management Framework encompasses all levels of the Company's management. The components of the system, described below, are embedded in the operations of the organisation.

The system is built around the Three Lines of Defence model:

- The first-line of defence comprises risk taking units which are responsible for delivering profit or loss.
- The second-line comprises independent risk controlling units, including Risk and Compliance, which oversee the framework in which the business works, and validate risk and control information coming from the first line.
- The third-line of defence is the Internal Audit function, which reviews the activities of both first and second lines of defence.

B. System of Governance continued

A comprehensive committee structure is in place to ensure that risks are considered at the appropriate level. The diagram below gives further details of the committee structure.



The Board identifies and prioritises all the material risks facing its business, supported by Board Risk Committee, the Executive Committee and its sub-committee, the Executive Risk Committee ("ERC"), and the Risk function. After the risks have been identified, the ERC ensures that arrangements are put in place to control those risks. Risk and control policies are documented.

To ensure risk management is fully integrated into the business, and effective control is maintained, key risks and controls are owned by members of the ERC and other senior managers. As appropriate to their roles, the members of the ERC and senior managers assume first-line accountability for the identification and management of all risks in the organisation.

The main risks are kept under regular review by the Board via reports from the Risk function to the Board Risk Committee. The Executive Committee is supported in its oversight of risk by a number of sub-committees, including the ERC.

The role and responsibilities of the CRO, the Executive Committee and its sub-committees are laid down in relevant job descriptions or terms of reference.

The CRO is supported by a Risk function consisting of risk and actuarial professionals. It has responsibility for the calculation of risk capital and validation of the internal model, the development and monitoring of the implementation of risk policies, the identification and monitoring of risks, and the management testing of the key controls that mitigate risk.

The Risk function is independent of the first-line functions, and independence is prescribed by written policy and overseen by the Risk Committee.

In order to ensure comprehensive coverage of the risk landscape, risk analysis is undertaken within a risk taxonomy which is also represented in the design of the internal model (refer to section C).

This risk taxonomy is split into three broad groups of risk types:

1) Modelled: Insurance, Market, Credit, Business and Operational.
2) Not modelled: Reputational, Liquidity, Strategic and Conduct.
3) Overarching risks: Aggregation and Accumulation, Conduct, Group and Emerging.

Modelled risks are quantified using the internal model and recalculated in full each quarter. Risk tolerance limits are used to monitor quantifiable risks regularly. A number of qualitative risk assessment processes are undertaken by the first-line of defence, with challenge and oversight from the Risk function. The results of these assessments are used to inform key business decisions and planning.

Internal Model Governance and Validation

AZI uses an internal model to calculate its regulatory solvency capital requirement and the use of this model has been approved by the PRA. A full internal model governance framework is in place including defined roles and responsibilities.

The Board is responsible for confirming the ongoing appropriateness of the internal model at least annually, and for approving internally any major model change and associated application for regulatory approval.

The Risk Committee is responsible for making a recommendation to the Board on those subjects, and for monitoring remediation action for identified model weaknesses. It is complemented by the Model Committee, which is an executive sub-committee of the Executive Committee. The Model Committee undertakes detailed reviews of modelling decisions and validations and makes recommendations to the Risk Committee.

All components of the internal model are subject to independent validation, either at Company or Group level. For each component of the model maintained at Allianz SE Group level, a suitability assessment is produced by the Risk function on a rolling cycle over three to five years (timing is dependent on the materiality of the component). The suitability assessment allows the Risk function to independently review the appropriateness of the component as it pertains to the Company. For each component of the model maintained at Company level, independent validation is carried out either by group or by an external third party. Independence of validation activity is achieved through strict requirements for the validation assessments to be performed by individuals not involved in the maintenance of the underlying model component. These validation components are brought together in an Annual Validation Report. All parts of the validation suite are reviewed in depth by the Model Committee on behalf of the Risk Committee. The Annual Validation Report is reviewed by the Risk Committee to support its recommendations to the Board.

B.3 Risk management system including ORSA

Risk Management Framework

The ORSA process forms a substantial part of the Risk Management Framework described above. The ORSA consists of a number of interlinked sub-processes, including but not limited to:

- Top risk assessments.
- The control framework.
- Stress and scenario testing.
- Internal capital modelling.

B. System of Governance continued

- Corporate strategy and planning.

The Board is responsible for setting the business strategy and risk appetite. Business strategy is determined by the Board and its implementation in terms of types of business, business volumes, capital requirements, financial performance and other appropriate measures, is set out in the business plan. The business plan is prepared annually and outlines the goals in support of corporate strategy to be implemented by the Executive Committee.

The risk strategy and appetite are set by the Board. The Company manages risk in line with the stated risk appetite through its Risk Management framework. This consists of ORSA processes, which identify, evaluate, mitigate and monitor events or a combination of events, so that through an informed decision making process the likelihood and consequences of occurrence are within limits considered acceptable by the Board.

The ORSA covers the overall solvency needs from a forward-looking perspective, taking into account the Company risk profile, approved risk tolerance limits, the business strategy and the significance with which the Company risk profile may deviate from the assumptions underlying the internal model. The ORSA is an integral part of the development and monitoring of the business strategy and is considered on an ongoing basis in strategic decisions. Roles and responsibilities relating to the ORSA include the Board setting process requirements and challenging and approving the ORSA report.

The ORSA report is produced annually in alignment with the corporate planning process and is supported by quarterly updates to the Board Risk Committee. The ORSA may also be updated following any event that materially changes the risk profile of the organisation.

A full non-regular ORSA process may be required after any event that could substantially alter the overall conclusions of the most recent (regular annual) ORSA report. The following potential trigger events have been identified:

- Large UK-based natural catastrophe events that have a significant impact on the Company's underwriting exposures
- Major change in business situation e.g. merger, acquisition or divestiture activity which would require the Company to assess the impact on its current and projected solvency.
- Significant capital market dislocation that has a material impact on the Company investment portfolios.
- Material regulatory intervention.
- Significant changes to the internal model.
- Significant changes to reinsurance arrangements.
- Significant changes in regulation or legislation, e.g. material changes to capital requirements.
- Materialisation of a significant non-quantified risk (e.g. Strategic, Reputational, Liquidity or Conduct risk).

In 2023, the impact of inflation and global geo-political conflicts have been key considerations as part of the ORSA process..

The ORSA process is underpinned by individual accountabilities and processes undertaken by first-line managers across the organisation. These include but are not limited to defined authority levels for claim handling and underwriting, and limits on investment risk-taking.

The major sub-processes that contribute to the ORSA process are:

- The setting of risk strategy and appetite by the Board, on the advice of the Risk Committee and CRO.
- The development of strategy and a business plan within the defined risk appetite.

- The approval of policies and standards in the management of risk by appropriate governance bodies and the monitoring of compliance with those policies and standards by the Risk function.
- A number of Risk evaluation processes, including:
    - The maintenance of a top risk register, including a record of the controls around those risks.
    - The regular analysis of the impact of specific stress scenarios.
    - The operation of the internal model.
    - The regular review of key non-financial risks.
- Regular internal reporting on risk exposure and control performance to governance bodies
- Regular external reporting to regulators and to the public, as required by Solvency II and UK regulation.

The Company uses Allianz SE's risk based internal model to determine its solvency needs. This capital model is directly based on the risk profile of the Company (refer to section C) and is used as the primary input for decisions on capital management (refer to section E). The CFO ensures that recommendations to the Board on capital management take account of risk management activities, including internal model calculations. The Company's policy on capital management is documented and approved by the Board.

Dividends are planned through the Company's annual planning mechanisms, taking into account liquidity, available distributable reserves and the Board's requirement to hold an appropriate buffer of capital over the SCR and MCR.

B.4 Internal control system

To ensure an effective internal control system, all functions cooperate to exchange necessary information and advice. Second-line and third-line functions maintain open lines of communication with first-line functions, and attend key committees at all levels of the Company's governance structure.

With regard to the integrity of financial reporting, the Risk function oversees the operation of a process of internal control via the non-financial risk management ("NFRM") framework. Under the NFRM, controls relevant for financial reporting are tested by the first and second lines of defence and reported by the Risk function. Additional testing is also completed by Internal Audit and external auditors.. Internal Audit tests the operating effectiveness of entity level controls. Senior managers across the organisation, led by the CFO and the CEO, are held accountable for the effective design and performance of processes within their span of control. The NFRM framework, including the reporting of risks outside of appetite, the reasons for this assessment and the remedial actions to bring them back into appetite, is monitored by the Risk Committee.

Compliance Function

Compliance is a key function within the internal control system of the Company. The function's primary responsibilities and activities are:

- To support and monitor compliance with applicable law, regulations and administrative provisions to protect the Company against compliance and conduct risks.
- To advise senior management, committees and the Board on compliance with laws, regulations and administrative provisions adopted pursuant to Solvency II.

The activities and processes of the Compliance function are not exclusively performed by Compliance and may be delegated to, or supported by, other departments, business areas, Internal Audit, Risk, and Actuarial, or external resources.

During the period of the report, the Compliance Department comprised a full-time team of Compliance professionals led by the Chief Compliance and Corporate Affairs Officer, who is a member of the Executive Committee. Compliance is a second-line function; independence of the function is ensured by written policy and by the oversight of the

Customer and Conduct Committee. The Compliance Department produces an annual monitoring plan, in consultation with the Risk and Internal Audit functions, for approval by the Customer and Conduct Committee. Delivery of this plan, findings from monitoring exercises and remediation of those findings are overseen by the Executive Conduct Committee and the Customer and Conduct Committee.

B.5 Internal audit

The Group Internal Audit function exists to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. Internal Audit helps the Group to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. Internal Audit has a Policy and Charter, approved annually by the Group Audit Committee to document its mission, scope, independence, accountabilities, responsibilities, authorities and standards.

The Chief Audit Officer ("CAO") reports functionally to the Chair of the Audit Committee and administratively (i.e., day-to-day operations) to the CEO. The CAO has unrestricted access to, and communicates and interacts directly with, the Executive Committee and Audit Committee, including in private meetings without management present. The CAO does not have any additional roles or responsibilities outside of internal auditing and all internal audit personnel report directly to the CAO.

Internal Audit prepares, at least annually, a risk-based internal audit plan to the Audit Committee for review and approval. Senior management and second-line assurance functions are consulted during the preparation of the plan. Over the five year planning cycle, all applicable audit universe components and legal entities are expected to be audited, with exceptions identified to the Audit Committee for ratification.

The plan is reviewed and adjusted, as necessary, in response to changes in the Group's business, risks, operations, programmes, systems, and controls. Plan performance, including the results of audits, completion of open audit findings and any significant interim changes to the internal audit plan, are regularly communicated to senior management and the Audit Committee.

B.6 Actuarial function

Solvency II requires that each Company has an Actuarial function to:

- Coordinate the calculation and validation of technical items under IFRS and Solvency II, including technical provisions calculations.
- Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions.
- Assess the sufficiency and quality of the data used in the calculation of technical provisions.
- Compare best estimates against experience.
- Inform the Board of the reliability and adequacy of the calculation of technical provisions.
- Express an opinion on the overall underwriting policy.
- Express an opinion on the adequacy of reinsurance arrangements.
- Contribute to the effective implementation of the risk management framework, in particular with respect to the risk modelling underlying the calculation of the capital requirements.
- Prepare an annual report on the actuarial function ("Actuarial Function Report").
- Report the results of the reserve valuations to the Board and Group via the Audit Committee.

The Actuarial function's independence is supported by written policy. It recommends the level of Technical Provisions to the Financial Reporting & Disclosure Committee. The work of the Actuarial function, and its independence, is overseen on behalf of the Board by the Audit Committee.

The Actuarial function consists of the Chief Actuary who is supported by a team of actuarial professionals . The Chief Actuary holds an Institute & Faculty of Actuaries Chief Actuary Practising Certificate and is the approved SMF20 Chief Actuary Function Holder. The Actuarial function reports on compliance with the above requirements by producing an Actuarial Function Report.

B.7 Outsourcing

All outsourcing arrangements are entered into and managed in accordance with the requirements of the Group Outsourcing Policy ("the Policy"). The Policy is owned by the Head of Procurement and is approved by the Combined Board on an annual basis.

The Policy sets out a clear framework for making decisions on when to outsource, the requirements to contract with a service provider and the management of the outsourcing arrangement. Compliance with the Policy is overseen by the Group outsourcing function, who, with the procurement team, also provide expert advice on setting up, managing and terminating outsourcing and other contracts. Suppliers are risk-assessed by Procurement at the point of initial engagement, and at intervals throughout the lifetime of the contract, drawing advice from key functions as and where required. Risks considered include cyber risk, information security risk, business continuity risk and data privacy risk. Critical or important function suppliers are managed closely ensuring that the appropriate monitoring and oversight is in place for these suppliers.

All requirements set out in the Policy also apply to outsourcing to another Allianz SE Group company.

All outsourcing arrangements are recorded on an Outsourcing Register. The outsourcing register records the rationale for outsourcing of each arrangement, the location of the outsource provider and confirmation that appropriate oversight is in place.

In 2023 the approach to oversight included the following controls;

- All outsourcing arrangements must have a signed contract incorporating standard terms and conditions or specific terms which have been fully risk assessed.
- Financial health monitoring using an automated alerting system.
- Monitoring of third-party companies and Directors against the HM Revenue & Customs ("HMRC") Sanctions list.
- Where information is shared with third parties a series of questionnaires (relating to cyber risk, information security and data protection) are sent to each supplier prior to the commencement of their service and subsequently risks are assessed against appetite.
- Privacy impact assessments are used to inform data protection.
- Due diligence is completed on all potential service providers to ensure they have the ability, capacity and authorisations required to meet the requirements of the business.
- On a quarterly basis a review is completed on each critical or important supplier. This reviews third parties' internal controls as well as completion of activities relating to relationship management and oversight. This includes details relating to Policy Compliance, Exit Planning, Business Continuity Planning, Supplier Capability, Performance Reviews, and Conduct Risk. Summaries of information are provided to key functions and Business Owners for approval prior to being submitted to the Operational Risk Forum and the Executive Risk Committee for review.
- Creation of supplier service specific business continuity and exit plans including provisions for management of cyber risk events.
- The table below outlines the critical or important functions or activities which the Company outsourced at the end of 2023, and the jurisdiction in which the service providers are located.

Activity outsourced	Fellow member of the Allianz SE Group	Outsourcing Provider's Jurisdiction
Delegated authority to handle specific claims and/or underwriting of specific segments	N	United Kingdom
Handling of claims and/or provision of specific underwriting expertise	N	United Kingdom
Provision of document preparation, printing and distribution	N	United Kingdom
Information technology services including software, hosting, development and support of IT business services	N Y Y	United Kingdom Germany India
Information technology infrastructure	Y	Germany
Asset and Real Estate Management	N Y	United Kingdom United Kingdom
Business support services	N Y	United Kingdom India

The Company does not outsource any of the four key functions defined by Solvency II – Risk, Compliance, Actuarial and Internal Audit.

B.8 Additional information

The Company monitors the effectiveness and adequacy of its System of Governance, including the effectiveness of specific functions. As noted above, the annual review of the System of Governance for 2023, conducted in early 2024, concluded that there was in place a System of Governance that provides for sound and prudent management of the business. Certain matters arose in the course of 2023 which indicate further improvement is needed in the broader implementation and operation of the System of Governance to ensure its continued effectiveness. These matters have been identified through the operation of the System of Governance and effective improvement plans have been identified and either have already been implemented or are in the process of being implemented.

The Risk function is responsible, among other things, for assessing risks and monitoring risk capital. This also includes the ongoing assessment of risks resulting from global geo-political conflicts and high inflation rates. Financial impacts of potential adverse events on the Company's solvency position have been assessed and are closely monitored by quarterly stress and scenario analysis, reported to the Board Risk Committee.

C. Risk Profile

This section is unaudited.

This section provides information on the Company's overall risk profile followed by a description of each risk category in detail.

Measurement of risk

Risk is measured and steered using a number of quantitative and qualitative tools which allows management to identify the key areas of risk exposure and make informed decisions as to whether the current levels of exposure are consistent with risk appetite:

- The main quantitative tool is the approved internal model, under which the Company derives its risk capital from potential adverse developments of Own Funds. The resulting profile provides an overview of how risks are distributed over different risk categories and determines the regulatory capital requirements in accordance with Solvency II.
- The Company also maintains its own Standard Formula view of capital measurement for regulatory purposes and monitors the difference to the Internal Model.
- An analysis of change is performed on the regulatory capital requirements on a quarterly basis, looking at individual risks as well as the SCR.
- Capital and Own Funds are monitored on a regular basis and the results are reported to Senior Management.
- Stress testing and sensitivity analysis for all material risks and events is performed quarterly for the ORSA and business planning exercises. Information on the Company's risk sensitivities, including a description of methods used, the assumptions made and the outcome of stress testing and sensitivity analysis for material risks is provided in section C.7.
- The Company uses a combination of methods, including expert judgement and the outputs from incident management, to identify, assess and control qualitative risks. Qualitative risks are regularly monitored by management to ensure that they do not materially impact on the operational activities required for the achievement of business plans.

Risk exposures overview

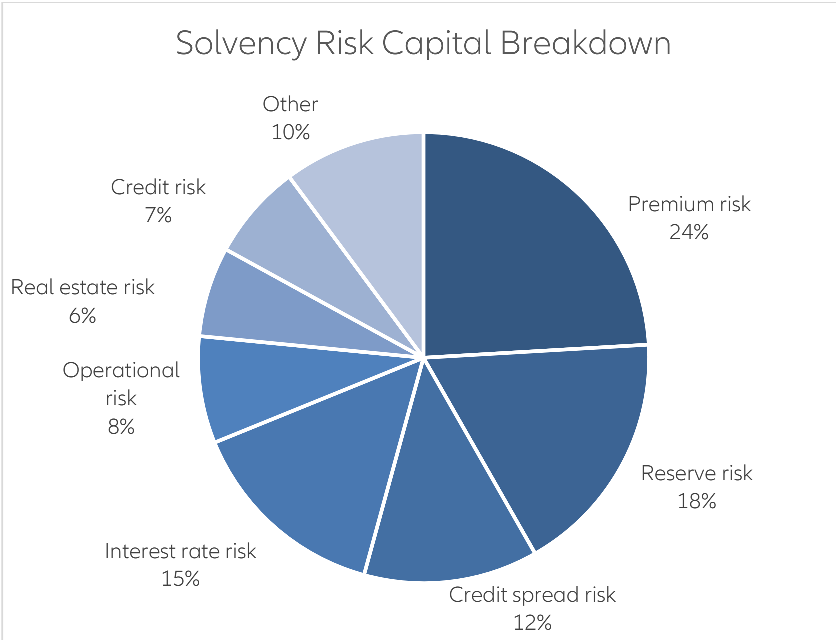
The Company insures only non-life insurance risks though it is also exposed to some life insurance risks through claim settlements as Periodic Payment Orders ("PPOs"). These make up a small proportion of the Company's overall claims. As a result of its asset management activities to support its primary business activities, the Company is also exposed to market and credit risks.

The Allianz Retirement and Death Benefits Fund ("ARDBF") has exposure to life insurance risks as well as further market and credit risks. AMS, a Group subsidiary, is the sponsoring employer of the ARDBF, however the Company allows for the risks associated with the ARDBF as part of its solvency capital requirement assessment because an IAS 19 pension deficit, should it arise, would be deducted from the Company's Own Funds.

The Company does not use Special Purpose Vehicles to transfer risk and is not exposed to risk from positions off its statement of financial position, except in relation to securitised investments.

During 2023, no significant changes were made to the internal model that impacted the Company. There were no other material changes in the methods used to assess risks during 2023.

The chart shows the 2023 year end composition of the internal model SCR by risk type, before diversification between the categories. The largest exposure, amounting to 24% of the SCR, relates to premium underwriting risk followed by reserve risk at 18% of SCR, interest rate risk at 15% of SCR and credit spread risk at 12% of SCR.



Prudent Person Principle

The Company operates within an investment framework which ensures that all assets are invested in accordance with the prudent person principle. All investment and strategic management decisions are set within Board approved risk appetite limits. The Company employs a CIO, who is supported by Allianz Investment Management. The Company invests with reference to a Strategic Asset Allocation ("SAA") which supports the long-term investment strategy of the Company where the objective is to maximise investment return subject to its risk appetite . All investment guidelines are approved by the CIO.

C.1 Underwriting risk

In determining the price of its insurance products and when reporting the financial results relating to these products, the Company makes a number of assumptions related to the future amount and timing of payments. Underwriting risk arises from the actual outcome being different to these assumptions.

Underwriting risk consists of:

- Premium risk and reserve risk for the insurance business.
- Business risk.

C. Risk Profile continued

In addition there is some longevity risk exposure to the Company, however this is due to exposure from the pension fund and does not arise from on-going underwriting exposures.

The key underwriting risk concentration for the Company is geographical. Almost all business is domiciled in the UK and so is exposed to UK risk issues, such as Ogden Discount Rate. Nevertheless, the Company's insurance portfolio is geographically dispersed across England, Scotland, Wales and Northern Ireland in order to help reduce concentration and potential impacts from Natural Catastrophes. There is significant diversification between products, as illustrated by the table in section A.2. The geographical spread of the Company risk exposure has remained fairly stable over 2023.

Reinsurance purchase is the main tool used for the risk management of underwriting exposures. A range of reinsurance contracts are entered into, across different lines of business to mitigate peak risks including accumulation risks:

- Excess of loss programmes to limit the impact of individual losses.
- Catastrophe reinsurance, which covers total losses arising from an event across property lines.
- A 40% Whole Account Quota Share programme which reduces the total premium risk, reserve risk and catastrophe risk.

The continued effectiveness of these contracts is overseen by the Reinsurance Forum, which is a sub-committee of the Executive Risk Committee.

The capital held for underwriting risk before diversification within this category or with other risk categories is £521m. The main movements in the underwriting risk capital over 2023 were an increase in premium risk offset by reductions in longevity and reserve risks discussed in section E.2.

Premium risk

The Company receives premiums from its customers and provides insurance protection in return. The Company faces the risk that underwriting profitability is lower than expected because there are more claims than expected, or claims are higher in value than expected.

Premium risk is subdivided for the purposes of assessment into natural catastrophe risk, non-catastrophe risk and terror risk. The undiversified risk capital as at 31 December 2023 for these risks was £109m, £139m and £23m respectively. The calculation of premium risk capital is derived from actuarial models that are used to derive loss distributions and from external models for natural catastrophe risk.

The Company actively manages its premium risk. There are clear underwriting limits and restrictions, and other controls, including file reviews, underwriting authorities and training, defined and monitored by the holders of the SMF23 roles under SM&CR. There is a product development process which defines governance around product development, including review by the Technical and Risk teams.

The Insurance Committee provides review and oversight of the underwriting risk and technical underwriting control environment. It acts as the prime interface between the Technical department, the Risk and Compliance departments and Executive Committee on underwriting risk matters.

Reserve risk

The Company holds reserves for claims resulting from past events that have not yet been settled. If the claims reserves are insufficient to cover claims to be settled in the future due to unexpected changes, losses would be incurred. Claims reserves could be under-estimated if, for example, more claims had occurred in the past than have been estimated or average amounts paid per claim to settle these are higher than expected.

The Company monitors the development of reserves for insurance claims on a line of business level quarterly through a reserving exercise assessing the unpaid claims reserves both gross and net of reinsurance. In addition, it conducts annual reserve uncertainty analyses based on similar methods to those used for premium risk calculations. In addition independent reviews of these analyses are undertaken regularly.

The undiversified reserve risk capital as at 31 December 2023 was £198m.

Life insurance risk

Technical provisions held in respect of PPO claims are classified as annuities stemming from non-life insurance contracts and are subject to longevity risk. The longevity risk from these technical provisions is assessed within the reserve risk module of the internal model and is therefore categorised as reserve risk in the SCR breakdown.

The ARDBF is subject to a number of life risks. The only material risk is longevity, the risk that members live longer than expected and therefore the pension fund liabilities increase. The Company holds risk capital against this risk; the risk diversifies very well against other risks and so is of limited materiality in combination. The undiversified risk capital for longevity risk as at 31 December 2023 was £21m.

Business risk

The business risks for the Company include cost risks associated with expenses incurred in administering policies transpiring to be higher than expected, or that new business volumes decrease to a level that does not allow the Company to absorb its fixed costs. The undiversified risk capital for business risk as at 31 December 2023 was £33m and after allowing for diversification against other risks it is of limited materiality.

C.2 Market risk

Market Risk arises as part of the general investment performance and impact of discounting on liabilities. In addition, the Company is indirectly exposed to movements in financial markets through the investments of the ARDBF, as described previously, any IAS 19 pension deficit would be deducted from the Company's Own Funds.

The Company assesses its market risk exposure via quantitative and qualitative processes carried out by the Investment and Risk functions, including regular dialogue between the functions and formal reporting to the FICO and the Risk Committee.

The guiding principle for the Company's investment risk management, covering market risk, credit risk and liquidity risk, is the Prudent Person Principle. The Company only invests in assets it can properly identify, measure, monitor, manage, control, report and appropriately integrate in its solvency assessment. The table in section A.3 provides information on the investment portfolio as at 31 December 2023.

C. Risk Profile continued

The SAA is the main mechanism used to mitigate investment risk. It covers both the target value of assets in each asset classes and the matching of duration between the asset and liability portfolios. Compliance with the SAA is monitored by the Risk function and by the Risk Committee with support from the Finance & Investment Committee. When specifying the SAA, care is taken to ensure an adequate level of asset quality and security which provides a sustainable return, as well as sufficient liquidity.

Concentrations in any one company or industry are limited by investment policy.

The risk capital before diversification within this category and with other risk categories allocated to market risks amounts to £434m. The main drivers are credit spread risk and interest rate risk.

The main movements in the market risk capital over 2023 were driven by the change in interest rates which had an impact on both assets and liabilities of the Company. More details can be found in section E.2.

Interest rate risk

Movements in interest rates can cause the value of the Company's investments to move adversely relative to its technical provisions which are discounted on the Solvency II balance sheet. Exposure to this risk is mitigated substantially by undertaking asset-liability matching exercises in order to consider the liability duration when setting a target asset duration as part of the SAA. The undiversified risk capital for interest rate risk as at 31 December 2023 was £163m.

Credit spread risk

Credit spread is the difference in yield between two assets of similar maturity but different credit quality.

The Company is directly exposed to credit spread risk through its investments in fixed income assets. Credit spread risk is mitigated by managing the credit quality of the fixed interest portfolio by monitoring the credit ratings and large exposures in the portfolio, in conjunction with stress testing to assess the sensitivity of credit spread risk to movements in spreads.

The ARDBF is exposed to credit spread risk through its investments in fixed income assets moving adversely relative to its liabilities (which are valued under IAS19 using corporate bond yields). The Company allows for this as part of its SCR assessment. The total undiversified credit spread risk as at 31 December 2023 was £140m.

Equity risk

The only equity risk exposure relates to the strategic participations which the Company holds. The undiversified risk capital for equity as at 31 December 2023 was £18m.

Inflation risk

The Company is exposed to changing inflation rates due to its non-life insurance obligations. As inflation increases both claims and costs, higher rates of inflation will lead to greater liabilities. The SCR also allows for inflation risk relating to the ARDBF pension obligation. This risk is mitigated by investment in index linked bonds and other inflation-linked assets, although the mitigation is not exact because of caps and floors in the sensitivity of pension liabilities to inflation indices. The undiversified risk capital for inflation risk as at 31 December 2023 was £38m. This amount reflects exposure to the general market inflation measured by the Retail Price Index ("RPI"). It should be noted that in addition to this, the underwriting risk module of the internal model allows for excess claims inflation for individual lines of business.

Currency risk

Currency risk is not a material risk as almost all the Company's insurance business is written in GBP and therefore the investment portfolio is almost all GBP denominated. There are limited historical insurance liabilities in other currencies. Currency risk is mitigated by ensuring that where such exposures do exist they are matched by appropriate assets however as the investment portfolio is predominantly denominated in GBP it does not lead to any material currency risk. The Company tolerates the currency risk inherent in outsourcing services to fellow Allianz SE Group subsidiaries, which charge in Indian Rupees and Euros.

Real estate risk

Direct and fund real estate investments are held to diversify the portfolio and take advantage of expected long-term returns and increased short-term yields. The key risk from these holdings is a decrease in property values. Real estate risk is mitigated by maintaining a diverse, high quality property portfolio and by taking advice from professional property managers. The undiversified risk capital for real estate risk as at 31 December 2023 was £72m.

Derivatives

The Company has currency forward contracts in order to hedge the exposure to US Dollar and Euro denominated bonds.

C.3 Credit risk

The Company's credit risk exposure arises from its investment portfolio and reinsurance counterparties. Credit risk is measured as the potential economic loss in the value of the Company's portfolio due to changes in the credit quality of its counterparts ("migration risk") or the inability or unwillingness of the counterparty to fulfil contractual obligations ("default risk"). Credit risk arising from the investment portfolio accounts for the most significant part of the pre-diversified credit risk.

The only material concentration of credit risk is in respect of fellow Allianz SE Group companies. The Company's current reinsurance programme is placed with Allianz Re Dublin for all risks. In respect of reinsurance, the credit rating of Allianz Re Dublin is such that an impact on the company would only be experienced following a very significant global market or insurance risk event impacting Allianz Re Dublin or its ultimate parent company Allianz SE.

The Company is exposed to off-balance-sheet credit risk in respect of the collateral maintained by issuing institutions to back certain securitised investments. This credit risk is managed by means of a careful selection of counterparties and by ensuring over-collateralisation of securitised investments.

The Company monitors and manages credit risk exposures and concentrations monthly to ensure it is able to meet policyholder obligations when they are due and to maintain adequate capital and solvency positions. Limits are set and monitored by counterparty, with limits varying by type of investment and by counterparty credit rating.

This credit risk monitoring includes monitoring of off-balance-sheet exposures to ensure that the risk mitigation techniques which give rise to the exposures remain effective. The Company uses a variety of measures to limit any excess concentrations in credit risk, such as investing in a range of assets governed by investment mandates and asset counterparty limits as well as managing counterparty risk through risk limits on exposure and concentration.

The risk capital before diversification with other risk categories allocated to credit risk amounts to £77m.

C.4 Liquidity Risk

Liquidity risk is the risk that requirements for current or future payment obligations cannot be met. Liquidity risk is not modelled within the internal model because capital is not an appropriate mitigant. Instead, the Company closely monitors liquidity risk on a quarterly basis through scenarios.

The nature of the Company's core business limits its exposure to liquidity risk, to the extent that it has negligible residual risk in normal circumstances.

Premiums are received well in advance of liabilities and most assets are traded in deeply liquid markets so that funds are available from the selling of these without a material discount except in the most extreme situations.

The Company monitors the liquidity position under stressed scenarios, including major claim events and extreme reductions in market liquidity, to ensure that should large amounts of liquidity be required at short notice adequate liquidity would be available. Even in the most extreme modelled situation, the Company liquidity remains that it is able to meet its ongoing liquidity requirements.

There have been no material changes in exposure to liquidity risk over the reporting period and the Company has no major concentrations which affect its liquidity risk. Any large cash transfers are managed closely by the accounting functions in conjunction with the CIO.

C.5 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, or from external factors other than financial risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The risk capital before diversification with other risk categories allocated to operational risk as at 31 December 2023 amounts to £86m.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk.

The main operational risks identified include those related to Information Security Operational Resilience Vulnerabilities and Supplier Risk Management; these are included in the top risk assessment reviewed by the Risk Committee.

The key mitigants for operational risk are the development and maintenance of controls to address the risks First-line governance forums and the Operational Risk Forum undertake monitoring of operational risks, including reviewing operational losses and key control failings on a quarterly basis. Operational risks are assessed regularly and an annual plan is produced for risk and control assessments.

Concentration of internal operational risks is monitored and managed through first and second line review and oversight. In addition, Internal Audit t assesses the effectiveness of the internal control system through planned audit reviews.

C.6 Other material risks

Strategic risk

Strategic risk is defined as the risk of negative effects on capital and earnings due to business policy decisions, changes in the economic environment, deficient or insufficient implementation of decisions, or a failure to adapt to changes in the economic environment. Strategic risks are mitigated by the review of strategies and plans by the Board.

Reputational risk

Reputational risk is the risk of an unexpected negative change in the Company's value as a result of a decline in the reputation of the Company in the eyes of its customers, regulators or staff. The Company has limited tolerance for reputational risk, and will seek to avoid and protect against all material reputational risk as far as possible. Reputational risks are mitigated by the implementation of policies for external and internal communication, and by active management of the relationships between the Company and its regulators. Reputational risks are regularly evaluated by the Risk function and the corporate communications team.

Conduct risk

Conduct risk is defined as the risk that inappropriate decisions, actions, and/or processes impact the ability to achieve good customer outcomes. Conduct risk considerations arise for all business activities and risk categories. Conduct risk is mitigated by internal processes and is reinforced by thorough training and communication programmes. It is evaluated and analysed by the first line of defence with oversight from the Compliance department.

Climate change

Climate change risk refers to climate change resulting in volatile weather patterns. These volatile weather patterns could have a material impact on the Company's claims experience as extreme weather events such as flooding, droughts, storms and heat waves become more frequent and more severe. Physical and Transitional risks arising from climate change continue to be key areas of focus for the Company.

The main risk drivers of climate change risk exposure for the Company relate to its real estate investment portfolio, the transitional and physical risks associated with climate change in the underwriting portfolios as well as the legal and regulatory implications of a transition to a net-zero carbon economy. The Company seeks to minimise the material downside risks related to climate change while adapting the business to transition to a net-zero carbon economy. These are managed through our risk management framework.

C.7 Any Other Information

Risk sensitivity analysis

In order to adequately understand its risk exposures, the Company uses stress testing and sensitivity analysis for all material risks and events. The primary mechanism for this analysis is the internal model, which undertakes stress simulations which assess the impact on the Solvency II balance sheet.

The internal model stresses are used to identify the most material impacts to the Company and then feed into investment decisions and underwriting activities as well as areas of focus for monitoring.

The internal model is also periodically used to perform investigations into specific real-world scenarios of relevance to the Company, across all risk types, and to undertake regular analyses of one-factor stresses. These analyses are reported to the Risk Committee, and are also used as input into decisions relating to capital requirements.

As at 31 December 2023, the Company's solvency ratio was 169%. The table below shows the results of the sensitivity analysis for one-factor stresses, covering both market and non-market risks. The results include the impact on Own Funds, the subsequent impact on the SCR and the resulting combined impact on the Company's solvency ratio.

The results represent the estimated direct quantitative impact of the stresses and do not consider future management actions to improve the solvency position. Examples of possible recovery options that the Company's management could decide to implement following a stress include changing the investment portfolio to address market or credit risk, changing reinsurance arrangements or restricting new business volumes.

The results are reasonable given the strategy and business of the Company.

C. Risk Profile continued

	Impact on Own Funds (£m)	Impact on SCR (£m)	Impact on Solvency ratio
Market risk			
Interest Rates: 100bps increase	(18)	(1)	(3%)
Interest Rates: 100bps decrease	15	4	2%
Credit Spreads: 100bps increase relative to swaps	(71)	-	(14%)
Credit Spreads: 100bps decrease relative to swaps	76	-	15%
Inflation: 100bps increase	(21)	4	(5%)
Inflation: 100bps decrease	19	(3)	5%
Equity: 30% decrease in equity markets	(7)	(2)	(1%)
Real estate: 30% decrease in property markets	(52)	(5)	(9%)
Non-market risk			
Premium risk: 1 in 5 year event	(37)	6	(9%)
Reserve risk: 1 in 5 year event	(42)	7	(11%)
Credit risk: 1 in 5 year event	(20)	-	(4%)

In addition to the one-factor stresses presented above, the Company performs a regular assessment of how its solvency position could be affected in a range of adverse real-world economic scenarios, as part of the quarterly risk reporting to the Risk Committee.

D. Valuation for Solvency Purposes

The scope of this section of the report is to represent the excess of assets over liabilities of the Company.

The recognition, measurement and valuation policies for IFRS reporting purposes applied by the Company are summarised in notes 1.4 and 2 within the Allianz Insurance plc Annual Report and Financial Statements. This report summarises any differences to those valuation policies for solvency purposes.

The table below shows the IFRS Statement of Financial Position ("SoFP") of the Company as at 31 December 2023 mapped to the solvency II balance sheet line items and the key reclassifications and valuation differences between that and the balance sheet used for Solvency II purposes ("MVBS").

D. Valuation for Solvency Purposes continued

	IFRS SoFP (£m)	Reclassifications (£m)	Valuation Difference (£m)	MVBS (£m)
Intangible assets	39	-	(39)	-
Deferred tax assets	12	-	32	44
Property, plant and equipment held for own use	12	-	-	12
Holdings in related undertakings, including participations	232	-	117	349
Government bonds	480	-	-	480
Corporate bonds	1,533	-	-	1,533
Securitised bonds	290	-	-	290
Collective investment undertakings	87	-	-	87
Derivatives	1	-	-	1
Deposits other than cash equivalents	7	-	-	7
Loans and mortgages	191	-	4	195
Reinsurance recoverables from:				
Non-life and health similar to non-life	1,176	(30)	(70)	1,076
Life and health similar to life, excluding health and index-linked and unit-linked	86	-	21	107
Insurance and intermediaries receivables	852	(838)	-	14
Reinsurance receivables	18	-	-	18
Receivables (Trade, not insurance)	65	-	-	65
Cash and cash equivalents	26	-	-	26
Other assets	1	-	-	1
TOTAL ASSETS	**5,108**	**(868)**	**65**	**4,305**
Best Estimate – non-life	2,677	(838)	(58)	1,781
Risk Margin – non-life	22	-	14	36
Best Estimate – life	116	-	30	146
Risk Margin – life	6	-	(2)	4
Provisions other than technical provisions	3	-	-	3
Deposits from reinsurers	945	30	89	1,064
Insurance and intermediaries payables	87	-	(16)	71
Reinsurance payables	43	(43)	-	-
Payables (trade, not insurance)	98	-	-	98
Other liabilities	274	(17)	-	257
TOTAL LIABILITIES	**4,271**	**(868)**	**57**	**3,460**
Excess of assets over liabilities	**837**	-	8	**845**

D.1 Assets

Intangible assets

For Solvency II valuation purposes, these are valued at £nil.

Participations

Participations are valued using the adjusted equity method, that is, at their IFRS Net Asset Value, adjusted for Solvency II valuation differences.

Receivables

Receivables have been reported in the Solvency II balance sheet at the value included under IFRS accounts. This is deemed market consistent given that the receivables are due within 12 months and therefore the discounting effect of the time value of money is not deemed significant.

In the case of insurance-related receivables, the difference between IFRS and Solvency II balance sheet mainly relates to the recognition of certain premiums that are included in the receivables under IFRS, while they are recognised within technical provisions in the Solvency II balance sheet, because such premiums are not yet due by the balance sheet date.

Loans

Loans have been included in the Solvency II balance sheet at their market value. The Company has three loans; two are with fellow Group Companies (with AMS and APL) and one is an infrastructure loan.

The AMS intercompany loan is repayable in equal annual instalments of £16m over 10 years, up to 30 September 2029. The loan carries interest at the Bank of England base rate plus 0.25% and is guaranteed by Allianz SE. The loan is valued in the Solvency II balance sheet using a discounted cash flow model and the fair value at 31 December 2023 is £101m and the cost of the loan is £97m.

The APL intercompany loan is a facility (up to £47m) and is repayable by 31 December 2026. The loan carries interest at the Bank of England base rate plus 0.50%. The loan is valued in the Solvency II balance sheet using a discounted cash flow model and the market value of the loan at 31 December 2023 is £7m and the cost of the loan is £7m.

The infrastructure loan is valued in the Solvency II balance sheet using a discounted cash flow model. The cost is £27m and the market value is £27m.

Investments

Where there are quoted prices in active markets for identical assets, these assets are classified as “Level 1”. Investments classified as Level 1 are reported in the Solvency II balance sheet at the value included in the IFRS accounts.

Where there are inputs other than quoted prices that are observable either directly or indirectly these assets are classified as “Level 2”. According to Article 10 of the Delegated Regulation 2015/35, Level 2 investments are valued using quoted market prices in active markets for similar assets with adjustments to reflect factors specific to the asset, including the condition or location of the asset, the extent to which inputs relate to items that are comparable to the asset and the volume or level of activity in the markets within which the inputs are observed. The value used for the preparation of the

IFRS accounts is considered a fair approximation of the market value according to Solvency II rules, therefore no adjustment has been made to the value included in the IFRS accounts.

Where inputs that are not based on observable market data are used, these assets are classified as "Level 3". Investments classified as Level 3 are valued using an income approach for both IFRS and Solvency II balance sheets and are covered in section D.4 Alternative Valuation Methods.

The split of investment classifications is provided in the table below.

	Level 1 (£m)	Level 2 (£m)	Level 3 (£m)	Total (£m)
Government bonds	302	178	–	**480**
Corporate bonds	–	1,508	25	**1,533**
Securitised bonds	–	290	–	**290**
Collective investment undertakings	–	–	87	**87**
Total	**302**	**1,976**	**112**	**2,390**

For the following classes of asset there is no material difference in valuation between the Solvency II balance sheet and the IFRS accounts: Property plant and equipment held for own use and cash and cash equivalents. Full details on the valuation methodologies used are disclosed in the Company Annual Report and Financial Statements.

For all material classes of assets there have been no changes to the recognition or valuation basis in the year.

Assumptions and judgements that affect the reported amounts of assets are disclosed in the Company Annual Report and Financial Statements.

Deferred tax asset

Deferred taxes, except deferred tax assets arising from the carry forward of unused tax losses, are valued on the basis of the difference between the values ascribed to assets and liabilities recognised and valued in accordance with the Solvency II Directive, and the values ascribed to assets and liabilities as recognised and valued for tax purposes. The valuation difference relating to deferred taxes mainly results from differences in technical provisions and insurance receivables for Solvency II.

Temporary differences between the Solvency II value of the assets and liabilities and their corresponding tax base as defined in International Accounting Standard ("IAS") 12 are assessed, and any deferred tax asset or liability is adjusted or set up as required. The methods used to value deferred tax assets and/or liabilities under IAS 12 are disclosed in the Company's Annual Report and Financial Statements.

The tax rates used in the calculation are the applicable UK tax rates. For losses this is a rate based on the applicable rate at the time the deferred tax items are expected to reverse. Deferred tax on all other items is calculated at the rate that was in force on the reporting date.

D. Valuation for Solvency Purposes continued

The UK Government announced its intention in the budget of 3 March 2021 to legislate to increase the rate of corporation tax from 19.0% to 25.0% with effect from 1 April 2023. This legislation was substantively enacted on 24 May 2021. The Solvency II to IFRS valuation differences, their applicable tax rate and the deferred tax impact are outlined below.

The Organisation for Economic Cooperation and Development ("OECD") Pillar Two Model Rules

The group is within the scope for the OECD Pillar Two model rules. Pillar Two legislation was enacted in the UK, the jurisdiction in which the Company is incorporated, and will come into effect from 1 January 2025. Since the Pillar Two legislation was not effective at the reporting date, the group has no related current tax exposure. The group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under the legislation, the group is liable to pay a top-up tax for the difference between its GloBE ("Global Anti-Base Erosion Rules") effective tax rate per jurisdiction and the 15% minimum rate. The group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15%, there might still be Pillar Two tax implications. The group is currently engaged with tax specialists to assist it with applying the legislation.

	Valuation differences before deferred tax (£m)	Tax rate applied	Deferred tax impact (£m)	Net differences between IFRS and SII (£m)
Intangible assets	(15)	0%	-	(15)
Intangible assets	(24)	25%	6	(18)
Holdings in related undertakings, including participations	117	0%	-	117
Loans and mortgages	4	25%	(1)	3
Reinsurance recoverables from non-life and health similar to non-life	(70)	25%	18	(52)
Reinsurance recoverables from life and health similar to life, excluding health and index-linked and unit-linked	21	25%	(5)	16
Technical provisions– Best Estimate – non-life	58	25%	(15)	43
Technical provisions– Risk Margin – non-life	(14)	25%	4	(10)
Technical provisions– Best Estimate – life	(30)	25%	8	(22)
Technical provisions– Risk Margin – life	2	25%	(1)	1
Deposit from reinsurers	(89)	25%	22	(67)
Insurance and intermediaries receivables	16	25%	(4)	12

D.2 Technical Provisions

The table below shows the technical provisions both gross and net of reinsurance by Solvency II line of business.

SII line of business	Gross (£m)				Net (£m)			
	Claims Provision	Premium Provision	Risk Margin	SII Technical Provision	Claims Provision	Premium Provision	Risk Margin	SII Technical Provision
Motor vehicle liability insurance	618	66	5	689	339	21	5	365
Other motor insurance	17	28	-	45	9	6	-	15
Fire and other damage to property insurance	415	24	5	444	158	2	5	165
Miscellaneous financial loss	61	(55)	1	7	36	(180)	1	(143)
Legal expenses insurance	18	(20)	1	(1)	12	(31)	1	(18)
General liability insurance	551	23	24	598	321	1	24	346
Non-proportional marine, aviation and transport reinsurance	35	-	1	36	11	-	1	12
Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	146	-	3	149	39	-	3	42
Total	**1,861**	**66**	**40**	**1,967**	**925**	**(181)**	**40**	**784**

The COVID-19 business interruption losses follow the property damage losses and have been included within the Solvency II line of business called "Fire and other damage to property insurance".

Technical provisions are calculated in respect of all insurance obligations to policyholders.

The value of the technical provisions corresponds to the current amount required to transfer insurance obligations immediately to another insurance entity.

The technical provisions consist of the claims provision, premium provision and risk margin, and these elements are calculated separately. Each element is calculated by line of business, both gross of reinsurance and for associated reinsurance recoveries. For each line of business, the approach taken is the same, and the methods and assumptions used for each line of business are based on the actual exposure and experience of that line of business.

Methods and main assumptions

The calculation of the technical provisions is based on up-to-date and credible information and realistic assumptions and is performed using actuarial and statistical methods relevant to the line of business.

Claims provision

The claims provision is based on the undiscounted IFRS claims reserves, with the addition of an allowance for future claims handling and investment management expenses. A payment pattern derived from historical data for each line of business is applied to each element of the claims provision to obtain future cash flows, which are discounted to reflect the time value of money in line with Solvency II requirements. A final adjustment is made as described below in respect of future premiums.

Premium provision

To calculate the premium provision, the IFRS Liability for Remaining Coverage ("LRC");adjusted to allow for future premium development arising from mid-term adjustments or cancellations and premiums relating to business written but not incepted, is used as an exposure measure.

Future loss ratio assumptions, derived separately for each line of business, are applied to the adjusted LRC to obtain an estimate of future claims. Allowances are also made for future expenses, profit commission and levies. A payment pattern is applied to each element of the premium provision to obtain future cash flows, which are discounted in line with Solvency II requirements.

LRC is adjusted for future premium development and future premiums relating to business written but not incepted and is discounted. Future premiums relating to business that has already been earned are included within the claims provision, whereas the unearned and written but not incepted parts are assigned to the premium provision.

Negative premium provisions may arise when future premium is greater than future claims and expenses. Future claims and expenses are based on the adjusted LRC. On a gross basis, the following lines have a negative premium provision:

- Miscellaneous financial loss, which is predominantly Animal Health business, has high future premiums due to regular premium payments. This exceeds the expected claims and expenses estimated.
- Legal expenses insurance has high future premiums due to the fact that all the future premium for our legal protection ("After The Event") business is assumed to be unearned. This is because premiums are paid on claim settlement and depend on the outcome of the claim.

On a net basis, there is an impact from the Whole Account Quota Share, which reduces net claims but with no corresponding premium, as no premium is paid on this contract. Therefore, the net premium provision is lower than the gross premium provision and in some classes this causes the net premium provision to be negative. This is purely presentational from an Own Funds perspective, as there is an equal and opposite adjustment outside of the technical provisions on the Market Value Balance Sheet.

Risk Margin (unaudited)

The risk margin is calculated by determining the cost of providing an amount of eligible Own Funds equal to the SCR necessary to support the insurance obligations over their lifetime.

Our approach to estimating future SCRs is based on the current SCR as a proportion of best estimate provisions, adjusted to reflect the increased levels of risk inherent in the claims reserves over time. It uses ratios to assess premium risk and reserve risk capital throughout the run-off period, and grossing up factors to scale up for other risks.

This approach is based on the following assumptions:

- The current ratios of reserve risk capital to net reserves by line of business will increase over time due to loss of diversification.
- The run-off profile of non-insurance risks follows that of the insurance risks (for example, operational risk will not reduce faster or slower than reserve risk).
- The risk margin is held to cover run-off of an ongoing entity, which benefits from its existing diversification between reserve risk and premium risk.

The cost of capital rate used in the calculation of the risk margin is set by the PRA. Reforms introduced in Q4 2023 resulted in a reduction in the cost of capital rate used in the calculation of the risk margin from 6% to 4%. Alongside this, a risk tapering factor has been introduced for non-life obligations, which reduces their contribution to the risk margin. For AZI, this tapering only applies to Settled and Potential PPOs.

Uncertainty

The Solvency II basis has inherent uncertainty around the discount benefit arising from future movements in the yield curve and payment patterns. Other than discounting, the assumptions that have the greatest effect on the movement of provisions are those that affect the expected level of claims. Uncertainty around the level of claims can come from a number of sources, including, but not limited to:

- Claim reporting patterns being different from those expected.
- Claims settlement amounts being different in aggregate to that expected; for example, as a result of different levels of inflation.
- The impact of a future change in Ogden discount rate.
- Reinsurance recoveries being different to the levels expected.
- Claims handling costs being different from those expected.
- The emergence of currently unknown latent diseases at a different level from that expected.

The calculation of the technical provisions requires a number of assumptions in addition to those supporting the IFRS calculations. Key additional assumptions include:

- Future loss ratio assumptions drive the allowance for future claims within the best estimate premium provision.
- Future expense assumptions are required for claims management expenses, future policy administrative expenses and future investment management expenses as well as future reinsurance costs (net of future recoveries) and levies.
- Future cash flow assumptions are used for the discounting calculation.

Sensitivity analysis has been conducted to understand how the technical provisions react to changes in the key assumptions documented above. The results are shown below:

Sensitivity	Change in net technical provisions (£m)	Change in net technical provisions
Increase future loss ratios by 2%	14.5	1.9%
Decrease future loss ratios by 2%	(14.5)	(1.9)%
Increase risk yield by 1%	(30.1)	(3.8)%
Decrease risk yield by 1%	36.2	4.6%
Delay payment by 1 year	(63.8)	(8.1)%
Advance payment by 1 year	30.6	3.9%

Inflationary pressure continues to be the most significant area of uncertainty within the reserves, in particular on long-tailed claims, which are very sensitive to the assumptions made. Inflation has started to reduce during the latter part of 2023, with the latest CPI announcement highlighting a material year-on-year drop in inflation to 4.0%. However there remain concerns that claims inflation will lag CPI and therefore that excess inflation will continue for longer than anticipated, or that the underlying levels of inflation are not fully captured implicitly within claims data. Inflationary trends are being monitored closely and are considered as part of the estimation of the ultimate cost of claims.

COVID-19 business interruption claims have been analysed separately using a claim-based approach, and involving an assessment of emerging claims experience, policy wordings, legal advice and expert judgement. Reinsurance recoveries on COVID-19 business interruption claims have been estimated reflecting the agreed operation of the Catastrophe excess of loss reinsurance treaty. There remains uncertainty surrounding the ultimate cost of these claims, in particular the outcome of legal proceedings and agreements.

A revision to the Ogden Discount Rate is expected in late 2024. Any anticipated change in the rate is highly uncertain, as it will depend on the economic environment at the point of review and there remains the possibility of the introduction of a dual rate mechanism. There is no explicit allowance for a potential Ogden Discount Rate change, either in the best estimate reserves or in the ENID ("Events Not In Data") allowance. Given there is significant uncertainty around the future rate, in particular due to the potential for a dual rate or other adjustments, it is not considered appropriate to allow for any potential benefit at this time.

Events not in data ("ENID")

ENIDs are derived by using a scenario approach, with estimated probabilities and severities for each scenario used to calculate an explicit load for unexpected claims or claim deteriorations. The ENIDs are allocated to line of business and are derived on both a Claims Provisions (i.e. earned) and Premium Provisions (i.e. unearned) basis. ENIDs are calculated on an undiscounted basis and are also included within the IFRS best estimate. ENID scenarios are calculated both gross and net of reinsurance.

Differences in valuation methodologies

The Solvency II Best Estimate Liability ("BEL") is based upon the IFRS ABE ("Actuarial Best Estimate"). However, elements of the ABE which are required under IFRS are not required under Solvency II and vice versa. Broadly, these can be summarised as follows:

- IFRS reserves held on the statement of financial position are discounted based on current rates. The current rate is equal to the risk-free rate, plus the addition of an illiquidity premium. The illiquidity premium is set to zero for the Liability for Remaining Coverage ("LRC"). The Solvency II BEL is instead discounted based on the latest PRA risk-free curve.
- Under IFRS, the profitability of each Group of Contracts is assessed to determine whether they are Onerous contracts. If at the date of initial recognition or at any time during the coverage period facts and circumstances indicates that a Group of Contracts is onerous, then a Loss Component is determined. There is no Loss Component within the Solvency II BEL, and instead the profitability of the underlying contracts is inherently captured within the projected future cashflows.

Matching and volatility adjustments

No matching adjustment or volatility adjustment is applied to the risk free yield curve used to discount the technical provisions.

Reinsurance recoverables

Reinsurance recoverables are calculated separately for the claims provision and premium provision. The following cash flows are taken into account:

Cash inflows:

- Recoverables from reinsurance contracts for claims payments and related expenses.

Cash outflows:

- Future premiums for reinsurance contracts.
- Counterparty default adjustment.

For the main lines of business, the Company purchases excess of loss contracts with sufficiently high retentions for only relatively few large claims to be recoverable. Any difference in timing between expected claims settlement and related reinsurance recoveries is reflected in the timing of the reinsurance cash flows.

For the claims provision, reinsurance recoveries for outstanding claims are calculated on a case by case basis. Incurred but not reported provisions for outstanding claims are estimated at both gross and net levels separately.

For the premium provision, future claims within the premium provision are calculated both gross and net of reinsurance and the reinsurance recoverable is calculated as the difference between them. Future net claims are based on a loss ratio method consistent with the gross claims projection. The net LRCis adjusted to ensure that contract boundaries are consistent between the gross liabilities and the reinsurance recoveries on those liabilities. This involves removing any reinsurance exposure related to future new business and including additional reinsurance exposure for current business covered by the reinsurance treaties incepting on 1 January 2024. This is based on an assumed management action to renew the reinsurance programme at the next renewal date under terms and conditions similar to those which currently apply. Correspondingly, a share of the future reinsurance premiums for these contracts relating to current business is also allowed for within the technical provisions.

Reinsurance future premiums are included within the technical provisions based on the payment terms of the individual reinsurance contracts. In respect of the Whole Account Quota Share contract with a fellow Allianz SE group subsidiary, the assumed management action continues to be that this cover remains in place throughout the run-off of the liabilities. Allowance is made for the expected future cash flows arising from this arrangement.

A counterparty default adjustment is held to reflect the expected amount of losses due to default of reinsurance counterparties. The majority of this is held in respect of PPO reinsurance recoveries, given the long-term relationship involved with the reinsurers for these exposures.

IFRS to Solvency II Technical Provisions

The table shows a breakdown of the differences between IFRS technical provisions (net of reinsurance) and Solvency II technical provisions by Solvency II line of business.

The first column shows the IFRS technical provisions net of reinsurance. The final column shows the Solvency II net technical provisions including the risk margin.

The most significant adjustments are in respect of future premiums and exposures (-824m), which reflects the removal of the LRC and the inclusion of the Premium Provision. The SII balance sheet brings future (non-overdue and non-reinstatement premium) premium cashflows into the liability calculation. Under IFRS17, these sit elsewhere on the balance sheet. This is most material for the miscellaneous financial loss line which contains a significant amount of regular premium from animal health. In the case of the miscellaneous financial loss and legal expenses insurance, this adjustment causes overall technical provisions to be negative.

Other adjustments relate to adjustments in respect of expenses and counterparty defaults, which are not material individually.

The IFRS risk adjustment is replaced by the Solvency II risk margin. The risk margin for the annuities line is most significant as a proportion of overall provisions, due to the long duration of the PPOs contained within this line and high capital charges that PPOs attract under Solvency II.

SII line of business	IFRS provisions (£m)	Adjustment in respect of future premiums and exposures (£m)	Discounting adjustment (£m)	Replace risk adjustment with risk margin (unaudited) (£m)	Other adjustments (£m)	SII technical provisions (£m)
Motor vehicle liability insurance	417	(48)	1	1	(5)	366
Other motor insurance	37	(15)	(4)	-	(2)	16
Fire and other damage to property insurance	252	(79)	(33)	2	23	165
Miscellaneous financial loss	316	(515)	68	1	(13)	(143)
Legal expenses insurance	52	(83)	11	1	-	(19)
General liability insurance	408	(78)	3	5	7	345
Non-proportional marine, aviation and transport reinsurance	16	(6)	-	-	1	11
Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	53	-	(18)	2	6	43
Total	**1,551**	**(824)**	**28**	**12**	**17**	**784**

Material changes in the relevant assumptions made in the calculation of the technical provisions

	Gross (£m)			Net (£m)		
	2023	2022	Change	2023	2022	Change
Best estimate	1,927	1,894	33	744	734	10
Risk Margin	40	80	(40)	40	80	(40)
SII Technical Provisions	1,967	1,974	(7)	784	814	(30)

The table above shows the change in the technical provisions from 2022 to 2023, both gross and net of reinsurance.

Overall, the net technical provisions have decreased by £30m over the year.

The claims provision has increased by £4m in the year. A reduction in undiscounted IFRS reserves over the year has been offset by a reduction in discount benefit.

The premium provision has increased by £5m in the year. The main driver is an increase in modelled future claims and expenses.

The risk margin (unaudited) has decreased by £40m in the year, driven by the PRA risk margin reforms introduced at Q4 2023 (detailed above). The annual assumptions update to the risk margin also saw a reduction to the PPO Reserve Risk capital, due to increased interest rates and a reduction in the severity of the PPO inflation stress.

The £10m increase in best estimate is driven by a fall in yield curve at the shortest durations. Other movements were small and broadly offset.

Assumptions are subject to a regular review cycle with the period between reviews chosen to reflect the materiality of the assumption.

Simplifications

The calculation of the technical provisions is carried out using materially appropriate, complete and correct data and using valuation methods which are appropriate to the nature and complexity of the insurance technical risks. The limitations of the calculation methodology are identified and understood. Selection of the appropriate method is based on expert judgement, considering the quality, quantity and reliability of the available data and analysis of all important characteristics of the business. The assumptions and parameters used in each method are clear and explicitly identified. The key drivers and uncertainties associated with the best estimate are explored and described.

For some elements of the technical provisions, simplified methods are applied that are appropriate to the nature and complexity of the risks. These are outlined below.

For the premium provision, the reinsurance recoverables are estimated as the difference between the best estimate provisions gross and net of reinsurance. This is defined as a simplified method under Solvency II and is appropriate because the exposure assumptions underlying the gross and net estimates of future claims use consistent contract boundaries.

The risk margin is estimated using an adjusted proportional proxy method to project future SCRs. It uses ratios to assess premium risk and reserve risk capital throughout the run-off period allowing for the changing nature of the liabilities through the run-off period and grossing up to allow for other risks, adjusted to reflect the changing levels of riskiness of the claims reserves over time. This method is defined by Solvency II regulation as a simplification.

D.3 Other liabilities

Differences between IFRS and Solvency II balance sheet relating to the valuations of other liabilities arise from the reclassification of interest on funds withheld under the quota share contract from other liabilities to non-life to deposits from reinsurers. Reinsurance payables are also reclassified to technical provisions. The difference in the deposits due from reinsurers relates to differing discount rates and additional ceded investment income.

For all other classes of liability there is no difference between the IFRS valuation and the Solvency II balance sheet valuation. Full details on valuation methodologies can be found in the AZI Annual Report and Financial Statements.

D.4 Alternative methods for valuation

The Company holds two infrastructure bonds along with three funds which are classified as Level 3. These are valued using a discounted cashflow model. Full details on the valuation methodology can be found in the AZI Annual Report and Financial Statements.

D.5 Any other information

There is no other material information on the valuation of assets or liabilities.

E. Capital Management

E.1 Own funds

Capital is a resource that supports the risk bearing capacity of the Company, forming a foundation for the Company's long-term viability and the trust of its customers.

The Company maintains a formal capital management policy, and capital management planning is embedded within the main planning process, with a time horizon of three years.

The Company applies an integrated risk capital framework, taking into account appetite and capital allocation across the Company. Capital management protects the Company's Own Funds in line with the Risk Strategy and Appetite. Both risk considerations and Own Funds needs are integrated into management processes through the attribution of risk and allocation of Own Funds to the various lines of business.

A core element of the approach to capital management is the approval by the Board of any dividends or requests for additional capital. This approval is subject to maintaining an adequate l margin over the SCR.

The current liquidity plan and solvency projections reflect all planned changes in Own Funds for the next three years.

There were no material changes over the reporting period with regard to objectives, policies and processes employed by the Company for managing its Own Funds.

The table shows the breakdown of the Own Funds by tier, and the SCR coverage. The SCR is unaudited.

	2023 (£m)	2022 (£m)	Movement (£m)
Ordinary shares	173	173	–
Share premium	5	5	–
Reconciliation reserve	623	601	22
Total tier 1	**801**	**779**	**22**
Net deferred tax assets	44	53	(9)
Total tier 3	**44**	**53**	**(9)**
Total eligible own funds to meet the SCR	**845**	**832**	**13**
SCR	**500**	**480**	**20**
SCR coverage ratio*	**169%**	**174%**	**(5%)**
Total eligible own funds to meet the MCR	**801**	**779**	**22**
MCR	**208**	**195**	**13**
MCR coverage ratio	**385%**	**401%**	**(16%)**

*There is no allowance for a foreseeable dividend.

Only tier 1 and tier 2 Own Funds are eligible to meet the MCR so tier 3 Own Funds have been excluded from the MCR coverage ratio. No Own Fund items for the Company are subject to transitional measures for their inclusion in tier 1. The Company does not have any tier 2 Own Funds. There are no restrictions on the eligibility of available Own Funds to support the SCR and MCR, and no matching adjustment portfolio exists. The Company has no subordinated debt, or ancillary Own Fund items. No Own Fund items were issued or redeemed during the year. The reconciliation reserve is made up of retained earnings and reconciliation adjustments from IFRS to Solvency II balance sheet only.

E. Capital Management continued

The sensitivity of the Own Funds to both market and non-market risks is provided in the table in section C.7. The significant changes in Own Funds over the reporting period are provided in the table below. The changes in tier 1 capital over the reporting period are all within the reconciliation reserve.

	£m
Profit after tax earned by the Company in the year	156
Net unrealised gains (gross of tax) on the investment portfolio	98
Movement in technical provisions	(94)
Dividend payment	(160)
Other valuation differences	13
Total movement over year	**13**

As at 31 December 2023, there is no difference between the excess of assets over liabilities and Own Funds.

Reconciliation between IFRS and Solvency II excess of assets over liabilities

The Solvency II excess of assets over liabilities amounts to £845m, whereas the IFRS excess of assets over liabilities amounts to £838m. The difference of £7m is largely attributable to the drivers previously analysed in section D and summarised in the table below. The risk margin is unaudited.

	£m
IFRS excess of assets over liabilities	**838**
Intangible assets (IFRS statement of financial position sheet items that are not recognised in the Solvency II balance sheet)	(39)
Differences in the valuation of loans and mortgages	4
Risk margin	(12)
Differences in recognition and valuation of technical provisions and reinsurance recoverable	(95)
Inclusion of participations at Solvency II value	117
Deferred taxes on the above mentioned statement of financial position valuation differences	32
Solvency II excess of assets over liabilities	**845**

E.2 SCR and MCR

This sub-section is unaudited with regard to information on the SCR.

The SCR at 31 December 2023 amounts to £500m, and the MCR amounts to £208m.

The Company has received approval to use an internal model to determine its SCR. The calculation of the MCR follows the methodology described in the Solvency II regulation. It uses the SCR as an input parameter for determining the possible range for the MCR, as well as the standard set of inputs required by the formula-based calculation.

A split of the SCR by the different risk categories modelled in the internal model is shown in the following table. The comparative figures for 2022 and the movement over the reporting period are also shown.

Category of risk	Capital (£m)		
	2023	2022	Movement
Underwriting risk	**521**	**513**	**8**
Premium risk	269	255	14
Longevity risk	21	30	(9)
Reserve risk	198	207	(9)
Business risk	33	21	12
Market risk	**435**	**403**	**32**
Equity risk	18	17	1
Interest rate risk	163	136	27
Credit spread risk	140	160	(20)
Inflation risk	38	14	24
Currency risk	4	2	2
Real estate risk	72	74	(2)
Credit risk	**77**	**65**	**12**
Operational risk	**86**	**77**	**9**
Sum of standalone risks	**1,119**	**1,058**	**61**
Diversification benefit	(619)	(578)	(41)
SCR	**500**	**480**	**20**

The total diversified SCR for the Company increased by £20m over the year from £480m to £500m. The movement is predominantly driven by:

- £27m increase in Interest Rate risk due to the reduction in yield curve over the year increasing the market value exposure across the asset portfolio.
- £24m increase in Inflation risk due to the reduction in yield curve over the year increasing the value of liabilities exposed to inflation, as well as the introduction of a model change at Q4 2023 to improve the modelling of inflation risk.
- £20m reduction in Credit Spread risk due to a greater offset between the insurance Company and Pension fund exposures following a reduction in the yield curve.
- £12m increase in Credit risk due to an increase in the bond exposure in the asset portfolio following the drop in the yield curve along with a change in the investment strategy in the Pension Fund also increasing the bond exposure.
- £14m increase in Premium risk following the introduction of a model change to better model excess inflation.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

This sub-section is unaudited.

The Company uses an internal model rather than the standard formula and as such, simplifications, undertaking-specific parameters and the duration-based equity risk sub-module are not applicable.

E.4 Differences between Standard Formula and any Internal Model used

This sub-section is unaudited.

The scope of the internal model is the whole of the business of the Company. It also covers the risks inherent in the ARDBF which is sponsored by AMS, a fellow subsidiary of the Group.

The risk categories covered by the internal model are presented and explained in section C.

The table below outlines at a high level the key material differences between the methodologies underlying the internal model applied to the Company and the Standard Formula, including identification (highlighted in bold) of risks modelled within the internal model but not within the Standard Formula.

E. Capital Management continued

Risk Module	Methodologies used by Allianz Insurance plc Internal Model
Underwriting Risk for Non-life	Differences in calibration, based on specific local experience, and split between attritional, large and catastrophe claims. Explicit allowance modelled for variability of rate strength. Catastrophe risk modelled using an externally supplied model. Risk mitigating effect of reinsurance replicated closely. **Lapse risk and underperformance of new business risk modelled explicitly**. Risks aggregated using a copula and Monte Carlo simulation.
Equity risk	Differences in calibration, based on specific local experience.
Interest rate risk	Model includes consideration of changes to the yield curve other than simply parallel shifts.
Property risk	Differences in calibration, based on specific local experience.
Spread risk	Differences in calibration, based on specific local experience. **Sovereign bonds are assumed to be subject to spread risk. Spread risk applies to both assets and spread-sensitive liabilities.**
Concentration risk	No separate concentration risk module; concentration risk covered by the credit risk module.
Credit risk/counterparty default risk	Differences in calibration, based on specific experience. **Credit risk is calculated for current market value of exposure of entire fixed interest, cash and reinsurance assets plus an allowance for possible future exposure in an insurance stress scenario.**
Pension fund risk	**Longevity risk is modelled, based on specific local experience.**
Intangible asset risk	Intangible asset risk is not covered by the internal model.
Operational Risk	Capital based on specific scenarios, modelled using a frequency and severity approach, and aggregated using Monte Carlo simulation.
Aggregation	Aggregation uses a Gaussian copula applied using Monte Carlo simulation.

Use of the internal model

The internal model is widely integrated into the Company's Enterprise Risk Management Framework and is the primary method used to understand the material and quantifiable risks inherent in the Company's business. To that end it is used for a number of purposes, in particular for comparison of different risk categories and segments. It is a fundamental element for risk based and forward looking steering. Uses of the model are documented internally and include:

- Setting the risk strategy.
- Setting risk tolerance limits.
- Risk and capital reporting.
- Calculating capital requirements.
- Capital management, including the affordability of dividends and requirements for capital injections.
- Setting the business strategy.
- Setting the reinsurance strategy.
- Strategic asset allocation.
- Merger and acquisition transactions.
- Stress and scenario testing and
- Planning.

Methodological approach to the internal model

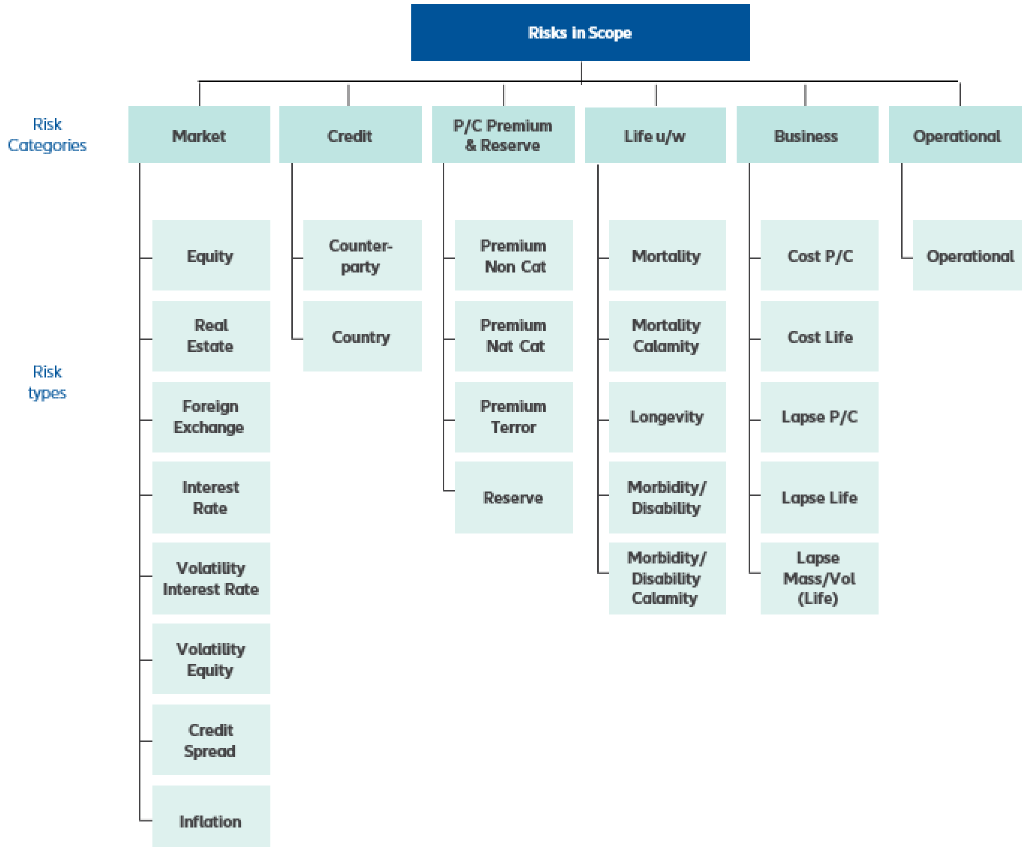
The internal model is based on a Value-at-Risk approach using a Monte Carlo simulation model. The starting point of the risk calculation is the Solvency II balance sheet and the allocation of each item to the relevant risk categories. Risk capital for each category is defined as the change in economic value over the projected time period based on the underlying distribution assumptions for each risk factor. Where possible, the distributions are calibrated to market data or the Company's internal historical data. Where appropriate, expert judgement is used to support historical data analysis within the confines of a defined and documented governance process.

Following this approach, the maximum loss in the portfolio value is determined within a specified timeframe ("holding period") and probability of occurrence ("confidence level"). The risk capital is computed as the 99.5th percentile Value at Risk from the profit and loss distribution for a one year holding period, where in each scenario the change in economic value is derived from the joint realisation of all risk factors. Accordingly the SCR is calculated using exactly the risk measure and time period specified in article 101(3) of the Solvency II Directive (Directive 2009/138/EC).

The internal model contains different risk categories, which can themselves be further subdivided into different risk types. For each level the internal model delivers risk capital figures on a standalone basis, that is before diversification with other risk types or categories, but also on an aggregated level taking diversification into account.

The risk categories available in the Allianz SE Group internal model, as applied by the Company, and the aggregation structure of the model, are outlined below.

E. Capital Management continued



The Company's pension fund risk is modelled as a life insurance risk, and is captured partly under the market risk and credit risk categories and longevity risk in the life underwriting category.

The following modules are not used by the Company because there is no material exposure to the risks modelled therein:

Module	Reason
Mortality, Mortality Calamity	Death benefits are not material within the pension fund
Morbidity/Disability, Morbidity/Disability Calamity	Disability benefits are not material within the pension fund
Cost Life, Lapse Life, Lapse mass/Vol (Life)	Modules not applicable because the pension fund book is closed to new entrants and there is no material risk associated with withdrawal

For the aggregation of risks, the internal model uses a copula to derive an overall distribution of risk for the whole of the Company, from which the 99.5th percentile is taken as the SCR. The dependency structure between risks is parameterised using a copula with a matrix of correlations. Where possible, correlation parameters are derived for each pair of market risks through statistical analysis of historical market data, considering observations over several years. Where historical market data or other portfolio-specific observations are insufficient or not available, correlations are set according to a well-defined process using expert judgement.

Model changes

The Company has a defined and approved policy for making changes to its internal model. This policy includes internal validation and governance processes to ensure that proposed changes are appropriate for the Company's business.

During 2023, minor changes were made to the internal model in order to address validation findings. There were no other material changes in the methods used to assess risks during 2023.

Nature and appropriateness of data

Various sources of data are used as input for the internal model and for the calibration of parameters. A control framework is in place to ensure that the data is accurate, complete and appropriate.

Where possible, the input data is identical to data used for other purposes, for example the calculation of the insurance liabilities for the purposes of IFRS reporting or the valuation of the IFRS statement of financial position.

E.5 Non-compliance with the MCR and the SCR

The Company has complied continuously with the MCR and the SCR.

E.6 Any other material information

In view of the Solvency II solvency ratio of 169% as at 31 December 2023 and the stress tests performed, the Company does not expect any breach of its SCR and anticipates that it will remain suitably capitalised going forward.

Statement of Directors' Responsibilities

Financial period ended 31 December 2023

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

We are satisfied that:

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

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

The SFCR was approved by the Board of Directors on 4 April 2024 and signed on its behalf by:

U Lange

Director

Allianz Insurance plc

5 April 2024

Report of the external independent auditors to the Directors of Allianz Insurance plc (‘the Company’) pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

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

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2023:

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

- Company templates S.02.01.02, S.12.01.02, S.17.01.02, S.23.01.01 and S.28.01.01 (‘**the Templates subject to audit’**).

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

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

- Information contained within the relevant elements of the Solvency and Financial Condition Report set out above which is, or derives from the Solvency Capital Requirement, as identified in the Appendix to this report;

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

- Company templates S.05.01.02, S.19.01.21 and S.25.02.21;

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

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

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

Basis for opinion

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

Conclusions relating to going concern

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

- Obtaining managements' going concern assessment and challenging the material assumptions made using our knowledge of the business, review of regulatory correspondence and obtaining further corroborative evidence;

- Evaluating managements' solvency scenario analysis and challenging management's key assumptions. As the Solvency Capital Requirement and Risk Margin are not subject to audit, we considered the governance over the production of this information and its consistency with other available information and our understanding of the business;

- Considering information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of going concern.

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Directors are responsible for the Other Information.

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

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

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based, as detailed below:

- Approval to use a full internal model and the approval of subsequent major changes thereto.
- Approval for modifications to the PRA Rulebook Group Supervision 4.2, 4.4, and the waiver of the PRA Rulebook Group Supervision 5 to 19.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

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

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

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

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

Based on our understanding of the Company/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the Solvency and Financial Condition Report. We also considered those laws and regulations that have a direct impact on the Solvency and Financial Condition Report such as UK principles. We evaluated management's incentives and opportunities for fraudulent manipulation of the Solvency and Financial Condition Report (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and judgemental areas of the Solvency II Balance Sheet, such as increasing the value of Own Funds of the Company, management bias in estimates and judgemental areas of the Solvency II Balance Sheet and Solvency Capital Requirement such as the Solvency II valuation of Non-Life Technical Provisions. Audit procedures performed included:

- Discussions with the Board of Directors, management, Internal Audit, senior management involved in the Risk and Compliance functions and the Company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud relevant to the SFCR;
- Reviewing relevant meeting minutes including those of the Audit Committee, the Risk Committee, and the Reserving Committee;
- Reading key correspondence with and reports to the Prudential Regulation Authority and/or the Financial Conduct Authority in relation to compliance with laws and regulations;
- Identifying and testing journal entries in the production of the underlying IFRS statement of financial position, in particular any journal entries that are determined to demonstrate fraud characteristics; and
- Procedures relating to the valuation of technical provisions and the valuation of investments.

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

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

Use of this report

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

Other Matter

The Company has authority to calculate its Solvency Capital Requirement using an internal model ("the Model") approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. In forming our opinion (and in accordance with PRA Rules), we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Model, or whether the Model is being applied in accordance with the Company's application or approval order.

Report on Other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants

7 More London Riverside

London

SE1 2RT

5 April 2024

Appendix – relevant elements of the Solvency and Financial Condition Report that are not subject to audit

The relevant elements of the Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.02.01.02:
  - Row R0550: Technical provisions - non-life (excluding health) - risk margin
  - Row R0590: Technical provisions - health (similar to non-life) - risk margin
  - Row R0640: Technical provisions - health (similar to life) - risk margin
  - Row R0680: Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin
  - Row R0720: Technical provisions - Index-linked and unit-linked - risk margin

- The following elements of template S.12.01.02
  - Row R0100: Technical provisions calculated as a sum of BE and RM - Risk margin

- The following elements of template S.17.01.02
  - Row R0280: Technical provisions calculated as a sum of BE and RM - Risk margin

- The following elements of template S.23.01.01
  - Row R0580: SCR
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

- The following elements of Company template S.28.01.01
  - Row R0310: SCR

- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

EIOPA QRT: S.02.01

Balance Sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	44,071
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	12,000
contracts)	**R0070**	**2,747,404**
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	348,691
Equities	*R0100*	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	*R0130*	*2,303,759*
Government Bonds	R0140	479,730
Corporate Bonds	R0150	1,534,001
Structured notes	R0160	
Collateralised securities	R0170	290,028
Collective Investments Undertakings	R0180	87,458
Derivatives	R0190	882
Deposits other than cash equivalents	R0200	6,613
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	**R0230**	**194,554**
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	194,554
Reinsurance recoverables from:	**R0270**	**1,183,472**
Non-life and health similar to non-life	R0280	1,076,204
Non-life excluding health	R0290	1,076,204
Health similar to non-life	R0300	
linked	R0310	107,268
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	107,268
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	14,182
Reinsurance receivables	R0370	18,084
Receivables (trade, not insurance)	R0380	64,769
Own shares (held directly)	R0390	
paid in	R0400	
Cash and cash equivalents	R0410	25,819
Any other assets, not elsewhere shown	R0420	156
Total assets	**R0500**	**4,304,510**

Liabilities		
Technical provisions - non-life	**R0510**	**1,817,358**
Technical provisions - non-life (excluding health)	**R0520**	**1,817,358**
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	1,781,223
Risk margin	R0550	36,135
Technical provisions - health (similar to non-life)	**R0560**	
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	**149,957**

Technical provisions - health (similar to life)	**R0610**	
Technical provisions calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
linked)	**R0650**	**149,957**
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	145,745
Risk margin	R0680	4,213
Technical provisions - index-linked and unit-linked	**R0690**	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	2,981
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	1,063,596
Deferred tax liabilities	R0780	
Derivatives	R0790	188
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	71,324
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	97,890
Subordinated liabilities	**R0850**	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	256,855
Total liabilities	**R0900**	**3,460,149**

Excess of assets over liabilities	**R1000**	**844,361**

EIOPA QRT: S.05.01

Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)							
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
Premiums written									
Gross - Direct Business	R0110				396,218	156,299		584,637	255,018
Gross - Proportional reinsurance accepted	R0120								
Gross - Non-proportional reinsurance accepted	R0130								
Reinsurers' share	R0140				168,151	66,360		272,873	110,964
Net	**R0200**				**228,068**	**89,939**		**311,764**	**144,053**
Premiums earned									
Gross - Direct Business	R0210				394,253	155,326		539,234	247,288
Gross - Proportional reinsurance accepted	R0220								
Gross - Non-proportional reinsurance accepted	R0230								
Reinsurers' share	R0240				168,568	66,443		255,552	110,068
Net	**R0300**				**225,686**	**88,883**		**283,682**	**137,220**
Claims incurred									
Gross - Direct Business	R0310				245,812	97,078		242,218	120,983
Gross - Proportional reinsurance accepted	R0320								
Gross - Non-proportional reinsurance accepted	R0330								
Reinsurers' share	R0340				99,693	40,636		108,442	47,478
Net	**R0400**				**146,119**	**56,442**		**133,777**	**73,505**
Changes in other technical provisions									
Gross - Direct Business	R0410								
Gross - Proportional reinsurance accepted	R0420								
Gross - Non-proportional reinsurance accepted	R0430								
Reinsurers' share	R0440								
Net	**R0500**								
Expenses incurred	**R0550**				**59,719**	**23,411**		**137,650**	**54,667**
Other expenses	R1200								
Total expenses	**R1300**								

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)				Line of Business for: accepted non-proportional reinsurance				Total
		Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written										
Gross - Direct Business	R0110		35,190		731,969					**2,159,331**
Gross - Proportional reinsurance accepted	R0120									**0**
Gross - Non-proportional reinsurance accepted	R0130									**0**
Reinsurers' share	R0140		15,170		292,852			53		**926,423**
Net	**R0200**		**20,020**		**439,117**			**-53**		**1,232,908**
Premiums earned										
Gross - Direct Business	R0210		40,230		688,498					**2,064,830**
Gross - Proportional reinsurance accepted	R0220									**0**
Gross - Non-proportional reinsurance accepted	R0230							6,530		**6,530**
Reinsurers' share	R0240		19,996		277,835			188		**898,650**
Net	**R0300**		**20,233**		**410,663**			**6,342**		**1,172,709**
Claims incurred										
Gross - Direct Business	R0310		26,557		532,767					**1,265,415**
Gross - Proportional reinsurance accepted	R0320									**0**
Gross - Non-proportional reinsurance accepted	R0330							-9,899		**-9,899**
Reinsurers' share	R0340		12,829		208,795			-7,593		**510,280**
Net	**R0400**		**13,728**		**323,972**			**-2,306**		**745,236**
Changes in other technical provisions										
Gross - Direct Business	R0410									**0**
Gross - Proportional reinsurance accepted	R0420									**0**
Gross - Non-proportional reinsurance accepted	R0430									**0**
Reinsurers' share	R0440									**0**
Net	**R0500**									**0**
Expenses incurred	**R0550**		**3,009**		**-35,450**			**677**		**243,683**
Other expenses	R1200									
Total expenses	**R1300**									**243,683**

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410									**0**
Reinsurers' share	R1420									**0**
Net	**R1500**									**0**
Premiums earned										
Gross	R1510									**0**
Reinsurers' share	R1520									**0**
Net	**R1600**									**0**
Claims incurred										
Gross	R1610						5,374			**5,374**
Reinsurers' share	R1620						3,693			**3,693**
Net	**R1700**						**1,681**			**1,681**
Changes in other technical provisions										
Gross	R1710									**0**
Reinsurers' share	R1720									**0**
Net	**R1800**									**0**
Expenses incurred	**R1900**									**0**
Other expenses	**R2500**									
Total expenses	**R2600**									

EIOPA QRT: S.12.01

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, including Unit-Linked)**	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**										**0**						**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020										**0**						**0**
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	**R0030**								145,745		**145,745**						**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080								107,268		**107,268**						**0**
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090								**38,476**		**38,476**						**0**
Risk Margin	**R0100**								**4,213**		**4,213**						**0**
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	R0110										**0**						**0**
Best estimate	R0120										**0**						**0**
Risk margin	R0130										**0**						**0**
Technical provisions - total	**R0200**								**149,957**		**149,957**						**0**

EIOPA QRT: S.17.01

Non - life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance:				Total Non-Life obligations
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**																	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**																	**0**
Technical Provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	R0060				**65,510**	**27,700**		**23,823**	**23,390**		**-19,806**		**-54,743**			**175**		**66,050**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140				43,628	21,669		22,194	22,492		11,640		125,714			143		**247,482**
Net Best Estimate of Premium Provisions	R0150				**21,881**	**6,031**		**1,629**	**898**		**-31,445**		**-180,457**			**31**		**-181,432**
Claims provisions																		
Gross	R0160				**617,804**	**17,126**		**415,225**	**550,930**		**18,031**		**60,724**			**35,332**		**1,715,173**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240				278,384	7,851		256,965	230,125		6,312		24,301			24,783		**828,722**
Net Best Estimate of Claims Provisions	R0250				**339,419**	**9,274**		**158,260**	**320,805**		**11,720**		**36,423**			**10,549**		**886,451**
Total Best estimate - gross	**R0260**				**683,314**	**44,826**		**439,048**	**574,320**		**-1,774**		**5,982**			**35,507**		**1,781,223**
Total Best estimate - net	**R0270**				**361,301**	**15,305**		**159,889**	**321,703**		**-19,726**		**-144,034**			**10,581**		**705,019**
Risk margin	**R0280**				4,551	309		4,936	23,835		909		1,037			557		**36,135**
Amount of the transitional on Technical Provisions																		
Technical Provisions calculated as a whole	R0290																	**0**
Best estimate	R0300																	**0**
Risk margin	R0310																	**0**
Technical provisions - total																		
Technical provisions - total	**R0320**				**687,865**	**45,135**		**443,984**	**598,155**		**-865**		**7,019**			**36,064**		**1,817,358**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**				**322,013**	**29,521**		**279,159**	**252,617**		**17,952**		**150,016**			**24,927**		**1,076,204**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**R0340**				**365,852**	**15,614**		**164,826**	**345,538**		**-18,816**		**-142,997**			**11,137**		**741,154**

EIOPA QRT: S.19.01

Non-life Insurance Claims Information

Gross Claims Paid (non-cumulative)

		Development year 0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											24,947
2014	R0160	763,633	224,783	67,257	43,349	34,689	28,561	16,562	18,883	3,661	4,345	
2015	R0170	832,923	303,024	76,697	43,550	43,888	27,930	12,747	10,991	1,701		
2016	R0180	844,552	237,168	56,321	59,909	84,797	31,583	27,574	6,104			
2017	R0190	786,078	246,512	71,878	60,270	48,923	35,632	16,672				
2018	R0200	783,729	259,197	66,554	53,086	47,964	46,884					
2019	R0210	740,964	252,497	77,625	51,735	51,071						
2020	R0220	648,451	284,094	90,844	59,521							
2021	R0230	597,322	217,094	76,327								
2022	R0240	663,896	247,633									
2023	R0250	757,007										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	24,947	4,809,336
	R0160	4,345	1,205,723
	R0170	1,701	1,353,450
	R0180	6,104	1,348,009
	R0190	16,672	1,265,966
	R0200	46,884	1,257,413
	R0210	51,071	1,173,892
	R0220	59,521	1,082,910
	R0230	76,327	890,743
	R0240	247,633	911,530
	R0250	757,007	757,007
Total	R0260	**1,292,211**	**16,055,978**

EIOPA QRT: S.19.01

Non-life Insurance Claims Information

Gross Claims Paid (non-cumulative)

		Development year										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											
2014	R0160											
2015	R0170											
2016	R0180											
2017	R0190											
2018	R0200											
2019	R0210											
2020	R0220											
2021	R0230											
2022	R0240											
2023	R0250											

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100		
	R0160		
	R0170		
	R0180		
	R0190		
	R0200		
	R0210		
	R0220		
	R0230		
	R0240		
	R0250		
Total	R0260		

EIOPA QRT: S.23.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	172,759	172,759			
Share premium account related to ordinary share capita	R0030	5,244	5,244			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	622,287	622,287			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	44,071				
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	**844,361**	**800,290**			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demanc	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	**844,361**	**800,290**			
Total available own funds to meet the MCR	**R0510**	**800,290**	**800,290**			
Total eligible own funds to meet the SCR	**R0540**	**844,361**	**800,290**			
Total eligible own funds to meet the MCR	**R0550**	**800,290**	**800,290**			
SCR	**R0580**	**499,780**				
MCR	**R0600**	**208,130**				
Ratio of Eligible own funds to SCR	**R0620**	**168.95%**				
Ratio of Eligible own funds to MCR	**R0640**	**384.51%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	844,361
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	222,074
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	**R0760**	**622,287**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	R0770	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	132,119
Total Expected profits included in future premiums (EPIFP)	**R0790**	**132,119**

EIOPA QRT: S.25.03

Solvency Capital Requirement - for undertakings on Full Internal Models (Annual Solo)

	Unique number of component	Components description	Calculation of the Solvency Capital Requirement
	C0010	C0020	C0030
A	10370I	Interest rate vola risk	0
B	10390I	Interest rate risk	163,139
C	10399I	Diversification within interest rate ris	0
D	10410I	Equity risk	17,601
E	10420I	Equity vola risk	0
F	10499I	Diversification within equity risk	0
G	10600I	Real estate risk	72,084
H	10700I	Credit spread risk	139,832
I	10900I	FX risk	4,059
L	11010I	Inflation risk (insurance business)	58,285
M	11010P	Inflation risk (pension scheme)	19,459
N	19900I	Diversification within market risk	-281,526
O	20100I	Type 1 counterparty default risk	22,542
P	20200I	Type 2 counterparty default risk	2,842
Q	20310I	Other counterparty default risk - inv	51,172
R	20390I	Other counterparty default risk - oth	0
S	29900I	Diversification within counterparty d	0
T	30200P	Longevity risk	21,155
U	50150I	Premium non-cat risk	138,835
V	50210I	Reserve risk	197,666
Z	50310I	Non-life catastrophe risk: natural (al	107,636
AA	50330I	Non-life catastrophe risk: man-made	22,784
BA	50399I	Diversification within non-life catastr	0
CA	50400I	Lapse risk	20,719
DA	50590I	Cost risk	12,410
EA	50599I	Diversification within business risks	-3,869
FA	59900I	Diversification within non-life underv	-149,121
GA	70100I	Operational risk	85,864
HA	80300I	Loss absorbing capicity of deferred t	0
IA	80491I	Internal Model Capital add-on: Multi	0
LA	80492I	Internal Model Capital add-on: Repli	0
MA	80493I	Internal Model Capital add-on: Ring	0
NA	80494I	Internal Model Capital add-on: Othe	0
OA	80495I	Regulatory Add-ons	0
PA	80496I	Residuals	0

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	R0110	723,569
Diversification	R0060	-223,788
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	**R0200**	**499,780**
Capital add-ons already set	R0210	0
Solvency capital requirement	**R0220**	**499,780**
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Approach to tax rate		Yes/No
Approach based on average tax rate	R0590	licable as LAC DT is not used (in this case R0600 to R0690 are not

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

EIOPA QRT: S.28.01

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

Linear formula component for non-life insurance and reinsurance obligations

MCR calculation Non Life		Non-life activities: Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Non-life activities: Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050	361,301	228,068
Other motor insurance and proportional reinsurance	R0060	15,305	89,939
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080	159,889	311,764
General liability insurance and proportional reinsurance	R0090	321,703	144,053
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		20,020
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		439,117
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160	10,581	
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life		Life activities: Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Life activities: Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240	38,476	
Total capital at risk for all life (re)insurance obligations	R0250		0

		Non-life activities	Life activities
		C0010	C0040
MCRNL Result	R0010	207,322	
MCRL Result	R0200		808

Overall MCR calculation

		C0070
Linear MCR	R0300	208,130
SCR	R0310	499,780
MCR cap	R0320	224,901
MCR floor	R0330	124,945
Combined MCR	R0340	208,130
Absolute floor of the MCR	R0350	3,495

		C0070
Minimum Capital Requirement	**R0400**	**208,130**