



# **Solvency and Financial Condition Report 2024**

**Aviva Protection UK Limited**

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**Please note**

Rounding differences may arise as figures in the Solvency and Financial Condition Report (SFCR) are presented in pound sterling (£) rounded to the nearest thousand. This is consistent with the quantitative reporting templates (QRTs) included within the Appendices.

# Summary

Aviva Protection UK Limited (the “Company” or “APUK”), previously known as AIG Life Limited (“AIG Life”) is incorporated in the United Kingdom and registered in England and Wales. The Company is a wholly owned subsidiary of Aviva Life & Pensions UK Limited and its ultimate parent company is Aviva plc.

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

APUK is a provider of term assurance, whole of life, critical illness and income protection insurance in the individual and group markets. Its policyholders are predominantly in the UK with some policyholders in Gibraltar, the Isle of Man and the Channel Islands.

The purpose of the Solvency and Financial Condition Report (SFCR) as set out in Chapter 3 of the Reporting Part of the PRA Rulebook is to provide the reader with an understanding of the Company’s Business and Performance, System of Governance, Risk Profile, Valuation for Solvency purposes and Capital Management. It should be noted that the Solvency II regulations no longer apply from 31 December 2024 onwards and references in the SFCR to “Solvency II” should be taken as references to the Solvency II regime as currently on-shored into the UK regulatory regime.

Section A to the SFCR provides information on the Company’s business, performance and significant events during the year.

APUK wrote £164.3m of new business premiums in 2024 (a 2% decrease on 2023). The Company’s UK GAAP pre-tax losses were £110.0m, including £11.6m of investment income. This is largely driven by significant integration and restructuring cost of £39.8m, including the net loss on termination of the intragroup reinsurance arrangements by AIG Group’s internal reinsurer, American International Reinsurance Company (AIRCO), goodwill and intangible write-offs of £28.3m and realised losses on the sale of financial investments of £41.2m. All of these changes were driven by the integration and harmonisation of the APUK business into the wider Aviva Group. APUK continues to carefully manage its capital deployment and finished the year with a capital ratio of 170%.

For operational and capital optimisation reasons, it is planned to transfer the whole of the APUK business to UKLAP. Under UK law, a transfer of insurance business must be carried out in accordance with Part VII of the Financial Services and Markets Act 2000. As such, the Company is expected to undertake a Part VII transfer of the legal ownership of the whole book of business in 2025. This transfer is subject to court approval.

Section B provides information on the Company’s system of governance. This structure has three levels consisting of the Board, Executive Committees and Management Forums. The Company continues to align its management and governance structure to proactively respond to business and regulatory needs.

Section C provides information on the Company’s risk profile over its Insurance Risk, Market Risk, Credit Risk, Liquidity Risk and Operational Risk. Mortality and morbidity risk for the individual protection business are largely reinsured meaning the key risks faced are lapse risk, interest rate risk, expense risk and mortality risk on the group protection business. This section further provides an overview for each of these five risks, outlining their risk components, measures used to assess risks, risk concentration, risk mitigation techniques and the process for monitoring these risk mitigation techniques.

The Company has a strong, effective and embedded Risk Management Framework. This is crucial to maintaining successful business operations and delivering sustainable, long-term profitability.

Underpinning this framework is a strong risk culture articulated by senior leadership and embedded by management at multiple levels through the governance structure and risk management processes.

The Company's adherence to its quantified risk parameters is supported by ongoing risk identification. The Company draws together the analysis of its risk profile within its Own Risk and Solvency Assessment (ORSA) documents and in an Annual Risk Review of the Business Plan. This allows management to ensure that the risks accepted by the Company are aligned to its strategic objectives, which include seeking profitable growth opportunities and identifying areas of comparative advantage. It also helps management to avoid outsized risk exposures, relative to the Company's or peers' financial resources and to minimise the exposure to legal, regulatory and accounting risk.

Section D provides information on the valuation of assets and liabilities on the Company's Solvency II balance sheet and details of material differences from valuations in the financial statements. Key areas of valuation differences include technical provisions, deferred acquisitions costs and deferred tax. At 31 December 2024, the Company's excess of assets over liabilities was £345.0m on a Solvency II regulatory basis which is £153.8m lower than the equivalent value under UK GAAP of £498.7m, primarily due to the difference in the valuation of deferred acquisition costs, offset by differences in reinsurance recoverables.

Section E provides information on the composition and quality of the Company's own funds and material changes in own funds composition during the year, as well as its capital management policy. The Company maintains robust and sufficient capital to ensure the safety and stability of the Company whilst meeting regulatory and other business needs. In order for the Company's capital base to provide security against material shocks, the Company would normally expect to hold sufficient capital to maintain a significant economic surplus. Available capital comprises total equity, and eligible Tier 2 and Tier 3 capital under Solvency II. At 31 December 2024, the Company has Tier 1 and Tier 3 capital only.

Eligible Own Funds of £345.0m increased by £51.6m during the year. The movement in eligible own funds is largely driven by the increase in ordinary share capital due to the £224m of capital injections from UKLAP in 2024 to support solvency. This was partially offset by the termination and recapture of the intragroup reinsurance arrangements by AIRCO, basis changes, removal of the flexible letter of credit and lower deferred tax assets due to the partial closure of new business. All of these changes were driven by the integration and harmonisation of the APUK business into the wider Aviva Group.

The Solvency II surplus represents the excess of the Company's total eligible own funds over the Solvency Capital Requirement (SCR). The Solvency II coverage is calculated as the ratio of the Company's total eligible own funds to the SCR. Both metrics are defined by the regulations. During the year, the company ensured compliance with Solvency II requirements including maintaining capital resources above the SCR and the Minimum Capital Requirement (MCR). As at 31 December 2024, the Standard Formula SCR is £202.7m, covered by £345.0m of capital resources thus providing a 170% coverage ratio. The MCR was £91.2m. The Company has permission to use a Transitional Measure on Technical Provisions which currently has no impact on the Solvency II results.

The Company has been fully compliant with the requirements of Solvency II since its commencement and it remains so.

## **A. Business and Performance**

This section of the report sets out the details regarding the Company's business structure, key operations, market position and the financial performance for 2024.

Key elements of the section are:

- Business Information;
- Underwriting Performance;
- Investment Performance; and
- Performance from other activities.

## A. BUSINESS AND PERFORMANCE

### A.1. BUSINESS

The 'Business' sub-section of the report provides an overview of the Company, and its legal position within the Aviva Group, major lines of business and strategy and objectives.

#### A.1.1. COMPANY INFORMATION

APUK is incorporated in the United Kingdom and registered in England and Wales. The Company is a wholly owned subsidiary of Aviva Life & Pensions UK Limited ("UKLAP"). The Company's ultimate parent company is Aviva plc ("Aviva"), a public limited company incorporated under the laws of England and Wales.

APUK was established in 2008 as Fortis Life, an innovative provider of long-term life insurance, critical illness and income protection products sold through Independent Financial Advisers ("IFAs"), intermediaries and distribution partners. The Company was purchased by AIG Europe Holdings Limited ("AEHL", later AIG Holdings Europe Limited "AHEL"), part of American International Group ("AIG"), on 31 December 2014. On 26 October 2020, AIG announced plans to separate its Life & Retirement group from the rest of the company. On 1 May 2021, the Company moved from being owned by AHEL to being owned by SAFG within AIG's Life & Retirement group of companies. On 2 November 2021, AIG, Inc. sold 9.9% of SAFG Retirement Services, Inc. to Argon Holdings LLC, a wholly owned subsidiary of Blackstone Inc.

On 28 March 2022, it was announced that SAFG be renamed as Corebridge Financial, Inc ("Corebridge Financial"). On 19 September 2022, Corebridge Financial completed an initial public offering on the NYSE, reducing AIG's share of ownership to 77.7% as at 31 December 2022. In 2023, there were three subsequent secondary offerings in June, November and December, to further divest AIG's stake in the business.

In September 2023 it was announced that Aviva would acquire APUK, which was known at the time as AIG Life, from Corebridge Financial. The transaction was subsequently completed on 8 April 2024 and on completion of the deal, the ultimate parent company became Aviva.

Products are sold to residents of the UK, Channel Islands, the Isle of Man and Gibraltar. The Company is PRA authorised and regulated by the PRA and the FCA.

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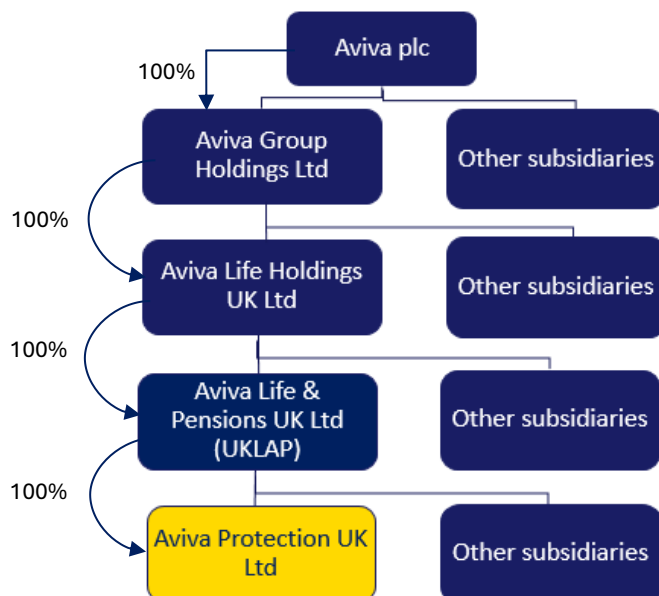
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#### A.1.2. POSITION WITHIN THE GROUP LEGAL STRUCTURE

As stated above, APUK is a wholly-owned subsidiary of UKLAP which holds 100% of the Company's share capital. Its ultimate parent company Aviva is a public limited company incorporated under the laws of

England and Wales. The following chart shows, in simplified form, the structure of the Company and its ultimate parent as at 31 December 2024. All subsidiaries specifically listed below are incorporated in England and Wales.



### A.1.3. MATERIAL PARTICIPATING UNDERTAKINGS

The Company has undertakings in Group Risk Services Limited, including its wholly-owned subsidiary, Group Risk Technologies Limited, which is inactive and in the process of liquidation as at 31 December 2024. Apart from this, there are no other subsidiaries or material undertakings.

### A.1.4. MATERIAL LINES OF BUSINESS BY OPERATING SEGMENT AND SOLVENCY II

From an operating company perspective, APUK forms part of the Insurance, Wealth and Retirement (“IWR”) business unit within Aviva.

APUK’s products fall under two of the Solvency II Lines of Business (LOB), which are Life (83%) and Health (17%), measured by gross premium income in 2024. APUK’s term assurance and whole of life products are categorised under Life, with critical illness and income protection categorised under Health.

### A.1.5. MATERIAL GEOGRAPHICAL LOCATIONS

APUK operates within the United Kingdom, Channel Islands, Isle of Man and Gibraltar. The majority of APUK business is conducted within the United Kingdom and represents more than 95% of the total gross written premiums.

### A.1.6. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

#### A.1.6.1. ACQUISITION BY AVIVA

On 25 September 2023, it was announced that Aviva would acquire APUK (previously known as AIG Life) from Corebridge Financial. The transaction was subsequently completed on 8 April 2024 for a total consideration of £453m. The announcement noted that the combined individual and group protection businesses would benefit from APUK’s small medium enterprise and high net worth propositions.



On completion of the deal, APUK became a subsidiary of UKLAP. In June 2024, APUK and Aviva announced the outcome of the review of the combined protection business new business strategy which resulted in the closure of a number of APUK's core propositions to new business in August 2024.

### **A.1.7. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

As a result of the acquisition, AIG Life was renamed to Aviva Protection UK Limited on 17 February 2025. The Company issued communications over November 2024 to February 2025 to its customers and the financial advisers of its customers to notify of this rebrand.

Separately, APUK has a loan facility with Aviva IWR which allows for borrowing up to £150m. On 6 February 2025, the loan facility was extended for another 12 months.

## **A.2. UNDERWRITING PERFORMANCE**

The 'Underwriting Performance' subsection of the report aims to provide quantitative and qualitative information of the Company's underwriting performance for the financial year 2024, and has been prepared on a UK GAAP basis which is the basis on which the company prepares its financial statements in the UK.

### **A.2.1. UNDERWRITING PERFORMANCE BY MATERIAL LINES OF BUSINESS**

The following table summarises the total premiums, claims and expenses for APUK during 2024 split by Solvency II Line of Business.

APUK uses reinsurance to limit its exposure to underwriting risk and to reduce the volatility of its claims and underwriting performance. This is typical within the UK Life insurance market.

Currently APUK has arrangements with over 40 different reinsurers in the UK market. These arrangements are monitored on an ongoing basis with a full review and retender process at regular intervals.

£'000	By Line of Business		Total
	Life	Health SLT	
<b>Premiums written</b>			
<i>Gross</i>	666,045	134,218	800,263
<i>Reinsurers' share</i>	297,856	60,022	357,879
<i>Net</i>	368,189	74,195	442,384
<b>Premiums earned</b>			
<i>Gross</i>	666,045	134,218	800,263
<i>Reinsurers' share</i>	297,856	60,022	357,879
<i>Net</i>	368,189	74,195	442,384
<b>Claims incurred</b>			
<i>Gross</i>	390,011	78,593	468,604
<i>Reinsurers' share</i>	171,174	34,494	205,668
<i>Net</i>	218,837	44,099	262,936
<b>Expenses Incurred</b>	265,127	53,427	318,554

Net claims and expenses exceeded net premiums by £139.1m. Once changes in Deferred Acquisition Costs, change in reserves, coinsurance commission and investment income are included there is a UK GAAP pre-tax loss of £110.0m for 2024 as shown below. This is largely driven by significant integration and restructuring cost of £39.8m, including the net loss on termination of the intragroup reinsurance arrangements by AIRCO, Goodwill and intangible write-offs of £28.3m and realised losses on the sale of financial investments of £41.2m. Underlying this, the Company made an operating profit of £8.3m which is driven by a healthy growth of the inforce book over the course of 2024.

Period ended 31/12/2024	£'000
Gross Premiums	800,263
Reinsurers' share of premiums	(357,879)
Gross Claims	(475,770)
Reinsurers' share of claims	258,305
Coinsurance Cashflows	36,124
Commission Expenses	(187,031)
Administrative Expenses	(93,439)
Change in Deferred Acquisition Cost	16,151
Income from Direct Holdings Investments	10,873
Interest earned from Cash & Time Deposits	721
<b>Operating Profit</b>	<b>8,318</b>
Interest expense	(4,891)
Goodwill and Intangible Assets Amortisation and Write Off	(22,497)
Software Write Off	(9,878)
Integration & restructuring	(39,788)
Realised gains/losses	(41,226)
<b>Pre-tax UK GAAP Profit</b>	<b>(109,962)</b>

The below table shows the underwriting performance from 2023. The increase in net claims since 2023 is largely driven by the termination and recapture of the intragroup reinsurance arrangements by AIRCO in 2024. There is also a steady increase in net premiums which reflects the continued growth of the business.

£'000	2023		
	By Line of Business		Total
	Life	Health SLT	
<b>Premiums written</b>			
<i>Gross</i>	602,061	127,800	729,862
<i>Reinsurers' share</i>	284,985	60,494	345,480
<i>Net</i>	317,076	67,306	384,382
<b>Premiums earned</b>			
<i>Gross</i>	602,061	127,800	729,862
<i>Reinsurers' share</i>	284,985	60,494	345,480
<i>Net</i>	317,076	67,306	384,382
<b>Claims incurred</b>			
<i>Gross</i>	387,614	82,279	469,893
<i>Reinsurers' share</i>	205,472	43,616	249,088
<i>Net</i>	182,142	38,663	220,805
<b>Expenses Incurred</b>	235,822	50,058	285,881

### A.3. INVESTMENT PERFORMANCE

The 'Investment Performance' subsection of the report provides qualitative and quantitative information of the Company's investment performance for the financial year 2024.

#### A.3.1. NET INVESTMENT INCOME

Net investment income for APUK principally arises from high quality fixed income assets including government bonds.

Net investment return includes investment income, realised gains and losses and unrealised gains and losses on financial assets held at fair value through profit. This amount is net of interest payable,

investment expenses and impairment losses on financial assets. Interest income is recognised as accrued.

#### Net investment income

	2024	2023
Interest income from debt securities, £k	6,601	4,931
Realised and Unrealised Gains/Losses, £k	(37,397)	4,577
<b>Net Investment Return, £k</b>	<b>(30,796)</b>	<b>9,508</b>

Net investment returns were lower in 2024 than 2023 due to higher realised and unrealised losses resulting from the increase in yields over 2024.

### **A.3.2. INVESTMENT ACTIVITIES BY ASSET CLASS AND CHANGES DURING THE REPORTING PERIOD**

Over the course of 2024, the Company shifted its assets away from corporate bonds and invested in conventional and index-linked gilts.

#### **A.3.2.1. INCOME AND EXPENSES ARISING FROM INVESTMENTS BY ASSET CLASS**

The assets invested by the Company fall into the following asset classes:

##### **1. Direct Bond Holdings** £298,419k

The Company holds UK government bonds only. Over 2024, £6,601k of income was earned and £37,397k of realised and unrealised losses were incurred, most of which resulting from the increase in yields.

##### **2. Cash and cash equivalents: Bank deposits** £35,747k

£721k in interest was earned in respect of these assets in the year ending 31 December 2024.

##### **3. Participations** £1,300k

The Company holds 100% of the ordinary share capital of Group Risk Services which is valued at £1.3m.

### **A.4. PERFORMANCE FROM OTHER ACTIVITIES**

The 'Performance from other activities' subsection of the report aims to provide an overview of the qualitative and quantitative information regarding income from other activities, other expenses and lease arrangements. For APUK, there were no other material income or expenses.

### **A.5. ANY OTHER MATERIAL INFORMATION**

As at 31 December 2024, there is no other material information regarding Business and Performance of the company.

## **B. System of Governance**

The 'System of Governance' section of the report sets out details regarding the administration and management of the Company. The section also outlines the process of risk management and the fit and proper and outsourcing arrangements put in place.

Key elements of the sections are:

- Overview of the System of Governance;
- Fit and Proper;
- Risk Management System;
- Own Risk and Solvency Assessment;
- Outsourcing arrangements.

## **B. SYSTEMS OF GOVERNANCE**

### **B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE**

The 'Overview of the System of Governance' subsection of the report aims to provide details of the Company's management structure along with roles and responsibilities and key functions of various committees and working groups.

#### **B.1.1. MANAGEMENT AND GOVERNANCE STRUCTURE**

APUK adopts a robust approach to corporate governance; the governance framework is based upon the standards set out within the APUK Management Responsibilities Map. In addition, APUK, as a minimum, adopts corporate governance principles contained in the FCA Handbook and PRA Rulebooks.

The objective of the Management Responsibilities Map is to clarify and formalise governance responsibilities within APUK by establishing a clear and comprehensive governance framework with appropriate procedures, systems and controls. The document sets out the governance arrangements and standards that exist to ensure that APUK is being managed in accordance with the relevant legislative and regulatory requirements and is reviewed on a quarterly basis.

Included in the governance framework is the APUK Enterprise Risk Management ("ERM") framework which supports the Company's risk culture, and sets out the risk committees, risk reporting and risk controls. The ERM governance structure provides an oversight and decision-making framework within which material risks are regularly identified, assessed, monitored and managed together with utilising the outputs from the Solvency II Capital models where appropriate.

The APUK governance structure includes the following three levels:

1. The Board;
2. Executive Committees; and
3. Management Forums.

It is designed to support the Company in embedding a strong risk culture through the integration of risk management with regulatory requirements and business activities such as strategy and planning. Each of the committees has a distinct role to play within the Company's governance framework.

##### **B.1.1.1. BOARD OF DIRECTORS**

The role of the APUK Board is to exercise effective control and oversight over the business, setting the tone from the top, to ensure the direction and performance of the business is aligned to the strategic objectives of the Company and its shareholders, and is managed in accordance with legislative and regulatory requirements.

The responsibilities of the APUK Board are contained within its Terms of Reference, including: guarding the interests of stakeholders; setting and maintaining a culture that has customers at the heart of how APUK business is conducted; formulating the strategy; approving business plans, policies and investment and divestment proposals; setting risk appetite; and reviewing business performance.

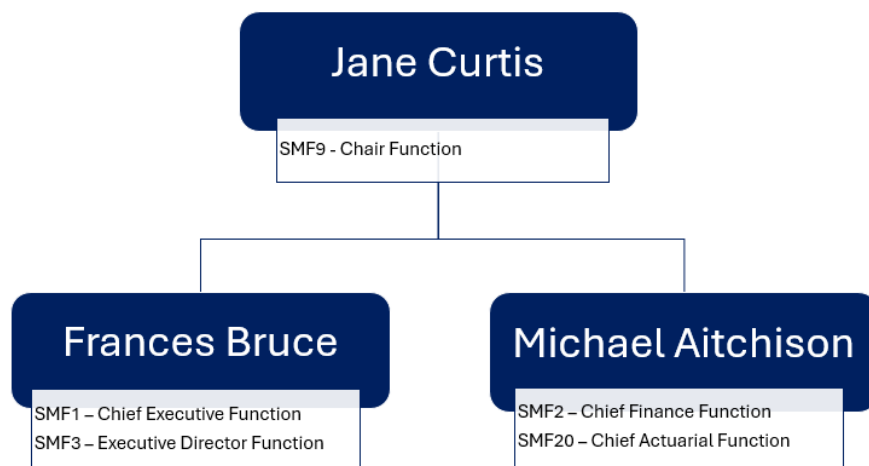
The APUK Board:

- Is regarded by all stakeholders as the champion of the Company's integrity, accountability, responsibility, ethics and behavioural values;
- Will meet regularly to exercise and discharge its obligations;
- Is responsible for controlling and directing the Company in line with the expectations and requirements of its parent company and shareholder (Aviva);

- Is responsible for ensuring the business is compliant with all applicable legislative and regulatory requirements, including but not limited to, the PRA Fundamental Rules and the FCA Principles for Businesses;
- Has the authority and the duty to use adequate, necessary and proportionate means in order to fulfil its responsibilities. The APUK Board as a whole is collectively accountable to the Company for adequately exercising its authority, powers and duties. The Company is duly represented by any Director or the Company Secretary for all matters within the limits set by the Board. The Board may sub-delegate authority where appropriate;
- Is responsible for establishing the desired culture, and setting the policies and standards within which the Company will operate, and directors are expected to demonstrate and to promote they remain appropriate; and
- Retains sufficient powers to enable the Directors to carry out their duties effectively and appropriately and to ensure the Company is not exposed to undue risk of regulatory censure. In deciding which powers to retain, the APUK Board has given due consideration to industry best practice and relevant legislation, and has chosen to retain control over items with significant impact upon the Company.

Any major changes to the Company’s business activities must receive Board approval prior to implementation.

The diagram below shows the APUK Board members as at 31 December 2024:



There were a number of changes to the Board throughout 2024, mainly due to the acquisition of APUK;

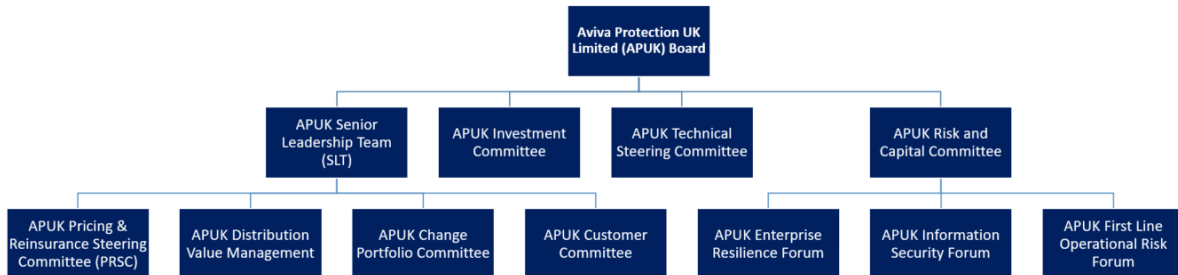
- Tim Heslin, Board Director and Group Entity Senior Manager, was appointed to the Board effective from 27 March 2024. Due to acquisition of APUK by Aviva, he resigned from the Board 8 April 2024.
- Karen Penney stood down from the APUK Board 30 September 2024 following the acquisition of APUK by Aviva.
- Donald MacLean stood down from the APUK Board on 18 October 2024 following the acquisition of APUK by Aviva.
- Philip Willcock stood down from the APUK Board on 18 October 2024 following the acquisition of APUK by Aviva.
- Martin Pike stood down from the APUK Board on 24 November 2024 following the acquisition of APUK by Aviva.
- Jane Curtis was appointed as a Non-Executive Director on 5 May 2024, and subsequently approved as Chairperson on 25 November 2024.
- Frances Bruce was appointed as an Executive Director on 5 July 2024, and subsequently appointed as Chief Executive Officer effective 1 October 2024.

- Michael Aitchison was appointed as Chief Financial Officer and Executive Director on 3 October 2024.

### B.1.1.2. BOARD COMMITTEES

There are a number of key governance committees within APUK. The structure is shown in the diagram below.

#### Structure of Boards and Committees within APUK



### B.1.1.3. THE “THREE LINES OF DEFENCE” MODEL

The Company’s Enterprise Risk Management Framework is based on the “Three Lines of Defence” model. This structure allows for each function and individual to have a clear understanding of their risk management responsibilities and aids embedding an effective risk culture across the Company.

Three Lines of Defence	
<b>First Line of Defence</b>	Senior management (executive / business / operational), along with all staff in the organisation are responsible for implementing and maintaining the controls necessary for achievement of the Company’s strategic and business objectives, the ownership and management of its inherent risks, its compliance with corporate standards and its legal and regulatory obligations.
<b>Second Line of Defence</b>	The oversight functions (ERM and Compliance) are responsible for defining the APUK risk framework and for monitoring the effectiveness of risk controls and for reporting their weaknesses or failures to the Board. In this context, these functions are the “Second Line of Defence” against failure. Both functions also partner with the business in providing advice, guidance and challenge in managing their risks.
<b>Third Line of Defence</b>	The Internal Audit function delivers the “Third Line of Defence” by providing independent assurance to the Board regarding the effectiveness of the First and Second Lines of Defence.

### B.1.1.4. KEY FUNCTIONS, ROLES AND RESPONSIBILITIES

Persons who effectively run the Company or have other key functions are required to meet the fit and proper requirements. The system of governance includes the risk management function, compliance function, actuarial function and internal audit function. Solvency II sets out specific responsibilities for each of these key functions. The responsibilities and reporting lines for each of these functions are set out in turn below:

## **Actuarial Function**

The Actuarial Function is led by the Chief Actuary. The Chief Actuary works closely with the Company's Chief Risk Officer (CRO). Under Solvency II, the Actuarial Function's responsibilities include the following tasks:

- Coordinating the calculation of technical provisions;
- Ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- Assessing the sufficiency and quality of the data used in the calculation of technical provisions;
- Comparing best estimates against experience.

The Actuarial Function is ultimately responsible for informing the Board of the reliability and adequacy of the calculation of technical provisions, the underwriting (pricing) policy of the company and the reinsurance policy of the company, which it does through regular reporting to the Board.

## **Risk Function**

APUK's ERM function oversees the delivery of the Risk Management Framework. The function is led by the CRO delivering entity-wide risk management. The CRO reports to the CRO of Aviva IWR, is a member of the APUK Senior Leadership Team and has a functional reporting line to the APUK CEO.

The ERM function supports the identification, measurement, management, monitoring and reporting of its major risk groupings, which include but are not limited to:

- Insurance Risk (including underwriting, reserving risk and catastrophe risk);
- Market Risk;
- Liquidity Risk;
- Credit Risk (including risks associated with utilisation of reinsurance and intermediary default risk);
- Operational Risk; and
- Business and Strategic Risk.

The ERM function implements the Company's Risk Management Framework through a suite of risk policies and processes. The results and findings from these processes are reviewed, challenged and escalated through the Company's governance framework. The risk function supports the business in the identification, assessment, management, and monitoring of risks across the risk taxonomy and provides reporting to the Risk and Capital Committee (RCC) and Board.

## **Compliance Function**

The Compliance function provides compliance support to the Company, including a framework for compliance risks to be identified, measured, managed, monitored and reported. The Compliance function works closely with the business to ensure that good customer outcomes and the right market behaviours are demonstrated. The Compliance function is led by the Chief Compliance Officer who is a member of the Senior Leadership Team, reporting to the Chief Compliance Officer of Aviva IWR, and is supported by a team of compliance personnel providing compliance expertise in areas including conduct risk regulation, governance and monitoring and testing. Areas that are supported by the work of the Compliance team include:

- Advice and guidance to the business: balancing regulatory requirements and best practice with business priorities and strategy;



- **Monitoring & Testing:** ensuring that the business meets the requirements of Company-wide policies and procedures with a focus on good outcomes for its customers, assisting the business to close any identified gaps. Furthermore, to provide independent assurance to the business that first line systems and controls across the intermediary distribution channel are operating effectively and in line with the FCA's requirements;
- **Financial promotion and literature sign-off:** maintaining ultimate responsibility for the financial promotions process, ensuring that all financial promotions and other marketing or communication materials meet the applicable rules laid down by the Regulator, and are clear, fair and not misleading (and ultimately are in a format that aids customer understanding);
- **Regulatory developments:** Ensuring that proposed and finalised applicable rules and policies published by regulatory bodies are examined, risk-assessed and distributed to the business;
- **Anti-Money Laundering / Fraud / Financial Crime:** responsibility for ensuring adherence to the Fraud, AML and Financial Crime policies across the business and identifying sanctioned individuals / entities together with Politically Exposed Persons (taking action as appropriate);
- **Regulatory Reporting:** ensuring regular reporting requirements to the FCA are adhered to in a timely manner.

### **Internal Audit Function**

The Internal Audit function, is a third line of defence Group function which is responsible for establishing, implementing and maintaining an effective and efficient audit programme, taking into account the Company's activities, system of governance and risk management processes. The Internal Audit function is led by the Head of Internal Audit. The Head of Internal Audit, encompassed within the Aviva IWR Internal Audit function, reports on the audit programme, its status, and the condition of the control environment directly to the Board.

#### **B.1.2. MATERIAL CHANGES IN THE SYSTEM OF GOVERNANCE DURING THE PERIOD**

There were a number of changes to the Board throughout 2024, mainly due to the acquisition of APUK by Aviva;

- Tim Heslin, Board Director and Group Entity Senior Manager, was appointed to the Board effective from 27 March 2024. Due to acquisition of APUK by Aviva, he resigned from the Board 8 April 2024.
- Karen Penney stood down from the APUK Board 30 September 2024 following the acquisition of APUK by Aviva.
- Donald MacLean stood down from the APUK Board on 18 October 2024 following the acquisition of APUK by Aviva.
- Philip Willcock stood down from the APUK Board on 18 October 2024 following the acquisition of APUK by Aviva.
- Martin Pike stood down from the APUK Board on 24 November 2024 following the acquisition of APUK by Aviva.
- Jane Curtis was appointed as a Non-Executive Director on 5 May 2024, and subsequently approved as Chairperson on 25 November 2024.
- Frances Bruce was appointed as an Executive Director on 5 July 2024, and subsequently appointed as Chief Executive Officer effective 1 October 2024.
- Michael Aitchison was appointed as Chief Financial Officer and Executive Director on 3 October 2024.

As part of the integration with Aviva, a number of existing governance policies have been retired and the Aviva equivalents adopted; gap analyses of policies have been performed and they have not identified any weakening of the system of governance as a result of this change.

To integrate into Aviva's risk governance, APUK has reviewed its risk governance structure and amended its committee structure accordingly to align with Aviva's principles for subsidiaries of the equivalent size and risk profile. The main change was the removal of the Board Committees – Board Audit and Risk Committee and Remuneration Committee – from the committee structure; the Board remains and assumes the relevant responsibilities of these committees, as appropriate. Other management committees have been streamlined with reporting to the appropriate Aviva management committees. Gap analyses against Terms of Reference and SMF responsibilities were undertaken as part of these changes.

### **B.1.3. REMUNERATION POLICY**

Following the acquisition, and subsequent Transfer of Undertakings (Protection of Employment) regulations (TUPE) in October 2024, all APUK staff are employed by Aviva Employment Services Limited, a subsidiary of Aviva plc. All Aviva staff acting on behalf of the Company are subject to the Group's reward principles and arrangements which are designed to incentivise and reward employees for achieving business goals in a manner that is consistent with the Group's strategy, business plans, values and behaviours, sound and effective risk management and good governance.

Aviva's Remuneration Policy aligns Group and Solo entity strategy and Executive Directors remuneration. The full and definitive Remuneration Policy is set out in Aviva's 2023 Annual Report and Accounts, which can be found on the website at <https://www.aviva.com/investors/reports/>.

As at 31 December 2024, there are no employees of the Company. The Executive Directors are remunerated for their roles as employees of the Aviva Group but are not remunerated directly for their services as directors of APUK. Where directors had multiple directorships and their services as a director for the Company were not incidental to their roles across the Aviva Group, it is not possible to accurately apportion their emoluments to individual companies. The emoluments of these directors reported in the Directors' Report and Financial Statements are in respect of qualifying services performed for the Group, which may also be disclosed within the financial statements of other Group companies. The fees for Directors were paid for and borne by the Company up to the earliest of the date of their resignation or 30 September 2024. From 1 October 2024 directors were remunerated by AESL, a fellow subsidiary of the Group.

### **B.1.4. MATERIAL TRANSACTIONS DURING THE PERIOD**

At 31 December 2024 the authorised share capital comprised 540,885,000 ordinary shares of £1 each, all fully paid up. This resulted from the following share issuance in 2024:

- 130,000,000 ordinary shares issued in April 2024
- 20,000,000 ordinary shares issued in September 2024
- 74,000,000 ordinary shares issued in December 2024

## **B.2. FIT AND PROPER**

The 'Fit and Proper' subsection of the report aims to provide a description of the Company's processes for assessing the fitness and propriety for persons who effectively run the Company or have other key functions.

### **B.2.1. 'FIT AND PROPER' ASSESSMENT**

Persons who effectively run the Company or have other key functions are required to meet the fit and proper requirements. The Senior Managers and Certification Regime (SM&CR) is operated by the FCA and aims to reduce harm to consumers and strengthen market integrity by making individuals more accountable for their conduct and competence. For all appointments of SM and CR positions, a training needs analysis is completed and skills, knowledge and expertise for the role is assessed. An appropriate

training plan is put in place and monitored by the Co Sec or HR depending if the person is a SM or CR. The Company has established fit and proper policies and processes which comply with the SM&CR. The current process comprises of two stages:

#### **B.2.1.1. PRE-APPOINTMENT**

- **References:** The Company takes reasonable steps to obtain appropriate references from the person's previous employer(s) In the case of Senior Managers and Certification Staff, the reference must cover six years.
- **DBS checks:** Following receipt of the person's consent the Company obtains a Disclosure and Barring Service check.
- **Identity validation (Right to Work) checks**
- **Global Sanction Screening checks:** These checks are against lists produced by both HMRC and OFAC (Office of Foreign Assets Control)
- **Credit checks:** As an additional means to the person's financial soundness, the Company carries out a credit records check through a recognised agency.
- **Other due diligence from publicly available sources:** This includes such other due diligence as may be appropriate in order to form an assessment of the person's fitness and propriety, including from publicly available sources such as the Financial Services Register and Companies House (in relation to testing the accuracy of declarations around directorships) as well as an adverse media check.
- **Qualifications:** Request and review evidence of relevant qualifications and education as appropriate.
- **Application:** Require a formal application with CV (containing the candidate's full employment history accounting for any gaps, and the reasons for leaving each employer) and ensure that the person is interviewed at an appropriate level in order to assess his or her competence, knowledge, experience and training (including the person's training needs and requirements), taking into account the duties that will be expected of that person as set out in the role profile for the position.
- **Certified Reference Template:** This applies to director and senior manager roles only and is specified in the FCA Principles for Businesses.

#### **B.2.1.2. ONGOING POST-APPOINTMENT**

The Company gathers the information it has collected as part of the recruitment process on the person's skills gaps and where appropriate develops a learning and development plan and induction programme.

The assessment for the pre-appointment stage is carried out by the Human Resources department and the person's proposed manager in the Company. Where the appointment is to a Board, the proposed appointee is also interviewed by one or more independent Non-Executive Directors. In this case, the assessment will take account of the qualifications, knowledge and experience already existing within these bodies in order to ensure an appropriate diversity of these attributes among management. The ongoing assessments of suitability are carried out through the annual review and appraisal process. Senior Managers and Certification Staff undergo annual screening which includes Credit Checks, DBS check, Directorships search and Global Sanctions Screening. In addition, Certification Staff will be annually assessed as Fit and Proper by the Company and issued with a certificate to that effect. Fit and Proper checks take account of personal conduct, objectives, screening checks, qualifications and other learning.

#### **B.2.1.3. TRAINING OF THE BOARD MEMBERS**

The Chair is responsible for taking the lead in addressing the development needs of the Board as a whole with a view to enhancing its overall effectiveness as a team, and in identifying and meeting the development needs of individual directors. The directors undergo regular development and training

programmes, including briefings on legislative and regulatory changes and on corporate governance issues. Under the direction of the Chair, the Company Secretary facilitates induction training and assisting with professional development as required. In addition individual Board members may identify further training needs.

### **B.3. RISK MANAGEMENT SYSTEM**

#### **B.3.1. RISK MANAGEMENT OVERVIEW, STRATEGY AND OBJECTIVES**

The Company believes that a strong, effective and embedded Risk Management Framework is important for maintaining business operations and delivery within its risk appetite. The Company achieves this through a risk culture articulated by senior leadership and embodied by management at all levels through the Company's governance structure and risk management processes.

APUK operates a Risk Management Framework. The framework outlines the risk management elements and associated risk management processes, including:

- Regular risk identification, assessment, management and monitoring;
- Risk Policies;
- Capital and liquidity management, including model governance and stress testing;
- Strategy and Business planning which includes the forward looking assessments of risk and solvency capital requirements, stress and scenario testing and reverse stress testing with the production of the Own Risk Solvency Assessment Report;
- Data management, IT and Information security; and
- Monitoring of the control environment.

The APUK Risk Management Framework is underpinned by the APUK risk policy framework, which is aligned to those of its Parent company. APUK utilises the "Three Lines of Defence" model for risk management, as described in Section B.1.1 "Management and Governance Structure" above. Overseeing the Company's Risk Management Framework is a risk governance structure that encompasses its principal business operations and risk areas and defines a framework of risk committees, risk reporting and risk controls embedded throughout the Company.

The Company's approach to risk-taking is quantified through its Board approved risk appetite statement, which aligns the Company's strategic business goals against the risks it faces, ensuring that these risks are maintained at levels consistent with the Company's financial resources. This, in tandem with continuous management and monitoring of the Company's capital position, ensures that the Company continues to manage its business in an environment of controlled, proportionate risk-taking to generate sustainable earnings and deliver long-term value for its stakeholders.

The APUK Board has ultimate responsibility for development and oversight of the Risk Management Framework; the Board delegates the management of risks within its risk appetite and the risk governance framework to the APUK Risk and Capital Committee. The latter escalates matters of importance to the Board as needed.

#### **B.3.2. RISK CULTURE**

APUK has an ongoing commitment towards maintaining an effective risk culture as it is critical to its success in maintaining and developing an effective risk management system. The elements that underpin the risk culture are:

##### **Visible Leadership**

Senior management takes an active role in promoting the Risk Management Framework. APUK defines a framework of committees, reporting, and controls. The principal committees of the APUK Board and management are designed to support APUK's efforts in embedding a strong risk culture through the integration of risk management with business activities.

### **Communication**

Internal communication to all levels of management and colleagues to describe (to an appropriate level of detail) the risk framework (strategy, governance), risk policies / procedures and the company risk profile. APUK's risk governance framework aims to provide information on the impact of risk management operations and the current risk profile of APUK. Without effective and timely communication of APUK's risk profile, key stakeholders within the business will not be able to make appropriately informed decisions to manage APUK as a risk-aware business.

### **Involvement**

All levels of management and colleagues contribute to the processes of identifying, assessing, managing, monitoring and reporting risks. All colleagues have a responsibility to raise risk concerns and manage risk via a 'raise your hand' risk culture. APUK utilises the "Three Lines of Defence" model as mentioned in Section B.1.1.3 for risk management.

### **Governance**

APUK believes that an effective risk culture must achieve an effective blend of both constraints and incentives. This structure allows for each function and individual to have a clear understanding of their risk management responsibilities and aids embedding an effective risk culture across the Company. The current risk governance structure provides an oversight and decision-making framework within which material risks are continually identified, assessed, monitored and managed at a company level.

The governance structure has three distinct levels of committees: Board committees; Executive committees; and Management forums. It is designed to support APUK's efforts in embedding a strong risk culture through the integration of risk management with regulatory requirements and business activities such as strategy and planning. Each of these committees and forums has a distinct role to play within APUK's risk governance framework.

### **B.3.3. APUK ENTERPRISE RISK POLICY FRAMEWORK**

As mentioned above, supporting these governance arrangements is Policy Framework that incorporates key principles and standards. APUK has a suite of risk policies that align with Aviva's policy requirements as well as addressing local regulatory and business requirements. The policies in place set out the principles and approach, supported by guidance documents and any other supporting materials as considered helpful to ensure consistent interpretation and application.

### **Model and Risk Methodology Framework**

Models are used to determine the Company's financial position through monitoring of various metrics, including Solvency II capital, as well as other internal information. The methodologies used to determine these items, and the models used to do so, are documented to ensure consistent application. APUK models are managed under the APUK model governance framework; changes to models are reviewed and approved by the Technical Steering Committee.

### **Risk Reporting**

The Company monitors risks through a combination of reports. This includes the Own Risk and Solvency Assessment and ERM reports and reviews. Risk Management present a quarterly report to the Board based on ERM's oversight of the Company's risk framework, risk profile and exposures.

### **B.3.4. RISK MANAGEMENT WITHIN APUK**

The Risk Management function sits as an independent second line function alongside Compliance. The CRO is a standing attendee of the Board and a member of the Senior Leadership Team. ERM is either a member or attendee at most Company governance meetings. As such, the Company's strategy and day-to-day activities are subject to risk oversight and challenge. On a quarterly basis, Risk Management prepares and presents a report to the Board highlighting any risks to the Company's strategy and operations.

### **B.3.5. OWN RISK AND SOLVENCY ASSESSMENT**

The Own Risk and Solvency Assessment (ORSA) is a set of processes undertaken throughout the year to define, assess, and manage the risk and solvency position of the Company's strategy and business plans. The ORSA process draws together the results and analyses delivered through each of the risk processes. It also provides a current and forward-looking assessment of the Company's risk profile, and assesses the level of solvency capital required over the period of the plan. The risk management processes that feed into the ORSA process include:

- Regular data quality and model assessments;
- The strategic and business planning cycle;
- Emerging risks assessment;
- Identification and assessment of key risks associated with the strategy;
- Capital management assessment and planning;
- Stress and scenario testing, and reverse stress testing, of the business model; and
- Review of the Risk Management Framework.

The ORSA report is co-ordinated and produced by Risk Management on behalf of the Board, with inputs from the Business. The Board provides inputs at various stages throughout the process including agreeing the strategy and business plan.

### **B.3.6. ORSA GOVERNANCE**

The ORSA process forms an element of the APUK Risk Management Plan, which sets out the areas where the Company is expected to use capital management information as part of their decision-making and risk management processes. This plan is reviewed and approved annually by the APUK Board. There is also an APUK ORSA Policy, which is owned by the CRO and approved by the Board.

The annual ORSA report is ordinarily produced in the last quarter of the year to align with strategic and business planning. The RCC reviews the report prior to its submission to the Board for their review and approval. The ORSA is submitted to the PRA within two weeks of approval by the Board. An interim ORSA or ORSA update would be prepared in the event of any material changes in the business or to the company's risk profile that could affect the solvency capital requirement over the remaining period of the plan and prior to the next full assessment falling due. The Board review and approve any Interim ORSA prior to submission to the PRA.

## **B.4. INTERNAL CONTROL SYSTEM**

### **B.4.1. DESCRIPTION OF THE INTERNAL CONTROL SYSTEM**

The Management of the Company is responsible for establishing and maintaining adequate internal controls over Solvency II reporting. The Company's internal controls over Solvency II is a process, under the supervision of the Board, designed to provide reasonable assurance that the Standard Formula Solvency Capital Requirement (SCR) calculation is complete, accurate and underpinned by an appropriate level of data governance.

The Company's internal control over Solvency II reporting includes procedures that:

- Pertain to data inputs being complete, accurate and of appropriate quality to use in the SCR;

- Provide reasonable assurance that the Solvency II reporting tools are producing expected results; and
- Provide reasonable assurance regarding prevention or timely detection of errors and omissions that could have a material effect on the Solvency II reporting.

The internal control framework is embedded within the overall enterprise Risk Management Framework and consists of continuous processes executed by Board members, Management, and colleagues to provide reasonable assurance of:

- The effectiveness and efficiency of the operations;
- Reliability of financial and non-financial information;
- An adequate control of risks; and
- Compliance with regulation, legislation and the internal policies and procedures of the business.

In relation to information security management, APUK has been ISO27001 certified since 2012.

## **B.5. INTERNAL AUDIT FUNCTION**

The Board, senior management, Internal Audit, second line functions other than Risk Management, business managers and all colleagues have a shared commitment to maintain and enhance the integrity of the Company's control environment. Within the context of the control framework, Internal Audit is an independent risk assessment and assurance function established within the organisation to evaluate, test, and report on the adequacy and effectiveness of management's systems of internal control, providing a third line of defence.

The purpose of these evaluations and tests is to:

- Assist the Board in executing their oversight responsibilities and,
- Provide an independent assessment of the Company's system of internal control, through reviewing how effectively key risks are being managed, and assists management in the effective discharge of its responsibilities by carrying out independent appraisals and making recommendations for improvement.

The Internal Audit function is responsible for establishing, implementing and maintaining an effective and efficient audit programme, taking into account the Company's activities, system of governance and risk management processes. The Internal Audit function is led by the Head of Internal Audit, encompassed within Aviva IWR.

The Head of Internal Audit is responsible for developing and maintaining an efficient and effective programme of internal auditing through:

- Delivering a comprehensive, dynamic and risk-based audit programme, which takes account of APUK's position in the wider Aviva Group, where appropriate;
- Evaluating the control framework with respect to the reliability, integrity and timeliness of financial information and statements and key non-financial data;
- Evaluating the processes and controls established to ensure compliance with corporate ethical standards, policies, plans, procedures and with applicable laws and regulations;
- Evaluating change activities such as significant projects and large scale business initiatives during the life or term of those projects and initiatives for the purpose of identifying possible unmitigated risks and highlighting other project management issues;

- Monitoring and evaluating the effectiveness of the Company’s risk management processes;
- Reporting periodically on Internal Audit Group’s purpose, authority, responsibility and performance relative to its plan and organisational objectives;
- Coordinating with risk management and other control functions to facilitate the implementation of an effective and efficient system of internal control;
- Supporting the assurance needs of the Board by developing tailored planning, reporting and advice to meet local corporate governance and regulatory requirements; and
- Managing the regulators requirements and taking on the approved person’s role in respect of the Company.

### **B.5.1. INDEPENDENCE**

The Head of Internal Audit reports on the audit programme, its status, and the condition of the control environment directly to the Board. This reporting relationship which includes audit plans and staffing considerations is designed to ensure the ongoing independence of the internal audit function in order to provide for the objectivity of its findings, recommendations and opinions.

The Head of Internal Audit is authorised by the Board to have full and complete access to any of the organisation’s records, properties and personnel. The Head of Internal Audit is also authorized to designate members of the audit staff to have such full and complete access in the discharging of their responsibilities.

Consistent with generally accepted professional internal auditing standards relating to independence, objectivity and authority, internal auditors are not to engage in developing or installing procedures or preparing records, or in any other activity which would normally be the subject of audits. Internal auditors are not to have direct responsibility or any authority over any of the activities or operations that they review. Internal auditors will assist management in maintaining adequate and effective systems of controls through objective appraisals, recommendations and control consultations.

### **B.6. ACTUARIAL FUNCTION**

The Actuarial Function is led by the Chief Actuary. The Chief Actuary works closely with the Company’s CRO.

Under Solvency II, the Actuarial Function’s responsibilities include the following tasks:

- Coordinating the calculation of technical provisions;
- Ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- Assessing the sufficiency and quality of the data used in the calculation of technical provisions;
- Comparing best estimates against experience.

The Actuarial Function should also inform the Board of the reliability and adequacy of the calculation of technical provisions.

Technical provisions are calculated as part of quarterly Solvency II reporting.

In respect of the reliability and adequacy of the calculation of technical provisions, the Actuarial Function forms an opinion on whether the technical provisions are (in all material respects):

- Compliant with the requirements of the rules relating to technical provisions (PRA Rulebook Technical Provisions Part for UK firms) and the methodologies to calculate technical provisions (PRA Rulebook Technical Provisions – Further Requirements Part for UK firms);



- Sufficient on the best estimate assumptions to meet the liabilities;
- Reliably calculated in accordance with the methodology and assumptions.

In forming this opinion, consideration is given to the:

- Governance and control environment around the models;
- Appropriateness of assumptions and their relation to past experience;
- Expert judgments assumed in the models;
- Appropriateness of any management actions assumed in the models; and
- Quality of data used in the model.

The Actuarial Function contributes to the effective implementation of the undertaking's risk management system through a review of the calculation of capital requirements required by Solvency II, as reported quarterly in the case of the Solvency Capital Requirement, and by reviewing the investigations required as part of the forward looking assessment of own risks. This includes an assessment of the significance with which the risk profile deviates from the assumptions underlying the Solvency Capital Requirement.

## **B.7. OUTSOURCING ARRANGEMENTS**

APUK is committed to high standards of business conduct and has policies and guidelines in place, which define the way in which APUK does business and the standards of conduct required of third party service providers. Where APUK entrusts a third party, which undertakes core business activities on its behalf, APUK retains responsibility for such activities and requires that the activities are carried out in line with APUK's policies and standards.

APUK adheres to PRA Supervisory Statement SS2/21 Outsourcing and Third Party Risk Management and to the APUK Enterprise Third Party Risk Management policy which defines third party categories and on boarding due diligence risk assessment requirements. The Policy also prescribes the general principles to consider, the approach to due diligence and ongoing monitoring of the service provider's performance. APUK also adheres to the APUK Enterprise Third Party Risk Management Standard, which outlines the process for the necessary due diligence, and for the continuing oversight, of third-party relationships.

APUK remains responsible for any activities that are outsourced and requires that robust governance arrangements are in place in relation to the selection of third parties, and the management and oversight of all outsourced arrangements with those third parties.

APUK will only enter into an outsourcing arrangement where there is a sound business rationale for doing so and with a service provider that is competent and financially sound, and has good relevant knowledge and experience of the service it is required to supply.

### **B.7.1. MATERIAL OUTSOURCED ARRANGEMENTS**

There are a small number of material outsourcing arrangements with third parties that support the day-to-day business within APUK. The key arrangements are listed below:

- **Investment Management:** Carry out investment management activity including the purchase and sale of assets following instruction from the Investment Committee and in line with the APUK investment mandate and investment strategy as approved by the APUK Board and on an instruction basis from members of the Investment Committee. The activity used to be managed within the AIG Group, by BlackRock, but has transferred to Aviva Investors Global Services Limited as of December 2024.

- **Finance, actuarial, and insurance operations:** carrying out these operations with APUK as a service recipient company with Accenture, and on instruction by the APUK Board, APUK retains core processes and roles within the underwriting, claims and contact centre functions.
- **Call Centre operations:** Call centre activity carried out by Accenture.
- **Payroll services:** payroll activity was carried out by third parties on behalf of AIG group companies. APUK had the benefit of the agreement by virtue of being an affiliate of the group. From April to November 2024, this activity was provided via a transitional services agreement (TSA) and as of December 2024, it was discontinued as all staff have been TUPE'd out of APUK and payroll services are no longer required.
- **Sanction/PEP Screening:** The actual screening and two levels of checking are done within Corebridge Financial Group. These services continue to be accessed via a TSA since April 2024. Any final level referrals/checking is managed by APUK.
- **Data centre hosting (cloud-based computing) and IT support services:** in relation to data centre hosting, services were provided by Amazon Web Services (AWS) in relation to migration of on-premises storage cloud environment, provided by AWS. APUK business applications, data and general office applications migrated in 2021 to, and are currently hosted on, a UK-based AWS Cloud solution. In relation to IT support services, APUK has the benefit of enterprise agreements related to professional IT services, contracted services provided under statements of work. Professional services are provided by two vendors.

Each arrangement has a relationship manager who is responsible for the day-to-day activities and relationship between APUK and the outsourced function although the overall responsibility remains with a member of the Senior Leadership Team. Regular service review meetings are in place to review performance against agreed standards, complaints, risks, significant changes in processes or procedures, new developments that may impact on the services provided and particular concerns or changes in the outsourced operation. An annual review takes place looking at all elements of the arrangement.

## **B.8. ADEQUACY AND APPROPRIATENESS OF THE SYSTEM OF GOVERNANCE**

APUK has a governance structure in place. The Board and committees have defined responsibilities and terms of reference approved by the delegating committee or Board. The members and attendees provide experience and expertise, allowing them to contribute opinions and provide appropriate coverage across the various Company and SM&CR functions.

The risk governance structure is integrated into the strategy development and business planning processes. The ERM function carries out a review of the business plan with the aim of supporting management to maintain a risk profile that is manageable and aligned to the scale and potential return of the Company's underwriting and operating activities. This also facilitates awareness of the risks that the Company faces, either inherently as part of its operations or because of its planned strategy, and allows management to take steps to ensure that those risks are maintained at an appropriate level to allow the Company to progress its strategy. The Business Plan and ORSA are reviewed and approved by the Board.

APUK continuously strengthens its risk, compliance and governance systems by ensuring that they are reviewed, evaluated, and recommendations are made to the Board regarding enhancing and developing the systems, including the outcomes from ERM reviews, Internal Audit reviews, Compliance monitoring programmes, root cause analysis from complaints, breaches and risk events. Changes in regulation and legislation are monitored and actions taken to implement new requirements. Finally, APUK uses internal audits and external audits to provide independent evaluation of the Company's system of governance. Recommendations from these audits are considered by the Senior Leadership Team and implemented in a manner proportionate to the Company's risks.

## **B.9. ANY OTHER MATERIAL INFORMATION**

The following Governance-related actions have been taken:

- Four ORSA reports were produced during 2024: Interim ORSA #1 covered the mechanics of the sale of APUK to Aviva; Interim ORSAs #2 and 3 covered aspects of closure of new business and

associated impacts; and the Year End ORSA covered the forward-looking assessment of own risks against the Company's plan and its stress and scenario testing.

- A robust governance framework has been maintained, with regular updates shared with the Board of Directors on the firm's solvency position and the broader operating environment.
- Regular communications are in place with stakeholders, including colleagues, policyholders, shareholder, Board of Directors, and regulators. These communications serve to provide updates, as appropriate, to the stakeholder community.
- Integration with Aviva's risk frameworks, policies and committee structure is underway; substantial integration activity has been completed and this work will continue into 2025.

## **C. Risk Profile**

The Risk Profile section of the report captures the complexity of the overall risk status of the Company, taking into account all the material risks to which the Company is exposed. For each major risk grouping, this section provides a description of:

- Risk exposure;
- Measures used to assess the risk;
- Risk concentration;
- Risk mitigation; and
- Risk sensitivities

## C. RISK PROFILE

APUK writes long-term protection business providing individual and group life cover, critical illness and income protection products to its policyholders, targeting individual policies through the intermediary market and partnership distribution channels, and targeting group programmes following its purchase of the group protection business (Ellipse) on 31 December 2018 from Munich Re.

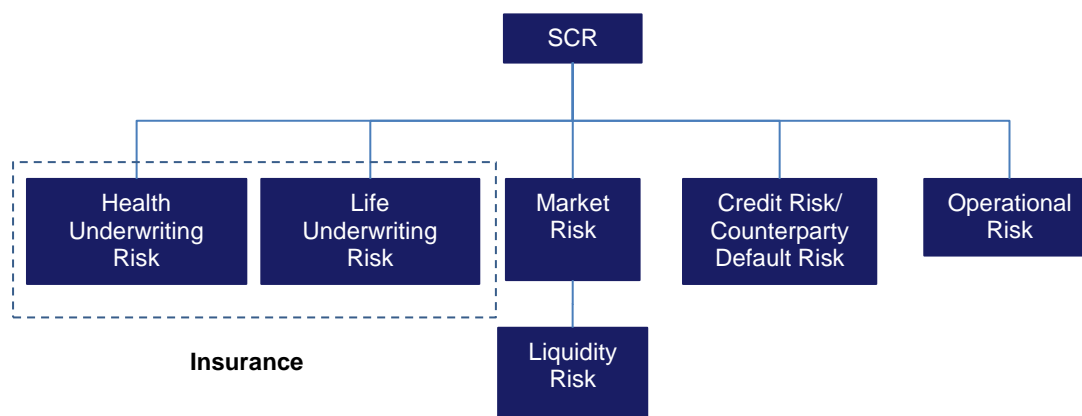
The Company believes that a strong, effective and embedded Risk Management Framework is crucial to maintaining successful business operations and delivering sustainable, long-term profitability. The Company's goal is to achieve this through a risk culture and embodied by management at all levels through the governance structure and risk management processes.

APUK calculates its SCR using the Standard Formula. On an annual basis an assessment is carried out to review the appropriateness of APUK using the Standard Formula and the outcome of this is summarised in the latest ORSA. The conclusion for 2024 was that the Standard Formula was considered to be appropriate and to reflect the risk profile of the Company.

### Risk Profile, Measurement and Assessment

APUK's Risk Management Framework supports the identification, measurement, management, monitoring and reporting of the five major risk groupings the Company is exposed to, including:

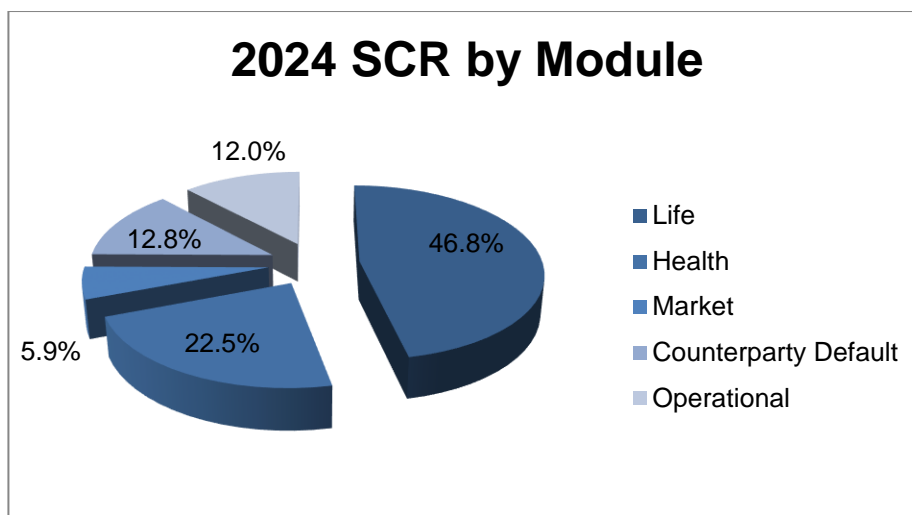
- Insurance Risk (Underwriting Risk – Life & Health);
- Market Risk;
- Credit Risk (Counterparty Default);
- Liquidity Risk; and
- Operational Risk.



Liquidity risk is not a risk module in the Standard Formula but is considered under ORSA stress testing scenarios and assessments. For APUK, liquidity risk is monitored and managed by the Company's Finance function, overseen by the CFO, and reported to the Investment Committee where market risk is discussed.

### APUK SOLVENCY CAPITAL REQUIREMENT BY MODULE

The Solvency Capital Requirement for APUK as at 31 December 2024 was analysed into the key components shown in the chart below. As can be seen in the chart below which shows the SCR split by Risk Module, Life and Health (Insurance) risks are the dominant risks of the solvency capital requirement with Life Risk accounting for 46.8% of the SCR at 31 December 2024 with Health Risk accounting for 22.5%.



## Risk Sensitivities

APUK carries out various types of Stress and Scenario Testing (SST) in order to inform the Board about any changes in its risk appetite, to assist management in the efficient use of the Company’s capital resources and to make recommendations to the Board regarding dividend payments. Various tests are conducted to identify the implications of a wide range of risks within the SST Framework. This ensures that potential adverse scenarios are considered and negative outcomes can be adequately mitigated either through controls implemented in advance or through timely remedial measures. This is considered in relation to existing risk measures used, which is covered in more detail in Sections C.1.3 (Insurance Risk), C.2.4 (Market Risk) and C.3.5 (Credit Risk).

SST (including reverse stress testing) is a key risk management tool used within the Company. APUK’s reverse stress tests are conducted on an annual basis and examine the conditions that would render the Company’s business model unviable. The stress tests and specific parameters used are reviewed and approved by the Board prior to execution with the outcomes included in the ORSA report. The impact of the stress tests used during the 2024 ORSA process is provided under each risk type.

The details of various SSTs are as follows:

Types of SSTs	Risks covered	Timeline
Business Plan SST	All material risks over 1 year planning period	Performed annually
	All material risks over 3 year planning period	
Reverse Stress Testing (RST)	Solvency/Capital RSTs	Performed annually
	Reputational & Strategic RSTs	
Risk Specific SST	Interest rate risk	Performed quarterly
	Liquidity risk	Performed quarterly
	Spread risk	Performed quarterly
	Counterparty default risk	Performed quarterly
Regulatory SST	PRA Life Insurance Data Requests	Performed on an ad hoc basis as requested by the PRA

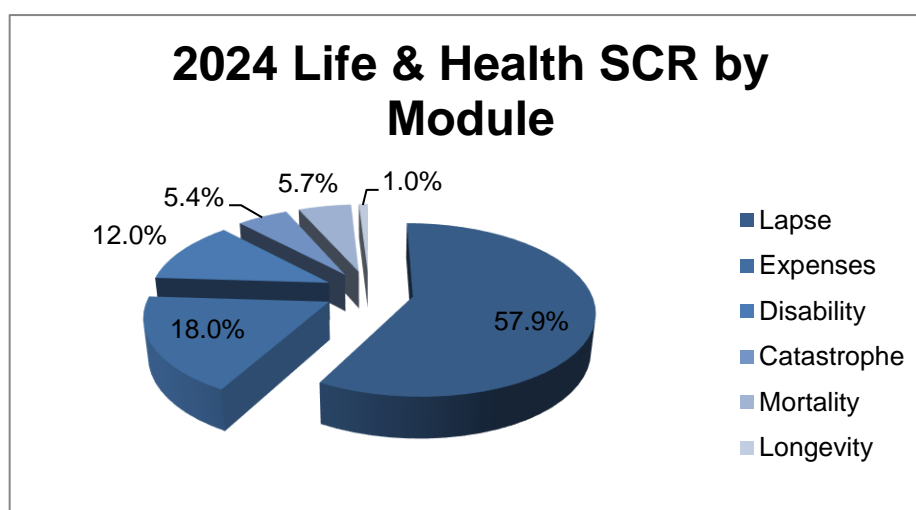
Types of SSTs	Risks covered	Timeline
Strategic planning SSTs	Identified key risks	Performed annually
Emerging Risks SSTs	Identified key risks	Performed annually

## C.1. INSURANCE RISK (UNDERWRITING RISK)

Insurance Risk combines Life and Health risks which the Company is exposed to arising from its insurance underwriting operations and is broadly split and assessed between the sub risk categories of mortality, morbidity, and lapse and expense risk. Lapse risk is the material risk for APUK.

### C.1.1. INSURANCE RISK EXPOSURE FOR APUK

As can be seen from the chart below, the most material of the Life & Health sub-risks for APUK is lapse risk which accounts for 58% of the combined Life and Health SCR. Expense risk is 18% and morbidity/disability is 12%.



#### C.1.1.1. LAPSE RISK

APUK is exposed to lapse risk which relates to policies being in-force for either longer or shorter than expected. It is also exposed to the potential of mass lapse risk under which a significant proportion of APUK's customers choose to lapse their policies within a short period.

There is a risk of there being high numbers of lapses during the early years of a policy, before sufficient premiums have been paid to allow the Company to recoup the costs incurred in incepting the policy. Conversely, lower than expected levels of lapses in the later years of a policy result in more policies being in-force than expected at the time at which net claim outgo is typically higher than net premium income, resulting in a financially adverse outcome for the Company. A mass lapse scenario would result in fewer in-force policies and lower claims but also lower profits than expected for those policies.

#### **C.1.1.2. EXPENSE RISK**

Expense risk is the risk that the Company's expenses could be higher than planned due to inflationary pressures, lower volumes of business than expected, expense overruns or a change in the mix of business.

#### **C.1.1.3. MORBIDITY/DISABILITY RISK**

Morbidity/disability risk relates to the number and value of claims from terminal illness and income protection policies. It is similar to mortality risk in that a proportion of the risk is transferred to the reinsurers to mitigate the risk.

#### **C.1.1.4. CATASTROPHE RISK**

Catastrophe risk relates to a single event, or series of events of major magnitude that lead to a significant, but temporary, deviation in actual claims from the total expected claims.

#### **C.1.1.5. MORTALITY RISK**

On a gross of reinsurance basis, APUK is exposed to the risk that the actual claims experience is worse than that included within its assumptions i.e. that there are a higher number or value of death claims than predicted. Higher mortality experience could be due to a number of factors e.g. mis-estimations, concentration risk (either geographical or occupational), underwriting philosophy issues, pandemic risks.

### **C.1.2. CHANGES IN INSURANCE RISK OVER THE REPORTING PERIOD**

The SCR for Insurance risk has increased over the year from £99,983k to £124,511k for Life risk and increased from £58,340k to £60,096k for Health risk. The movement in Life Risk SCR is driven largely by movement in the Lapse Risk SCR and Expense SCR. The biting scenario is Mass Lapse for both the Life Risk SCR and Health Risk SCR.

### **C.1.3. MEASURES USED TO MITIGATE INSURANCE RISKS**

There are a number of ways that insurance risk is mitigated by APUK including the following:

- Reinsurance is used as the key mitigant to reduce the exposure to mortality, morbidity and lapse risks
- Monitor and limit exposure to claims concentration risk within the Group insurance business
- Monitor and limit exposure to counterparty, including reinsurer, concentration risk
- Regular underwriting philosophy reviews to ensure that only appropriate mortality and morbidity risks are accepted by the business and are priced appropriately, as well as ensuring the philosophy and risk selection is broadly in line with competitors to prevent anti-selection
- Post-issue sampling to identify and reduce misrepresentation
- Robust onboarding of new distributors, monitoring customer retention and misrepresentation by distributor, and implementing initiatives to increase customer retention and reduce misrepresentation and anti-selection
- Performance monitoring to review actual versus expected results
- Auditing of underwriting decisions to ensure the underwriting philosophy is being maintained and produces decisions which are consistent
- Experience analysis conducted regularly for mortality, morbidity and lapse risk
- Expenses are reviewed regularly against budget
- Product development and pricing takes account of the various risk factors associated to ensure appropriate customer outcomes
- Regular product reviews analyse the performance of the product and identify areas of improvement

APUK manages insurance risks primarily by the use of reinsurance. In 2024, APUK had reinsurance arrangements to mitigate mortality, morbidity, lapse and catastrophe risks with over forty different



reinsurers, thus reducing the concentration risk exposure to any single reinsurer. Mortality and morbidity reinsurance is typically based on a quota share with maximum retention limits per life and is spread across the different reinsurers depending upon the type of cover.

Regular monitoring of individual and scheme underwriting decisions is carried out through checking and audits internally and the reinsurers undertaking case audits at least on an annual basis. Results are reviewed and fed back to underwriters where appropriate. Various workshops are held with reinsurers to consider enhancements to products through improved underwriting rules, post-issue sampling and the pricing of the associated risks being taken.

Risk Category	Type of risk	Risk mitigation techniques
Premium Risk - Failure of pricing	Pricing guidelines	APUK seeks to manage pricing risk through the setting and review of pricing guidelines relevant to each product type and the application of a strict hierarchy of underwriting authorities to ensure that policies are underwritten with management oversight.
	Purchase of reinsurance	The Company mitigates exposure to pricing/basis risk through the purchase of reinsurance.
	Review of large transactions	Large transactions are referred to the Senior Underwriters and in some cases to the specific Reinsurer to confirm the risk is assessed appropriately, and as required to the Pricing and Research teams to ensure it is priced appropriately, before the Company becomes committed.
Premium Risk - Ineffective strategy / Failure of product	Review of business plans and new products	The Company seeks to manage this risk through the use of processes and procedures over the production, review and analysis of annual business plans and the introduction of new products for each line of business, prior to approval and execution.
	Assessment of key projects and strategic investments	The Company also has processes in place for the identification, assessment and approval of key projects and strategic investments.
Assumption Risk - Adverse reserve development	Monitoring of mortality, morbidity, lapse and expenses experience	APUK seeks to manage this risk through monitoring of actual claims experience, lapse activity and expenses compared to the assumptions in place. Specific governance committees are in place to review findings, and where appropriate, take remedial actions.

#### C.1.4. MONITORING THE EFFECTIVENESS OF INSURANCE RISK MITIGATION TECHNIQUES

There is regular monitoring of the effectiveness of the various risk mitigation actions provided to the appropriate governance committee. Underwriting performance is monitored via underwriting audits, both internally and by reinsurers. Reinsurance activity is monitored and managed via the Pricing and Reinsurance Steering Committee. The Senior Leadership Team reviews business performance including underwriting activity and results, general business performance and project benefit realisation. The Risk and Capital Committee monitors the continued effectiveness of risk mitigation techniques through processes and deliverables including the Risk Register, Risk Appetite Framework, Stress and Scenario Testing, Control Assurance, Control Attestations, and Key Risk Indicator reporting. The outputs of these risk processes are fundamental to the delivery of the ORSA process and any interim updates that are required if the risk profile materially changes.

### C.1.5. STRESS SENSITIVITIES FOR INSURANCE RISK

A number of stress and scenario tests are undertaken covering the different sub risks under insurance risk. The impact of each test on the company's required capital resources is assessed as specified in the 2024 ORSA over the planning period. This was based on assumptions as at half-year 2024.

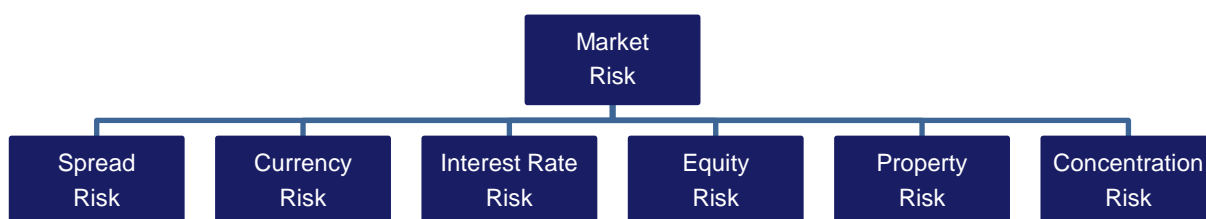
**Lapse risk:** This is the most material component of APUK's SCR calculated using the standard formula approach. A lapse rates down scenario where lapse rates are lower at all durations was performed as this is the lapse scenario that is most detrimental to capital resources under a low interest rate environment. The impact is an SCR increase of £18m and a solvency ratio decrease of 24%.

**Mortality and Morbidity risk:** APUK considered an increase in claims and the impact that would have on the capital resources required. The company is well protected from this risk due to the use of reinsurance. The impact is an SCR increase of £1m and a solvency ratio decrease of 22%.

**Expense risk:** A 20% increase in the expense base was used as a stress for expense risk and this resulted in a decrease in SCR ratio by 30%. The SCR impact was an increase of £6m.

### C.2. MARKET RISK

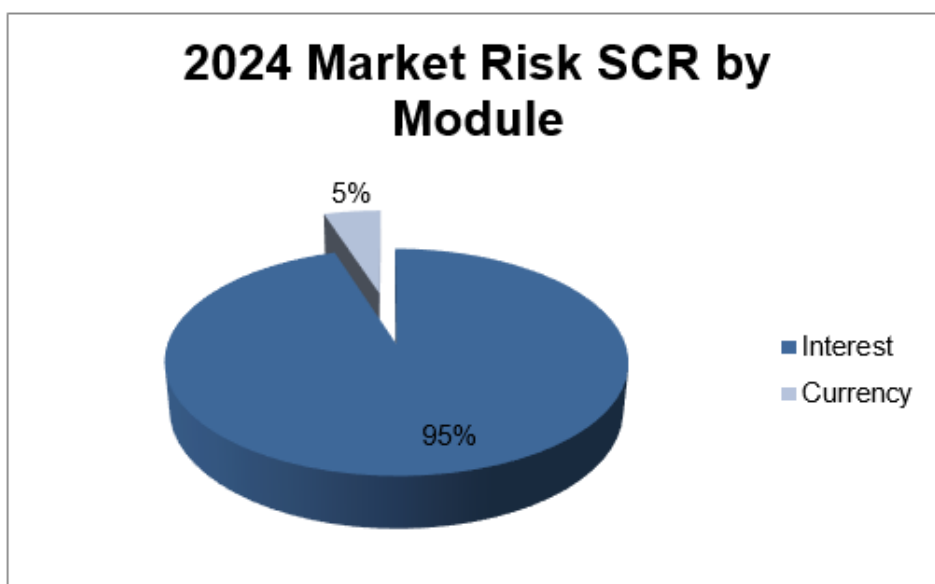
Market risk is the risk that the Company is adversely affected by movements in the fair value of its liabilities and financial assets arising from market movements, for example due to credit spreads, interest rates and foreign exchange rates or other price risks. APUK is exposed to Market Risk on both the asset and the liability sides of its balance sheet. Market risk accounted for 5.9% of the SCR for APUK as at 31 December 2024. The sub risks associated with Market risk are shown below:



#### C.2.1. MARKET RISK EXPOSURE

APUK has no material exposure to currency risk, spread risk, property or equities. As shown in the below chart, the most material element of Market Risk SCR for APUK is interest rate risk making up 95% of the total market risk.

Investment assets are held in low risk and highly-liquid UK government bonds. For liquidity purposes a proportion of assets are also held in a short-term liquidity fund when appropriate.



#### **C.2.2. MARKET RISK AND CHANGES OVER THE REPORTING PERIOD**

Market risk is driven by risks inherent within the Company's asset and liability portfolio. During the reporting period the Market Risk SCR has decreased from £17,557k to £15,663k. The decrease is largely driven by higher yields and the removal of Spread Risk SCR due to sale of corporate bonds.

#### **C.2.3. MARKET RISK CONCENTRATION**

APUK has no exposure to market risk concentration due to the use of UK government bonds and limits within the investment mandate which strictly limits exposure to the type of assets held.

#### **C.2.4. MARKET RISK MITIGATION TECHNIQUES**

APUK manages its market risk primarily through the Investment Committee which monitors and manages the impacts of external economic factors, APUK's investment portfolio and the company's liquidity position and forecasts. The investment portfolio is managed with respect to the market risk profile of its liabilities in order to minimise the impact on its solvency position due to adverse market movements. Risk mitigation of market risk is executed through the combined use of investment limits, guidelines and principles detailed below.

- APUK monitors market risk via reviewing the regular management information at the APUK Investment Committee which meets at least quarterly and oversees the investment activity within the Investment mandate and investment strategy as approved by the Board.
- The investment managers provide a quarterly overview of the economic markets and performance of the assets held.
- Where possible, assets of a similar duration to the liabilities are held to mitigate interest rate risk.
- Stress and scenario testing is carried out as part of the ORSA process.

#### **C.2.5. RISK MITIGATION AND THE PRUDENT PERSON PRINCIPLE**

The Company's investment management policy ensures its continued compliance with the Prudent Person Principle (PPP) as laid down in PRA Rulebook – Investments Part for UK firms and PRA Supervisory Statement 1/20. Through execution of permissible asset classes and investment limits, the Company is able to ensure that it:

1. Only invests in those assets whose risks it can properly identify, measure, monitor, control and report.
2. Invests in assets in such a manner that ensures the security, quality, liquidity and profitability of the asset portfolio.

3. Invests assets held in a manner appropriate to the nature and duration of the insurance liabilities and in the best interest of policyholders and beneficiaries.
4. Keeps to prudent levels the investment in assets which are not admitted to trading on a regulated market.
5. Properly diversifies its investments so that it can avoid excessive reliance on any particular asset, issuer or group of undertakings, or geographical area and excessive accumulation of risk in the portfolio as a whole.
6. Does not expose itself to excessive risk concentration that arises from investments in assets issued by the same issuer or by issuers belonging to the same group.

As detailed in the Investment Performance section above, the Company's investment management framework sets out its processes and procedures to manage its investment portfolio. This includes the investment strategy which is approved by the Board and implemented via the investment mandate by APUK's investment managers.

Asset categories that are included in the investment mandate are those that are suitable for the nature, term and currency of the Company's liabilities profile and for which the investment manager could assess, monitor and control risks. The Company does not invest in any asset category that is not included in the Investment mandate.

Tactical deviations from the limits imposed by the mandate to maximise investment returns are only permitted on prior approval by the Directors and are limited to changes in allocation of asset categories covered by the mandate. The investment strategy implemented by the investment manager sets out limits in order to avoid concentration of risks in a particular sector, issuer, currency, credit rating or country.

#### **C.2.6. PROCESS FOR MONITORING THE EFFECTIVENESS OF MARKET RISK MITIGATION TECHNIQUES**

The scope and magnitude of the Company's market risk exposures is managed under a robust framework that contains documented risk-taking authorities, defined risk limits and minimum standards for managing market risk in a manner consistent with the Company's Risk Appetite.

The APUK Board, either as a whole or through its committees, oversees market risk, and

- Approves annually the Company's Risk Appetite Framework and the specific Market Risk limits and minimum standards which reflect the Board approved investment mandate;
- Receives reports on the investment performance and breakdown of assets; and
- Receives reports on the adherence to APUK's Market Risk policy.

The APUK Board discharges its responsibility for oversight of the Risk Policies and Procedures through the Risk and Capital Committee. The Risk and Capital Committee is chaired by the CRO.

The Investment Committee is chaired by the Company's CFO; the primary purpose of the Investment Committee is to monitor and manage the Market Risk profile of the Company against the Board approved Investment Strategy and mandate. The Investment Committee regularly reviews the latest market risk developments and requests more detailed market information when needed.

#### **C.2.7. RISK SENSITIVITIES FOR MARKET RISK**

During 2024, APUK performed regular stress testing of interest rates to assess the impact on the APUK solvency position. This ensured that the Company maintained sufficient solvency capital to withstand shocks within the market.

During the ORSA process, several market risk scenarios were considered including yield curve scenarios where the yield curve is changed by -0.50%, -1.00%, -2.00% and +1.00%. These stresses result in the SCR

changing by +£2.8m, +£23.1m, +£88.1m and -£0.3m respectively. The solvency ratio changed by -9%, -32%, -83% and +9% respectively. This is due to the long term nature of the Individual Protection business which makes the Company more susceptible to interest rate down risk. However, the modelled scenario did not allow for the effects of any management actions in response to the stress.

### C.3. CREDIT RISK

Credit Risk (Counterparty Default Risk) is defined as the change in the value of assets and liabilities caused by unexpected default or deterioration in the credit standing of independent counterparties and debtors. At 31st December 2024, credit risk or counterparty default risk was 13% of the SCR.

#### C.3.1. CREDIT RISK EXPOSURE FOR APUK

The scope of credit risk exposures for APUK currently includes the following business activities:

- **Unexpected Credit Loss as a result of Intermediary failures:** the provision of up-front commission as standard to intermediaries on an indemnity basis where the commission will be clawed back if the policy lapses within the first 2 or 4 years (known as the 'earning period'). This is a specific feature of the way the UK protection market developed and all providers offer this facility.
- **Reinsurance arrangements:** APUK makes significant use of reinsurance contracts. The credit risk relates to the risk of failure of the reinsurance companies and hence the inability to recover claims and associated expenses. APUK limits the levels of exposure to any one individual reinsurer in line with APUK limits as stated in the APUK Counterparty Default Risk Policy.
- **Suppliers:** where payment is made in advance of the receipt of the goods or services in the normal course of running the business. APUK usually pays suppliers after goods and services have been received and the risk of material default due to supplier failure is deemed very low.
- **Policyholder debtors:** all policyholders are individual consumers and pay monthly premiums by direct debit; the risk of material default is therefore very low.

These risks are managed by three sub-committees within APUK. Reinsurer default falls within the remit of the Risk and Capital Committee (RCC) chaired by the CRO. Credit risk related to intermediaries is monitored and managed by the Distribution Value Management (DVM) and is chaired by the Head of Distribution Quality Management. Group Business Debt Recovery is monitored by the Group Credit Control Committee (GCCC) chaired by the Head of Finance.

#### C.3.2. CREDIT RISKS AND CHANGES OVER THE REPORTING PERIOD

Credit risk comprises circa 12.8% of the Company's SCR as at 2024. The SCR has increased from £33,572k at Q4 2023 to £34,235k at Q4 2024.

#### C.3.3. MEASURES USED TO ASSESS CREDIT RISK

To assess the credit risk associated with the reinsurers, the firms are assessed both locally by APUK and at a Group level by the parent company. APUK monitors the Solvency II Credit Quality Step (CQS) of each reinsurer; the scores can have values from 0 to 6, with 0 being the CQS given to the most creditworthy (AAA rated) entities. The CQS of a reinsurer is based on credit ratings from the credit rating agencies. All of the reinsurers that APUK works with have scores of 2 or less. The PRSC monitors any changes in reinsurers' credit ratings together with concentration exposure.

At Group level, the Credit Risk team provides additional assurance on credit risk through;

- Active monitoring of the financial condition of reinsurers.
- Monitoring of reinsurance exposures against Group counterparty set limits.

APUK is also exposed to credit risk from the commission paid to intermediaries in advance of the earnings period. As a result there are a number of factors that are assessed prior to and once an agency is agreed with a firm:

- Due diligence on the intermediary firm being undertaken prior to an agency being given to sell APUK products.
- Monitoring of any debts associated with the agency and escalation if debts are not settled in a timely manner using standard industry process i.e. the use of the Elixir system.
- Regular reviews of firms and the associated key risk indicators leading to direct actions agreed with firms to reduce potential debt.

#### **C.3.4. CREDIT RISK CONCENTRATION**

Credit Risk concentration is associated with any single exposure or group of exposures with the potential to produce large losses to threaten the Company's core operations. It may arise either in the form of single name concentration or industry concentration.

APUK's most material Credit Risk concentration relates to exposure caused by reinsurance arrangements (reinsurance recoverables and receivables). There is relatively low concentration risk in relation to intermediary credit risk.

#### **C.3.5. CREDIT RISK MITIGATION TECHNIQUES**

APUK has established an effective Credit Risk management framework that includes guidelines and processes to govern day-to-day credit risk-taking activities. The CFO and the Senior Leadership Team are primarily responsible for implementing and maintaining a Risk Management Framework consistent with the APUK Counterparty Default Risk Policy.

The Company monitors and controls its Credit Risk through the PRSC, DVM and GCCC. To minimize the level of Credit Risk in some circumstances, the Company may require personal or third-party guarantees, or specific arrangements through the individual reinsurance treaties. APUK also identifies its aggregate credit exposures to its underlying counterparty risks.

Credit risks are managed and controlled through techniques listed below:

- Aggregating the Company's credit exposure data by counterparty, regularly reporting and reviewing risk concentrations against risk appetite limits at the DVM;
- Reviewing the outcome of reinsurance tenders and approving the concentration risk associated with the outcome;
- Overseeing the submission of individual transactions which result in high value commission payments and credit exposures to the Company;
- A global counterparty credit risk review is performed by Group Credit Risk for all reinsurance awards;
- Overseeing the Watch List process within the Company portfolios;
- Monitoring reinsurers' credit ratings against risk appetite limits; and
- Imposing claim restrictions for Group business policies where premiums are owed

#### **C.3.6. PROCESS FOR MONITORING THE EFFECTIVENESS OF CREDIT RISK MITIGATION TECHNIQUES**

The PRSC, DVM and GCCC monitor, manage and report the credit risks within the Company. The PRSC meets quarterly (with a minimum of three meetings a year) and on a monthly basis during reinsurance tenders. The DVM and GCCC meets at least monthly. The committees adhere to their terms of reference with respect to their membership, chair, the frequency of meetings, and record keeping. Reviews of the terms of reference take place on at least an annual basis.

For reinsurance exposure, APUK monitors the Solvency II CQS of each reinsurer and compares the exposure, expressed as a percentage of total exposure, to internal limits in order to control the concentration risk. In addition, the Risk Appetite includes an assessment of the impact of the default of APUK's largest reinsurance counterparty and this is monitored quarterly by the RCC.

Intermediary default credit risk is monitored at the DVM where various key risk indicators are monitored and reported, together with an update on specific actions being taken with the respective firms that are of concern. Updates are also provided regarding those firms that have had agencies cancelled due to credit risk concerns or where debts have occurred and credit control activity is being progressed.

### **C.3.7. STRESS TEST SENSITIVITIES FOR CREDIT RISK**

**Reinsurer default:** APUK uses reinsurance arrangements to mitigate mortality, morbidity, lapse and catastrophe risk. The risk of a reinsurer defaulting on their arrangement is considered to be extremely low. However, a scenario involving the hardening of the reinsurance market was analysed. APUK spreads the risk over more than 40 different reinsurers and in Solvency II terms each has a CQS of two or less.

**Intermediary default:** The risk of intermediaries suffering business failure and being unable to repay commission due from lapsed or cancelled policies.

## **C.4. LIQUIDITY RISK**

Liquidity refers to the ability to generate sufficient cash resources to meet the Company's payment obligations. It is defined as unencumbered cash and assets that can be monetized in a short period of time at a reasonable cost in both normal and stressed market conditions.

Liquidity risk is defined as the risk that the Company's financial condition will be adversely affected by the inability or perceived inability to meet its short-term cash or other financial obligations. The failure to appropriately manage liquidity risk can result in reduced operating flexibility, increased costs, and reputational harm.

For APUK the risk is that it will have insufficient liquid funds to support new business via the payment of commission to intermediaries and other business expenses. As APUK is substantially closed to new business, this risk is expected to reduce over time.

As mentioned at the start of the Risk Profile section, liquidity risk is not assessed within the Standard Formula. Therefore, no equivalent liquidity risk sub-module under Standard Formula is disclosed.

### **C.4.1. MEASURES USED TO ASSESS LIQUIDITY RISK**

Liquidity is assessed and monitored on a monthly basis by the Finance function and the Senior Leadership Team and is reviewed in detail at the Investment Committee each month. The liquidity risk framework involves monitoring long-term cash flow forecasts under normal, stressed and scenario specific conditions against a system of risk appetite metrics. These measures include minimum acceptable liquidity amounts, ratio of liquidity sources against cash outflows and assessment of the viability of contingent funds.

### **C.4.2. LIQUIDITY RISK MITIGATION TECHNIQUES AND THE PROCESSES FOR MONITORING THE EFFECTIVENESS OF THESE TECHNIQUES**

APUK has a Liquidity Risk Policy which outlines the principles and guidelines for the company to adhere to. The purpose of the framework is to establish minimum liquidity requirements that protect the Company's long-term viability and ability to fund its ongoing business and meet short-term financial obligations in a timely manner in both normal and stressed conditions.

Liquidity risk is managed by Finance with monthly reporting to the Investment Committee. Liquidity risk is mitigated through investment in predominantly liquid financial assets and constant monitoring of

expected asset and liability maturities. In addition, APUK has a loan facility with Aviva IWR which allows for borrowing up to £150m.

The Company is compliant with Aviva Group procedures to maintain sufficient liquidity to meet the obligations as they become due. The APUK risk appetite is set to maintain defined target liquid asset levels under both baseline and stressed conditions.

### C.4.3. STRESS SENSITIVITIES FOR LIQUIDITY RISK

APUK undertakes liquidity stress testing on a forward looking basis over the planning period, in order to identify any future liquidity needs. This includes sensitivities to the level of claims, new business sales and interest rates. The ORSA process also includes additional testing to assess the viability of alternative liquidity sources in certain stress scenarios.

### C.5. OPERATIONAL RISK

Operational risk is defined as the risk of loss, or other adverse consequences, resulting from inadequate or failed internal processes, people, systems or external events. Operational risks can have many impacts, including, but not limited to, unexpected economic losses or gains, reputational harm due to negative publicity, regulatory action from supervisory agencies, operational and business disruptions and or damage to customer relationships.

#### C.5.1. OPERATIONAL RISK EXPOSURE FOR APUK

APUK identifies the major sources of operational risk described below:

Operational Risk Components	Description
<p><b>Execution, Delivery and Process Management</b></p>	<p>Losses from failed transaction processing or process management. It includes the inability to deliver and execute according to budget and/or strategic plan due to shortage of colleagues or supplies and risk of losses related to inadequately designed or implemented governance bodies, policies, guidance, processes and decision-rights.</p> <p><b>Model Process &amp; Governance</b></p> <p>The risk that: model governance is not complied with; there is inadequate implementation of models; and or model information is misunderstood or misused. This includes data quality issues as well as data errors.</p>
<p><b>Clients, Products and Business Practices</b></p>	<p>This risk refers to losses arising from an intentional, unintentional or negligent failure to meet an obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product.</p> <p><b>Legal risk</b></p> <p>Legal risk refers to the possibility that lawsuits, contracts that turn out to be unenforceable or breaches to contracts disrupt or adversely affect the operation or condition of APUK.</p>
<p><b>Compliance Risk</b></p>	<p>Compliance risks are defined by the cause and the consequences of their occurrence.</p> <ul style="list-style-type: none"> <li>• Cause is the failure to comply with laws, regulations, internal rules and standards applicable to APUK.</li> <li>• Consequences can be of a financial nature (administrative sanctions; damages), of a commercial nature (withdrawal of licence; limitation thereto), of a reputational nature, or of a criminal nature (in which case directors and/or officers can be prosecuted together with their company).</li> </ul>



Operational Risk Components	Description
<b>Fraud</b>	<p>Fraud risk arises from misconduct or abuse, using deception as principal modus operandi, for enrichment or benefit of the perpetrator, or APUK, or of a third party.</p> <p><b>Internal Fraud</b></p> <p>Losses (direct or indirect) due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, which involves at least one internal party.</p> <p><b>External Fraud</b></p> <p>Losses (direct or indirect) due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party without the assistance of an internal party.</p>
<b>Employment Practices and Workplace Safety</b>	<p>Losses arising from acts inconsistent with employment, health or safety laws, or agreements, from payment of personal injury claims, or from diversity / discrimination events.</p>
<b>Business Disruption and Systems Failure</b>	<p>This risk refers to losses arising from disruptions of infrastructure or system failures or unavailability of human capital due to the inexistence of business continuity plans or the inappropriate implementation of such plans. Note that losses due to not having suitable IT strategy should be covered under strategic risks.</p> <p><b>IT Security</b></p> <p>Losses due to the intentional misuse of IT applications, e.g. through misappropriation of system access.</p>
<b>Damage to Physical Assets</b>	<p>Losses arising from loss or damage to assets (physical or people) from natural disaster or other events such as malicious damage (i.e. acts of malice, spite, terrorism or the like, with no profit intention).</p>
<b>Model Adequacy</b>	<p>The risk of losses resulting from inadequately designed models or models that are not fit for purpose.</p>
<b>Outsourcing Risk</b>	<p>Risk of loss due to the reliance on controls of the outsourcer over major processes, key operations, functions and knowledge that are critical to the business undertaking. This includes the risk of needing to bring back in-house any key operations and having insufficient capacity.</p>

### **C.5.2. OPERATIONAL RISK AND CHANGES OVER THE REPORTING PERIOD**

The Company calculates its SCR using the Standard Formula. The Operational Risk SCR of the Company is driven by the level of earned premiums. Operational Risk comprises 12.0% of the Company's SCR. As the company grows in size, the Operational Risk SCR will also increase (as has been the case over the last year).

### **C.5.3. MEASURES USED TO ASSESS OPERATIONAL RISK**

The Company monitors various components of its operational risks using the following measures:

Operational Risk Component	Description	Metrics
<b>Execution, Delivery &amp; Process Management</b>	Risk of process errors as a result of migration and other transformation projects	<ul style="list-style-type: none"> <li>• MI on SLA management</li> <li>• Risk Events</li> <li>• Complaints</li> </ul>
<b>Clients, Products &amp; Business Practices</b>	Risk of inadequate management of Conduct Risk - Conduct risk Management Information (including complaints, ombudsman actions, claims and new business SLA measurement, product development, post-implementation reviews), program execution risk.	<ul style="list-style-type: none"> <li>• Risk Events</li> <li>• Operational MI</li> </ul>
	The risk of inadequate management of operational risk of services provided by third parties including broker facility management	<ul style="list-style-type: none"> <li>• Risk rating of third parties</li> <li>• Audit findings</li> </ul>
<b>Internal Fraud</b>	Risks associated with acts intended to defraud, misappropriate property or circumvent regulations, the law or company policy, which involves at least one internal party.	<ul style="list-style-type: none"> <li>• Risk Events</li> </ul>
<b>External Fraud</b>	Cyber-attack risk, either through information theft or denial of service (“DoS”)	<ul style="list-style-type: none"> <li>• Risk Events</li> <li>• Results of Vulnerability Testing</li> </ul>
<b>Employment Practices &amp; Workplace Safety</b>	Risk of not attracting, retaining and developing key staff to achieve business plan	<ul style="list-style-type: none"> <li>• Staff turnover</li> <li>• Staff surveys</li> <li>• Exit interviews</li> <li>• Risk Events</li> </ul>
<b>Business Disruption &amp; Systems Failure</b>	Business Continuity risk	<ul style="list-style-type: none"> <li>• Business continuity plan status and testing results</li> <li>• System incident reviews</li> </ul>
<b>Damage to Physical Assets</b>	The damage or unavailability of physical assets (e.g. offices, laptops, archives, key staff members) as a result of a natural disaster or other such major event that could affect the Company’s operation.	<ul style="list-style-type: none"> <li>• Risk Events</li> </ul>
<b>Compliance</b>	Risk of failure to fully comply with applicable laws, regulations, internal rules and standards. Consequences can be of a financial nature (administrative sanctions; damages), of a commercial nature (withdrawal of licence; limitation thereto) or of a reputational nature. They can also be of a criminal nature, in which case directors and/or officers can be prosecuted together with their company.	<ul style="list-style-type: none"> <li>• Risk Events</li> <li>• DPI (Data Protection) Monitoring</li> <li>• PEP &amp; Sanctions Checking</li> </ul>
<b>Model Adequacy</b>	Model Adequacy Risk refers to the risk of losses resulting from inadequately designed models or models that are not fit for purpose.	<ul style="list-style-type: none"> <li>• Risk Events</li> </ul>

Operational Risk Component	Description	Metrics
<b>Outsourcing Risk</b>	Risk of loss due to the reliance on controls of the outsourcer over major processes, key operations, functions and knowledge that are critical to the business undertaking. Moreover, it includes the risk of needing to bring back in-house the key operations and not having the capacity.	<ul style="list-style-type: none"> <li>• Risk Events</li> </ul>

#### **C.5.4. OPERATIONAL RISK MITIGATION TECHNIQUES**

APUK’s Risk Management Framework facilitates the identification, assessment, monitoring, and measurement of operational risk and promotes a culture where each employee has responsibility for managing operational risk. There is a robust internal controls system in place across all functions and sample audits are undertaken.

IT system controls are in place and the Company is certified under ISO27001.

Operational controls are reviewed regularly with reporting to the RCC and Board. Internal Audit undertakes reviews to assess the internal control framework and whether it is operating effectively.

#### **C.5.5. PROCESS FOR MONITORING THE EFFECTIVENESS OF OPERATIONAL RISK MITIGATION TECHNIQUES**

APUK has a Risk Management Framework. Quarterly risk register and control reviews between the functional areas and Enterprise Risk Management review the risk landscape and consider new and emerging risks. Actions to strengthen controls are implemented as appropriate.

The Risk Event reporting process for the Company is established and embedded; ERM supports the review and challenge of rectification processes. The APUK Risk and Capital Committee reviews a quarterly report. Further, each functional area completes a Quarterly Control self-assessment; a summary of these is presented to the quarterly Risk and Capital Committee.

#### **C.5.6. STRESS SENSITIVITIES FOR OPERATIONAL RISK**

Stress testing for operational risk is undertaken for the ORSA, and as part of the Company’s approach to Operational Resilience to assess potential areas to strengthen for its Important Business Services. These processes consider a range of management-derived scenarios. Qualitative scenarios include climate risk, reputational impacts, and scenarios including system outages. The impact is dependent on the nature of the stress and informs consideration of potential future management actions.

### **C.6. STRATEGIC RISK**

Strategic risks cover external and internal factors that can affect APUK’s ability to meet its current business plan and to position itself for achieving growth and value creation. This includes changes in the external environment including regulatory, economic environment, competitive landscape and or the way people (customers or colleagues) behave. It can also occur because of poor internal decision-making and or management, or due to an impact on the Company’s reputation and its franchise value. Aviva is considering a potential Part VII transfer of APUK to UKLAP in 2025.

### **C.7. CLIMATE CHANGE RISK**

APUK recognises the scientific consensus that climate change is a reality of increasing concern, indicated by higher concentrations of greenhouse gases, a warming atmosphere and ocean, diminished snow and ice, and sea level rise. The Company understands that climate change potentially poses a serious financial threat to society as a whole, with implications for the insurance industry in areas such as catastrophe risk perception, pricing and modelling assumptions. Because there is significant variability and expert

judgement associated with the impacts of climate change, it is not possible to predict with any accuracy how physical, legal, regulatory and social responses may affect the business.

Risk	Description
Transition risk (market risk)	<p>Certain policyholder obligations can stretch decades into the future, which APUK seeks to match with equally long-dated assets. In matching assets to these long-duration liabilities, APUK seeks out investments that offer sustainable and predictable returns over the long-term. Assets identified as posing an increased credit and / or market risk over the long-term would therefore receive additional scrutiny, or possibly may be excluded from consideration in the portfolio.</p> <p>APUK is also exposed to transition risk on the liability side, for example, in case of a disorderly transition, some economic sectors might be disrupted and the Company could see reduced sales' volumes from schemes belonging to those sectors. There could be reputational risk caused by a radical shift of sentiment towards climate change risk and how APUK, Aviva, or the insurance sector in general responds to climate change.</p>
Physical risk (natural catastrophe risk that gives rise to mortality risk)	<p>APUK is exposed to climate-related mortality and morbidity risks and potential higher than expected losses from actual mortality and morbidity. Higher mortality and morbidity could arise because of atmospheric pollutants and or in the event of an increase in the frequency and intensity of natural catastrophes associated with climate change. Nevertheless, climate-related insurance risks are relatively low on the spectrum of risks.</p> <p>APUK could also be exposed to physical risk on the asset side, for example sovereign bonds and currencies of climate change impacted countries, and direct damage to the value of financial assets or collateral such a household and commercial property (e.g. as property investments in the SAA).</p>
Litigation risk (liability risk)	<p>APUK is exposed to strategic and routine cases of climate change litigation. Routine planning and regulatory cases are increasingly including climate change arguments, exposing courts to climate science and climate-related arguments even where incidental to the main claim. This is an evolving area, but it is likely that APUK would be exposed more on the asset side, that is, should it select to invest in assets of firms that are involved in litigations or found responsible for pollution. (APUK does not offer third party liability protection, professional indemnity insurance etc.)</p>

The Company is a wholly owned subsidiary of Aviva plc. The Aviva Group Annual Report and Accounts 2024 includes the activities of the company and provides the information required by the Non-financial and Sustainability Information Statement for the Group as a whole. Further information on the Group's climate-related financial disclosures can be found on the Sustainability section of the Group's website.

### **C.8. ANY OTHER INFORMATION**

The Board has identified no other risks that are material to the Company for the year ending 31 December 2024.

## **D. Valuation for Solvency Purposes**

The 'Valuation for Solvency Purposes' section of the report describes the valuation of assets, technical provisions and other liabilities from a UK GAAP basis to a Solvency basis. The section also outlines the approach and methodology underlying the valuation.

Key elements of the section include:

- Assets;
- Technical Provisions (TPs);
- Other Liabilities; and
- Any other information

## D. VALUATION FOR SOLVENCY PURPOSES

In accordance with the PRA Rulebook – Valuation Part for UK firms, the Company’s assets and liabilities are fair valued based on principles of an arm’s length transaction between knowledgeable willing parties.

### D.1. ASSETS

The ‘Assets’ subsection of the report aims to provide information regarding the valuation of assets held by the Company under the Solvency II regime, including information on the basis, methods and assumptions utilised.

The assets table below shows the Solvency II Balance Sheet line items, their corresponding UK GAAP values, and the Solvency II adjustments and reclassifications applied.

Assets – Solvency II Balance Sheet	Notes	UK GAAP, £k	Solvency II Adjustment, £k	Solvency II Valuation, £k
Deferred acquisition costs	5	315,931	(315,931)	-
Deferred tax assets	4	22,184	(9,065)	13,120
Investments (other than assets held for index-linked and unit-linked contracts)	1	299,719	-	299,719
Reinsurance recoverables	6	646,582	177,062	823,645
Insurance & intermediaries receivables	7	74,132	(74,132)	-
Receivables (trade, not insurance)	2	25,215	(9,710)	15,505
Cash and cash equivalents	3	35,747	-	35,747
<b>Total Assets</b>		<b>1,419,511</b>	<b>(231,776)</b>	<b>1,187,736</b>

### 1. INVESTMENTS (OTHER THAN ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED CONTRACTS)

Investments consists of gilts and participation holdings. Gilts are carried at fair value, obtained from quoted market prices, and these are classified as Level 1 assets under UK GAAP as they are traded in deep and liquid markets. Participation holdings are held at their fair value.

### 2. RECEIVABLES (TRADE, NOT INSURANCE)

The receivables (trade, not insurance balances) relate to prepayments and other receivables which are due within one year, hence the carrying values are taken to approximate fair values under Solvency II. Under UK GAAP this line holds coinsurance commission receivables but under Solvency II these are reclassified to reinsurance recoverables.

Trade receivables solely comprise of amounts due within 12 months. The fair value of receivables which are past-due does not differ materially from their amortised cost and are therefore considered to be held at fair value.

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash on hand and demand deposits with banks. Cash and cash equivalents are considered to be held at fair value under UK GAAP.

### 4. DEFERRED TAX ASSETS

The Solvency II measurement principles for deferred taxes are consistent with the financial statements (IAS 12). Deferred tax assets or liabilities are therefore calculated based on the temporary difference between Solvency II values and the tax values.

Deferred tax comprises the amounts of income taxes recoverable in future periods (APUK uses a planning period of 5 years in this context) in respect of:

- Deductible temporary differences.

- The carry forward of unused tax losses.
- The carry forward of unused tax credits.

Deferred taxes in respect of deductible temporary differences are valued on the basis of the difference between:

- The values ascribed to assets and liabilities recognised and valued in accordance with Solvency II.
- The values ascribed to assets and liabilities as recognised and valued for tax purposes.

Deferred tax assets or liabilities are calculated by jurisdiction such that applicable national tax rates are used for these calculations. The deferred tax assets and liabilities are only netted off if the counterparty is the same tax authority and there is an ability to settle net. Deferred tax assets are further tested for recoverability from brought-forward losses or expected future taxable profits of the company. There is no expiry date on the deferred tax asset held.

## **5. DEFERRED ACQUISITION COSTS**

Deferred acquisition costs are defined as acquisition costs relating to contracts in force at the balance sheet date which are carried forward from one reporting period to subsequent reporting periods, relating to the unexpired periods of risks.

These are permitted assets under UK GAAP subject to impairment testing and are deferred when it is probable that they will be recovered.

In accordance with the PRA Rulebook Valuation Part 8.1, deferred acquisition costs are valued at nil for Solvency II purposes since these cannot be sold separately and no quoted active market exists for the same or similar assets.

## **6. REINSURANCE RECOVERABLES**

Reinsurance recoverables are calculated as the expected present value of future reinsurance cashflows, comprising reinsurance premium outflows and the inflow for the reinsurer's share of future claim payments. As for the gross Best Estimate Liability (BEL) calculation, assumptions in respect of mortality rates, morbidity rates, yields and lapse rates are made. The Ceded BEL element of reinsurance recoverables is higher under Solvency II than UK GAAP due to the lower yield curve used in Solvency II. The Solvency II reinsurance recoverables line also includes:

- Ceded BEL on in-payment Group Income Protection claims (which are held as a separate claims reserve under UK GAAP),
- Present values of expected future fees for catastrophe and lapse reinsurance (not included in the UK GAAP balance sheet as they relates to periods post-contract expiry)
- Coinsurance commission receivables (classified as Trade Receivables under UK GAAP)

## **7. INSURANCE AND INTERMEDIARY RECEIVABLES**

Under UK GAAP, this represents debtor balances which are past due. Insurance and intermediary balances that are not past due are future cash flows and hence are reclassified to Solvency II Technical Provisions.

The fair value of receivables which are past-due does not differ materially from their amortised cost and are therefore considered to be held at fair value.

## D.2. TECHNICAL PROVISIONS

The below technical provisions table has been extracted from the Company's Solvency II balance sheet and summarises the calculation of Technical Provisions using aggregated UK GAAP reserves as the starting point. The below table should be viewed in conjunction with the explanatory notes below.

Technical Provisions – Solvency II Balance Sheet	UKGAAP, £k	Solvency II Adjustment, £k	Solvency II Valuation, £k
Technical provisions - health (similar to life)	78,915	(22,291)	56,623
Technical provisions - life	565,706	(55,723)	509,983
<b>Total Technical Provisions</b>	<b>644,621</b>	<b>(78,015)</b>	<b>566,606</b>

### D.2.1. VALUATION BASIS, METHODS AND MAIN ASSUMPTIONS

The best estimate liabilities are defined as the probability-weighted average of future cash flows, discounted to take into account the time value of money. The cash flow projection used in the calculation of the best estimate takes account of all the cash in-flows and out-flows required to settle the insurance and reinsurance obligations over their lifetime. Policy cashflows are modelled at a granular level (per policy basis in monthly increments) for both individual and group protection. Uncertainty in the cashflows to the Company is mitigated via the extensive use of reinsurance.

The key changes related to Technical Provisions in moving from the financial statements balance sheet to the Solvency II balance sheet are:

- Updating the yield curve to the Solvency II risk free rate (a £146.5m increase in technical provisions).
- Replacing the UK GAAP Risk Adjustment with the Solvency II Risk Margin (a £150.3m decrease in technical provisions).
- Reclassifying Policyholder Premiums Due (an £74.1m decrease in technical provisions).
- A Transitional Measure on Technical Provisions (TMTP) has been used and has a value of £0 at 31 December 2024. The TMTP has not been subject to audit.

Technical provisions are grouped into the following key components:

- Best Estimate
  - Best Estimate Liability (BEL)
  - Other Best Estimate components
- Risk Margin: Additional provision to bring the Best Estimate to the level required to transfer the obligations to a third party undertaking.

#### Assumption Changes since 2023

For both individual and group protection, the mortality, morbidity, lapse, expense and economic bases have been reviewed and adjustments made where necessary to align our expectations to actual experience with expert judgement overlaid where required including aligning to Aviva's bases where appropriate, for example on long term lapses, expenses, yield curves and inflation.

### D.2.2. BEST ESTIMATE LIABILITY

In line with Chapter 3 of the Technical Provisions Part of the PRA Rulebook, the BEL is determined as a present value of the expected future cash flows using the relevant risk-free interest rate term structure. Neither the Matching Adjustment nor the Volatility Adjustment is currently used in the discounting of liabilities. Furthermore, no use is made of transitional measures on risk-free rates.



APUK does not perform a stochastic calculation using simulation techniques; the BEL is assessed deterministically. This involves determining a fixed set of assumptions (i.e. best estimate assumptions) which are used to project cash flows and calculate the BEL.

This approach is considered appropriate because the nature of the liabilities is simple in that there are no significant embedded options and guarantees (so no complicated policyholder behaviours to model) and associated management actions. There are no participating products where simulation techniques are more appropriate to use to ensure all likely scenarios are captured. With regard to contract boundaries:

- All fixed term individual protection products are projected to the end of their term
- Individual whole of life contracts are projected until age 120 (assumed death)
- All group protection products are projected to their scheme renewal date

The projected cash flows are associated with existing contracts and obligations with uncertainty incorporated through an expected lapse rate. For individual protection business, lapse rates are applied at a policy level whereas for group protection business lapse rates are applied at a scheme level. Lapse rates vary principally by duration of policy, type of contract, distribution channel and commission clawback structure, to reflect the anticipated experience of the business. The assumptions have been set based on a combination of the Company's own and partners' experience and other related industry experience. Lapse rates for group business have been set using past scheme lapse experience.

Expected cashflows are also influenced by mortality, morbidity and expense assumptions. These are updated each year and reviewed and approved by the APUK Board. For both individual and group protection, mortality and morbidity assumptions are set for each product based on the anticipated future experience of the business. The rates are based on published industry tables adjusted to take account of the APUK specific product features, distribution channels and socio-economic profile. The Company's principal mortality rates on individual business are based on TL16 mortality tables and the morbidity rates are based on AC08 for critical illness and a hybrid of CMIR12 and reinsurer experience for income protection. These tables are published by the Continuous Mortality Investigation, which is a division of the Institute and Faculty of Actuaries. Mortality improvements are allowed for based on standard industry (Continuous Mortality Investigation) models and other related expertise from the industry with an increase to improvements in the long-term and an increase in the shorter-term also to reflect higher improvements for insured lives vs the general population. Group life mortality tables are mainly based on previous claims experience. The contracts are valued using our long term expense assumptions which reflect the projected expense cost of the Company. Both scheme specific and member specific expenses are allowed for within the group business. The expenses are then applied at member level and subject to contract boundaries.

Assumptions are considered to be best estimate when they represent the "mean" or probability weighted average of possible outcomes to an uncertain event, i.e. actual experience could be equally likely to be better or worse than the assumption.

Chapter 3 of the Technical Provisions Part of the PRA Rulebook also states that the best estimate liability shall be calculated gross, without deduction of the amounts recoverable from reinsurance contracts. The cash flows are therefore calculated gross of reinsurance recoveries expected from the reinsurance arrangements.

### **D.2.3. OTHER BEST ESTIMATE COMPONENTS**

The Best Estimate line of the Solvency II Balance Sheet also contains some other liabilities. The details are as follows:

#### **A. IBNS (Incurred but not settled)**

IBNS is a combination of IBNR (Incurred but not reported) and RBNS (reported but not settled).

- IBNR is a liability for unreported claims which APUK expects to pay but are not aware yet that the claim incident has occurred. Its value is determined using assumptions on the time to report claims, average

claims and decrement rates. The same methodology is applied to both individual and group protection business.

- Once a claim is reported, investigations are generally carried out to collect all the required documents or in a small number of cases to probe further into the causes that led to the insured event. An allowance is made for claims that have been reported but not settled at the Solvency II balance sheet reporting date. This comprises of the face value of the claims payable with adjustments made to reflect the likelihood the claim will be paid and, where relevant, the expected duration of the claim.

## **B. Policyholder Premiums Due**

Premiums which have not yet been paid to the Company also need to be taken into account. Typically policyholders pay their premiums on a monthly basis and this balance sheet line reflects premiums due in the last month of the reporting period which have not been paid in the period.

### **D.2.4. RISK MARGIN**

APUK's approach to calculating the Risk Margin is in line with Method 1 in the Solvency II hierarchy of simplifications for the Risk Margin.

The APUK Risk Margin is produced as follows:

- determine the SCR relating to current obligations at the balance sheet reporting date (time zero)
- project it for each future time period until the existing business runs-off or, in the case of group protection, reaches a contract boundary.
- calculate the cost of holding this capital to support the business for each future year
- discount it using the risk-free curve to determine the Risk Margin.

The Standard Formula SCR for Underwriting Risk, Counterparty Default Risk, Operational Risk and Catastrophe Risks are taken into account in the Risk Margin calculation. Market Risk SCR is considered hedgeable and therefore not required to be included in the Risk Margin calculation. This methodology breaks down the SCR by risk component and by line of business in order to run them off individually. It allows consideration of duration for each line of business.

The future SCRs for each risk are then aggregated using the correlation matrix in the Standard Formula and the future SCR is applied with a risk tapering factor ( $\lambda$ ) of 0.9 (with a floor of 0.25), and thereafter discounted with the appropriate GBP yield curve as prescribed by the PRA (consistent with the yield curve applied for discounting the Technical Provisions). It is then multiplied by the Cost of Capital to obtain the final Company Risk Margin. The Cost of Capital used is 4% as required by the PRA.

An allocation of the Risk Margin by Solvency II lines of business is also produced using the allocation of the non-hedgeable SCR by lines as a proxy.

The risk drivers used to run off the SCR (for both individual and group protection) for each risk are shown below. For group schemes, number of inforce policies means number of members inforce.

Risk Type	Sub-Risk Type	Risk Driver
Default	n/a	PV of Reinsurance Claims
Life	Mortality	Sum Assured
	Longevity	PV of Future Outgo
	Disability	Sum Assured
	Lapse	Number of in-force policies
	Expenses	PV of expenses
	Revision	n/a
	CAT	Sum Assured
Health	Mortality	Sum Assured
	Longevity	PV of Future Outgo
	Disability	Sum Assured
	Lapse	Number of in-force policies
	Expenses	PV of expenses
	Health CAT	Sum Assured
Operational	n/a	Number of in-force policies

#### D.2.5. VALUE OF TECHNICAL PROVISIONS FOR EACH MATERIAL LINE OF BUSINESS

Line of Business Technical Provisions	Best Estimate, £k		Risk Margin, £k		Reinsurance Recoverable, £k		Net Technical Provisions, £k	
	2024	2023	2024	2023	2024	2023	2024	2023
Life	485,015	475,144	24,968	20,635	723,925	755,938	(213,942)	(260,159)
Health	46,053	49,229	10,571	10,638	99,719	96,535	(43,096)	(36,669)
<b>Total</b>	<b>531,068</b>	<b>524,373</b>	<b>35,539</b>	<b>31,273</b>	<b>823,645</b>	<b>852,473</b>	<b>(257,038)</b>	<b>(296,828)</b>

After Solvency II adjustments, the gross best estimate for the period is £531m. The Gross Technical Provisions after inclusion of Risk Margin of £36m are £567m. The Net (of reinsurance) Technical Provisions have increased from -£297m to -£257m over 2024.

### D.3. OTHER LIABILITIES

The below liabilities table details the derivation of Solvency II values from UK GAAP values. The below table should be viewed in conjunction with the explanatory notes.

Liabilities (excluding technical provisions) – Solvency II Balance Sheet	Notes	UK GAAP, £k	Solvency II Adjustment, £k	Solvency II Valuation, £k
Insurance & Intermediaries payable	1	16,881	-	16,881
Reinsurance payables	2	167,446	-	167,446
Payables(trade, not insurance)	3	91,823		91,823
<b>Total Technical Provisions</b>		<b>644,621</b>	<b>(78,015)</b>	<b>566,606</b>
<b>Total Liabilities (including technical provisions)</b>		<b>920,770</b>	<b>(78,015)</b>	<b>842,756</b>

#### D.3.1. VALUATION BASIS, METHODS AND MAIN ASSUMPTIONS

In Solvency II, the valuation of liabilities other than technical provisions is recognised in accordance with market consistent valuation methods as set out in the PRA Rulebook for Solvency II firms. There have been no changes to the recognition and valuation bases used or estimations during the period. The applicable areas where differences were identified for the Company are set out as below:

##### 1. INSURANCE & INTERMEDIARIES PAYABLE

On the UK GAAP balance sheet, Insurance and Intermediaries payables represents commission due to intermediaries that has fallen due by the balance sheet date but has not yet been settled.

##### 2. REINSURANCE PAYABLES

Under both UK GAAP and Solvency II, Reinsurance Payables represents “creditors arising out of reinsurance operations”.

##### 3. PAYABLES (TRADE, NOT INSURANCE)

Under UK GAAP, Trade Payables are carried at amortised cost using the effective interest method. Trade Payables solely comprise amounts which fall due within 12 months and are considered to be held approximately at fair value under UK GAAP. It typically includes amounts due to employees, suppliers, public entities, etc. which are not insurance-related. In the Solvency II balance sheet, all these items remain in this line.

### D.4. ALTERNATIVE METHODS FOR VALUATION

APUK does not use any alternative methods of valuation.

### D.5. ANY OTHER MATERIAL INFORMATION

The Solvency II valuation have been prepared on a going concern basis. The Directors have considered all available information, both quantitative and qualitative, which includes, but not limited to, a review of the Company’s current and projected future: performance, solvency position, liquidity, potential risks and uncertainties. Severe but plausible downside scenarios have been considered including, but not limited to, any potential impact from current economic uncertainty and cost of living pressures on customers. The Company has used forecasts based on its strategy to consider these downside scenarios, with stress testing being performed on factors such as performance, solvency position, liquidity and capital. Retrospective analysis has also been conducted to assess the historical accuracy of past budgets.

As a consequence, the Directors consider that the Company is well placed to manage its business risks and has adequate financial resources to meet its liabilities and to continue in operational existence up to 30 April 2026, which is at least 12 months from the date of approval of these financial statements. As a result, the Company continues to prepare its financial statements on a going concern basis.

Following the acquisition of the Company by Aviva Group, significant integration activity is on-going across the Aviva Group. The Group is considering various actions within the UK Insurance, Wealth & Retirement (“IWR”) segment to achieve further capital benefits. Until any changes are agreed and implemented the Company will continue with its existing activities.

## **E. Capital Management**

The 'Capital Management' section of the report describes the internal operational structures/procedures underlying capital management within the Company as well as the projections of capital position over a three year planning horizon. The Capital Plan is updated at least annually or more frequently if a material change occurs to the Company's risk or capital profile, business strategy, the macro-economic outlook or if regulatory feedback warrants a change.

Key elements include:

- Own Funds;
- SCR and MCR;
- Non-compliance with SCR and MCR.

## **E. CAPITAL MANAGEMENT**

### **E.1. OWN FUNDS**

The Company's Own Funds are comprised of items on the balance sheet which are referred to as basic Own Funds and off balance sheet items that may be called up to absorb losses referred to as ancillary Own Funds. This sub-section of the report aims to provide a view of capital management activities in the Company over the period, its capital management methods and the structure, amount and quality of Own Funds.

#### **E.1.1. APPROACH TO CAPITAL MANAGEMENT**

The Company's CFO is responsible for its capital management. Capital planning is considered pivotal in decision making and for the production of the Board approved annual business and capital plan.

Capital management focuses on two aspects:

- Ensuring that there is sufficient coverage of both the regulatory capital requirements (MCR and SCR) as well as the economic capital targets set.
- Optimisation of the quality of available Own Funds, in respect of the capital position of the wider organisation.

The Actuarial Function provides the Board with information on the Company's capital position and monitors the surplus over internal and regulatory capital requirements. The Chief Actuary leads the internal and regulatory stress and scenario testing.

The APUK Target Solvency Ratio specifies internal minimum capital levels. It is designed to ensure the Company can meet its regulatory capital requirements in a 1 in 10 year stress. The internal capital planning model shows capital projections for the upcoming three years under a baseline scenario which allows for future strategic initiatives. These projections are also produced under stressed demographic, macroeconomic and financial market scenarios via the Own Risk and Solvency Assessment (ORSA). The ORSA describes the capital implications and actions required in the event that a stress scenario occurs. These actions are documented in the Capital Management Action Plan, approved by the APUK Board. The Company also engages with the PRA by ensuring it has action plans in place for potential adverse future scenarios.

#### **E.1.2. CAPITAL MANAGEMENT PROCESS AND POLICY**

APUK has a Capital Management Policy in place which is approved by the Board, concerned with all matters relating to the capital level and capital structure of the Company. It establishes a formal capital assessment and management framework in order to achieve the following objectives:

- Ensuring adequate capital is maintained within the Company to meet regulatory requirements and ensuring capital is available to support strategic plans.
- Optimising the Company's sources and usage of capital.
- Ensuring that excess capital is returned to Group on a timely basis without compromising the other objectives, as above.

The Capital Management Policy has regard to the level and structure of capital. It aims to ensure the Company's capital resources:

- Cover the PRA's requested amount above 100% of the SCR, where relevant.
- Ensure the risk appetite approved by the Board as part of the Risk Appetite Framework is not breached.

The Company has an active capital management process to ensure it meets regulatory capital requirements.

### **E.1.3. COMPOSITION AND QUALITY OF OWN FUNDS**

Under Solvency II regulation, capital is referred to as Own Funds and the regulation distinguishes between Basic Own Funds and Ancillary Own Funds. Capital under Solvency II is the excess of assets over liabilities and is known as Basic Own Funds. This is classified into tiers of Own Funds. Restrictions are applied to limit the extent to which the various components of Own Funds can be used to meet the capital requirements.

#### **E.1.3.1. BASIC OWN FUNDS TIER 1**

The Basic Own Funds Tier 1 criteria are met by:

- Ordinary share capital.
- Share premium account related to ordinary share capital.
- Solvency II Reconciliation reserve (UK GAAP to Solvency II adjustments).

The Basic Own Funds have been classified and tiered in accordance with the Company Own Funds Policy. The Company's ordinary share capital and the related share premium amount are classified as Tier 1 capital since the Company's Articles of Association permit the cancellation of dividends after they have been declared.

The reconciliation reserve comprises the remainder of the excess of assets over liabilities, after deductions for any net deferred tax assets classified under Tier 3 and any foreseeable dividends.

#### **E.1.3.2. BASIC OWN FUNDS TIER 2**

APUK does not have any Tier 2 capital.

#### **E.1.3.3. BASIC OWN FUNDS TIER 3**

Tier 3 capital of £13.1m consist of net deferred tax assets.

#### **E.1.3.4. ANCILLARY OWN FUNDS**

##### **Subordination**

Tier 2 and 3 Ancillary Own Funds rank after all other claims in the event of winding-up proceedings regarding the company. Ancillary Own Funds must satisfy the following conditions i.e. they:

- Do not include any features which may cause or accelerate the insolvency of the Company.
- Are immediately available to absorb losses.
- Are undated and non-redeemable.
- Allow the cancellation of dividends (since the Articles of Association do not prohibit such cancellation).
- Allow the Company full flexibility over the payment of dividends.
- Are free of encumbrances and are not connected with any other transaction which when considered with the shares (and related share premium) could result in the shares not satisfying the other Tier 1 requirements.



## Ancillary Own Funds

No Ancillary Own Funds are recognised as at 31/12/2024. Following the acquisition by Aviva in April 2024, the flexible letter of credit agreement with Santander was terminated.

### E.1.3.5. RECONCILIATION RESERVE

The reconciliation reserve is classified as Tier 1 capital in accordance with the Solvency II regulations. It is calculated as per the table below. Movements in the reconciliation reserve will be largely driven by movements in the excess of assets over liabilities. This excess has sensitivity to the level of interest rates; however this is monitored and mitigated by asset-liability management.

Reconciliation Reserve		£k
Excess of assets over liabilities		344,980
<b>Less:</b>		
Ordinary share capital		540,885
Share premium		86,725
Net deferred tax assets (Tier 3)		13,120
Foreseeable dividend		-
<b>Reconciliation Reserve</b>		<b>(295,749)</b>

### E.1.3.6. SUBORDINATED LIABILITIES

There are no subordinated liabilities on the Solvency II balance sheet.

### E.1.3.7. NET DEFERRED TAX ASSETS

This comprises the deferred tax assets on the Solvency II balance sheet related to future taxable profits. This is classified as Tier 3 capital in accordance with the Solvency II regulations.

£k	2024	2023
UKGAAP Net Asset excluding deferred tax (A)	476,557	363,150
SII Own Funds excluding deferred tax (B)	331,861	246,662
Tax Rate (C)	25%	25%
UKGAAP Deferred Tax Assets (D)	(22,184)	(12,718)
<b>Potential Deferred Tax Assets (A-B) * C- D</b>	<b>58,358</b>	<b>41,840</b>
<b>Tax on Expected Future Profits</b>	<b>13,120</b>	<b>42,563</b>
<b>Deferred Tax Assets recognisable as eligible own funds</b>	<b>13,120</b>	<b>41,840</b>

### E.1.3.8. ELIGIBLE OWN FUNDS

The classification into tiers is relevant to the determination of eligible own funds. These are the own funds that are eligible for covering the regulatory capital requirements i.e. the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR). For example, the MCR must be covered by Tier 1 and Tier 2 capital and may not therefore be covered by Tier 3 capital. The extent to which the tiers are eligible to cover the capital requirements is set out in the PRA Rulebook Own Funds Part, Chapter 4.

The tables below present the amount of total Own Funds eligible to cover the SCR and MCR, split by relevant tiers as at 31 December 2024 and 31 December 2023:

**2024 YE**

Available Funds	Total, £k	Tier 1 – Unrestricted, £k	Tier 1 – Restricted, £k	Tier 2, £k	Tier 3, £k
Ordinary Share Capital	540,885	540,885			
Share Premium	86,725	86,725			
Net Deferred Tax Assets	13,120				13,120
Reconciliation Reserve	(295,749)	(295,749)			
Ancillary Own Funds (LOC)	-			-	
<b>Total Available Own Funds</b>	<b>344,980</b>	<b>331,861</b>	-	-	<b>13,120</b>
Total Eligible Own Funds to meet the SCR	344,980	331,861	-	-	13,120
Total Eligible Own Funds to meet the MCR	331,861	331,861	-	-	-

**2023 YE**

Available funds	Total, £k	Tier 1 – Unrestricted, £k	Tier 1 – Restricted, £k	Tier 2, £k	Tier 3, £k
Ordinary Share Capital	316,885	316,885	-	-	-
Share Premium	86,725	86,725	-	-	-
Net Deferred Tax Assets	41,840	-	-	-	41,840
Reconciliation Reserve	(156,948)	(156,948)	-	-	-
Ancillary Own Funds (LOC)	20,000	-	-	20,000	-
<b>Total Available Own Funds</b>	<b>308,502</b>	<b>246,662</b>	-	<b>20,000</b>	<b>41,840</b>
Total Eligible Own Funds to meet the SCR	293,337	246,662	-	20,000	26,675
Total Eligible Own Funds to meet the MCR	246,662	246,662	-	-	-

**Movements over the Reporting Period**

The APUK share premium account remained at £86,725,000 over the reporting period. The movement in available and eligible own funds is largely driven by the increase in ordinary share capital due to the £224m of capital injections from UKLAP in 2024 to support solvency. This was partially offset by the termination and recapture of the intragroup reinsurance arrangements by AIRCO, basis changes, removal of the flexible letter of credit and lower deferred tax assets due to the partial closure of new business. All of these changes were driven by the integration and harmonisation of the APUK business into the wider Aviva Group.

**E.1.3.9. ELIGIBLE OWN FUNDS TO COVER CAPITAL REQUIREMENTS**

The Solvency Capital Requirement (SCR) reflects a level of eligible own funds that enables the Company to absorb significant losses and that gives reasonable assurance to policyholders and beneficiaries that payments will be made as they fall due.

The Minimum Capital Requirement (MCR) is a minimum level below which the amount of resources should not fall. It is necessary that it is calculated in accordance with the standard formula, which is subject to a defined floor and cap based on the risk-based SCR.

The table below presents the ratio of eligible own funds that the Company holds to cover the SCR and MCR:

Eligible Own Funds To Meet Capital Requirements	
SCR, £k	202,735
MCR, £k	91,231
Ratio of Eligible Own Funds to SCR	170%
Ratio of Eligible Own Funds to MCR	364%

**E.1.3.10. STRUCTURE, AMOUNT AND QUALITY OF ANCILLARY OWN FUNDS**

Own Funds that do not fall within the definition of Basic Own Funds are known as Ancillary Own Funds. The Company currently does not have any Ancillary Own Funds, i.e. Tier 2 Capital which contribute towards the Eligible Own Funds under Solvency II as permitted by the PRA. Following the acquisition by Aviva in April 2024, the flexible letter of credit agreement with Santander was terminated.

#### **E.1.4. TRANSITIONAL ARRANGEMENTS (UNAUDITED)**

APUK received approval to use a Transitional Measure on Technical Provisions during 2017. This had a £0 value as at 31 December 2024. No other transitional measures are in place.

#### **E.1.5. MATERIAL DIFFERENCES BETWEEN EQUITY IN THE FINANCIAL STATEMENTS AND THE EXCESS OF ASSETS OVER LIABILITIES**

Capital resources are calculated differently under Solvency II and UK GAAP resulting from differences in the classification and valuation of certain items under Solvency II definitions compared to UK GAAP:

- Deferred acquisition costs are not recognised under Solvency II.
- Technical provisions are recalculated under Solvency II on a discounted best estimate basis.
- Deferred tax value changes due to all of the above.

The Company's Own Funds position is different from the equity stated in its financial statements for a number of reasons.

The following table reconciles the equity in the financial statements to the excess of assets over liabilities under Solvency II. Further details regarding reconciling items are set out in the respective notes identified below:

<b>Excess of Assets over Liabilities – Attribution of Valuation Difference</b>	<b>£k</b>
<b>Equity in Financial Statements</b>	<b>498,741</b>
Difference in the valuation of assets	(231,776)
Difference in the valuation of technical provisions	78,015
<b>Excess of assets over liabilities</b>	<b>344,980</b>
Add: Subordinated liabilities	-
Less: Foreseeable dividends	-
<b>SII Basic Own Funds</b>	<b>344,980</b>

Valuation differences are representative of items of assets and liabilities which have been valued on a different basis for Solvency II reporting purposes compared with UK GAAP.

Deductions made to Own Funds are those explicitly required under Solvency II for solo insurers, both in respect of available Own Funds and also as a result of applying tiering to Own Funds to reflect the relative quality of items of Own Funds eligible to cover the SCR.

#### **E.1.6. CAPITAL INSTRUMENTS AND RING FENCED FUNDS**

During the period, no capital instruments were issued or redeemed. In addition, there were no restricted own funds due to ring fencing.

#### **E.1.7. ANY MATERIAL CHANGES TO THE SOLVENCY CAPITAL REQUIREMENT AND TO THE MINIMUM CAPITAL REQUIREMENT OVER THE REPORTING PERIOD**

The SCR increased over 2024. Compared to 31 December 2023, the SCR has increased from £177,835k to £202,735k to at 31 December 2024. This is driven by basis changes and growth of the inforce book. Consequently, the MCR has also increased from £80,026k to £91,231k at 31 December 2024.

## **E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT**

The SCR and MCR requirement section of the report aims to provide a comprehensive view to assess the adequacy of the Company's capital in line with the regulatory requirements.

### **E.2.1. SOLVENCY CAPITAL REQUIREMENT (SCR)**

The SCR is the amount of funds that the Company is required to hold in line with the Solvency Capital Requirement rules set out in the PRA Rulebook. The SCR is a formula-based figure calibrated to ensure that all quantifiable risks are taken into account, including life and health underwriting, market, credit, operational, and counterparty risk.

The Company uses the Standard Formula to calculate its SCR. The amount of the SCR at 31 December 2024 is £202.7m.

The assessment of the SCR using the Standard Formula is based on a modular approach consisting of a core of life; market; health and counterparty default risks with associated sub-modules. These are aggregated in the standard formula using correlation matrices, both at the sub-module and the main module level. The operational risk component and adjustments for the loss absorbing capacity of deferred taxes are then allowed for, to give the overall SCR.

Hence, the SCR is calculated as follows:

$$\text{SCR} = \text{BSCR} + \text{SCR}_{\text{op}} - \text{Adj}$$

Where

- SCR = The Overall Standard Formula Capital Requirement.
- BSCR = Basic Solvency Capital Requirement.
- Adj = Adjustment for Loss-Absorbing Capacity of Deferred Taxes.
- SCR<sub>op</sub> = The Capital Charge for Operational Risk.

The "Change in Basic Own Funds" ( $\Delta\text{BoF}$ ) approach is used for capturing the impact of the underlying risk module. Note that the expression  $\Delta\text{BoF}$  has a sign convention whereby positive values signify a loss.

In order to calculate  $\Delta\text{BoF}$ , the base scenario as well as the stressed assets and liabilities need to be calculated. The cashflows for each of these scenarios are then discounted to determine the corresponding present value of assets and liabilities. The difference between the base and the stressed assets and liabilities is the  $\Delta\text{BoF}$ .

The  $\Delta\text{BoF}$  is based on a Solvency II balance sheet that excludes the risk margin component of the technical provisions (i.e. uses only the best estimate liability component of the technical provisions). Furthermore when calculating  $\Delta\text{BoF}$  the following need to be allowed for:

- Where risk mitigation techniques are used in the calculation of the SCR, the scenarios required for the calculation of the life, health, market and default risk modules incorporate their effects;
- The impact of hedging instruments where a financial risk mitigation instrument has been utilised; and
- The revaluation of technical provisions allowing for any relevant adverse changes in the option take-up behaviour of policyholders in the scenario.

APUK uses reinsurance to mitigate insurance risk.

APUK does not use any undertaking specific parameters and there are no simplifications used in the calculation of SCR. The use of the TMTP has no impact on the SCR.

The stress scenarios for underwriting risks in life insurance and SLT health insurance are instantaneous, and do not allow for future new business.

The table below highlights the capital requirements for each risk module. Diversification is calculated using the standard formula correlation matrices and largely arises from diversification between modules (£63,780k) and diversification within the Life & Health modules between Lapse and Disability Risks (£53,999k in total for the Life & Health modules):

Capital Requirement for each risk module	Solvency Capital Requirement, £k
Total Capital Requirement for market risk	15,663
Total capital requirement for counterparty default risk	34,235
Total capital requirement for life underwriting risk	124,511
Total capital requirement for health underwriting risk	60,096
Total capital requirement for non-life underwriting risk	-
Diversification	(63,780)
<b>Basic Solvency Capital Requirement</b>	<b>170,725</b>
Capital requirement for operational risk	32,011
Loss-absorbing capacity of technical provisions	
Loss-absorbing capacity of deferred taxes	-
Diversification within ring fenced funds and between ring fenced funds and remaining part	
<b>Solvency Capital Requirement calculated using standard formula</b>	<b>202,735</b>

The operational risk capital requirement is calculated based on factors applied to the technical provisions and premiums for each line of business underwritten. This is subject to regulatory minimum capital holdings.

### E.2.2. MINIMUM CAPITAL REQUIREMENT (MCR)

The amount of the MCR for the reporting period is £91.2m. The Linear MCR is calculated as a function of capital at risk and the best estimate liability. The following table shows the MCR calculation:

MCR Calculation	£k
Linear MCR	155,897
SCR	202,735
MCR Cap	91,231
MCR Floor	50,684
Absolute Floor of the MCR	3,500
<b>Minimum Capital Requirement</b>	<b>91,231</b>

### Information on the Inputs used to calculate the MCR

The MCR calculation uses inputs as required by the standard formula. In particular, the SCR, Capital At Risk, BEL and Sum Assured are required. This data is provided at the same granularity and accuracy as for the SCR calculation itself. The use of the Transitional Measure on Technical Provisions (TMTP) has no impact on the MCR.

### E.3. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

The Company uses the Standard Formula to calculate the SCR and therefore no differences exist.

**E.4. NON-COMPLIANCE WITH THE MCR AND NON-COMPLIANCE WITH THE SCR**

During the reporting period, there were no instances of non-compliance with the Solvency II capital requirements. In addition, the Company held Own Funds in excess of both the SCR and MCR requirements over the reporting period.

**E.5. ANY OTHER INFORMATION**

There is no other material information.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE SOLVENCY AND FINANCIAL CONDITION REPORT (SFCR)**

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

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 with the PRA Rules in future.

The SFCR was approved by the Board of Directors on 2 April 2025 and was signed on its behalf by:

***Michael Aitchison***

***Chief Financial Officer & Director***

*Aviva, Wellington Row, York, YO90 1WR*

*2 April 2025*

**REPORT OF THE EXTERNAL INDEPENDENT AUDITORS TO THE DIRECTORS OF AVIVA PROTECTION UK LIMITED ('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 2024:

- The 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2024 (**'the Narrative Disclosures subject to audit'**); and
- Company templates IR.02.01.02, IR.12.01.02, IR.22.01.21, IR.23.01.01, IR.25.04.21 and IR.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:

- The 'Summary', 'Business and Performance', 'System of Governance' and 'Risk Profile' sections of the Solvency and Financial Condition Report;
- Company templates IR.05.02.01 and IR.05.03.02;
- Information calculated in accordance with the previous regime used in the calculation of the transitional measure on technical provisions, and as a consequence all information relating to the transitional measure on technical provisions as set out in the Appendix to this report; and
- 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 Aviva Protection UK Limited as at 31 December 2024 is prepared, in all material respects, in accordance with the financial reporting provisions of the Prudential Regulation Authority ('PRA') Rules.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)), including ISA (UK) 800 (*Revised*) *Special Considerations – Audits of Financial*



*Statements Prepared in Accordance with Special Purpose Frameworks’ and ‘ISA (UK) 805 (Revised) Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement’.* Our responsibilities under those standards are further described in the *Auditor’s 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 relevant elements 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**

In auditing the relevant elements of 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. Our evaluation of the Directors’ assessment of the Company’s ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of the directors’ going concern assessment process and obtaining and testing the assessment which covers the period to 30 April 2026.
- Challenging the basis upon which the assessment is made, being a focus on liquidity and capital, to conclude as to whether the assessment is appropriate for the Company.
- Assessing the accuracy of management’s cash flow and capital forecast by testing the clerical accuracy.
- Obtaining and reviewing the latest Board approved Own Risk Solvency Assessment (“ORSA”), assessing whether the stress testing included in the ORSA was reasonable and considering the solvency positions under each stress scenario.
- Evaluating management’s forecast analysis to understand how severe the downside scenarios would have to be to result in the elimination of solvency headroom and considering whether the likelihood of such severe downside scenarios are remote.
- Evaluating the liquidity of the Company by reviewing both the base case and downside scenarios presented in the underlying cashflow forecasts and ensuring that they incorporate an estimated view of the potential future economic downturn.
- Performing enquiries of management and those charged with governance to identify risks or events that may impact the Company’s ability to continue as a going concern. We also confirmed management’s assessment was approved by the Board.
- Confirming with both management and the Board that the intention to Part VII the business in December 2025 has no impact on going concern, as there are no definitive plans at this stage to place the Company into liquidation within the period covered by the going concern assessment.
- Assessing the appropriateness of the going concern disclosure by comparing the disclosure with management’s assessment and for compliance with the relevant reporting requirements.

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 to 30 April 2026.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

### **Emphasis of Matter - Basis of Accounting and Restriction on Use**

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 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.

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of the External Audit Part of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose.

Our opinion is not modified in respect of these matters.

### **Other Information**

The Directors are responsible for the Other Information contained within the Solvency and Financial Condition Report.

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.

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 course of 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 this gives rise to a material misstatement in the relevant elements of the Solvency and Financial Condition Report themselves. 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 which have been supplemented by the permission made by the Prudential Regulation Authority under section 138BA of the Financial Services and Markets Act 2000.

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.

In preparing the Solvency and Financial Condition Report, the Directors are responsible for assessing the Company's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the Directors either intend to cease to operate the Company, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **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 relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, with the financial reporting provisions of the PRA Rules.

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 auditor's 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 relevant elements of the Solvency and Financial Condition Report.

### **Explanation as to what extent the Audit was considered capable of detecting irregularities, including fraud**

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

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the relevant laws and regulations related to elements of Company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the Solvency and Financial Condition Report included permissions and supervisory requirements of the PRA and the FCA.

- We understood how Company is complying with those frameworks by making inquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board and its Committees; and gained an understanding of the Company's approach to governance, demonstrated by the Board's review of the Company's risk management framework and internal control processes.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also assessed the risks of fraud relating to the assumptions used in the valuation of the technical provisions. Our procedures relating to this area and other significant accounting estimates included challenging management on the assumptions and judgements made in determining these estimates.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making inquiries of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Company's methods of enforcing and monitoring compliance with such policies, and inspecting correspondence with the PRA and FCA.
- We identified and tested journal entries, including those posted with certain descriptions or unusual characteristics, backdated journals or posted by unexpected users.
- The Company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities.

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

### **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 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.

*Ernst & Young LLP*

*Bristol*

*2 April 2025*

## **Appendix – Information within the relevant elements of the Solvency and Financial Condition Report that is not subject to audit**

Information within the relevant elements of the Solvency and Financial Condition Report that is not subject to audit comprises:

- The following elements of template IR.02.01.02:
  - R0565 - Transitional (TMTP) – life
- The following elements of template IR.12.01.02
  - Rows R0140 to R0180 – Amount of transitional on technical provisions
- The following elements of template IR.22.01.21
  - Column C0030 – Impact of transitional on technical provisions
- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited.’

# **F. APPENDICES TO THE SOLVENCY AND FINANCIAL CONDITION REPORT**

## F.1. GLOSSARY

### A

<b>AIG</b>	American Insurance Group
<b>AIRCO</b>	American International Reinsurance Company Ltd.
<b>AHEL</b>	AIG Holdings Europe Limited

### C

<b>CCO</b>	Chief Compliance Officer
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CRO</b>	Chief Risk Officer

### D

<b>DVM</b>	Distribution Value Management
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### E

<b>ERM</b>	Enterprise Risk Management
<b>EU</b>	European Union

### F

<b>FCA</b>	Financial Conduct Authority
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### G

<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GCCC</b>	Group Credit Control Committee

### H

<b>HMRC</b>	Her Majesty's Revenue and Customs
<b>HMT</b>	Her Majesty's Treasury

### M

<b>MCR</b>	Minimum Capital Requirement
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### O

<b>OFAC</b>	Office of Foreign Assets Control
<b>ORSA</b>	Own Risk Solvency Assessment

### P

<b>PEP</b>	Politically Exposed Person
<b>PRA</b>	Prudential Regulatory Authority
<b>PRSC</b>	Pricing and Reinsurance Steering Committee

### R

<b>RCC</b>	Risk and Capital Committee
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### S

<b>SAA</b>	Strategic Asset Allocation
<b>SAFG</b>	Sun America Financial Group Retirement Services, Inc.
<b>SCR</b>	Solvency Capital Requirement
<b>SII</b>	Solvency II
<b>SM&amp;CR</b>	Senior Managers & Certification Regime

<b>STI</b>	Short Term Incentive
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### T

<b>TDC</b>	Total Direct Compensation
<b>TMTF</b>	Transitional Measures on Technical Provisions

**F.2. PUBLIC QRTS**



# AVIVA PROTECTION UK LIMITED

## Solvency and Financial Condition Report

### Disclosures

31 December  
**2024**

(Monetary amounts in GBP thousands)

## General information

Entity name	AVIVA PROTECTION UK LIMITED
Entity identification code and type of code	LEI/5493006N00E0RU0BSO29
Type of undertaking	Life undertakings
Country of incorporation	GB
Language of reporting	en
Reporting reference date	31 December 2024
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	Use of transitional measure on technical provisions

## List of reported templates

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IR.02.01.02 - Balance sheet

IR.05.02.01 - Premiums, claims and expenses by country: Life insurance and reinsurance obligations

IR.05.03.02 - Life income and expenditure

IR.12.01.02 - Life technical provisions

IR.22.01.21 - Impact of long term guarantees measures and transitionals

IR.23.01.01 - Own Funds

IR.25.04.21 - Solvency Capital Requirement

IR.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

IR.02.01.02

Balance sheet

		Solvency II value
		C0010
<b>Assets</b>		
R0030	Intangible assets	
R0040	Deferred tax assets	13,120
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	299,719
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	1,300
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	298,419
R0140	<i>Government Bonds</i>	298,419
R0150	<i>Corporate Bonds</i>	0
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	0
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	823,645
R0280	<i>Non-life and health similar to non-life</i>	
R0315	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	823,645
R0340	<i>Life index-linked and unit-linked</i>	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	0
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	15,505
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	35,747
R0420	Any other assets, not elsewhere shown	0
R0500	<b>Total assets</b>	<b>1,187,736</b>

		<b>Solvency II value</b>
		C0010
<b>Liabilities</b>		
R0505	Technical provisions - total	566,606
R0510	<i>Technical provisions - non-life</i>	0
R0515	<i>Technical provisions - life</i>	566,606
R0542	Best estimate - total	531,068
R0544	<i>Best estimate - non-life</i>	
R0546	<i>Best estimate - life</i>	531,068
R0552	Risk margin - total	35,539
R0554	<i>Risk margin - non-life</i>	
R0556	<i>Risk margin - life</i>	35,539
R0565	Transitional (TMTP) - life	0
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	16,881
R0830	Reinsurance payables	167,446
R0840	Payables (trade, not insurance)	91,823
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in Basic Own Funds</i>	
R0870	<i>Subordinated liabilities in Basic Own Funds</i>	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	<b>Total liabilities</b>	<b>842,756</b>
R1000	<b>Excess of assets over liabilities</b>	<b>344,980</b>

IR.05.02.01

Premiums, claims and expenses by country: Life insurance and reinsurance obligations

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
			C0220	C0230	C0240	C0250	C0260	
<b>R1400</b>	<b>Premiums written</b>							
R1410	Gross	790,075						790,075
R1420	Reinsurers' share	353,323						353,323
R1500	Net	436,753						436,753
	<b>Premiums earned</b>							
R1510	Gross	790,075						790,075
R1520	Reinsurers' share	353,323						353,323
R1600	Net	436,753						436,753
	<b>Claims incurred</b>							
R1610	Gross	466,390						466,390
R1620	Reinsurers' share	204,696						204,696
R1700	Net	261,694						261,694
R1900	<b>Net expenses incurred</b>	314,499						314,499

IR.05.03.02

Life income and expenditure

	Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health		
	C0010	C0020	C0030	C0040	C0050	C0060	C0070		
<b>Premiums written</b>									
R0010	<i>Gross direct business</i>						666,045	134,218	800,263
R0020	<i>Gross reinsurance accepted</i>								0
R0030	Gross	0	0	0	666,045	134,218		800,263	
R0040	<i>Reinsurers' share</i>						297,856	60,022	357,879
R0050	Net	0	0	0	368,189	74,195		442,384	
<b>Claims incurred</b>									
R0110	<i>Gross direct business</i>						390,011	78,593	468,604
R0120	<i>Gross reinsurance accepted</i>								0
R0130	Gross	0	0	0	390,011	78,593		468,604	
R0140	<i>Reinsurers' share</i>						171,174	34,494	205,668
R0150	Net	0	0	0	218,837	44,099		262,936	
<b>Expenses incurred</b>									
R0160	<i>Gross direct business</i>						265,127	53,427	318,554
R0170	<i>Gross reinsurance accepted</i>								0
R0180	Gross	0	0	0	265,127	53,427		318,554	
R0190	<i>Reinsurers' share</i>						0	0	0
R0200	Net	0	0	0	265,127	53,427		318,554	
R0300	<i>Other expenses</i>								0
<b>Transfers and dividends</b>									
R0440	<i>Dividends paid</i>								0

IR.12.01.02

Life technical provisions

Best estimate

R0025 Gross Best Estimate (direct business)

R0026 Gross Best Estimate (reinsurance accepted)

R0030 Gross Best Estimate

R0080 Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

R0090 Best estimate minus recoverables from reinsurance/SPV and Finite Re

R0100 Risk margin

Amount of the transitional on Technical Provisions

R0140 TMTP - risk margin

R0150 TMTP - best estimate dynamic component

R0160 TMTP - best estimate static component

R0170 TMTP - amortisation adjustment

R0180 Transitional Measure on Technical Provisions

R0200 Technical provisions - total

	Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
	C0010	C0020	C0030	C0040	C0050	C0060	C0070
					485,015	46,053	531,068
							0
	0	0	0	0	485,015	46,053	531,068
					723,925	99,719	823,645
	0	0	0	0	-238,910	-53,667	-292,577
					24,968	10,571	35,539
							0
							0
							0
							0
	0	0	0	0	0	0	0
	0	0	0	0	509,983	56,623	566,606

IR.22.01.21

Impact of long term guarantees measures and transitionals

	Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero	
	C0010	C0030	C0050	C0070	C0090	
R0010	Technical provisions	566,606	0	0	0	0
R0020	Basic own funds	344,980	0	0	0	0
R0050	Eligible own funds to meet Solvency Capital Requirement	344,980	0	0	0	0
R0090	Solvency Capital Requirement	202,735	0	0	0	0
R0100	Eligible own funds to meet Minimum Capital Requirement	331,861	0	0	0	0
R0110	Minimum Capital Requirement	91,231	0	0	0	0



IR.23.01.01

**Own Funds**

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above

R0220 **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**

R0290 **Total basic own funds after deductions**

**Ancillary own funds**

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	<b>Total ancillary own funds</b>

**Available and eligible own funds**

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

R0580 **SCR**

R0600 **MCR**

R0620 **Ratio of Eligible own funds to SCR**

R0640 **Ratio of Eligible own funds to MCR**

**Reconciliation reserve**

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0725	Deductions for participations in financial and credit institutions
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	<b>Reconciliation reserve</b>

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
540,885	540,885		0	
86,725	86,725		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
-295,749	-295,749			
0		0	0	0
13,120				13,120
0	0	0	0	0
0				
344,980	331,861	0	0	13,120
0				
0				
0				
0				
0				
0				
0				
0				
0			0	0
344,980	331,861	0	0	13,120
331,861	331,861	0	0	
344,980	331,861	0	0	13,120
331,861	331,861	0	0	
202,735				
91,231				
170.16%				
363.76%				
C0060				
344,980				
0				
640,730				
0				
-295,749				

IR.25.04.21

## Solvency Capital Requirement

### Net of loss absorbing capacity of technical provisions

	C0010
<b>Market risk</b>	
R0070 Interest rate risk	15,444
R0080 Equity risk	0
R0090 Property risk	0
R0100 Spread risk	0
R0110 Concentration risk	0
R0120 Currency risk	798
R0125 Other market risk	
R0130 Diversification within market risk	-580
R0140 <b>Total Market risk</b>	<b>15,663</b>
<b>Counterparty default risk</b>	
R0150 Type 1 exposures	20,486
R0160 Type 2 exposures	16,075
R0165 Other counterparty risk	
R0170 Diversification within counterparty default risk	-2,326
R0180 <b>Total Counterparty default risk</b>	<b>34,235</b>
<b>Life underwriting risk</b>	
R0190 Mortality risk	13,552
R0200 Longevity risk	2,320
R0210 Disability-Morbidity risk	0
R0220 Life-expense risk	37,145
R0230 Revision risk	0
R0240 Lapse risk	98,551
R0250 Life catastrophe risk	2,186
R0255 Other life underwriting risk	
R0260 Diversification within life underwriting risk	-29,242
R0270 <b>Total Life underwriting risk</b>	<b>124,511</b>
<b>Health underwriting risk</b>	
R0280 Health SLT risk	56,368
R0290 Health non SLT risk	0
R0300 Health catastrophe risk	11,061
R0305 Other health underwriting risk	
R0310 Diversification within health underwriting risk	-7,334
R0320 <b>Total Health underwriting risk</b>	<b>60,096</b>
<b>Non-life underwriting risk</b>	
R0330 Non-life premium and reserve risk (ex catastrophe risk)	
R0340 Non-life catastrophe risk	
R0350 Lapse risk	
R0355 Other non-life underwriting risk	
R0360 Diversification within non-life underwriting risk	
R0370 <b>Non-life underwriting risk</b>	<b>0</b>
R0400 <b>Intangible asset risk</b>	
<b>Operational and other risks</b>	
R0422 Operational risk	32,011
R0424 Other risks	
R0430 <b>Total Operational and other risks</b>	<b>32,011</b>
R0432 <b>Total before all diversification</b>	<b>305,996</b>
R0434 Total before diversification between risk modules	266,515
R0436 Diversification between risk modules	-63,780
R0438 <b>Total after diversification</b>	<b>202,735</b>
R0440 Loss absorbing capacity of technical provisions	
R0450 Loss absorbing capacity of deferred tax	0
R0455 Other adjustments	
R0460 <b>Solvency capital requirement including undisclosed capital add-on</b>	<b>202,735</b>
R0472 Disclosed capital add-on - excluding residual model limitation	
R0474 Disclosed capital add-on - residual model limitation	
R0480 <b>Solvency capital requirement including capital add-on</b>	<b>202,735</b>
R0490 Biting interest rate scenario	increase
R0495 Biting life lapse scenario	mass

