

Aioi Nissay Dowa Europe Limited

Group Solvency and Financial Condition Report

Year ended 31 December 2022

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Summary

This is the Group Solvency and Financial Condition Report ("SFCR") for Aioi Nissay Dowa Europe Limited ("ANDEL", "the Company", or "the Group" when referring to the Group as a whole), as at 31 December 2022. It is prepared in accordance with the Solvency II Regulations.

1. Business and performance summary

Principal activity of the Company

The Company's principal activity is that of a holding company for insurance and insurance-related businesses. The Company's key operating subsidiaries focus on motor insurance and other auto-centric insurance products. Through its subsidiary companies, the Group operates as a general insurer in the UK and Europe, and also in Europe as a credit life insurer. The Company also has various subsidiaries, including an insurance intermediary and a management services company.

ANDEL is a private company incorporated, domiciled and registered in the United Kingdom. The registered number is 11054298 and the registered address is: 7th Floor, 52-56 Leadenhall Street, London, EC3A 2BJ. The independent auditor of the Company is KPMG LLP, 15 Canada Square, London E14 5GL.

ANDEL is a wholly owned subsidiary of Aioi Nissay Dowa Insurance Company Limited ("ADJ"), a company incorporated in Japan. MS&AD Insurance Group Holdings, Inc., ("MS&AD") a company incorporated in Japan, is the ultimate parent company and ultimate controlling party. The MS&AD Insurance Group is Japan's largest non-life insurer and one of the largest non-life insurance groups in the world.

Group structure

The Group includes three regulated insurance entities. These are:

Aioi Nissay Dowa Insurance UK Limited ("ANDI UK")

The Group reorganised its corporate structure in order to be able to continue to trade in both the UK and the European Economic Area post-Brexit. As part of this reorganisation, the Group created a new non-life insurance company in the UK, Aioi Nissay Dowa Insurance UK Limited ("ANDI UK"). This company started to underwrite elements of the Group's UK business from 1 January 2020 and by 1 December 2020 all of the Group's UK business, both new business and renewals, was written by it.

ANDI UK is a private company incorporated, domiciled and registered in England in the United Kingdom. Its company number is 11105895. Its registered office is 7th Floor, 52-56 Leadenhall Street, London, EC3A 2BJ. ANDI UK is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. Its Financial Services Register Number is 816870. The PRA has its offices at 20 Moorgate, London, EC2R 6DA. The FCA has its offices at 12 Endeavour Square, London, E20 1JN. ANDI UK's independent auditor is KPMG LLP, 15 Canada Square, London, E14 5GL.

Aioi Nissay Dowa Insurance Company of Europe SE ("ANDIE")

ANDIE is a Luxembourg-registered company and operates as a non-life insurer in Europe through branches in Belgium, France, Germany, Italy and Spain and through freedom of services in several other European countries. ANDIE's branch in the United Kingdom is in run-off, in accordance with the Group's Brexit-driven corporate restructure, with ANDI UK now the underwriter for the Group's UK business. ANDIE's existing UK policies are expected to be maintained within its UK branch until claims are paid or policies expire.

ANDIE is a Luxembourg-registered company (registered no. B232302). ANDIE's registered office is: 4 Rue Lou Hemmer, L-1748 Senningerberg, Luxembourg. ANDIE is authorised by the Commissariat aux Assurances ("CAA"), 7 Boulevard Joseph II, L-1840 Luxembourg. ANDIE's independent auditor is KPMG Luxembourg Société coopérative, 39 Avenue John F. Kennedy, L-1855 Luxembourg.

Aioi Nissay Dowa Life Insurance Company of Europe AG ("ANDLIE")

ANDLIE is a German-registered company and is a subsidiary of ANDIE. ANDLIE operates as a provider of credit life insurance in Germany and in other countries through freedom of services.

ANDLIE is registered in the Munich administrative district in Germany (registered no. HRB 188769). ANDLIE is authorised by the Federal Financial Supervisory Authority the Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin"), Graurheindorfer Str. 108, 53117, Bonn, Germany. The independent auditor is KPMG AG Wirtschaftsprüfungsgesellschaft, Ganghoferstr. 29, 80339 München, Germany.

The Group's supervisor is the PRA in the UK.

S&P Global ratings has assessed the long-term financial strength of the Group's non-life insurance subsidiaries ANDIE and ANDI UK as "A+ / Stable".

Business and performance

The Group's key business is the provision of auto-centric insurance products either directly or on behalf of its strategic partners. The Group has an important strategic relationship with Toyota and the Group's subsidiary Toyota Insurance Management SE ("TIM"), which is part-owned by Toyota Financial Services (UK) PLC ("Toyota Financial Services"), provides Toyota's insurance expertise and works in support of Toyota in both the UK and Europe. The link with Toyota will be critical to the achievement of the Group's and the Company's ambitions with regards to its underwriting business and realising the potential of telematics, not only in the UK but also more widely in support of Toyota and the Group's Japanese parent company ADJ.

The Group's gross written premiums ("GWP") for the year were £556.2m (2021: £472.6m). This growth in business volumes was due to the Group's organic growth through existing distribution channels and the favourable retention rates achieved on its renewal book, the growth of some new initiatives and partnerships and the expansion into some new distribution channels and markets. The Group made a pre-tax profit for the year ended 31 December 2022 of £0.6m (2021: pre-tax profit of £9.5m).

The Group's main line of business is the provision of Toyota-branded motor insurance and this is likely to remain the case for the foreseeable future. In addition to Toyota Insurance, the Group's three remaining main areas of business are Insure The Box (or "ITB"), Commercial Fleet and Partnerships ("Fleet") and Japanese Interests Abroad ("JIA").

The Toyota Insurance business operates across both Europe and the UK. It comprises retail motor and related products, including credit life insurance. The main countries in terms of sales are Germany, Italy, France, Spain and the United Kingdom. The business relies in large part on the sales of new and used Toyota vehicles through dealerships and the Group's success in retaining its existing customers through high renewal rates. Overall, Toyota Insurance, including credit life insurance, contributed £332.2m to the Group's GWP in the year (2021: £281.0m). Of this total, the amount of life insurance was £25.6m (2021: £23.4m).

In the UK, as well as providing Toyota-branded motor insurance, the Group underwrites through the brands Insure The Box and Tesco Bank Box (collectively "Insure The Box"). The Drive Like A Girl brand was discontinued in 2022. These brands focus on the UK young driver and telematics market. Sales contributed £68.8m (2021: £67.3m) to the Group's GWP.

The Group acquired the customer renewal rights for a portfolio of commercial motor insurance business from a fellow subsidiary within the wider MS&AD Group in March 2020. This business is mainly in the UK with a small element underwritten in the Republic of Ireland through freedom of services permissions. Renewal performance continued to be strong (at over 80%) during 2022 and sales of fleet policies consequently contributed £88m (2021: £83.8m) to the Group's GWP. The Commercial Fleet and Partnerships business includes two business arrangements which started in June 2021, ibott and Flock. Ibott is a managing general agent ("MGA") and a division of Apollo Syndicate Management Limited ("Apollo"). ANDI UK provides capacity to ibott, with the results of the MGA subject to a quota share reinsurance arrangement with the Apollo syndicate. The Group has partnered with Flock Limited, also an MGA, to develop connected motor fleet insurance products. ANDI UK provides underwriting capacity to Flock. In 2021 £8.6m of GWP was written through the ibott and Flock partnerships. This has increased to £36.1m in 2022, with the increase being due to the planned growth of these two partnerships and the consequence of a full year of operations.

The JIA business is focused on motor fleets and motor trade (including insurance for motor dealerships). In the UK the business includes Motor Ichiban, which is a retail motor insurance product marketed to Japanese expatriates. The JIA business is all 100% reinsured by the Group's parent company ADJ, with the Group's profit derived from a commission on business sales. The Group's GWP from JIA business fell slightly from £31.9m in 2021 to £30.6m in 2022.

Post-balance sheet events

On 23 January 2023 and 23 March 2023, the Group drew down two tranches of a £40m loan facility from its parent company, ADJ. The first tranche was £25m and the second was £15m. The loan tranches are unsecured, are due for repayment two years after the drawdown date and carry an appropriate arm's length interest rate. The loan facility was agreed with the parent company in order to support ANDI UK's coverage over its Solvency Capital Requirement ("SCR") and the Group's working capital needs as it continues to grow.

On 24 January 2023, ANDI UK issued £20m of ordinary share capital to its parent company ANDEL. ANDEL continued to be 100% owner of ANDI UK. This share capital injection was to support ANDI UK's business growth, financial position and SCR coverage. ANDEL used the proceeds of the first tranche of the ADJ loan facility in order to acquire these ordinary shares in ANDI UK.

On 22 April 2023, ANDIE declared a dividend payment of £13.4m to its shareholder ANDEL. This dividend payment is treated as a "foreseeable dividend" in accordance with Solvency II regulations within ANDIE's Solo Solvency II reporting.

Prior year comparatives

In the Group's 2021 year-end SFCR and Solvency II reporting (which was unaudited), the Group treated future premiums as insurance receivables, rather than deducting them from technical provisions, as per Solvency II requirements. For the 2022 year-end, future premiums are treated as part of the technical provisions, so netting future premiums against future claims outflows rather than treating the amounts gross on the balance sheet. The Group is able to make this change for the 2022 year-end because more comprehensive information on the premiums receivables balances is now available, along with enhanced processes to analyse and age the future premiums due to the Group.

In this 2022 year-end SFCR, both the comparatives as reported in the 2021 year-end SFCR and those which have been restated using the approach adopted for the current year have been set out.

There is no impact to the Group's previously reported Solvency II own funds of £280.9m as a consequence of this restatement. However, there is a reclassification of £70.9m between the Group's previously reported insurance receivables and its previously reported technical provisions.

The restatement has resulted in a reduction in the Group's 2021 year-end SCR and Minimum Capital Requirement ("MCR"). The restated 2021 SCR is £112.0m, compared with £119.7m as previously reported. The main reason for this change is the reduction of the counterparty risk charge. The restated 2021 MCR is £41.9m, compared with £47.8m as previously reported. This change is due to the decrease in the Solvency II prior year technical provisions once future premiums are included.

The effect of the restatement is to increase the previously reported SCR coverage from 235.0% to 250.8% and the previously reported MCR coverage from 587.0% to 670.6%.

The directors have presented this unaudited prior year comparative information in order to provide better comparative information to users of this SFCR.

Further details on this change are included within the relevant sections of this SFCR.

2. System of governance summary

The system of governance is considered to be appropriate for the Group taking into account the nature, scale and complexity of the risks inherent in the business. The Group has an established governance framework which the directors deem suitable for its insurance activities. There were no material changes in the system of governance in place at the Group level during the reporting period.

The Board is ultimately responsible and accountable for the performance and strategy of the Group and for ensuring that the Group complies with all legal, statutory, regulatory and administrative requirements. To support the efficient management of the Group the Board has delegated certain functions to committees, though by doing this the Board does not absolve itself of its ultimate responsibility for the Group.

The Board has delegated responsibilities to the Corporate Governance Committees and the Business Committees. During the reporting period the Corporate Governance committees were: the Group Risk Assurance Committee, the Group Investment Committee, the Group Risk Modelling Committee (a sub-committee of the Group Risk Assurance Committee) and the Group Remuneration Committee. The main Business Committee is the Group Executive Directors' Committee, which has two sub-committees, the Group Outwards Reinsurance Committee and the Group Reserving Committee.

The Group operates an enterprise-wide risk management framework that is designed to identify, evaluate, manage and monitor exposure to risk. The process is subject to continuous review and development. The risk management system must comply with regulatory standards at all times.

The Group operates a Three Lines of Defence Model as part of its overall control environment and its risk management system. The main elements of the Three Lines of Defence Model may be summarised as follows:

- First line: the first level of the control environment is the business operations which perform the day-to-day risk management activity.
- Second line: these are the oversight functions of the Group, such as Risk and Compliance, and also include financial controls. These functions set direction, define policy and provide assurance to the Board regarding the strength of the control environment.
- Third line: Internal Audit is the third line of defence. Internal Audit offers independent challenge to the levels of assurance provided by business operations and oversight functions.

The Group's Risk, Compliance, Internal Audit and Actuarial functions operate at the level of the individual insurance companies, with nominated individuals in place within the individual entities. Where it is appropriate, the individuals operating within these functions draw upon resources elsewhere within the Group in order to carry out elements of their activities.

The Group considers outsourcing arrangements for an activity when it is not cost-effective or possible to carry out the activity internally. The Group recognises that it remains responsible for discharging all legal and regulatory responsibilities relating to the outsourced activity. In order to reduce the risks associated with outsourcing, the Group has an established outsourcing policy.

3. Risk profile summary

Overall responsibility for the management of the Group's exposure to risk lies with the Board. To support it in its role, the Board has established an enterprise risk management framework comprising risk identification, risk assessment, control and reporting processes. The Board is assisted in its oversight of the risk management framework by the Corporate Governance and Business Committees.

The following table sets out the standard formula risk capital components of the Group's consolidated SCR and MCR as at 31 December 2022:

Component	2022 £m	2021 (as restated) £m	2021 (as reported) £m
Non-life underwriting risk	83.1	75.4	76.2
Health underwriting risk	-	-	-
Life underwriting risk	5.2	4.3	4.3
Market risk	27.9	20.7	20.6
Counterparty default risk	32.1	21.9	32.1
Diversification credit	(33.5)	(25.4)	(28.6)
Operational risk	15.1	15.1	15.1
SCR	129.9	112.0	119.7
MCR	47.3	41.9	47.8

The largest component of the SCR is non-life underwriting risk. This is the risk that arises from the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities. It manifests itself in variability in the contribution towards expenses and profits.

Market risk is the risk of external market influences affecting the Group's net asset value, for example changes in interest rates affecting the value of assets, changes in the levels of investment return, changes in exchange rates, etc.

Counterparty default risk is the risk that counterparties will be unable to pay amounts in full when due. Key areas where the Group is exposed to counterparty (or credit) risk are:

- exposure to corporate bonds;
- exposure to the failure of bank counterparties;
- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries.

Operational risk is the risk that errors caused by people, processes or systems lead to losses to the Group, or the risk that arises from unanticipated or poorly anticipated external events.

Other important risks managed by the Group are strategic risk and reputational risk. Strategic risk is the current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions and the lack of responsiveness to changes in the business environment. Reputational risk is a form of strategic risk

within the Group's risk taxonomy. Reputational risk is defined as the risk of losses as a result of damage to the reputation and brands of the Group or of other companies on which the Group's fortunes depend.

4. Valuation for solvency purposes summary

The Group is exempted from the requirement to prepare statutory consolidated financial statements as it is the wholly-owned subsidiary of a company which is itself included in the publicly-available consolidated financial statements of MS&AD.

The Group prepares consolidated financial reporting for the purpose of reporting its result and its financial position to its immediate parent company, ADJ. These financial results are prepared under IFRS. The financial results of the Group consolidate the financial position and results of the holding company ANDEL and all the entities controlled by ANDEL (its subsidiaries, both direct and indirect). Intercompany transaction and balances between Group companies are eliminated in this consolidated financial reporting.

The Group's valuation for solvency purposes is derived from the consolidated balance sheet in its IFRS reporting, which is then adjusted in accordance with Solvency II regulations.

The Group has used the accounting consolidation-based method to prepare its Group Solvency II balance sheet, which is the default method prescribed by the regulations. The consolidation-based method differs from the IFRS consolidation used in the Group's reporting to its parent company because only the holding company (ANDEL), the insurance undertakings (ANDI UK, ANDIE and ANDLIE) and the ancillary services undertaking, Aioi Nissay Dowa Insurance Management Limited ("ANDIM"), are fully consolidated, with intra-group transactions between these five entities eliminated, while the Group's non-insurance subsidiaries are treated as participations, with the net asset value (calculated in accordance with Solvency II valuation rules) included in the Group's balance sheet. Intra-group transactions with the non-insurance subsidiaries are not eliminated.

Other significant adjustments between the IFRS balance sheet and the valuation for solvency purposes are: the elimination of goodwill and intangibles, the revaluation of technical reserves to Solvency II technical provisions and the elimination of deferred acquisition costs (replaced by future cash flows in the Solvency II technical provisions).

These differences can be summarised as follows:

	2022 £m	2021 (as restated) £m	2021 (as reported) £m	Reason
Net asset value per IFRS	230.7	249.6	249.6	Per IFRS reporting
Revaluation of net technical reserves	296.6	178.9	108.0	Differing reserving basis under Solvency II
Deferred acquisition cost	(74.4)	(84.5)	(84.5)	No DAC for Solvency II
Intangible assets	(9.4)	(11.8)	(11.8)	Written off for Solvency II
Holdings in related undertakings	0.5	(6.2)	(6.2)	Non-consolidated subsidiaries impact on Solvency II own funds
Other assets and liabilities	(219.2)	(45.1)	25.8	Net impact of adjustments to fair value
Own funds under Solvency II	224.8	280.9	280.9	Solvency II own funds

5. Capital management summary

The SCR coverage ratio as at 31 December 2022 was 173.0% (2021: 235.0% as reported; 2021: 250.8% as restated), with eligible own funds of £224.8m (2021: £280.9m) and an SCR of £129.9m (2021: £119.7m as reported; 2021: £112.0m as restated). The MCR coverage ratio as at 31 December 2022 was 461.5% (2021: 587.0% as reported; 2021: 670.6% as restated), with eligible own funds of £218.1m (2021: £280.9m), and an MCR of £47.3m (2021: £47.8m as reported; 2021: £41.9m as restated). The deferred tax asset of £6.7m is considered as Tier 3 own funds and is not eligible to cover the MCR. Annual and quarterly reporting throughout both 2022 and the prior year have shown that the Group has complied continuously with both the MCR and the SCR throughout the reporting period.

The Group's Solvency II "own funds" comprise share capital and retained reserves, a Solvency II reconciliation reserve and a deferred tax asset. The net of the Group's share capital and retained reserves and the reconciliation reserve are "Tier 1" own funds per the Solvency II regulation. The deferred tax asset is "Tier 3" own funds. Tier 1 own funds are unrestricted, while the amount of Tier 3 own funds is restricted to 15% of the amount of the SCR. Tier 3 own funds are not eligible to cover the MCR. The Group's Tier 3 own funds are in line with the value of the deferred tax asset held in the IFRS accounts and are below 15% of the SCR, so none of the deferred tax asset is considered ineligible for recognition as part of the Group's own funds.

The capital management objective of the Group is to maintain sufficient own funds to cover the SCR and the MCR with an appropriate buffer which takes account of the Group's growth ambitions as set out in its business plan. The Board and the Board Committees consider regularly the ratio of eligible own funds over the SCR and MCR. The Group prepares solvency projections over a five-year period as part of the business planning process.

During 2022, the capital position of ANDI UK came under pressure both due to this company's trading performance and because of falls in the market value of fixed income investments held by the company (these falls in market value were part of a wider trend during 2022 which affected ANDI UK, ANDIE and ANDLIE). The combination of the trading performance and the fall in investment valuations led to ANDI UK's solvency coverage margin falling below the ANDI UK directors' target for this measure, although still above the SCR.

The ANDI UK directors alerted the shareholder, ANDEL, to the challenging solvency position, while they also held discussions with ADJ regarding a change in ANDI UK's quota share reinsurance agreements. These discussions concluded successfully and from 1 January 2023 ADJ has agreed to take a greater share of ANDI UK's underwriting result through a revised quota share reinsurance agreement, while on 24 January 2023 the parent company ANDEL made a further capital injection of £20m. The combination of the quota share agreement and the injection of share capital means that the Group expects ANDI UK to recover towards its targeted solvency coverage measure during the course of 2023. Subject to ANDI UK's trading performance and further fluctuations in the valuation of its investment holdings, the Group expects ANDI UK's targeted solvency coverage measure to be maintained thereafter.

External audit requirements

In the prior year the Group's only UK based entity, ANDI UK was considered a "small company" for the purposes of its Solvency II reporting. This meant that ANDI UK's SFCR was not subject to external audit. For the year-ended 31 December 2022 ANDI UK is above the Solvency II external audit threshold. Now that the UK entity exceeds this threshold, the same external audit requirement applies to the Group. As a result, Sections D and E in this report are subject to external audit. The prior year comparatives in these sections are unaudited. Other sections in this SFCR are not subject to external audit.

Directors' statement in respect of the Group Solvency and Financial Condition Report

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

We are satisfied that:

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

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



Hugh Sadleir
Chief Financial Officer

19 May 2023

A. Business and Performance

A1. Information regarding our business

The Company's principal activity is that of a holding company for insurance and insurance-related businesses. The Company's key operating subsidiaries focus on motor insurance and other auto-centric insurance products. Through its subsidiary companies, the Group operates as a general insurer in the UK and Europe, and also in Europe as a credit life insurer. The Company also has various subsidiaries, including an insurance intermediary and a management services company.

ANDEL is a private company incorporated, domiciled and registered in the United Kingdom. The registered number is 11054298 and the registered address is: 7th Floor, 52-56 Leadenhall Street, London, EC3A 2BJ. The independent auditor of the Company is KPMG LLP, 15 Canada Square, London E14 5GL.

ANDEL is a wholly owned subsidiary of Aioi Nissay Dowa Insurance Company Limited ("ADJ"), a company incorporated in Japan. MS&AD Insurance Group Holdings, Inc., a company incorporated in Japan, is the ultimate parent company and ultimate controlling party. The MS&AD Insurance Group is Japan's largest non-life insurer and one of the largest non-life insurance groups in the world.

The Group's main strategic relationship is with Toyota, and the Group's subsidiary TIM, which is part-owned by Toyota Financial Services, provides Toyota's insurance expertise and works in support of Toyota across Europe. The Group's main line of business is the provision of Toyota-branded motor insurance and this is likely to remain the case for the foreseeable future. The Toyota Insurance business operates across both Europe and the UK. It comprises retail motor and related products, including credit life insurance. In addition to Toyota Insurance, the Group's three remaining main areas of business are ITB, Fleet and Partnerships and JIA.

In the UK, as well as providing Toyota-branded motor insurance, the Group underwrites through the brands Insure The Box and Tesco Bank Box (collectively "Insure The Box"). The Drive Like A Girl brand was discontinued in 2022. These brands focus on the UK young driver and telematics market.

The Group acquired the customer renewal rights for a portfolio of commercial motor insurance business from a fellow subsidiary within the wider MS&AD Group in March 2020. This business is mainly in the UK with a small element underwritten in the Republic of Ireland through freedom of services permissions. The Commercial Fleet and Partnerships business includes two business arrangements which started in June 2021, ibott and Flock. Ibott is a managing general agent ("MGA") and a division of Apollo Syndicate Management Limited ("Apollo"). ANDI UK provides capacity to ibott, with the results of the MGA subject to a quota share reinsurance arrangement with the Apollo syndicate. The Group has partnered with Flock Limited, also an MGA, to develop connected motor fleet insurance products. ANDI UK provides underwriting capacity to Flock.

The JIA business is focused on motor fleets and motor trade (including insurance for motor dealerships). In the UK the business includes Motor Ichiban, which is a retail motor insurance product marketed to Japanese expatriates. The JIA business is all 100% reinsured by the Group's parent company ADJ, with the Group's profit derived from a commission on business sales.

The split of business across these four business areas is as follows:

Business line	2022 gross written premium £m	2021 gross written premium £m	2022 % of total GWP (2021 %)
Toyota – non-life	307.1	257.6	54.8% (54.5%)
Toyota – life	25.6	23.4	4.6% (5.0%)
ITB	68.8	67.3	12.5% (14.2%)
Fleet	124.1	92.4	22.5% (19.6%)
JIA	30.6	31.9	5.5% (6.7%)
Total	556.2	472.6	

The geographical split of gross written premium by country for 2022 with a comparison with the prior year is as follows:

Country	2022 gross written premium £m	2021 gross written premium £m	2022 % of total GWP (2021 %)
United Kingdom	259.8	210.3	47.1% (44.5%)
Germany	103.9	104.0	18.8% (22.0%)
Italy	88.6	65.1	15.2% (13.8%)
France	53.6	50.0	9.7% (10.6%)
Spain	30.8	25.4	5.6% (5.4%)
Nordics & others	19.5	17.8	3.6% (3.7%)
Total	556.2	472.6	

The Group's financial year-end is 31 December each year. The Group reports its results in Pounds Sterling.

Supervisory authorities

The Group's supervisory authority is the PRA. The Group is also regulated by the FCA. The Prudential Regulation Authority has its offices at 20 Moorgate, London, EC2R 6DA. The Financial Conduct Authority has its offices at 12 Endeavour Square, London, E20 1JN. Contact details for the PRA and the FCA can be found on their respective websites: www.bankofengland.co.uk/pr and www.fca.org.uk

The supervisory authority for each insurance entity in the Group is:

- ANDIE – the CAA in Luxembourg;
- ANDI UK – the PRA in the United Kingdom; and
- ANDLIE – BaFin in Germany.

Auditor

The independent auditor of the Group is KPMG LLP, 15 Canada Square, London, E14 5GL, United Kingdom.

Credit ratings

S&P Global ratings has assessed the long-term financial strength of the Group's operating subsidiaries ANDIE and ANDI UK as "A+ / Stable".

Group structure

ANDEL is the holding company for the Aioi Nissay Dowa Europe Group. The Group operates as a general insurer in the UK and Europe through its Luxembourg-incorporated subsidiary, ANDIE, and through its UK-incorporated subsidiary, ANDI UK, and as a life insurer in Europe through its Germany-incorporated subsidiary, ANDLIE.

During the reporting period, the Group operated as a non-life insurer in the UK through ANDI UK, in Europe through ANDIE's branches in Belgium, France, Germany, Italy, Spain and the United Kingdom (branch in run-off) and in several more European countries on a freedom of services basis. The Group's life insurer ANDLIE operated in Germany and in several other continental European countries through freedom of services arrangements.

At the year-end, ANDEL had seven direct subsidiaries:

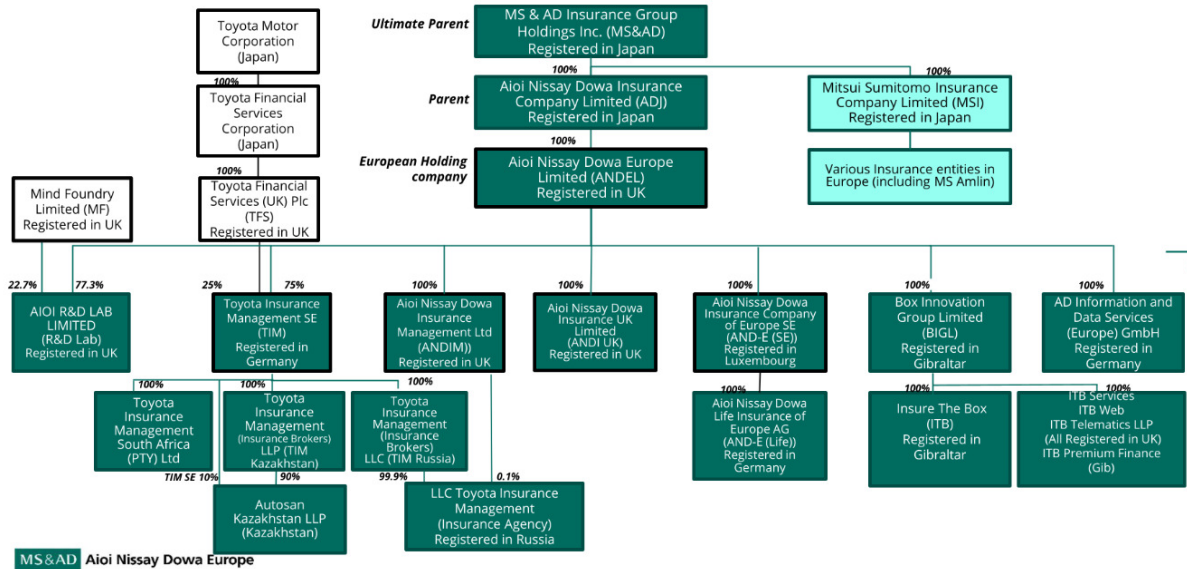
- Aioi Nissay Dowa Insurance Management Limited, which is incorporated in the United Kingdom and supplies insurance management services to the Company and the Group (100% owned) ("ANDIM");
- Aioi Nissay Dowa Insurance Company of Europe SE, incorporated in Luxembourg (100% owned) ("ANDIE") and which is a general insurance company;
- Aioi Nissay Dowa Insurance UK Limited, incorporated in the UK (100% owned) ("ANDI UK") and which is a general insurance company;
- Toyota Insurance Management SE, incorporated in Germany and which is a provider of insurance consultancy services (75% owned) ("TIM");
- Box Innovation Group Limited, which is incorporated in Gibraltar and is a holding company for a Group of UK- and Gibraltar-incorporated companies (100% owned) ("BIGL");
- AD Information and Data Services (Europe) GmbH, which is incorporated in Germany (100% owned) and which is a data services company ("AD Information and Data Services"); and
- Aioi R&D Lab Limited, incorporated in the United Kingdom (77.3% owned), an entity for which the main operations are the research and development of artificial intelligence and machine learning techniques and their application to insurance operations ("Aioi R&D Lab").

Through its direct subsidiaries, the Group had an interest at the year-end in the following entities:

- Aioi Nissay Dowa Life Insurance of Europe AG, which is incorporated in Germany and is a credit life insurance company (100% owned by ANDIE; 100% effective interest) ("ANDLIE");
- Toyota Insurance Management (Insurance Brokers) LLC, which is incorporated in Russia and is a provider of insurance consultancy services (100% owned by TIM; 75% effective interest);
- LLC Toyota Insurance Management (Insurance Agency), which is incorporated in Russia and is a provider of insurance consultancy services (99.9% owned by TIM and 0.1% owned by ANDIM; 75% effective interest);
- Toyota Insurance Management (Insurance Brokers) LLP, which is incorporated in Kazakhstan and is a provider of insurance consultancy services (100% owned by TIM; 75% effective interest);
- Autosan Kazakhstan LLP, which is incorporated in Kazakhstan and is a provider of insurance consultancy services (100% owned by TIM; 75% effective interest);
- Toyota Insurance Management South Africa (PTY) Limited, which is incorporated in South Africa and is a provider of insurance consultancy services (100% owned by TIM; 75% effective interest);
- Toyota Management UK Limited, which is incorporated in the United Kingdom and which is not currently trading (100% owned by TIM; 75% effective interest) (not shown in the below structure chart as a new entity which is not yet trading);
- ITB Web Limited, which is incorporated in the United Kingdom and is a provider of insurance consultancy services (100% effective interest);
- Insure The Box Limited, which is incorporated in Gibraltar and is a managing general agent (100% effective interest);
- ITB Services Limited, which is incorporated in the United Kingdom and is a provider of insurance management services (100% effective interest);
- ITB Telematics Solutions LLP, which is incorporated in the United Kingdom and is a provider of insurance consultancy services (100% effective interest); and
- ITB Premium Finance Limited, which is incorporated in Gibraltar and which is not currently trading (100% effective interest).

As at the year-end, the Group’s structure was as follows:

GROUP COMPANY STRUCTURE



Scope of the Group used for consolidated financial statements and scope for the Group for Solvency II purposes

The Group is exempted from the requirement to prepare statutory consolidated financial statements as it is the wholly-owned subsidiary of a company which is itself included in the publicly-available consolidated financial statements of the MS&AD Insurance Group Holdings.

The Group prepares consolidated financial results for the purpose of reporting its results to its immediate parent company. These financial results are prepared under IFRS. The financial results of the Group consolidate the financial position and results of the holding company ANDEL and all the entities controlled by ANDEL (its subsidiaries, both direct and indirect). Intercompany transactions and balances and between Group companies are eliminated in the consolidated financial results.

For Solvency II purposes, the Group has used the accounting consolidation-based method to prepare its Group balance sheet, which is the default method prescribed by the regulations. The consolidation-based method differs from the IFRS consolidation used in the Group’s financial results because only the holding company itself (ANDEL), its insurance undertakings (ANDI UK, ANDIE and ANDLIE) and the ancillary services undertaking ANDIM are fully consolidated, with intra-group transactions between these five entities eliminated, while the Group’s non-insurance subsidiaries are treated as participations, with the net asset value (calculated in accordance with Solvency II valuation rules) included in the Group’s balance sheet. Intra-group transactions with the non-insurance subsidiaries are not eliminated.

Any significant business or other events that have occurred over the year that have had a material impact on the Group

During 2022, the Group as a whole experienced significant falls in the market value of its fixed income portfolio as markets reacted to interest rate increases by central banks and the wider macroeconomic environment. The falls in market value manifested themselves in unrealised losses, which did not affect the Group’s reported IFRS result because the Group’s accounting policy is to take unrealised losses to equity on its investment holdings rather than to the income statement. The Group’s approach of maintaining immediately liquid assets in the form of cash and money market fund holdings means that

it was not required to sell any of its fixed income securities in order to meet cash needs, so the Group was able to avoid realising any of these losses. Nonetheless, the fall in the value of investment is reflected in the Group's balance sheet and in its Solvency II own funds.

During the year, as noted on page 7, ANDI UK's solvency position came under pressure due to a combination of that company's own trading performance and because of falls in the market value of its investment portfolio. This led the directors of ANDI UK, in consultation with the Group Board, to take the steps described on page 7 to strengthen ANDI UK's capital position. The capital position of the other two insurance entities in the Group, ANDIE SE and ANDLIE, did not deteriorate below the directors' targeted solvency coverage ratio.

A2. Underwriting performance

The following table summarises the underwriting performance of the Group:

	2022 £m	2021 £m
Gross written premiums	556.2	472.6
Net earned premiums	280.3	253.2
Net claims incurred	173.1	126.2
Loss ratio (%)	61.8%	49.8%

The Group's GWP from the UK increased to £259.8m (2021: £210.3m). The growth in the UK has been derived from the UK Toyota Insurance business and from Fleet. Until 2022, the UK Toyota business was exclusively distributed through car dealerships and the Toyota website. In 2022, the Group launched a Toyota insurance product on Price Comparison Websites ("PCW"). This product is not exclusive to Toyota and Lexus vehicles and is available for some non-Toyota manufactured vehicles. The dealership channel underperformed against sales targets for the year but the PCW channel outperformed and this supported the growth in the Group's UK Toyota business from £42m to £60.5m.

The growth in the Fleet business was due to retention rates, which continue to exceed expectations at over 80% for the full year. In addition, the Group's two UK partnership initiatives through Flock and ibott grew from £8.6m to £36.1m, reflecting both the planned growth of these two partnerships and the consequence of a full year of operations. The underwriting performance for the Fleet business including the partnerships with ibott and Flock was in line with expectations.

The net underwriting results for Toyota Insurance in the UK and ITB were below expectations. This was due to two factors. First, the overall UK motor insurance market conditions were particularly challenging. Secondly, the Group had a higher proportion of new business, as sales began to recover post Covid-19. During the first half of 2022 in particular, average new business premiums did not rise in line with claims cost inflation in the first half of 2022. The Group also continued to experience increases in claims severity, as parts and wage inflation, combined with disruptions to motor supply chains and repair shops, fed through to claims costs.

In Europe, the Group's GWP increased to £296.4m from £262.1m. This increase was mainly due to the successful customer retention rate achieved by the Group's German operation as well as the launches of new products by the Italian and Spanish businesses. The Group continues to see pressure on sales due to the key role of Toyota dealerships in the Group's product distribution in Europe – in the context of a still challenging environment for motor vehicle sales and the continuous shortages in new vehicle due to supply chain issues. The Group experienced an increase in claims during 2022, partly expected due to the lifting of Covid restrictions and the resulting increase in mileage (and therefore claims frequency). The Group has also experienced several large bodily injury claims in its French business and an overall increase in repair costs.

Underwriting performance for the Group according to Solvency II class of business was as follows:

	Motor vehicle liability	Other motor insurance	Misc. financial loss	Other non-life	Life
	2022 £m	2022 £m	2022 £m	2022 £m	2022 £m
Gross written premiums	305.2	157.5	63.5	4.4	25.6
Net earned premiums	131.9	74.4	48.3	0.1	25.6
Net claims incurred	125.8	36.1	5.8	0.3	5.2
Loss ratio (%)	95.3	48.5	12.0	192.4	20.4

	Motor vehicle liability	Other motor insurance	Misc. financial loss	Other non-life	Life
	2021 £m	2021 £m	2021 £m	2021 £m	2021 £m
Gross written premiums	334.7	53.6	53.4	7.4	23.4
Net earned premiums	154.1	29.6	45.7	0.4	23.4
Net claims incurred	108.8	25.1	2.9	0.5	6.4
Loss ratio (%)	70.6	84.8	6.3	125.0	27.4

The performance by the main geographical regions is summarised in the tables below:

	United Kingdom	Germany	Italy	France	Spain	Nordics & others
2022	£m	£m	£m	£m	£m	£m
Gross written premiums	259.8	103.9	88.6	53.6	30.8	19.5
Net earned premiums	112.9	56.8	42.6	43.4	11.4	13.2
Net claims incurred	88.6	36.5	13.8	15.0	9.3	9.9
Loss ratio (%)	78.5	64.2	32.4	34.6	81.6	74.9

United Kingdom	Germany	Italy	France	Spain	Nordics & others
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2021	£m	£m	£m	£m	£m	£m
Gross written premiums	210.3	104.0	65.1	50.0	25.4	17.8
Net earned premiums	99.4	56.1	32.5	40.7	9.8	14.8
Net claims incurred	55.1	32.5	10.8	11.8	6.6	9.4
Loss ratio (%)	55.4	58.0	33.3	29.0	67.3	63.2

Finally, the performance by business line was as follows:

£m	Toyota		ITB		Fleet		JIA		Life	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Gross written premium	307.1	257.6	68.8	67.3	124.1	92.4	30.6	31.9	25.6	23.4
Net earned premium	170.2	153.0	29.9	33.1	54.6	43.8	-	-	25.6	23.4
Net claims incurred	126.0	72.6	31.5	20.0	10.3	26.9	-	-	5.2	6.6
Loss ratio (%)	74.0	47.5	105.3	60.5	18.9	61.5	-	-	20.4	28.2

A3. Investment performance

The Group invests principally in high quality corporate, agency and supra-national fixed income securities. ANDLIE has a small equity portfolio, but this is not a major part of the Group's holdings. The Group also has significant money market holdings with high quality investment managers. The overall portfolio is highly liquid. The Group has outsourced the management of its bond and equity portfolios, through managers in the UK (for ANDIE and ANDI UK) and in Germany (for ANDLIE).

The Group has continued with its strategy of capital preservation and the maintenance of a high degree of liquidity. It does this by investing in high-quality fixed income securities, money market funds and cash. The Group experienced significant falls in the value of its fixed income portfolio during 2022 as markets reacted to interest rate increases by central banks and the wider macroeconomic uncertainty. The Group's approach of maintaining immediately liquid assets in the form of cash and money market fund holdings means that it was not required to sell any of its fixed income securities to meet cash needs. This position is not expected to change, and the combination of cash and capital buffers means that the Group expects to be able to maintain its fixed income portfolio to maturity, by which time the current level of unrealised losses will have unwound.

From the Group's perspective, the advantage of the recent interest rate rises is that available returns on its favoured investment classes have improved. In 2022 these returns have fallen short of headline rates of inflation across the countries in which the Group operates. Nonetheless, should inflation fall back to more recent trends and the current level of interest rates be maintained, the Group expects to be able to benefit by generating more meaningful returns from its fixed income portfolio, its money market funds and its cash than has been possible in recent years.

Within the Group's IFRS financial reporting, the fixed income and equity securities are treated as "available for sale" ("AFS") financial assets. All unrealised gains and losses on AFS financial assets are recognized through other comprehensive income, so do not directly affect the Group's reported income statement result. The money market holdings are treated as cash equivalents as they are short-term,

highly liquid investments which are subject to insignificant changes in value and are readily convertible into known amounts of cash.

Income from the Group's investment portfolio is:

	2022 £m	2021 £m
Income from AFS debt securities	4.7	4.3
Income from AFS equity securities	0.1	0.1
Cash and cash equivalents interest income	0.2	0.2
Exchange gains / (losses)	(0.8)	0.0
Income from investment property	0.0	0.1
Realised gains / (losses)	0.2	(0.2)
Total investment income	4.4	4.5

A4. Performance of other activities

The other income and expenses of the Group are as follows:

	2022 £m	2021 £m
Service fees	17.1	11.7
Commissions	9.2	6.3
Ancillary income	3.3	0.7
Staff costs	(52.8)	(46.5)
Other operating expenses	(71.8)	(77.5)
Lease costs	(2.4)	(2.5)

The Group's service fee income derives from the provision of administrative services to Toyota. Commissions and ancillary income are generated from two sources: first, from the Group's broking and managing general agent subsidiaries, which receive commission from third parties either for the placing of insurance business or where the Group sells insurance products when it is not acting as underwriter. Secondly, the Group receives commission income where it has agreed quota share arrangements with reinsurers (often the parent company ADJ), whereby the reinsurer pays the Group a commission. Staff costs relate to staff salaries, bonuses and social security costs. Operating expenses are business expenses which are not directly related to the settlement or handling of claims. Lease costs are mainly for the rental of office space.

A5. Any other information

No other information.

B. System of Governance

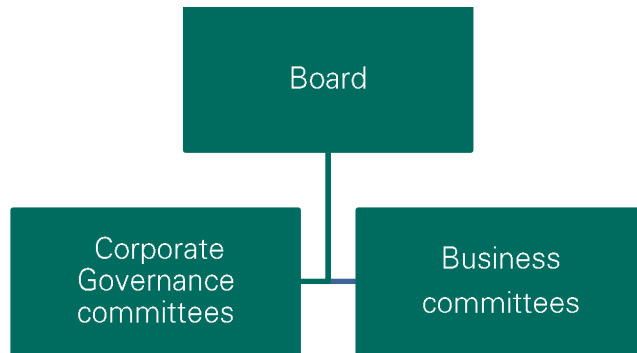
B1. General information on the system of governance

The system of governance, which is set out below, is considered to be appropriate for the Group taking into account the nature, scale and complexity of the risks inherent in the business. There were no material changes in the system of governance in place at the Group level during the reporting period.

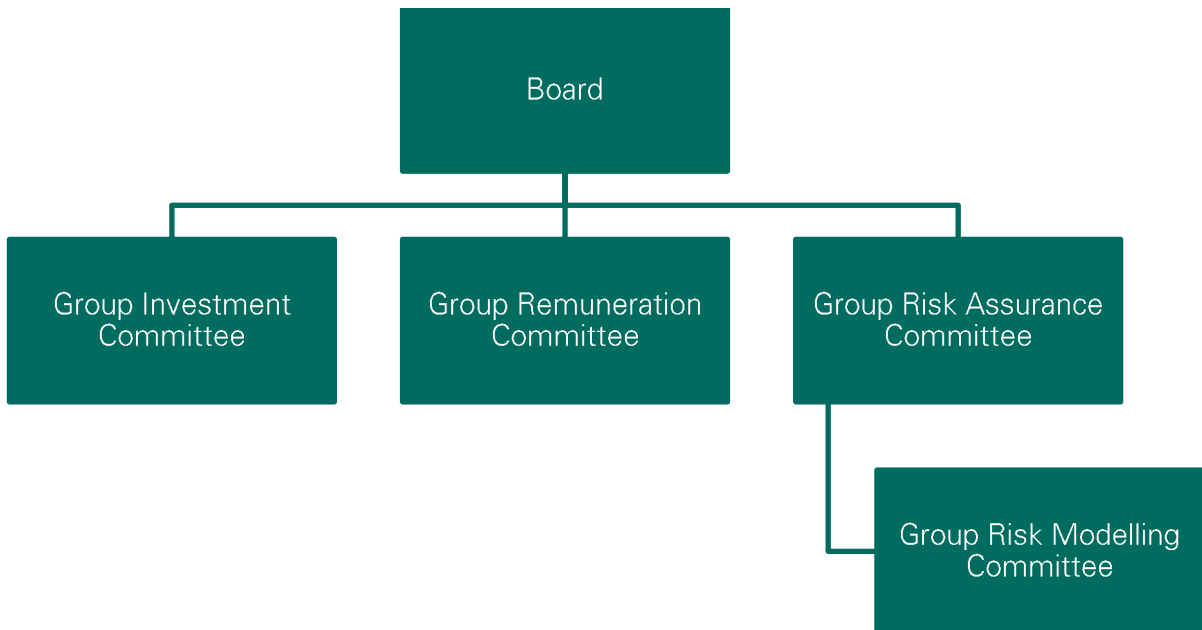
Overview of the Board and its committees

The Board is ultimately responsible and accountable for the performance and strategy of the Group and for ensuring that the Group complies with all legal, statutory, regulatory and administrative requirements. To support the efficient management of the Group the Board has delegated certain functions to committees, though by doing this the Board does not absolve itself of its ultimate responsibility for the Group.

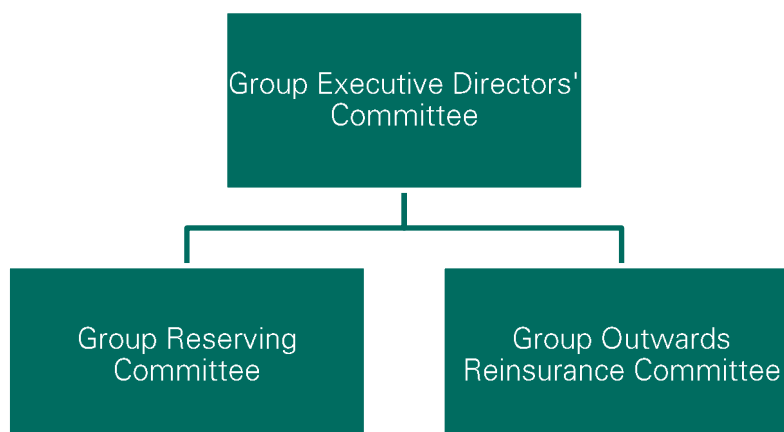
The established corporate governance framework is as follows:



The Corporate Governance committees are structured as follows:



The Business committees are structured as follows:



The Board

The Board functions as the corporate decision-making body and provides leadership of the Group within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the strategic aims of the Group and ensures that the necessary resources, both financial and staff, are in place to allow the Group to meet its objectives. The Board is collectively responsible for the long-term success of the Group and delivery of sustainable value to its shareholder. The Board sets the strategy and risk appetite for the Group and approves capital and operating plans presented by management for the achievement of the strategic objectives it has set. Implementation of the strategy set by the Board is delegated to the Group Executive Directors' Committee, which is led by the Chief Executive Officer.

The Board meets at least four times a year. It comprises of executive members (the Chief Executive Officer, the Chief Operating Officer and the Deputy Chief Executive Officer), independent non-executives, including the Chair, and non-executive members who are employees of the Company's parent ADJ and who act as shareholder representatives.

As at 31 December 2022, the members of the Board were:

- R McCorriston Chair, non-executive director
- H Clarke Senior independent non-executive director
- J Crotty Independent non-executive director
- M Kainzbauer Group Chief Executive Officer
- S Ogura Non-executive director, shareholder representative (resigned 31 March 2023)
- M Yamaguchi Non-executive director, shareholder representative (resigned 31 March 2023)
- N Yamahara Deputy Chief Executive (resigned 31 March 2023)
- H Sadleir Group Chief Financial Officer

Mr M Swanborough resigned as the Group's Chief Executive Officer, effective 31 May 2022. Mr Kainzbauer took office as Group Chief Executive Officer on the same date. Mr M. Kitahara, a non-executive director, resigned on 31 March 2022.

Mr Ogura, Mr Yamaguchi and Mr Yamahara all resigned on 31 March 2023, in accordance with regular Japanese role rotation. They have been replaced by a new deputy chief executive, Mr H Iwasawa and by two new non-executives and shareholder representatives, Mr Y Furuya and Mr S Tategami, on 1 April 2023.

Group Risk Assurance Committee

The Group Risk Assurance Committee ("GRAC") is a key element of the Group's internal control framework. The Committee controls and monitors the Group's risk assurance activities. These are the key oversight and assurance functions at the core of the Group's second and third lines of defence. The Committee is responsible for providing focused support and advice on risk governance to the Board, for ensuring that the material risks facing the Group have been identified and that appropriate arrangements are in place to manage those risks effectively in accordance with the risk appetite set by the Board. The Committee is also responsible for Internal Audit, the Group's audited accounts and financial and other statutory and regulatory reporting, oversight of the relationship with the Group's external auditors, and Group-level compliance matters.

The Committee meets at least four times a year. It is chaired by the senior independent non-executive director. There are two further independent non-executive director members of the Committee, including the Group's Chair. Other directors and members of the executive management attend as appropriate.

Group Investment Committee

The Group Investment Committee is responsible for the management and administration of the Group's investments, for oversight of all treasury activity and the funding of all operating units. The Committee considers the investment and treasury strategies of the Group, translates the investment risk appetite of the Group into an investment policy, and monitors the cash flow and working capital of the Group. The Committee also oversees the performance of the Group's outsourced investment management providers.

The Committee meets at least four times a year. The Committee is chaired by the Group's Chief Financial Officer. The Committee's other members are the Group Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Legal & Administrative Officer, the Dirigeant Agréé of ANDIE, the Group Capital Senior Manager and the Group Head of Actuarial.

Group Remuneration Committee

The Remuneration Committee is responsible for considering and approving the remuneration and benefits of all locally employed executive directors of the Group. The Committee comprises the Group's Chair, the Deputy CEO and two non-executive directors who are employed by the Company's parent ADJ. The Committee is chaired by the Group's Chair. The Committee meets at least once per year.

Group Risk Modelling Committee

The Group Risk Modelling Committee is a sub-committee of the GRAC. Its responsibility is to propose, for approval by the GRAC, policies, specifications and schedules of activity relating to the appropriate modification, application and validation of risk modelling techniques utilised by the Group and its subsidiaries (collectively, the "adopted risk modelling approach") and to provide oversight of risk modelling activity relative to that adopted approach.

The Committee typically meets four times a year. The Committee is chaired by the senior independent non-executive director. In addition to the non-executive director, the Committee's members are the Group Chief Executive Officer and four members of executive management: the Group Risk Assurance Director, the Group Chief Financial Officer, the Group Head of Actuarial and the Group Capital Senior Manager.

Group Executive Directors' Committee

The purpose of the Group Executive Directors' Committee ("EDC") is to manage generally the business of the Group within the agreed financial limits and risk parameters set by the Board. Subject to these financial limits, the Committee has primary authority for the day to day management of the Group's operations save for those matters which are reserved for the Board and the Board's committees.

The Committee comprises eight members including the Group Chief Executive Officer, the Group Chief Financial Officer and the Deputy Chief Executive Officer. The Committee is chaired by the Chief Executive Officer. Meetings typically take place ten times a year. Other members of executive management are invited to attend as required.

Group Reserving Committee

The purpose of the Group Reserving Committee is to set the reserving policy for the Group's non-life subsidiaries ANDI UK and ANDIE and to monitor ongoing compliance with that policy. The Committee receives reserve reports from the Actuarial function, covering best estimates and risks and provides input and challenge to the best estimates and the risk assessment. The Committee determines the amount of reserves to be booked in the Group's IFRS results and the level of Solvency II technical provisions. It provides a quarterly written report to the GRAC on the current level of reserving risk faced by the Group, the Group's adherence to reserving risk appetite and the reserving risks which may arise in the future.

The Committee meets at least six times a year. The Chair of the Committee is the Group Chief Financial Officer. The other Committee members are the Group Chief Executive Officer, the Deputy Chief Executive Officer and three members of executive management, including the Chief Legal & Administrative Officer, the UK Claims Director and the Group Head of Actuarial.

ANDLIE has its own actuarial function, which is responsible for calculating ANDLIE's actuarial reserves in accordance with legal and regulatory requirements. The monitoring of ANDLIE's reserves is carried by ANDLIE's own board of directors and ultimately overseen by the ANDIE Board.

Group Outwards Reinsurance Committee

The purpose of the Group Outwards Reinsurance Committee is to ensure that the Group's outwards reinsurance programme is enacted correctly and in line with the Board approved risk appetite and other relevant policies. The Committee is charged with formulating and placing the most appropriate reinsurance programme and monitoring the programme to ensure the Group remains protected.

The Committee reports to the Executive Directors' Committee and the GRAC and meets at least four times a year. The Committee is chaired by the Group Chief Financial Officer. Members of the Committee are the Group Chief Executive Officer, the Dirigeant Agréé of ANDIE, the Chief Executive of ANDI UK, the Chief Legal & Administrative Officer, the Reinsurance Manager, the Group Head of Actuarial, the Chief Underwriting Officers of ANDI UK and ANDIE SE and the Chief Financial Officer of ANDIE SE.

Remuneration Policy

The Group's remuneration policy is designed so as to attract and retain suitable employees to assist the Group in meeting its aims. The Group seeks to provide a base salary together with a benefits package that will ensure the long-term security and health of its employees. Salaries and benefits are reviewed regularly to take account of the performance of the Group and the latest employment trends. The Group is committed to being a fair and equal employer and the remuneration policy is designed in order to support this objective. In the UK, there are two employing entities, ANDEL, the Group's holding company and regional headquarters, and ANDIM, the management services company. In those

countries where the Group has branches, the branches themselves (of either ANDIE or TIM) are the employing entities, while ANDLIE also has employees.

The most important element of remuneration for the Group's employees is base salary. The Group considers that its base salaries are competitive in the market and appropriate for attracting and retaining the right staff. All salaries are reviewed in accordance with market practice and with any statutory, regulatory or taxation requirements in the individual country.

Depending on local market practice, the Group operates an annual bonus plan based on business unit and individual employee performance. The objective of the bonus scheme is to offer participants an incentive to contribute to the Group's performance by linking pay to performance in areas within the employee's influence and control. The bonus amount payable for each employee depends on the achievement of set financial objectives relative to the business plan, evaluation of performance against a competency matrix and evaluation on the contribution to the Group's performance through the successful completion of individual objectives. The variable element of remuneration is capped at a percentage of fixed salary, such as to promote sound and effective risk management and to avoid excessive risk taking.

The Group also offers a range of benefits to employees, which vary by individual country. In the UK, where the majority of the Group's employees are based, the Group operates a company pension scheme and pays contributions to the scheme on behalf of employees based on a percentage of salary. The scheme is a defined contribution scheme and the assets of the scheme are held separately from the Group in independently administered funds. Employees contribute additional voluntary contributions to suit their circumstances. Pension arrangements also exist in other countries. The Group has no defined benefit pension liabilities.

Other benefits depend on the country in question and vary according to local custom and practice, statutory and regulatory requirements, taxation treatments and individual employee needs. Among the benefits offered are life assurance, private medical insurance, permanent health insurance, company car, sports club memberships, salary sacrifice options and long service awards.

The Group does not operate any share option schemes and no shares in the Group are held by employees or directors. There is a cash-based long-term incentive plan for local executive directors. This is capped at a level well within regulatory codes. From time to time there may be specific project-based bonuses for staff involved in critical multi-year projects.

B2. Fit and proper requirements

The Group is committed to ensuring that all its staff have the appropriate skills, knowledge and experience to perform their roles and this is set out in the Group's policies and procedures.

Assessment of fitness and propriety

When appointing any member of staff, including members of the Board, senior management and other certification functions, as part of the process the Group considers whether the candidate is fit and proper to undertake the required role. This means that the following in particular are considered:

- honesty, integrity and reputation;
- competence and capability (including professional qualifications, knowledge and experience); and
- financial soundness.

In addition staff should be sufficiently qualified to enable them to discharge their duties. In significant areas of responsibility, senior management and those undertaking other certification functions should be qualified to provide sound and prudent management of the Group.

Appropriate policies and processes have been established for assessing and ensuring ongoing compliance with fitness and propriety requirements.

Technical and professional development

All employees' training needs are assessed upon joining and at regular intervals thereafter (including if their role changes). Appropriate training and support is provided to ensure that any relevant training needs are satisfied. The quality and effectiveness of such training is reviewed by the Human Resources department.

All employees' competence is reviewed on a regular and frequent basis and appropriate action is taken to ensure that they remain competent for their role. Maintaining competence will take into account, where relevant, such matters as:

- Technical knowledge and its application;
- Skills and expertise; and
- Changes in the market to products, legislation and regulation.

"Competence" means having the skills, knowledge and expertise needed to discharge the responsibilities of an employee's role. This includes achieving a good standard of ethical behaviour.

B3. Risk Management System including the Own Risk and Solvency Assessment

As an insurance group, the Group is fundamentally concerned with the management of risk and the Group maintains a risk management system.

Enterprise risk management framework

The Group operates an enterprise-wide risk management framework that is designed to identify, evaluate, manage and monitor exposure to risk. The process is subject to continuous review and development. The risk management system must comply with regulatory standards at all times.

The risk management systems and processes at the Group are required to cover all risks included in the calculation of the SCR, and so must cover the following areas:

- Underwriting and reserving;
- Asset-liability management;
- Investment activity;
- Liquidity and concentration risk;
- Operational risk; and
- Reinsurance and other risk mitigation techniques.

Group, company, branch and departmental management are required to identify, assess, manage and monitor their key risks, within the risk management framework overseen by the GRAC. The Head Office risk management team, supported by the Risk teams within the individual insurance entities, is responsible for making available appropriate risk management tools to support the business in the evaluation and reporting of risks. Risk management tools are designed to be easy to understand and capable of being applied consistently at all levels of the organisation. The overall risk management system provides for the aggregation of risk management information as required by the Board and the Board committees.

The risk management framework covers the management of the risk categories and sub-categories as detailed in the Board's Risk Appetite Statement.

The high-level risk categories currently set out in that document are:

- Strategic risk (including reputational risk);

- Insurance risk (non-life underwriting risk, life underwriting risk and health underwriting risk, as per the SCR categories);
- Credit risk;
- Market risk;
- Operational risk;
- Conduct Risk
- Legal and Regulatory Risk
- Capital and Liquidity risk;
- Financial risk; and
- Group risk.

The assessment of capital requirements (for both internal and regulatory capital measures) is based explicitly on the risks identified and evaluated through the risk management processes. For regulatory purposes, the Group uses the standard formula without undertaking-specific parameters to assess the solvency capital requirements and an internal model is not used.

The risk management framework supports the achievement of the Group's objectives by providing a structured mechanism for assessing the impact of decisions on capital requirements and capital efficiency, and the range of outcomes from each potential decision.

Risk and capital management principles are required to be embedded into several business processes and decision frameworks, including pricing assessment, asset allocation, reinsurance purchase, counterparty selection, reserve assessment and capital planning.

Business change initiatives that require senior manager or Board level approval are required to include an assessment of the inherent risks involved and any anticipated change to the Group's overall risk profile.

Three Lines of Defence Model

The Group operates a Three Lines of Defence Model as part of its overall control environment and its risk management system. The main elements of the Three Lines of Defence Model may be summarised as follows:

- First line: the first level of the control environment is the business operations which perform the day-to-day risk management activity.
- Second line: these are the oversight functions of the Group, such as Risk and Compliance, and also include financial controls. These functions set direction, define policy and provide assurance.
- Third line: Internal Audit is the third line of defence. Internal Audit offers independent challenge to the levels of assurance provided by business operations and oversight functions.

There is a regular flow of information across the three lines of defence and from the three lines to the governing bodies (Board and Committees). Likewise, executive decisions and directions flow in the opposite direction from the governing bodies.

During 2022, the Internal Audit function undertook less activity than planned due to staff absences. As a result, a professional services firm was elected to provide internal audit services. Following a competitive tender process, BDO LLP were appointed as outsourced internal auditor in January 2023. The directors do not consider the shortfall in internal audit activity during 2022 as having had a material effect on the Group's risk management framework.

Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment (“ORSA”) process is part of the Group’s risk management system. Insurance undertakings are required to assess their own short- and long-term risks and the amount of own funds necessary to cover them. The ORSA is the process used to assess the Group’s overall solvency needs based on a forward-looking assessment of the Group’s risk profile, risk tolerance and business plan. It is used to identify, quantify, monitor, manage and report on the risks that the Group may face. The process includes the use of an Internal Capital Model, the parameterisation and validation of which is overseen by the Risk Modelling Committee.

The Group has not completed a full capital model which combines its non-life and life insurance subsidiaries. While there is a theoretical additional level of precision which could be derived from combining the ANDI UK, ANDIE and ANDLIE figures, the benefit would be marginal compared to the level of effort required to model risks fully on a combined basis. Instead, the Board has approved an approach which, for ORSA purposes, combines the capital requirements for ANDIE and ANDI UK and consolidates the results with the capital requirements of ANDLIE by using an aggregation method prescribed in the Solvency II directive.

For the Group standard formula SCR, the Group has performed a full consolidation of the data of ANDEL, ANDI UK, ANDIE, ANDLIE and ANDIM, as required by the Solvency II regulations (see section E4 for further details).

The ORSA considers all the key risks that face the business including those not in the SCR such as liquidity, group, reputational and regulatory risks, as well as those in the SCR. Both internal and external risks are considered.

The full ORSA process is performed at least annually, and a report is produced by the Risk Management function based upon the results of the Capital Model output and taking into account the future business plan. Many of the structures and analyses which underlie the ORSA process are on-going parts of the risk management framework; nonetheless the Board considers that an annual review cycle is proportionate to the nature and scale of the risks which the Group faces. In addition, management would run elements of the ORSA process and produce an appropriate analysis as soon as practically possible following any significant change in the Group’s risk profile. The analysis must inform the Board of the nature of the change in the risk assessment and the implications for solvency under standard and stressed operating scenarios. These changes could affect both the internal and external risk environment. These changes could include, but are not limited to the following events, where they have the potential to significantly alter the Group’s overall risk profile:

- The start of a new line of business;
- A change in risk tolerance limits;
- A change to reinsurance or other risk mitigation arrangements;
- A portfolio transfer;
- Major changes in asset mix;
- Changes to our business or capital plans;
- Occurrence of risk events leading to a significant change in available capital and solvency; and
- An external change which significantly affects the risk profile of either the Group or the markets in which we operate as a whole.

For a fundamental change, the Group may choose to follow a full ORSA process. The Risk Management function will assess the impact of a change in risk profile and advise the Board whether a full ORSA process needs to be run and a full set of documentation produced. The Board can request the Risk Management team to run the full ORSA process, even if the Risk Management function determines it is not necessary.

The Board reviews the ORSA report and uses this to guide key decisions for the business, such as:

- Deciding the Group’s strategy and setting the risk appetite;

- Agreeing the business plan for the Group;
- Any necessary risk mitigation actions;
- Forward looking identification and assessment of material risks arising from the business strategy or in the business plan;
- Challenging the results of the standard formula SCR calculation; and
- Assessing the Group's short- and long-term capital position.

In relation to the SCR, the Group produces a five-year projection of the Group's SCR position in line with the Group's business plan horizon. The ORSA, which is prepared on a three-year basis, is compared to the results of the SCR projection in order to determine whether additional solvency cover is required. The outcome of this assessment is recorded in the ORSA report and shared with the Group's regulator as required.

B4. Internal Control System

Internal controls are the processes established by the Board to provide reasonable assurance of effectively and efficiently meeting, inter alia, the Group's various operational, financial and compliance objectives.

The system of internal control includes all policies and procedures adopted by management to assist in achieving the Group's objective of ensuring, as far as practicable, the orderly and efficient conduct of its business.

The system of internal control relates to every aspect of the Group's operations, including but not limited to the:

- Adherence to management policies;
- Safeguarding of assets;
- Prevention and detection of fraud and error;
- Data protection and generally assuring information security;
- Prevention and detection of cyber threats;
- Accuracy and completeness of accounting records; and
- Timely preparation of reliable financial information.

System of internal control objectives

Senior managers are charged with the responsibility for designing, implementing and communicating a network of procedures and processes. These have the objective of controlling the operations of the Group in a manner which provides the Board with reasonable assurance that:

- Data and information published either internally or externally is accurate, reliable, complete and timely;
- The actions of all employees are in compliance with the Group's policies, standards, plans and procedures, and all relevant laws and regulations;
- The Group's resources (including its people, systems, data / information bases, and client goodwill) are adequately protected; and
- The Group's internal controls promote the achievement of the Group's plans, programs, goals and objectives.

Components of internal control

The following components make up the Group's system of internal control and help to achieve the objectives of controlling the operations of the Group:

- a) Control Environment

- b) Risk Assessment
 - c) Control Activities
 - d) Information and Communication
 - e) Monitoring
- a. Control Environment

The control environment is set by the Board and senior management in line with the Group's risk appetite as well as its priorities and direction. The control environment sets the tone for the Group. It provides discipline and structure and strongly influences the control consciousness of all staff. Key factors in the control environment include the integrity, ethical values and competence of all personnel.

The Board is responsible for:

- Approving and periodically reviewing the overall business strategies and significant policies of the Group;
- Understanding the major risks run by the Group, setting acceptable levels for these risks and ensuring that senior management takes the steps necessary to identify, measure, monitor and control these risks;
- Approving the organisational structure; and
- Ensuring that senior management is monitoring the effectiveness of the internal control system.

The Board is ultimately responsible for ensuring that an adequate and effective system of internal control is established and maintained.

The Executive and senior management are responsible for:

- Implementing the strategies and policies approved by the Board;
- Developing processes that identify, measure, monitor and control risks incurred by the Group;
- Maintaining an organisational structure that clearly assigns responsibility, authority and reporting relationships;
- Ensuring that delegated responsibilities are effectively carried out;
- Setting appropriate internal control policies; and
- Monitoring the adequacy and effectiveness of the internal control system.

Both the Board and senior management are responsible for promoting high ethical and integrity standards, and for establishing and communicating a culture within the Group that emphasises and demonstrates to all levels of personnel the importance of internal controls.

- b. Risk Assessment

Risk assessment is the identification and analysis of relevant risks which may prevent the Group or a specific business unit from meeting its operational, financial and compliance objectives. The GRAC identifies risks affecting the Group, both internally and externally, and recommends risk strategy to the Board.

- c. Control Activities

Control activities are the policies and procedures established to ensure that Board and senior management's directives are implemented, and risks identified are mitigated. All employees need to be aware of the Group's policies and procedures. Managers should supplement these with departmental guidance where necessary.

Control is a function of management and is an integral part of the overall process of managing operations. As such, it is the responsibility of managers at all levels of the Group to:

- Identify and evaluate the exposures to loss relating to their sphere of operations;
- Specify and establish policies, plans, and operating standards, procedures, systems, and other disciplines to be used to minimise, mitigate, and/or limit the risks associated with the exposures identified;
- Establish practical controlling processes that require and encourage all employees to carry out their duties and responsibilities in a manner that achieves the control objectives outlined above; and
- Maintain the effectiveness of the controlling processes established and foster continuous improvement to these processes.

d. Information and Communication

Pertinent information must be identified, captured and communicated in a form and timeframe that enables staff to carry out their responsibilities. Continuous communication is essential to the effectiveness of the system of internal control and reaching its objectives.

e. Monitoring

Monitoring is the process that assesses the quality of the internal control system and follows the three lines of defence philosophy. The Group requires the following monitoring to take place:

- Managers are responsible for monitoring activities performed within their department;
- The Compliance Function assesses the appropriateness of and compliance with the Group's policies and procedures;
- Internal Audit is responsible for examining and evaluating the functioning and adequacy of the internal controls and compliance with policies and procedures; and
- The GRAC reviews the effectiveness of monitoring actions.

Compliance Function

The Compliance Function is responsible for:

- Ensuring that the Group complies with all applicable laws and regulatory requirements as well as with all internal policies, processes and procedures; and
- Reporting to management and the GRAC on the appropriateness of the Group's compliance procedures; following up identified deficiencies and suggesting improvements as necessary.

The Compliance Function across the Group comprises of the following;

ANDLUK

The Director of Risk and Compliance UK, is accountable for all UK compliance matters, primarily FCA and PRA regulations, as well as interface with regulators in the Channel Islands, Gibraltar and Ireland. The Compliance function is structured with two functional Heads reporting into the Director of Risk and Compliance UK, as follows;

- Compliance Advisory & Regulatory Intelligence; and
- Compliance Monitoring, Assurance & Regulatory Relations

The Director of Risk and Compliance UK reports to the Chief Executive Officer UK and has independent access to the GRAC.

ANDIE

The Group Chief Legal & Administrative Officer is accountable for Group and ANDIE matters and is supported by a Head of Compliance. There are further employees in the branches who have specific compliance responsibilities. The Group Chief Legal & Administrative Officer reports to the Group Chief Executive Officer. The Group Chief Executive Officer has independent access to the GRAC.

B5. Internal Audit Function

The Board has established an Internal Audit Function, which is the third line of defence in the Group. Internal Audit is independent from all operational activities.

During 2022, the Internal Audit function undertook less activity than planned due to staff absences. As a result, a professional services firm was elected to provide internal audit services. Following a competitive tender process, BDO LLP were appointed as outsourced internal auditor in January 2023. The directors do not consider the shortfall in internal audit activity during 2022 as having had a material effect on the Group's risk management framework.

The primary role of Internal Audit is to help the Board and Executive Management to protect the assets, reputation and sustainability of the organisation. It does this by assessing whether all significant risks are identified and appropriately reported by management and the Risk function to the Board and Executive Management; assessing whether they are adequately controlled; and by challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

The Group's Internal Audit Function is overseen by the GRAC. In this capacity, the GRAC is responsible for agreeing an annual programme of internal audit activity, overseeing the performance of internal audits and determining that all major issues reported by the Internal Audit Function have been satisfactorily addressed.

On a day-to-day basis the internal audit activity is overseen by the outsourced internal audit firm, BDO LLP. Internal Audit reports through the GRAC quarterly but also has a regular reporting line to the Chief Executive Officer. Internal Audit is also able to report directly to the GRAC outside the regular committee meetings.

B6. Actuarial Function

There are three licensed insurance entities within the Group. The arrangements for actuarial function holders for each of the insurance entities are:

- ANDI UK – the role of actuarial function holder for ANDI UK is fulfilled by the Group's Head of Actuarial. The Actuarial Function Holder is a member of the Institute and Faculty of Actuaries, holds a relevant Practising Certificate and has complied continuously with the specific professional obligations that this requires.
- ANDIE – the Actuarial Function Holder is part of the Group's Actuarial team. The Actuarial Function Holder is a qualified member of the Institute of Actuaries in Belgium and the Institute and Faculty of Actuaries in the United Kingdom and has complied continuously with the specific professional obligations that the Institute requires.
- ANDLIE – the Actuarial Function Holder is a qualified actuary who is a member of the ANDLIE board of directors.

Each of the Actuarial Function Holders has suitable ability, experience, resources and independence to carry out the prescribed tasks of the function holder. The appointment of each Actuarial Function Holder is approved by the relevant regulator.

The wider Actuarial team is made up of qualified members and associated members of the UK Institute and Faculty of Actuaries, equivalent international actuarial bodies, analysts and data management specialists, all of whom comply with relevant professional obligations.

The Actuarial Functions are responsible for:

- Co-ordinating the calculation of technical provisions;
- Reviewing the appropriateness of the methods, models and assumptions used in the calculation of the technical provisions;
- Reviewing the sufficiency and quality of the data used in the calculation of the technical provisions;
- Providing an opinion to each Company's relevant governance body on the underwriting policy and adequacy of reinsurance;
- Contribution to the effective implementation of risk modelling underlying the calculation of capital requirements; and
- Producing the annual actuarial reports for the PRA, the CAA and BaFin, the regulators of the three insurance entities.

B7. Outsourcing

The Group considers outsourcing as defined by Solvency II an arrangement of any form between an insurance or reinsurance undertaking and a service provider, whether a regulated entity or not, by which that service provider performs a process, a service or an activity, whether directly or by sub-outsourcing, which would otherwise be performed by the insurance or reinsurance entity itself.

The Group considers outsourcing arrangements for an activity when it is not cost-effective or possible to carry out the activity internally. The Group recognises that it remains responsible for discharging all legal and regulatory responsibilities relating to the outsourced activity.

Outsourcing can provide significant benefits for the Group including cost benefits, access to external capabilities and allowing the Group to focus on its core activities. However, outsourcing also brings certain risk and potential challenges, including performance concerns, business continuity issues and loss of control.

In order to reduce the risks associated with outsourcing, the Group has an established outsourcing policy. This policy covers the following:

- Identification of risks related to the use of external parties;
- Management information and outsourcing approval process;
- Monitoring and auditing arrangements; and
- Data protection obligations.

The Executive Directors' Committee is responsible for designating suitable owners for each outsourced arrangement, overseeing the outsourced activities and ensuring that the outsourcing policy is followed. Each outsourced business process has an owner, responsible for ensuring that appropriate controls to manage the risks from outsourcing are in place and that there is regular monitoring of performance. Outsourced business process owners work in conjunction with Group Outsourcing Management, Risk Management, Legal and Compliance, Data Protection Officers, Information Security and other functions including IT and Human Resources.

In accordance with Solvency II recommendations, the Group has established four main categories for outsourced activities and functions:

1. Category A: Critical and Important. Concerns services or products without which, it would be impossible to develop our core business. The failure of the provider to perform or to comply, impacts directly and significantly our value chain, our reputation, or our final customer. Outsourcing activities under this category demand a higher level of monitoring. This would include the business having monthly meetings / performance reviews with the outsourcing

- provider, enhanced due diligence on renewal, regular performance audits with oversight by ANDEL Group Outsourcing Management.
2. Category B: Are not core to our main business and value chain. However, have a significant operational and / or financial impact on the value chain and/or the customer. Outsourcing activities under this category require quarterly meetings / performance reviews between business and the outsourcing provider, due diligence on renewal and performance audits.
 3. Category C: Covers “nice to have” activities, products and services not related to core functions or our main value chain, and are not exemptible.
 4. Category D: Not related to core functions or main value chain and exempt from procurement policy rules. Outsourcing activities under this category do not require regular monitoring.

The process for determining whether a function or activity is critical or important (category A) is based on a multi-criteria matrix, essentially but not exclusively based on the following aspects: contribution to operational performance, strategic importance, impact on final customer, impact on company reputation, business volume, data protection, and sensitivity of shared data with the outsourcing provider.

Outsourcing of any critical or important operational function or activity shall not be undertaken if it would:

- Materially impair the quality of the system of governance of the undertaking concerned;
- Impair the ability of the supervisory authorities to monitor the compliance of the undertaking with its obligations;
- Unduly increase operational risk; or
- Undermine the continuous and satisfactory service to policyholders.

Each provider covering a “category A” activity or function should closely be monitored on the performance, as well as on business contingency plans, including exit plans.

The Group is required to devise and record an appropriate scope for the due diligence of a proposed outsourced service provider which considers the risk that the outsourced service provider may be involved in for the design, distribution, or administration of a product. Criteria for selecting an outsource service provider shall be defined and documented as part of the “PEM” (Proposals Evaluation Matrix) i.e. taking into account the:

- Examination of the provider’s reputation and history and credit rating;
- Screening against relevant financial sanctions lists;
- Quality of services provided to other customers;
- Number and competence of staff and managers;
- Financial stability of the company and commercial record;
- Ability to meet data protection obligations as a processor or joint controller;
- Quality of risk management, compliance and internal controls including business continuity and anti-slavery arrangements;
- Risk of explicit or potential conflicts of interest that would impair the service provided;
- Quality assurance and security management standards followed by the company; and
- Whether any of the outsourced business will be sub-contracted and information about the sub-contracting service provider.

The business owners should monitor the outsource service provider periodically to ensure compliance with the requirements defined in the contract and ongoing appropriateness. The monitoring should take into consideration the service levels agreed in the contract, determining whether they have been met consistently and reviewing the controls necessary to correct any discrepancies.

- Category A: Outsourcing activities under this category demand a higher level of monitoring, especially if an Important Business Service (IBS) is outsourced. This would include monthly

meetings / performance reviews, enhanced due diligence on renewal, regular performance audits and may require the appointment of a responsible person.

- Category B: Outsourcing activities under this category require quarterly meetings / performance reviews, due diligence on renewal and performance audits.
- Category C: Outsourcing activities under this category require yearly meetings / performance reviews.
- Category D: Outsourcing activities under this category do not require regular monitoring.

These requirements should be fulfilled with a proportionate approach, depending on the activity concerned; the nature, scale and complexity of the risks involved in the arrangement. The business, in coordination with Risk Management and Group Outsourcing Management should assess the outsourcing risks and run the corresponding controls.

The Group is currently using several service providers to undertake critical or important functions on its behalf. Details of these are as follows:

a. Policy administration and underwriting

The Group has engaged with third party organisations, typically through delegated underwriting authority, for the policy administration and underwriting of certain products and / or business lines. Outsourced underwriting is performed in several countries, the most significant of which are with Nukula Limited (trading as InsureThat) in the UK, with Liberty Seguros in Spain, and with Gjensidige in Norway. ANDI UK previously outsourced the policy administration of its Toyota motor insurance business to Lloyd Latchford Limited. As of the 1 November 2022 the Group's Newcastle operation became the end-to-end service, sales and claims centre for Toyota Motor Insurance, Lexus Motor Insurance, Autosan, and Kinto Light Commercial Vehicles.

b. Claims

The Group has outsourced certain of its claims handling and settlement arrangements, again typically through delegated claims authority, for claims for certain products and / or business lines. Outsourced claims handling is performed in France, Belgium, Germany, Holland, Norway, Finland, Denmark, Italy, Spain and the UK. The most significant of these arrangements are with Davies Group Limited and Nukula Limited (trading as InsureThat) in the UK, with RGI SpA in Italy and with ARAG SE in Spain.

c. Audits

The Group has outsourced the provision of internal audit services to BDO LLP. BDO LLP assumed this role in January 2023. Previously, the Company had an internal Group Head of Internal Audit who would, where appropriate, engage third parties to provide specialist skills to support with audit activity.

d. Business continuity planning

The Group has an established and tested Business Continuity Policy, which sets out the requirements for local BCP plans and coordination with Disaster Recovery (e.g. in the event of a major systems or network outage). Depending upon the size and nature of each local operation, contracts are in place with dedicated workplace recovery sites. Where the nature of the local operations allows, staff are equipped to work securely from home.

e. Human Resources

The Group uses outsourced payroll services providers in several of the countries in which it operates.

f. Investment management

The Group has outsourced the management of its bond portfolio to Goldman Sachs Asset Management Limited, based in London (for ANDI UK and ANDIE), and to DEVK Asset Management GmbH in Germany (for ANDLIE only).

B8. Any other information

No other information.

C. Risk Profile

Overall responsibility for the management of the Group's exposure to risk lies with the Board. To support it in its role, the Board has established an enterprise risk management framework comprising risk identification, risk assessment, control and reporting processes. The Board is assisted in its oversight of the risk management framework by the Corporate Governance and Business committees.

An annual suite of stress tests and reverse stress tests, including underwriting (pricing, reserving and catastrophe), market, operational and credit related scenarios is performed as part of other regulatory reports (ORSA report, Rapport Actuarial and Actuarial Function Reports).

The Risk Management team has been implementing 'Scenario Thinking' within the management team. The method may be summarised as follows:

- a. Setting of a focal issue;
- b. Determining the driving forces that affect the organisation;
- c. Clustering the driving forces;
- d. Defining plausible possible extreme outcomes for each cluster of driving forces;
- e. Carrying out impact and uncertainty analysis;
- f. Defining possible extreme outcomes for the most uncertain high impact outcomes;
- g. Building description of the main outcomes; and
- h. Developing the key events, chronology and actors for the scenarios.

The above approach aims to:

- Open up a wider set of perspectives on the present than currently exists;
- Provide a set of conditions under which to test existing strategies, to check robustness across the full range of plausible possible futures; and
- Provide feedback into the development (by the Board) of new strategies and plans in response to what are perceived to be alternative future business environments.

The Group has carried out various tests and examined plausible scenarios against the ORSA capital requirements. These included a failure to meet growth targets, loss of significant strategic partners, macroeconomic scenarios (impact of inflation, Ogden rate change, and deterioration in corporate credit quality), loss of key business lines, reinsurer failure, cyber-attack and GDPR breach, events with significant losses in countries with no natural catastrophe reinsurance cover, and increase in claim frequency.

We also performed various reverse stress tests, including:

- Scenarios leading to insolvency (i.e. those that could result in a loss of at least £30m, i.e. enough to erode surplus capital resources significantly);
- Scenarios leading to business model becoming unviable; and
- Scenarios leading to loss of confidence of key stakeholders.

In addition to the tests above, the Group also considered the impact on the Group's solvency of the following sensitivities:

- Credit rating downgrade of the parent company ADJ;
- A further fall in investment valuations; and
- Large loss experience deviating from expectations.

C1. Underwriting risk

Nature of the risk

This is the risk that arises from the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities. It manifests itself in variability in the contribution towards expenses and profits.

The risk arises both from current year activity (premium risk) and the run-off of claims which occurred in the current year and prior years (reserving risk).

Methods used to assess and quantify the risk

The Group also assesses its underwriting risk through experience analysis (analysis of actual performance against the performance expected according to the Group's business plan) and through its reserving process, which is overseen by the Group Reserving Committee.

As part of the ORSA process, insurance risks are quantified internally using a simulation model which is used to assess variability of the contribution compared to the business plan.

Risk parameters are selected for the following variables, for each portfolio individually, and the simulation model is used to create a distribution of values for each portfolio to identify the portfolios with the greatest contribution to the overall insurance risk:

- Volume of business;
- Current year loss ratio;
- Claim frequency and severity;
- Natural catastrophe;
- Reserve run-off, and
- Events not in data ("ENID") scenarios.

a. Volume of business

The risk of the volume of business being higher or lower than expected, for example due to higher or lower levels of new business, or changes in the rate at which customers renew their policies.

b. Current year loss ratio

The risk of the current loss ratio being different from the expected level, due to market wide trends or company specific variability.

Some examples of market-wide trends are claims inflation, changes in the level of competition, etc. In effect this represents the variability that exists within each market's insurance cycle.

Separate risk parameters are selected for frequency and severity of small, large and natural catastrophe claims. Deviation from plan can occur due to natural random variability but can also be because of variation in the Company's success at achieving planned claims savings.

The mitigating impact of excess of loss and quota-share reinsurance is incorporated into the model, to ensure that the result net of reinsurance can be estimated appropriately.

c. Claim frequency and severity

For both small and large claims (greater than £100k), the Group models the typical variation in the frequency and severity of claims. This includes consideration of the effect of inflation on claims severity.

d. Natural catastrophe

The Group models the typical variation in frequency and severity of losses due to Natural Catastrophe events. The Group's greatest exposure to Natural Catastrophes differs by geographic location. The Group's exposures include Hail Damage in the UK, Germany, Italy, France and Denmark; Windstorm in the UK, Germany, France, Norway and Denmark and Flood in the UK and Germany.

e. Reserve run-off and ENID scenarios

The Group models the reserve runoff using a standard market practice: the one-year Mack bootstrap. One-year parameters are applied every year until reaching the 3-year time horizon. ENID scenarios are applied on top of the reserve runoff in order to capture Events Not In Data. This is achieved through the use of pre-defined events to which we have assigned a "ladder-step" impact and probability (i.e. for example some scenarios could have 3, 4, or 5 outcomes, each of them with a probability of occurrence).

Risk mitigation

Disciplined underwriting including appropriate risk management and pricing control is essential to the Group's success. The Group maintains underwriting and claims policies which define the approach in respect of risk selection and management and each underwriter has an individual mandate governing the acceptance of risks based on their competence. The Group makes use of its own data in making such decisions supplemented by data and advice from expert third parties and insurance partners. In addition, the Group has a centrally managed forum reviewing underwriting issues and performance, including the approval of new products.

Reinsurance is used to manage insurance risk. Much of the reinsurance is placed with the Group's parent, ADJ, which is A+ rated. The Group also enters into quota share and co-insurance arrangements with third parties. These arrangements vary depending on the product and country in question. The Group also places an excess of loss programme with a high-quality panel of reinsurers, including ADJ participation. The risk of default by reinsurers is discussed in the section on Credit risk.

Risk sensitivity for underwriting risks

As mentioned in the introduction of this section, the Group has considered the impact on the Group's solvency if multiple large losses were to materialise above its planned performance. This scenario considered the effect of multiple large losses in excess of those considered within the Group's plan. The net impact of this would be £20.9m. The Group's solvency would be sufficient to absorb a loss of this level.

C2. Market risk

Nature of the risk

This is the risk of external market influences affecting the Group's net asset value, for example changes in interest rates affecting the value of assets, changes in the levels of investment return, changes in exchange rates, etc.

At the end of 2022, the Group's investments consisted of £2.1m in equities (2021: £2.5m), £303.5m in bonds (2021: £312.5m), £58.3m in money market fund holdings (2021: £67.9m) and £101.3m in cash (2021: £92.1m). The Group also has subsidiary companies as detailed in the group structure chart in Section A1 and there is a risk that the valuations of these companies (treated in the Solvency II balance sheet as both participations and other liabilities, due to a negative balance for some entities) will change because of their performance.

The bond portfolio is expected to be held until maturity. As mark-to-market pricing is required when drawing up the Solvency II balance sheet, day-to-day market values have an effect on the available Solvency II capital. However, the mark-to-market movements do not affect the Group's cash flows from investments. The risk of being required to sell bonds at a loss to cover unexpected liabilities is considered under liquidity risk.

An alternative to investing in fixed income bonds is to invest in cash or money market funds. As at the end of 2022, the Group's cash holdings were £101.3m (2021: £92.1m) and money market fund holdings were £58.3m (2021: £67.9m). Cash, deposits and money market funds are not typically affected by market value fluctuations and are therefore more secure from a capital point of view. However, investing in cash and money market funds introduces greater uncertainty as to the level of income that can be achieved, as this is affected by fluctuating interest rates.

Other than subsidiaries held for strategic purposes, the Group's investment policy is to limit the amount of equities it holds. This is subject to ongoing review. Only ANDLIE has non-subsidiary equity investments, and these amount to £2.1m (2021: £2.5m).

The Group has assets and liabilities in three main currencies: GBP, EUR and NOK. The Group also has some assets and liabilities in other currencies, but these are not significant. Where there is a requirement to hold a certain level of capital in local currency for an overseas subsidiary (other than GBP, EUR and NOK) the approach is to hold the minimum required plus sufficient for projected operating cash flow requirements. As a result, Group's exposure to movements in currencies other than EUR and NOK is not significant.

Methods used to assess and quantify the risk

Market risks are quantified using a simulation model, separate from that used for insurance risks. Variability parameters for interest rates, bond yields and exchange rates for each currency are selected and the model is then used to create a distribution of the change in net asset and liability values due to each risk, from which the capital requirement can be measured.

- Bond yields – a range of potential movements in yields are chosen and the model calculates for each movement the impact on the value of each bond held;
- Exchange rates – a range of potential movements in exchange rates is chosen and the model calculates for each movement the impact on the GBP value of the Group's net assets; and
- Risk-free yields – a range of risk-free yields is chosen, and the model calculates the impact on the value of technical provisions and on investments.

Risk mitigation

The Group manages its market risk in several ways, among which the following can be highlighted:

- The Group has an asset liability management ("ALM") framework that has been developed to achieve investment returns in excess of obligations under insurance contracts. The principal technique of the ALM framework is to match assets to the liabilities arising from insurance contracts by reference to the expected timing of settlement of liabilities. The assets of ANDLIE are managed separately from the general business but according to the same principles. The ALM framework is integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities;
- The Group monitors interest rate risk by calculating the mean duration of the investment portfolio and of the policyholder liabilities. The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates. Any gap between the mean duration of the assets and the estimated mean duration of the liabilities is minimised by means of buying and selling fixed interest securities of different durations;

- The Group has a defined investment policy which sets limits on exposure to securities both in aggregate terms and by geography, industry and counterparty. Investment management meetings are held quarterly. The Group invests principally in high quality corporate bonds in the UK and Europe, with the average rating of the bond portfolio of A+ (2021: A+) and duration of 3.4 years (2021: 3.5 years). Corporate bonds below investment grade are not permitted.
- ANDIE maintains the outsourced management of its bond portfolio with Goldman Sachs Asset Management, while ANDLIE uses DEVK Asset Management.
- The Group seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

The Group does not currently use derivative financial instruments. This is kept under regular review.

Risk sensitivity for market risks

Foreign exchange risk

The Group's SCR is sensitive to movements in underlying foreign currency exchange rates. The Group is exposed to currency risk to the extent that the foreign currency denominated assets it holds do not match its liabilities in those currencies. The Group seeks to minimise this risk by matching its assets and liabilities by currency. The Group does not use hedging instruments to control the foreign exchange risk. At the balance sheet date, the Group had exposures in the following currencies:

	2022		2021	
	€m	NOK m	€m	NOK m
Assets	267.0	161.9	246.5	170.9
Liabilities	206.4	106.6	223.9	124.6
Unmatched exposure	60.6	55.3	22.7	46.4
Sterling equivalent	53.8	4.7	19.0	3.9

The impact of a 10% change in the value of Euros to Sterling is £5.4m (2021: £1.9m) and the impact of a 10% change in the value of NOK to Sterling is £0.5m (2021: £0.4m).

Interest rate risk

The Group is exposed to movements in interest rates, which affect the value of the Group's mark-to-market financial investment holdings and the value of its technical provisions. The standard formula SCR calculation includes upward and downward interest rate shock scenarios. The upward shock has a lower effect on the Group's SCR. However, the downward shock reduces the difference between assets and liabilities by £9.8m. This shock particularly impacts the valuation of our assets (£22.1m).

Inflation risk

Inflation risk arises primarily from the Group's exposure to general insurance claims and expense inflation. Increases in long-term inflation expectations are closely linked to long-term interest rates and so are frequently considered with interest rate risk. There is no inflation risk within the standard formula model.

The economic outlook in the UK and Europe remains uncertain and there is a risk of higher than expected claims inflation, as seen in 2022. There have been many challenges for insurers, including the pandemic, the effects of Brexit, the underlying health of the economy, supply chain issues and increases in the cost of living. Many of these challenges have had an inflationary effect. Inflation may impact claims costs, notably through increases in fraud, theft and increased car prices. Furthermore, an increase in parts, shipping and wage has been observed. The Group continues to monitor the level of inflation now and inflation expectations for the future, and to consider these in respect of the impact on the Group's capital resources.

C3. Credit risk

Nature of the risk

Credit risk is the risk that counterparties will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- exposure to corporate bonds;
- exposure to the failure of bank counterparties;
- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries.

Methods used to assess and quantify the risk

The Group measures the capital requirement for credit risk using a simulation model to determine the distribution of the total amount of defaults. For each exposure, a probability of default, based on credit rating, is assumed and there is an assumed recovery percentage on default. We also make assumptions about the correlation between exposures, for example allowing for a 50% positive correlation between reinsurance counterparties due to the interconnected nature of the reinsurance market in which one event can hit many reinsurers simultaneously. Some debts are with counterparties which do not have credit ratings – for example, overdue premiums owed by insurance customers or intermediaries – and in this case the assumed default probabilities are higher, albeit the risk is diversified due to the number of policyholders and intermediaries. For the purposes of the Solvency II balance sheet, premium debtors over three months past due are written off in accordance with the requirements. Those not yet due are also eliminated and processed within the Solvency II technical provisions.

Risk mitigation

The Group's risk appetite places limits on credit risk by specifying the minimum credit rating that counterparty must have for us to do business with them. Reinsurers must have a credit rating of at least A-, and investment counterparties must have a rating of at least A- with the exception that the risk appetite permits a limited exposure to BBB bonds. In some cases, a counterparty's credit rating changes after a debt has been accrued, and the Group considers the appropriate response to this occurrence on a case by case basis. Typically, balances are minimised in response to a downgrade, and in some cases, we would no longer allow debt to accrue with a counterparty. The Group also considers the advice of its investment managers Goldman Sachs Asset Management and DEVK Asset Management (for ANDLIE).

The Group places limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. The Group does not have an explicit limit on reinsurance with its parent ADJ. However, all intra-group reinsurance transactions are conducted on an arm's length basis and as such counterparty credit risk is assessed and managed.

The existence of reinsurance arrangements does not discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, the recent payment history of reinsurers is used to update the reinsurance purchasing strategy. Much of the reinsurance is placed with the Group's parent company, which is A+ rated.

Risk sensitivity for credit risks

The Group's largest single exposure is to its parent ADJ, which is A+ rated.

The Group has some exposure to BBB-rated bonds. The total amount is not permitted to be more than 15% of the total bond portfolio and individual holdings in BBB investments are typically restricted to 1.25% of the total portfolio. All BBB-rated investments are closely monitored with the assistance of the Group's outsourced investment managers. As at the balance sheet date, the total BBB-rated investment exposure was £33.8m (2021: £36.3m). This equates to 11.1% of to the total Group bond portfolio (2021: 11.6%).

C4. Liquidity risk

Nature of the risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand. The Group's portfolio is kept in highly liquid marketable securities to meet liabilities as they fall due.

Liquidity risk affects the Group in two main ways:

- Cash flow uncertainty. There can be an uncertainty in the liability, either in terms of its value or its timing. In either case, insufficient funds would be available to meet the requirement. This can arise as a result of claims (the most significant area), through a mismatch between the timing of gross claims being paid and reinsurance recoveries collected, from creditor invoices and expenses and from country risk and currency controls (where a sovereign may restrict the cross-border movement of cash).
- Asset values. There are several circumstances which can prevent or restrict the sale of an asset or access to liquid funds. These include the downgrade or failure of a counterparty, bank failure or market or segment downturn. However, given the nature of the Group's investment portfolio this risk is deemed to be low.

Methods used to assess and quantify the risk

Liquidity risk is not considered to be a significant risk for the Group. Although there are scenarios in which the Group would not be able to meet its cash flow requirements as they fall due these are considered extreme.

Risk mitigation

The Group carries out the following to mitigate liquidity risk:

- Cash flow forecasting. The Group monitors its cash flows closely across all subsidiaries and branches to ensure they are correctly funded. The Group matches the cash flow of its assets and liabilities;
- A significant proportion of liquid assets are held at all times to meet expected liabilities;
- The investment policy has been set to avoid concentration risk and to ensure high quality liquid assets; and
- Liquidity is regularly monitored by the Treasury department and quarterly by the Investment Committee.

Risk sensitivity for liquidity risks

Cash, deposits and money market funds at the year-end totalled £159.7m (2021: £160.0m). The insurance business is broadly cash neutral, with some fluctuations over the year. There are also £303.5m (2021: £312.5m) of fixed income bonds which are highly liquid in most market circumstances. It would therefore require an extreme cash flow shock for a material liquidity risk to arise. Group's fixed

income bonds have an average duration of 3.4 years, which is closely matched with the expected duration of the Group's liabilities. Close matching of assets and liabilities by duration reduces the risk that fixed income securities would need to be sold before their maturity date, thereby avoiding the realisation of currently unrealised losses on the investment portfolio. In extremis, however, the Group could take this step in order to generate immediately liquid funds. Nonetheless, overall the directors are confident that it would require an extreme cash flow shock for a material liquidity risk to arise.

C5. Operational risk

Nature of the risk

This is the risk that errors caused by people, processes or systems lead to losses to the Group, or the risk that arises from unanticipated or poorly anticipated external events.

Among the most important contributors to operational risk considered by the Group are:

- Internal and external fraud;
- Legal action against the Group;
- Significantly higher than expected inflation of costs;
- Changes in employment law;
- Improper market practices;
- Failure to comply with regulations;
- Project overruns or failures;
- Poor performance or failure of an outsourced provider;
- Business disruption and system failures;
- Damage to physical assets (e.g. due to natural catastrophe);
- Loss of key personnel;
- Pandemic;
- Unexpected subsidiary funding requirements;
- Inadequate or inaccurate systems;
- Unauthorised access to sensitive data; and
- Cyber-crime and system security.

Methods used to assess and quantify the risk

The Group maintains a record of significant materialised internal risk events and takes account of materialised risk events within the wider market.

The Group maintains risk registers for each significant business function and unit. These are used to inform the approach for modelling operational risk, which relies on expert judgement on the likelihood and severity of various scenarios. The resulting risk profile for operational risk is assessed quantitatively and is incorporated in the assessment of solvency requirements.

Risk mitigation

The Group manages operational risk mainly through the use of detailed procedure manuals and a structured programme of testing of processes and systems, carried out by the Group's Internal Audit and by the parent company's Compliance and Internal Audit departments. The Group's enterprise risk management framework also requires all key functions and units to maintain risk registers, which are reviewed and challenged by the Risk Management Function, with a process of escalation of key issues to the Group's Risk Committee. Materialised risk events experienced within the Group are captured, remediation co-ordinated and root cause analysis performed using the Group's risk management application.

Another risk which increased during the pandemic and which has been maintained since was cyber-crime, with both the Group and its outsourced providers potentially under threat. The Group has responded to this increased risk by increasing the controls around phishing emails, by introducing additional multi-factor authentication across the business, an update of some of the Group's key business applications and an enhancement of additional data security and protection applications and processes. The Group assesses its operational resilience and in particular the resilience of key services provided to customers, to ensure that the delivery of the most critical services is protected as effectively as possible.

Risk sensitivity for operational risks

The operational risk per the SCR standard formula calculation is 11.7% (2021: 12.6%) of the Group SCR as at the balance sheet date.

While the Group's response in the recent years has proven the robustness of its operational model and business continuity procedures, there has been an increase in cyber-crime worldwide and this remains the case with further recent examples of cyber-attacks. The Group has continued with education and training of staff on such matters, as well as introducing multi-factor authentications for system logins.

The Group also faces increased regulatory pressures, such as the European Data Protection Guidelines, in regards to the processing of telematics data, which is relevant to the Group given the intention to introduce new product types and to roll-out further telematics-based products in European markets. The Group's regulatory reporting requirements have also increased in 2022. As the framework in which the Group's regulator the PRA operates is no longer considered an equivalent regime by Solvency II as overseen by the European Insurance and Occupational Pensions Authority ("EIOPA"), the CAA in Luxembourg, which is ANDIE's regulator, now requires additional group reporting on ANDIE and its subsidiary ANDLIE. The PRA also expects regular reporting on ANDIE's run-off UK branch, due to the CAA being considered a "third country" regulator by the UK authorities.

The analysis of operational risk carried out for the ORSA completed in January 2023 (based on data as at 31 December 2021) has arrived at an operational risk of £20m (2021: £20m), which is 24.5% higher than the amount calculated according to the SCR standard formula (2021: 32.5% higher). The SCR coverage ratio would be sufficient to absorb a loss at this level.

C6. Other material

Strategic risk

Strategic risk is the current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions and the lack of responsiveness to changes in the business environment.

A significant proportion of the Group's business relies on the parent company's relationship with Toyota. This mono-customer strategy (which applies to much of the business other than the UK) is the Group's most significant strategic risk, as according to our reverse stress testing exercise it is considered to be the risk that is most likely to render the business model unviable. While the Group has diversified its product base and its business lines the relationship with Toyota is likely to remain the largest single distribution channel for some time. This risk is mitigated by the close relationship at all levels with Toyota and in the medium-term by the diversification in the Group's client base and distribution channels.

Reputational risk

Reputational risk is a form of strategic risk within the Group's risk taxonomy. Reputational risk is defined as the risk of losses as a result of damage to the reputation and brands of the Group or of other companies on which the Group's fortunes depend.

The main forms of reputational risk affecting the Group are:

- Damage to the Toyota brand, as much of the Group's business is Toyota branded;
- The Group's own reputation with Toyota and credibility as an insurance partner;
- Reputational damage to the Insure The Box brand; and
- Damage as a result of failures by out-sourced providers, co-insurance partners or problems in the wider MS&AD Insurance Group.

Issues from a Toyota perspective are largely confined to reductions in car sales and hence lower levels of new insurance business. This has been demonstrated by the effect on the business of various safety recalls that have been instigated by Toyota over the past few years. Retention was unaffected across all countries as customers were able to distinguish between the issues relating to the safety recall and the insurance product. In these circumstances the short-term financial impact is small, growing only over an extended period. The Group uses a wide range of outsourced suppliers, including co-insurance arrangements. Brand damage to a co-insurer would potentially be more visible and could have an impact on our operations although the focus of the branding is Toyota. Problems at other MS&AD group entities could also potentially affect relationships with regulators or other partners.

In terms of the Group's own competitiveness and customer service, the most important mitigation is to promote strong relationships at all levels to ensure problems are addressed and explained at an early stage to prevent escalation into more serious issues. This starts with regular reviews of key performance indicators and complaints to external management meetings at various levels to ensure that we are strategically and operationally aligned with Toyota.

C7. Any other information

No other information.

D. Valuation for Solvency Purposes

In the prior year the Group's UK regulated insurance subsidiary, ANDI UK, was considered a "small company" for the purposes of its Solvency II reporting. This meant that ANDI UK's SFCR was not subject to external audit. For the year-ended 31 December 2022 ANDI UK is above the Solvency II external audit threshold. Once the UK entity exceeds this threshold, the same requirement will automatically apply to the Group. As a result, Sections D and E in this report are subject to external audit. The prior year comparatives in these sections are unaudited. Other sections in this SFCR are not subject to external audit.

Exemption from preparing consolidated financial statements

The Group is exempted from the requirement to prepare statutory consolidated financial statements as it is the wholly-owned subsidiary of a company which is itself included in the publicly-available consolidated financial statements of MS&AD.

The Group prepares consolidated financial reporting for the purpose of reporting its result and its financial position to its immediate parent company, ADJ. These financial results are prepared under IFRS. The financial results of the Group consolidate the financial position and results of the holding company ANDEL and all the entities controlled by ANDEL (its subsidiaries, both direct and indirect). Intercompany transaction and balances between Group companies are eliminated in this consolidated financial reporting. As a result of the exemption from preparing statutory consolidated financial statements, an IFRS consolidated balance sheet is not presented in Section D of this document.

The Group has used the accounting consolidation-based method to prepare its Group Solvency II balance sheet, which is the default method prescribed by the regulations. The consolidation-based method differs from the IFRS consolidation used in the Group's reporting to its parent company because only the holding company (ANDEL), the insurance undertakings (ANDI UK, ANDIE and ANDLIE) and the ancillary services undertaking, ANDIM, are fully consolidated, with intra-group transactions between these five entities eliminated, while the Group's non-insurance subsidiaries are treated as participations, with the net asset value (calculated in accordance with Solvency II valuation rules) included in the Group's balance sheet. Intra-group transactions with the non-insurance subsidiaries are not eliminated.

The Group's valuation for solvency purposes is derived from the IFRS (or relevant local GAAP) used for the solo entity financial statements for ANDI UK, ANDIE, ANDLIE, ANDIM and ANDEL. Thereafter, adjustments are made for specific differences between Solvency II and IFRS / local GAAP. The solo entity Solvency II positions for these entities are then consolidated to arrive at the Group Solvency II balance sheet. Where there are differences between Solvency II and IFRS / local GAAP basis of valuation, these are described below in Sections D1 to D4.

This section describes for each material element of the balance sheet:

- The bases, methods and main assumptions used in valuing assets and liabilities for Solvency II purposes; and
- Where relevant, details of any estimation techniques, risks and uncertainties relating to these valuations.

Solvency II balance sheet

The following table sets out the Group's assets and liabilities as at 31 December 2022, with comparative information as restated and as reported:

	2022	2021 (as restated)	2021 (as reported)
	£m	£m	£m
Assets:			
Deferred tax assets	6.7	-	-
Property, plant & equipment	10.3	13.4	1.8
Holdings in related undertakings	0.5	8.4	(5.8)
Equities	2.1	2.5	2.5
Bonds	303.5	312.5	312.5
Collective investment undertakings	58.3	67.9	67.9
Reinsurance recoverables	277.9	241.2	241.2
Insurance receivables	29.7	36.1	107.0
Reinsurance receivables	9.0	23.9	23.9
Cash and cash equivalents	101.3	92.1	92.1
Any other assets	67.1	20.7	20.7
Total assets	866.4	818.7	863.8
Liabilities:			
Technical provisions – non-life	482.1	412.5	483.4
Technical provisions – health and life	16.5	14.5	14.5
Provisions other than technical provisions	2.0	1.3	1.3
Deferred tax	10.6	4.7	4.7
Insurance payables	25.6	30.7	30.7
Reinsurance payables	9.1	14.7	14.7
Any other liabilities	95.7	59.4	33.6
Total liabilities	641.6	537.8	582.9
Excess assets over liabilities	224.8	280.9	280.9

D1. Assets

Below is set out the Solvency II valuation basis for each class of asset. Technical provisions are discussed in section D2 and liabilities are considered in section D3.

Deferred tax asset

Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is probable that they will not be recovered. Deferred tax assets and liabilities are calculated at the tax rates expected to apply when the assets are realised or liabilities are settled based on laws and rates that have been enacted or substantively enacted at the balance sheet date.

The deferred tax asset has arisen in ANDI UK. In previous years the Group did not recognise a deferred tax asset as it had not been deemed probable that there would be taxable profits against which tax losses generated in previous years could be utilised. Following the agreement of a revised quota share reinsurance agreement with ADJ, the directors now consider that ANDI UK should be profitable in 2023 and that ANDI UK's brought forward corporation tax losses will be utilised in this year and in subsequent years. The Group has therefore recognised a deferred tax asset of £6.7m (2021: £nil).

Property, plant and equipment

Solvency II requires plant and equipment to be held at fair value. As active market valuations for the assets in question could not easily be obtained, the Group has written these assets off for the purposes of Solvency II. The Group's has property assets of £1.7m (2021: £1.8m), which are held at fair value, in accordance with Solvency II requirements. Right-of-use lease assets of £8.6m (2021: £11.6M) have been recognised in the Solvency II balance sheet in accordance with IFRS 16 rules and these are assumed to approximate to fair value. The Group has applied IFRS 16 requirements in its Solvency II reporting for the first time this year and the prior year balance has been restated to include right-of-use lease assets. There is an offsetting lease liability, included within "Any other liabilities" of £9.4m (2021: £11.6m).

Holdings in related undertakings, including participations

As explained above, the Group's IFRS consolidated financial reporting consolidates the assets and liabilities of ANDEL and its subsidiaries. ANDEL directly owns 100% of the issued share capital of ANDIE, ANDIM, ANDI UK, BIGL, AD Information and Data Services, 77.3% of Aioi R&D Lab and 75% of the issued share capital of TIM. ANDIE, BIGL and TIM themselves have subsidiaries, so that the Group has an indirect investment in these subsidiary entities. Within the IFRS consolidation, ANDEL's investments in subsidiaries (both direct and indirect) are replaced by the underlying assets and liabilities of these subsidiaries.

The Group has used the accounting consolidation-based method to prepare its Group Solvency II balance sheet, which is the default method prescribed by the regulations. The consolidation-based method differs from the IFRS consolidation used in the Group financial statements because only the holding company itself (ANDEL), its insurance undertakings (ANDI UK, ANDIE and ANDLIE) and the ancillary services undertaking (ANDIM) are fully consolidated, with intra-group transactions between these five entities eliminated, while the Group's non-insurance subsidiaries are treated as participations, with the Group's share of the net asset value (calculated in accordance with Solvency II valuation rules) included in the Group's balance sheet. If the Solvency II value is negative, then the participation is reclassified to other liabilities.

The holdings in TIM, AD Information and Data Services, Aioi R&D Lab and BIGL are valued using the adjusted equity method referred to in Article 13(b) of the Delegated Regulation as valuation in accordance with Article 10(2) of the Delegated Regulation is not possible:

- The valuation of ANDEL's 75% holding in TIM per the adjusted equity method is £0.5m (2021: £8.4m). The decrease under Solvency II valuation basis is due to decline in the financial position of TIM and its subsidiaries.
- The valuation of ANDEL's 100% shareholder in AD Information and Data Services is £21.9K (2021: £21.9K). The valuation is the entity's net asset value.
- The valuation of ANDEL's 100% holding in BIGL is £(8.1m) (2021: £(14.2m)). The negative valuation for BIGL is due to the removal of intangible assets and those fixed assets which cannot quickly be converted into cash, leaving BIGL with net liabilities on a Solvency II valuation basis.
- The valuation of ANDEL's 77.3% holding in Aioi R&D Lab is £51 (2021: £nil). This entity has recently started trading. The valuation is based on the entity's net asset value.

The prior year balance has been restated to reflect the presentation adopted by the Group for 2022, whereby participations which contribute positively to the Group's own funds are included within assets and those which reduce the Group's own funds are presented within "Any other liabilities". The Group's Solvency II reporting in the prior year presented the total impact of the Group's participations as a net deduction from own funds of £5.8m. The change in presentation for the prior year means that the holdings in TIM and AD Information and Data Services are shown as a participation of £8.4m and the holding in BIGL is included within "Any other liabilities" as a liability of £14.2m. There was no material impact on the Group's SCR as a result of this change.

Equities

As at the reporting date the Group held equity investments of £2.1m (2021: £2.5m). The equity investments are held at fair values. Fair values are quoted prices, unadjusted, in active markets for identical assets. The Group can access these quoted prices at the measurement date.

Bonds

As at the reporting date the Group held investments in fixed income securities of £303.5m (2021: £312.5m). The holdings are split between the asset classes government bonds, corporate bonds and collateralised securities. As at the reporting date, the balance held in each of these asset classes is £38.5m in government and agency bonds (2021: £36.4m), £264.1m in corporate bonds (2021: £275.0m) and £0.9m in collateralised securities (2021: £1.1m).

The bond portfolio is valued at fair value based on the market price as at the reporting date, which are either quoted prices in active markets for identical assets or quoted prices for similar assets in active markets. Quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The appropriate quoted market price for an asset held is usually the current bid price. Changes in the market value of the bonds are included in the reported value. There are no material estimates, assumptions or judgements made when reporting the value of the bonds. In accordance with Solvency II rules, the value includes any interest accrued on each holding as at the reporting date.

Collective investment undertakings

The collective investment undertakings held by the Group are all money market funds. As at the reporting date, the Group had £58.3m held in collective investments undertakings (2021: £67.9m). The collective investments undertakings are valued at fair value based on the market price as at the reporting date, which are quoted prices in active markets for identical assets. Quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The appropriate quoted market price for an asset held is usually the current bid price. Changes in the market value of the collective investments undertakings are included in the reported

value. There are no material estimates, assumptions or judgements made when reporting the value of the collective investments undertakings.

Reinsurance recoverables

Technical provisions include the cash flows from amounts recoverable under programmes of reinsurance. The Group uses quota-share (proportional) reinsurance and excess of loss reinsurance:

- For the quota-share reinsurance arrangements, the cash flows are the relevant percentage of the gross cash flows. Where actuarial methods have been used for the gross best estimates, these are implicitly used to calculate quota share recoveries. A delay is included between the gross cash flows and the corresponding reinsurance recoveries; and
- For the excess of loss treaty contracts, the expected recoveries are not determined using traditional actuarial methods. They are based on an individual assessment of each large claim by the relevant claims manager with the cash flows modelled from the terms of the applicable reinsurance treaty.

Allowance has also been made for the possible default of a reinsurer, as prescribed under Solvency II, using the second highest credit rating for each reinsurance counterparty. Please refer to the technical provisions section D2 for further details.

Insurance and intermediaries receivables (prior year restated)

As at the reporting date, the Group had £29.7m (2021: £107.0m as reported; £36.1m as restated) in insurance and intermediaries receivables. Insurance and intermediaries receivables comprise mostly insurance premiums past due from policyholders or amounts due from intermediaries in relation to amounts collected from policyholders. The Group maintains a provision for doubtful debts, based on prior loss experience.

Receivables are initially recognised at transactional value plus directly related costs. They are subsequently measured at the lower of their nominal and probable realisation value. As the majority of receivables are short-term in nature (and doubtful balances are provided for) the carrying value is considered to approximate to fair value and is therefore used for the Solvency II valuation. Any discounting for the time value of money would not have a material effect. There are no material estimates, assumptions or judgements when reporting the value.

Prior year restatement – in the Group's 2021 year-end SFCR and Solvency II reporting (which was unaudited), the Group treated future premiums as insurance receivables, rather than deducting them from technical provisions, as per Solvency II requirements. For the 2022 year-end, future premiums are treated as part of the technical provisions, so netting future premiums against future claims outflows rather than treating the amounts gross on the balance sheet. The restated amounts from the prior year reflect a reclassification of £70.9m between the Group's previously reported insurance receivables and its previously reported technical provisions.

Reinsurance receivables

As at the reporting date, the Group had £9.0m (2021: £23.9m) of reinsurance receivables. Reinsurance receivables comprise amounts due from the Group's reinsurers. The Group's reinsurers must have a credit rating of at least A-. In some cases, a counterparty's credit rating changes after a debt has been accrued, and the Group considers the appropriate response to this occurrence on a case by case basis. The Group provides for any doubtful debts on a case-by-case basis. There are no material estimates, assumptions or judgements when reporting the value.

Cash and cash equivalents

As at the reporting date, the Group had £101.3m (2021: £92.1m) held as cash and cash equivalents, which are balances readily accessible from banking counterparties within 24 hours. Cash and cash equivalents are valued at fair value as reported to the Group by the relevant financial institutions as at the reporting date. As these are cash amounts held in bank accounts the valuation does not rely on market prices. There are no material estimates, assumptions or judgements when reporting the value of cash and cash equivalents.

Any other assets, not elsewhere shown

As at the reporting date, the Group had £80.8m (2021: £20.7m) of other assets. These other assets include taxation debtors and other debtors. Prepaid expenses are eliminated under Solvency II valuation rules. As the majority of these assets are short-term in nature the carrying value is considered to approximate to fair value. Any discounting for the time value of money would not have a material effect. There are no material estimates, assumptions or judgements when reporting the value of these assets.

D2. Technical provisions

The technical provisions comprise the claims technical provision, the premium technical provision (which together form the best estimate liability) and the risk margin. They are set in accordance with Solvency II regulations. As at 31 December 2022, the technical provisions were:

Technical provisions Class of business	2022		2021 (as restated)		2021 (as reported)	
	Net best estimate £m	Risk Margin £m	Net best estimate £m	Risk Margin £m	Net best estimate £m	Risk margin £m
Motor Vehicle Liability	131.1	4.2	112.2	12.8	145.4	12.8
Motor, Other Classes	48.2	3.0	28.7	3.2	64.3	3.2
Miscellaneous Non-Life Insurance	16.3	1.6	10.3	2.9	13.5	2.9
General Liability	0.1	-	0.1	0.1	0.1	0.1
Credit and Suretyship	-	-	-	-	-	-
Marine, Aviation and Transport	-	-	-	-	-	-
Income Protection	-	-	-	-	-	-
Legal Expenses	-	-	-	-	-	-
Assistance	-	-	-	-	-	-
Medical Expenses	-	-	1.1	-	-	-
Fire and Other Damage	0.2	-	0.3	-	0.3	-
Other life business	16.9	0.9	13.2	0.9	13.2	0.9
Total	212.8	9.7	165.9	19.9	236.8	19.9

The largest Solvency II classes of business within the technical provisions are "Motor vehicle liability" and "Motor other". The Group also has technical provisions within "Other life business" (written by ANDLIE). The Group has smaller provisions under the Solvency II class "Miscellaneous non-life insurance", which includes Guaranteed Asset Protection cover and Extended Warranty. There are no other material amounts within the Solvency II technical provisions.

The basis on which the technical provisions are calculated is outlined below. Other than the inclusion of future premiums, which is the cause of the restatement described below, and the change in approach for the risk margin simplification, there have been no material changes in assumptions made in the technical provisions calculation since the prior year. There are no material differences in bases,

methods or assumptions for the different Solvency II classes of business set out above, although we have allowed for an increase in inflation above what is present in our claims history.

Under Solvency II, the provision for outstanding claims is the best estimate of the cost of all existing open cases and all possible future claims, post discounting. This contrasts with the value for technical provisions under IFRS accounting rules, which is the undiscounted best estimate of all open cases plus future claims as far as they are represented in the claims history (or market history, depending on the method). Technical provisions under IFRS accounting also include a margin above best estimate. Under Solvency II, this is replaced by a loading for “events not in data” or “ENIDs”, as well as the Solvency II risk margin.

The allowance for ENIDs has been calculated by loading each future cash flow by a percentage which increases as the length of time to the cash flow increases. Due to the inherent difficulty of estimating the impact of events which have not occurred in the past and which have an extremely low likelihood, these percentages are extremely subjective. However, a previous benchmarking exercise carried out by an independent third party indicated that the Group’s approach to ENIDs was broadly in line with that of peer entities.

The technical provisions under Solvency II include a risk margin. A simplification has been used for the calculation of the margin, as permitted, by approximating the whole SCR for each future year using a ratio to technical provisions. This simplification is deemed appropriate because there are no significant negative best estimates at the valuation or subsequent dates, the Group’s material reinsurers are A-rated or better and there are no unavoidable market risks. The Group has changed from using simplification 3 to simplification 1 to better reflect its risk profile, which is a standard change.

The undiscounted best estimates in both cases (IFRS accounting and Solvency II) have been calculated using standard deterministic actuarial models. For most classes, development factor (or “chain-ladder”) methods have been used. For some liability classes, Bornheutter-Ferguson models (or similar methods which combine our own experience with an average market claims experience) have been used.

Future inflation is implicitly assumed to follow historic inflation except in the case of models based on market average experience where inflation is explicitly considered. Different from last year, we have allowed for the high inflation rates in 2022 above the estimated rates in the claims history for the Motor Liability class. This involved estimating the current level of inflation contained within the claims history and then using market inflation estimates to apply a payment pattern of excess inflation over current inflation included in the case estimates to the future cashflows. The inflation is already high in the Motor Other class and it was deemed sufficient to rely on the standard actuarial methods.

For each homogenous underwriting risk group, a premium payment pattern has been derived using historical data about policy lengths and frequency of premium payments. Future premium payments are calculated by applying these patterns to anticipated gross written premium.

The premium provision includes not only the unearned exposures at the balance sheet date but also the value of policies the Group has committed to writing at a future date but that have not incepted at that date. The majority of contracts written by the Group are non-life business, do not include guaranteed renewals (either explicit or implicit), neither do they include any options or guarantees with a significant financial impact on the company. The contract boundary used is usually one year after inception, although there are contracts with shorter or longer terms. There is allowance for ENIDs for future claims in the premium provisions in the same way as for the outstanding claims provisions.

In some cases, there is insufficient historical data to derive the necessary cash-flow patterns for both premiums and claims. In these cases, cash flows are modelled in proportion to similar accounts where we do have sufficient data. These classes do not make up a significant proportion of the net best estimate as at 31 December 2022.

Technical provisions include the cash flows from amounts recoverable under programmes of reinsurance. The Group uses quota-share (proportional) reinsurance and excess of loss reinsurance.

- For the quota-share reinsurance arrangements, the cash flows are the relevant percentage of the gross cash flows. Where actuarial methods have been used for the gross best estimates, these are implicitly used to calculate quota share recoveries. A delay is included between the gross cash flows and the corresponding reinsurance recoveries.
- For the excess of loss contracts, the expected recoveries are not determined using traditional actuarial methods. They are based on an individual assessment of each large claim by the relevant branch claims manager with the cash flows modelled from the terms of the applicable reinsurance treaty.

Allowance has also been made for the possible default of a reinsurer, as prescribed under Solvency II, using the second highest credit rating for each reinsurance counterparty.

For the life business underwritten by ANDLIE, the actuarial reserves are calculated separately for each insurance contract, considering the month of commencement. The calculation is carried out prospectively. The best estimate of the value of the reserves is calculated using the best estimate of the value of the termination rates and recovery rates. The risk-free yield curve is used for discounting. Costs that can be directly allocated to insurance obligations and allocated overheads are incorporated into the projection of the future costs. The risk margin is calculated as per section 58(b) of the Delegated Regulation, using the duration approach (level 3 in the hierarchy of simplifications for the calculation of the risk margin).

Prior year restatement

In the Group's 2021 year-end SFCR and Solvency II reporting (which was unaudited), the Group treated future premiums as insurance receivables, rather than deducting them from technical provisions, as per Solvency II requirements. For the 2022 year-end, future premiums are treated as part of the technical provisions, so netting future premiums against future claims outflows rather than treating the amounts gross on the balance sheet.

Future premiums within the technical provisions are subject to discounting and to a lapse risk charge, whereas insurance receivables are subject to a "type 2" counterparty risk charge, as amounts due from unrated counterparties.

There is a reclassification of £70.9m between the Group's previously reported insurance receivables and its previously reported technical provisions. As the effect of prior year discounting on the future premiums is immaterial, there is no effect on the Group's prior year reported own funds as a result of the change.

D3. Other liabilities

The following table sets out the Group's liabilities (other than technical provisions) as at 31 December 2022:

	2022 £m	2021 £m
Provisions other than technical provisions	2.0	1.3
Deferred tax liabilities	10.6	4.7
Insurance and intermediaries payable	25.6	30.7
Reinsurance payables	9.1	14.7
Any other liabilities	95.7	59.4

Below is set out the Solvency II valuation basis for each material class of liability.

Provisions other than technical provisions

This includes a provision for profit commission for reinsurance programmes and miscellaneous expense accruals.

Deferred tax liabilities

The deferred tax liability of £10.6m (2021: £4.7m) arises on temporary timing differences on the valuation of assets and liabilities under Solvency II. The liability has been calculated with reference to applicable regulations, tax laws and applicable tax rates.

Insurance and intermediaries payable

As at the reporting date, the Group had £25.6m (2021: £30.7m) of insurance and intermediaries payable. These comprise of direct insurance creditors and other insurance payables. The insurance payables are valued initially at fair value and subsequently at amortised cost using the effective interest rate method. However, as these liabilities represent the amounts to be paid to insurance claimants these amounts are not revalued to amortised cost as they are typically settled in the short-term, with the settlement amount rarely differing from the initial valuation. This valuation therefore substantially equates to fair value and is used for Solvency II valuation purposes. Similarly, the carrying value of intermediaries payables substantially equates to fair value and is used for the Solvency II valuation. There are no material estimates, assumptions or judgements when reporting the value of insurance and intermediaries payable.

Reinsurance payables

As at the reporting date, the Group had £9.1m (2021: £14.7m) of reinsurance payables. Reinsurance payables represent premiums due to reinsurers. They are valued initially at transaction value plus attributable costs. They are subsequently measured at amortised cost using the effective interest rate method. As the majority of payables are short-term in nature the carrying value is considered to approximate to fair value. Any discounting for the time value of money would not have a material effect. There are no material estimates, assumptions or judgements when reporting the value.

Any other liabilities, not elsewhere shown

As at the reporting date, the Group had £95.7m (2021: £59.4m) of other liabilities, not elsewhere shown. These amounts represent accruals, Box Innovation Group Limited's negative Solvency II valuation (treated as a negative participation), lease liabilities and other liabilities.

Accruals are recognised in line with IFRS requirements, so the Group accrues when it is probable that the Group will be required to settle an obligation and a reliable estimate can be made of the amount of the obligation. The negative valuation of the participation in Box Innovation Group Limited of £8.1m (2021: negative £14.2m) is explained above, under "Holdings in related undertakings". Lease liabilities of £9.4m (2021: £11.6m) are recognised in accordance with the requirements of IFRS 16, with these values assumed to approximate fair value. Other liabilities are recognised initially at transaction value plus directly attributable costs. As the majority of liabilities are short-term in nature the carrying value is considered to approximate to fair value. Any discounting for the time value of money would not have a material effect. There are no material estimates, assumptions or judgements when reporting the value.

Contingent liabilities

As at the reporting date, the Group had no contingent liabilities.

D4. Alternative methods for valuation

There are no material classes of assets or liabilities which are valued using alternative valuation methods.

D5. Any other information

There is no other information regarding the Company's valuation of assets and liabilities for solvency purposes other than those disclosed in the sections above

There are no differences between the valuation for solvency purposes used at group level for the valuation of the Group's assets, technical provisions and other liabilities and those used by the Group's subsidiaries. The valuations used for ANDI UK's and ANDIE's assets, technical provisions and other liabilities for group solvency purposes are the same as those used on a solo (company-only) basis. The valuations used for ANDLIE's assets, technical provisions and other liabilities are also consistent with the ANDLIE solo basis. The assets and liabilities of the other entities within the Group are valued in accordance with Solvency II valuation principles for both the solo and the group reporting. However, the yield curves used in ANDLIE and ANDIE are per EIOPA and for ANDI UK and the Group PRA rates are used.

E. Capital Management

In the prior year the Group's UK regulated insurance subsidiary, ANDI UK, was considered a "small company" for the purposes of its Solvency II reporting. This meant that ANDI UK's SFCR was not subject to external audit. For the year-ended 31 December 2022 ANDI UK is above the Solvency II external audit threshold. Once the UK entity exceeds this threshold, the same requirement will automatically apply to the Group. As a result, Sections D and E in this report are subject to external audit. The prior year comparatives in these sections are unaudited. Other sections in this SFCR are not subject to external audit.

Prior year comparatives

In the Group's 2021 year-end SFCR and Solvency II reporting (which was unaudited), the Group treated future premiums as insurance receivables, rather than deducting them from technical provisions, as per Solvency II requirements. For the 2022 year-end, future premiums are treated as part of the technical provisions, so netting future premiums against future claims outflows rather than treating the amounts gross on the balance sheet. The Group is able to make this change for the 2022 year-end because more comprehensive information on the premiums receivables balances is now available, along with enhanced processes to analyse and age the future premiums due to the Group.

In this 2022 year-end SFCR, both the comparatives as reported in the 2021 year-end SFCR and those which have been restated using the approach adopted for the current year have been set out.

There is no impact to the Group's previously reported Solvency II own funds of £280.9m as a consequence of this restatement. However, there is a reclassification of £70.9m between the Group's previously reported insurance receivables and its previously reported technical provisions.

The restatement has resulted in a reduction in the Group's 2021 year-end SCR and MCR. The restated 2021 SCR is £112.0m, compared with £119.7m as previously reported. The main reason for this change is the reduction of the counterparty risk charge. The restated 2021 MCR is £41.9m, compared with £47.8m as previously reported. This change is due to the decrease in the Solvency II prior year technical provisions once future premiums are included.

The effect of the restatement is to increase the previously reported SCR coverage from 235.0% to 250.8% and the previously reported MCR coverage from 587.0% to 670.6%.

The directors have presented this unaudited prior year comparative information in order to provide better comparative information to users of this SFCR.

E1. Own funds

The capital management objective of the Group is to maintain sufficient own funds to cover the SCR and the MCR with an appropriate buffer which takes account of the Group's growth ambitions as set out in its business plan. The Board and the Board Committees consider at least quarterly the ratio of eligible own funds over the SCR and MCR. The Group prepares solvency projections over a five-year period as part of the business planning process. The ORSA, which is prepared on a three-year basis, is compared to the results of the SCR projection at the three-year point to determine whether additional solvency cover is required. The outcome of this assessment is recorded in the ORSA report and shared with the regulator as required. There are no material changes with regards to objectives, policies or processes for managing the Group's own funds during the year.

Own funds are the regulatory capital resources of an insurance undertaking or group under Solvency II. Own funds for the Group consist of the excess of assets over liabilities (including technical provisions), all of which are valued in accordance with Solvency II regulations. The Group's eligible own funds are primarily invested in high quality fixed income securities, in cash in bank accounts or in money

market funds. The Group does not intend to change its investment policy in the short term or to make any change to the disposition of own fund items.

As described in section D1, the Group has used the accounting consolidation-based method to calculate Group solvency. Using this method, the own funds of the Group are calculated on the basis of consolidated data, being the line-by-line aggregation of the assets and liabilities of ANDEL, ANDI UK, ANDIE, ANDLIE and ANDIM. The Group's non-insurance and non-regulated undertakings are consolidated as single-line participations. Details of the contributions of these participations to the Group's own funds are provided in section D1.

	2022 £m Tier 1	2022 £m Tier 3	2021 £m Tier 1	2021 £m Tier 3
Ordinary share capital	350.0	-	350.0	-
Reconciliation reserve	(131.9)	-	(69.1)	-
Net deferred tax asset	-	6.7	-	-
Excess of assets over liabilities	224.8		280.9	

The Group's own funds comprise of paid in ordinary share capital, the reconciliation reserve and a deferred tax asset. The share capital as at 31 December 2022 is fully paid up and comprises 350,010,000 ordinary shares with a par value of £1 each (2021: 350,010,000 ordinary shares of £1 each). There is a negative reconciliation reserve of £131.9m (2021: negative reconciliation reserve of £69.1m). The net of the Company's ordinary share capital and the negative reconciliation reserve are "Tier 1" own funds per the Solvency II regulation. Tier 1 own funds are not subject to any restrictions.

The deferred tax asset is classified as Tier 3 own funds. Tier 3 own funds are restricted to 15% of the amount of the SCR and are not eligible to cover the MCR. The Group's Tier 3 own funds are in line with the value of the deferred tax asset held in the Group's IFRS reporting and are below 15% of the SCR, so none of the deferred tax asset is considered ineligible for recognition as part of the Group's own funds.

None of the Group's own funds are subject to transitional arrangements and the Group has no ancillary own funds. No deductions are applied to own funds. There are no own shares held.

As at 31 December 2022, the net asset value of the Group as calculated under IFRS for reporting purposes was £230.7m. This is a £18.9m decrease since 31 December 2021. The table below shows the IFRS movement in net asset value:

	2022 £m	2021 £m
Brought forward 1 January	249.6	270.6
Result for the year (post-tax)	3.6	0.7
Movement in reserves	(22.5)	(21.7)
Carried forward 31 December	230.7	249.6

For Solvency II purposes, eligible own funds to meet the MCR were £218.1m (2021: £280.9m) and to meet the SCR were £224.8m (2021: £280.9m). The Tier 3 own funds, which comprise the deferred tax asset, are not eligible to meet the MCR.

The Group is exempted from the requirement to prepare statutory consolidated financial statements as it is the wholly-owned subsidiary of a company which is itself included in the publicly-available consolidated financial statements of MS&AD.

The Group prepares consolidated financial reporting for the purpose of reporting its result and its financial position to its immediate parent company, ADJ. These financial results are prepared under IFRS. The financial results of the Group consolidate the financial position and results of the holding

company ANDEL and all the entities controlled by ANDEL (its subsidiaries, both direct and indirect). Intercompany transaction and balances between Group companies are eliminated in this consolidated financial reporting.

The Group's valuation for solvency purposes is derived from the consolidated balance sheet in its IFRS reporting, which is then adjusted in accordance with Solvency II regulations.

The Group has used the accounting consolidation-based method to prepare its Group Solvency II balance sheet, which is the default method prescribed by the regulations. The consolidation-based method differs from the IFRS consolidation used in the Group's reporting to its parent company because only the holding company (ANDEL), the insurance undertakings (ANDI UK, ANDIE and ANDLIE) and the ancillary services undertaking, ANDIM, are fully consolidated, with intra-group transactions between these five entities eliminated, while the Group's non-insurance subsidiaries are treated as participations, with the net asset value (calculated in accordance with Solvency II valuation rules) included in the Group's balance sheet. Intra-group transactions with the non-insurance subsidiaries are not eliminated.

Other significant adjustments between the IFRS balance sheet and the valuation for solvency purposes are: the elimination of goodwill and intangibles, the revaluation of technical reserves to Solvency II technical provisions and the elimination of deferred acquisition costs (replaced by future cash flows in the Solvency II technical provisions).

These differences can be summarised as follows:

	2022 £m	2021 (as restated) £m	2021 (as reported) £m	Reason
Net asset value per IFRS	230.7	249.6	249.6	Per IFRS reporting
Revaluation of net technical reserves	296.6	178.9	108.0	Differing reserving basis under Solvency II
Deferred acquisition cost	(74.4)	(84.5)	(84.5)	No DAC for Solvency II
Intangible assets	(9.4)	(11.8)	(11.8)	Written off for Solvency II
Holdings in related undertakings	0.5	(6.2)	(6.2)	Non-consolidated subsidiaries have a negative impact on Solvency II own funds
Other assets and liabilities	(219.2)	(45.1)	25.8	Net impact of adjustments to fair value
Own funds under Solvency II	224.8	280.9	280.9	Solvency II own funds

The movement of own funds on a Solvency II basis during 2022 was as follows:

	2022 £m	2021 £m
Own funds brought forward 1 January	280.9	241.4
Movement in year	(56.1)	39.5
Own funds as at 31 December	224.8	280.9

The SCR coverage ratio as at 31 December 2022 was 173.0% (2021: 235.0% as reported; 2021: 250.8% as restated), with eligible own funds of £224.8m (2021: £280.9m) and an SCR of £129.9m (2021: £119.7m as reported; 2021: £112.0m as restated). The MCR coverage ratio as at 31 December 2022 was 461.5% (2021: 587.0% as reported; 2021: 670.6% as restated), with eligible own funds of £218.1m (2021: £280.9m), and an MCR of £47.3m (2021: £47.8m as reported; 2021: £41.9m as restated). The deferred tax asset of £6.7m is considered as Tier 3 own funds and is not eligible to cover

the MCR. Annual and quarterly reporting throughout both 2022 and the prior year have shown that the Group has complied continuously with both the MCR and the SCR throughout the reporting period.

E2. Solvency Capital Requirement and Minimum Capital Requirement

As described in section E1, the Group has used the accounting consolidation-based method to calculate group solvency. The standard formula is used to calculate the SCR, without modification for undertaking specific parameters. Other than the calculation of the risk margin, the Group has not used any simplifications permitted by the regulations.

The table below shows the components of the SCR as at 31 December 2022:

Component	2022 £m	2021 £m (as restated)	2021 £m (as reported)
Non-life underwriting risk analysed by:			
- Premium and reserve risk	81.6	74.3	74.3
- Catastrophe risk	5.1	3.9	3.9
- Lapse risk	0.3	3.1	11.2
- Diversification credit	(3.9)	(5.9)	(13.2)
Health underwriting risk	-	-	-
Life underwriting risk analysed by:	-		
- Mortality risk	1.3	1.1	1.1
- Disability risk	1.1	1.1	1.1
- Life expense risk	-	-	-
- Lapse risk	2.7	1.8	1.8
- Catastrophe risk	2.9	2.6	2.6
- Diversification credit	(2.8)	(2.3)	(2.3)
Market risk analysed by:	-		
- Interest rate risk	9.8	4.8	4.8
- Equity risk	0.6	0.6	0.6
- Property risk	2.6	0.5	0.5
- Spread risk	12.4	15.8	15.8
- Currency risk	16.3	7.3	7.3
- Concentration risk	-	-	-
- Diversification credit	(13.8)	(8.3)	(8.3)
Counterparty default risk	32.1	21.9	32.1
Diversification credit	(33.5)	(25.4)	(28.6)
Operational risk	15.1	15.1	15.1
SCR	129.9	112.0	119.7
MCR	47.3	41.9	47.8

The inputs used to calculate the MCR are the net technical provisions and the net written premiums in the last twelve months. The Group's MCR is the sum of the MCRs for ANDIE and ANDLIE.

At the end of the reporting period the Group's MCR is £47.3m (2021: £47.8m as reported; 2021: £41.9m as restated) an increase of £1.4m per reported and £7.3m as restated. The increase reflects the greater exposure to insurance risk as a result of the increase in the Group's underwriting volumes.

The Group's SCR was £129.9m as at the end of 2022 (2021: £119.7m as reported; 2021: £112.0m as restated), an increase of £10.2m as reported and £17.9m as restated over the year. Most components of the SCR have remained consistent with the prior year. Those areas which have moved more significantly are:

- An increase in non-life underwriting risk by £7.3m due to the growth of the Group's non-life insurance business;
- An increase in life underwriting risk by £0.9m due to the increase in the business volumes of ANDLIE;
- An increase of £5.0m in interest rate risk due to the greater impact of the upward shock on interest rates;
- An decrease of £3.4m in spread risk due to the decrease in the valuations of the Group's bond holdings;
- An increase of £9.0m in currency risk. This is due to the Group's subsidiary ANDIE holding more of its assets in GBP-denominated assets rather than EUR-denominated assets. At the Group level, the Group's functional currency remains GBP and the standard formula applies a charge on the Group's surplus EUR assets;

- An increase of £10.2m in counterparty default risk, due to the increase in business volumes, leading to higher balances due from counterparties; and
- Consequent movements in diversification credits.

Prior year restatement

In the Group's 2021 year-end SFCR and Solvency II reporting (which was unaudited), the Group treated future premiums as insurance receivables, rather than deducting them from technical provisions, as per Solvency II requirements. For the 2022 year-end, future premiums are treated as part of the technical provisions, so netting future premiums against future claims outflows rather than treating the amounts gross on the balance sheet. The Group is able to make this change for the 2022 year-end because more comprehensive information on the premiums receivables balances is now available, along with enhanced processes to analyse and age the future premiums due to the Group.

In this 2022 year-end SFCR, both the comparatives as reported in the 2021 year-end SFCR and those which have been restated using the approach adopted for the current year have been set out.

There is no impact to the Group's previously reported Solvency II own funds of £280.9m as a consequence of this restatement. However, there is a reclassification of £70.9m between the Group's previously reported insurance receivables and its previously reported technical provisions.

The restatement has resulted in a reduction in the Group's 2021 year-end SCR and MCR. The restated 2021 SCR is £112.0m, compared with £119.7m as previously reported. The main reason for this change is the reduction of the counterparty risk charge. The restated 2021 MCR is £41.9m, compared with £47.8m as previously reported. This change is due to the decrease in the Solvency II prior year technical provisions once future premiums are included.

The effect of the restatement is to increase the previously reported SCR coverage from 235.0% to 250.8% and the previously reported MCR coverage from 587.0% to 670.6%.

E3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The Group does not use the duration-based equity risk sub-module in the calculation of the SCR.

E4. Differences between the standard formula and any internal model used

The Group applies the standard formula and does not use an internal model for the purposes of calculating the SCR.

E5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Group has complied continuously with both the MCR and the SCR throughout the reporting period.

E5. Any other information

The Group has used the accounting consolidation-based method to calculate the group solvency, which is the default method prescribed by the regulations. The consolidation-based method includes ANDEL, ANDI UK, ANDIE, ANDLIE and ANDIM within the data on which the Group's SCR is calculated. Intra-group transactions between these five entities are eliminated. In effect, this method treats the insurance entities within the Group as if they were a single economic unit and allows for diversification benefits based on the consolidated data. The Group's non-insurance subsidiaries are treated as participations and intra-group transactions with them are not eliminated.

The Group has performed an analysis of the fungibility and transferability of the own funds within the Group. In order to be considered available to the Group, an item of own funds of a related insurance undertaking must be fungible (able to absorb any kind of loss wherever it arises in the Group) and transferable (capable of being transferred from one undertaking to another in the Group). The own funds must also be fungible and transferable within a maximum period of nine months.

Following this analysis, the Group does not consider that there are any significant restrictions to the fungibility and transferability of own funds eligible for covering the Group SCR or the MCR. In the event of needing to transfer own funds between entities in the Group, the Group would, in the case of ANDIE, ANDIM and ANDLIE, be able to pay dividends up to the parent entity, either ANDEL or ANDIE. Moreover, the Group carries a negative charge for its investment in BIGL because this entity has net liabilities on a Solvency II basis. In practice, however, were capital to be needed elsewhere in the Group, the Group would not need to provide own funds to the non-insurance entities.

Report of the external independent auditor to the Directors of Aioi Nissay Dowa Europe 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 GROUP SOLVENCY AND FINANCIAL CONDITION REPORT

Opinion

Except as stated below, we have audited the following documents prepared by Aioi Nissay Dowa Europe Limited ('the Company') as at 31 December 2022:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report of the Company as at 31 December 2022, ('**the Narrative Disclosures subject to audit**'); and
- Group templates S02.01.02, S23.01.22, S25.01.22, S32.01.22 ('**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 Group 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 'Business and performance', 'System of governance' and 'Risk profile' sections of the Group Solvency and Financial Condition Report;
- Group templates S05.01.02, S05.02.01;
- the written acknowledgement by the Directors of their responsibilities, including for the preparation of the Group Solvency and Financial Condition Report ('**the Responsibility Statement**'); and

In our opinion, the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report of the Company as at 31 December 2022 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which it is based.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Relevant Elements of the Group Solvency and Financial Condition Report section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Group Solvency and Financial Condition Report in the UK, including the FRC Ethical Standard, 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.

Emphasis of Matter – special purpose basis of accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report, which describe the basis of accounting of the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report. The Group Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Group 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 Group Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Going concern

The Directors have prepared the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the Group Solvency and Financial Condition Report ("the going concern period").

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report is appropriate; and
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company or Group will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the Audit, Risk and Compliance Committee, the compliance function and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's policies for "whistleblowing" as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit, Risk and Compliance Committee and Reserving Committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for directors.
- Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as valuation of technical provision.

Accordingly, we identified a fraud risk related to the valuation of technical provision, given the direct impact on the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report and the opportunity for management to manipulate assumptions due to the subjectivity involved.

We performed procedures including:

- For in-scope components, Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation
- Assessing significant accounting estimates for bias, including assessing the valuation of technical provision for bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report, including financial reporting aspects of PRA rules and Solvency II regulations, distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report, for instance through the imposition of fines or litigation or the loss of Group's license to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity and certain aspects of

company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the the Relevant Elements of the Group Solvency and Financial Condition Report, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations

Other Information

The Directors are responsible for the Other Information.

Our opinion on the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

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

Other matter - prior period information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report

We note that the prior period information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report was not audited. Consequently ISAs (UK) require the auditor to state that the corresponding figures contained within the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report are unaudited. Our opinion is not modified in respect of this matter.

Responsibilities of Directors for the Group Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Group Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Group Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Relevant Elements of the Group Solvency and Financial Condition Report

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

Our objectives are to obtain reasonable assurance about whether the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report is 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 information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report.

A fuller description of our responsibilities is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other Information

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements for the year ended 31 December 2022. 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.

This engagement is separate from the audit of the annual financial statements of the Company and the report here relates only to the matters specified and does not extend to the Company's annual financial statements taken as a whole.

As set out in our audit report on those financial statements, that audit report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006.

The audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for that audit work, for the audit report, or for the opinions we have formed in respect of that audit.

The purpose of our audit work and to whom we owe our responsibilities

This report of the external auditor is made solely to the Company's directors, as its governing body, in accordance with the requirement in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms and the terms of our engagement. We acknowledge that the directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the Company's directors and issued in accordance with the requirement set out in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms and to facilitate the discharge by the PRA of its regulatory functions in respect of the Company, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the Company's directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1 (2) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company through its governing body, for our audit, for this report, or for the opinions we have formed.



Cheryl Mason

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

Canary Wharf, London

E14 5GL

19 May 2023

Appendix to Report of the external independent auditor to the Directors of Aioi Nissay Dowa Europe Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms – relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit**Group standard formula**

The Relevant Elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of Group template S.23.01.22
 - Rows R0410 to R0440 – Own funds of other financial sectors

- The following elements of Group template S.25.01.22
 - Rows R0500 to R0530 – Capital requirement for other financial sectors (Non-insurance capital requirements)

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

F. Templates

The following reporting templates are provided as appendices to this document, as required by the regulations:

Template name	Template code
Balance sheet	S.02.01.02
Premiums, claims and expenses by line of business – non-life	S.05.01.02
Premiums, claims and expenses by line of business – life	S.05.01.02
Premiums, claims and expenses by country – non-life	S.05.02.01
Premiums, claims and expenses by country – life	S.05.02.01
Own funds	S.23.01.22
Solvency capital requirement – on groups on standard formula	S.25.01.22
Undertakings in the scope of the Group	S.32.01.22

General information

Participating undertaking name	Aioi Nissay Dowa Europe Limited
Group identification code	213800NEYB7AD3MF5D48
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	31 December 2022
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
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	No use of transitional measure on technical provisions

List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.05.02.01 - Premiums, claims and expenses by country
- S.23.01.22 - Own Funds
- S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula
- S.32.01.22 - Undertakings in the scope of the group

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
R0030	Intangible assets	0
R0040	Deferred tax assets	6,734
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	10,269
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	364,425
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	486
R0100	Equities	2,122
R0110	<i>Equities - listed</i>	2,093
R0120	<i>Equities - unlisted</i>	29
R0130	Bonds	303,494
R0140	<i>Government Bonds</i>	38,525
R0150	<i>Corporate Bonds</i>	264,056
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	914
R0180	<i>Collective Investments Undertakings</i>	58,323
R0190	<i>Derivatives</i>	0
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	0
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	0
R0260	<i>Other loans and mortgages</i>	0
R0270	Reinsurance recoverables from:	277,947
R0280	<i>Non-life and health similar to non-life</i>	277,288
R0290	<i>Non-life excluding health</i>	277,266
R0300	<i>Health similar to non-life</i>	22
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	659
R0320	<i>Health similar to life</i>	0
R0330	<i>Life excluding health and index-linked and unit-linked</i>	659
R0340	<i>Life index-linked and unit-linked</i>	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	29,730
R0370	Reinsurance receivables	8,970
R0380	Receivables (trade, not insurance)	0
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	101,328
R0420	Any other assets, not elsewhere shown	67,017
R0500	Total assets	866,421

5.02.01.02

Balance sheet

		Solvency II value
		C0010
Liabilities		
R0510	Technical provisions - non-life	482,055
R0520	<i>Technical provisions - non-life (excluding health)</i>	481,991
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	473,215
R0550	<i>Risk margin</i>	8,776
R0560	<i>Technical provisions - health (similar to non-life)</i>	64
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	63
R0590	<i>Risk margin</i>	1
R0600	Technical provisions - life (excluding index-linked and unit-linked)	16,502
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	0
R0630	<i>Best Estimate</i>	0
R0640	<i>Risk margin</i>	0
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	16,502
R0660	<i>TP calculated as a whole</i>	0
R0670	<i>Best Estimate</i>	15,635
R0680	<i>Risk margin</i>	867
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	0
R0710	<i>Best Estimate</i>	0
R0720	<i>Risk margin</i>	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	2,022
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	10,604
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	25,567
R0830	Reinsurance payables	9,133
R0840	Payables (trade, not insurance)	0
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	0
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	95,721
R0900	Total liabilities	641,603
R1000	Excess of assets over liabilities	224,818

5,05,01.02

Premiums, claims and expenses by line of business

Non-life

	Line of business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)													Line of business for: accepted non-proportional reinsurance			Total
	CO010	CO020	CO030	CO040	CO050	CO060	CO070	CO080	CO090	CO100	CO110	CO120	CO130	CO140	CO150	CO160	
Premiums written																	
R0110 Gross - Direct Business	0	49	0	303,657	157,503	486	1,126	2,347	0	203	144	60,798					526,313
R0120 Gross - Proportional reinsurance accepted	0	0	0	1,336	0	0	0	0	0	0	0	2,750					4,285
R0130 Gross - Non-proportional reinsurance accepted	0	49	0	151,128	75,204	485	1,052	2,311	0	203	58	3,453					233,944
R0140 Reinsurers' share	0	0	0	154,063	82,299	1	75	36	0	0	86	60,094					296,654
R0200 Net	0	0	0	268,867	144,142	444	1,090	2,169	0	185	132	50,818					467,904
Premiums earned																	
R0210 Gross - Direct Business	0	0	0	1,404	0	0	0	0	0	0	0	2,514					3,919
R0220 Gross - Proportional reinsurance accepted	0	55	0	138,352	69,779	450	1,029	2,161	0	188	54	5,052					217,119
R0230 Gross - Non-proportional reinsurance accepted	0	0	0	131,919	74,364	-5	62	8	0	-2	78	48,281					254,704
R0240 Reinsurers' share	0	0	0	266,584	77,082	14	255	586	0	58	322	6,969					351,871
R0300 Net	0	0	0	1,120	0	0	0	0	0	0	0	772					1,892
Claims incurred																	
R0310 Gross - Direct Business	0	0	0	138,116	36,210	13	231	544	0	54	124	1,635					176,926
R0320 Gross - Proportional reinsurance accepted	0	0	0	129,588	40,872	1	24	42	0	5	198	6,105					176,836
R0330 Gross - Non-proportional reinsurance accepted	0	0	0	266,584	77,082	14	255	586	0	58	322	6,969					351,871
R0340 Reinsurers' share	0	0	0	1,120	0	0	0	0	0	0	0	772					1,892
R0400 Net	0	0	0	138,116	36,210	13	231	544	0	54	124	1,635					176,926
Changes in other technical provisions																	
R0410 Gross - Direct Business																	0
R0420 Gross - Proportional reinsurance accepted																	0
R0430 Gross - Non-proportional reinsurance accepted																	0
R0440 Reinsurers' share																	0
R0500 Net																	0
Expenses incurred																	
R0550	0	6	0	65,847	3,233	-644	-1,061	15	0	-8	12	22,943					90,342
Other expenses																	
R1200																	-244
R1300 Total expenses																	90,098

5,05,01,02
Premiums, claims and expenses by line of business

Life

	Line of Business for: life insurance obligations						Life reinsurance obligations		Total
	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	
Premiums written									
R1410 Gross				24,335				1,267	25,603
R1420 Reinsurers' share				0				0	0
R1500 Net				24,335				1,267	25,603
Premiums earned									
R1510 Gross				24,335				1,267	25,603
R1520 Reinsurers' share				0				0	0
R1600 Net				24,335				1,267	25,603
Claims incurred									
R1610 Gross				4,832				398	5,230
R1620 Reinsurers' share				0				0	0
R1700 Net				4,832				398	5,230
Changes in other technical provisions									
R1710 Gross				-5,742				-755	-6,497
R1720 Reinsurers' share				0				0	0
R1800 Net				-5,742				-755	-6,497
R1900 Expenses incurred				19,461				207	19,668
R2500 Other expenses									0
R2600 Total expenses									19,668

5,09,02,01

Premiums, claims and expenses by country

Non-life

	C0010					C0070									
	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0020		C0030	C0040	C0050	C0060	C0070	
Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations										Top 5 countries (by amount of gross premiums written) - non-life obligations				Total Top 5 and home country
	DE	IT	FR	ES	NO										
Premiums written															
R0110 Gross - Direct Business	259,897	91,514	88,607	41,671	29,520	10,738	521,946								
R0120 Gross - Proportional reinsurance accepted							0								
R0130 Gross - Non-proportional reinsurance accepted	117,771	48,424	34,082	9,662	19,091	88	229,118								
R0140 Reinsurers' share	142,126	43,090	54,525	32,009	10,429	10,650	292,828								
R0200 Net															
Premiums earned															
R0210 Gross - Direct Business	228,055	92,655	69,845	40,530	27,046	10,261	468,391								
R0220 Gross - Proportional reinsurance accepted							0								
R0230 Gross - Non-proportional reinsurance accepted	112,829	48,261	27,224	9,102	16,865	87	214,368								
R0240 Reinsurers' share	115,225	44,393	42,621	31,428	10,181	10,174	254,023								
R0300 Net															
Claims incurred															
R0310 Gross - Direct Business	183,771	66,292	30,516	24,932	26,251	7,111	338,873								
R0320 Gross - Proportional reinsurance accepted							0								
R0330 Gross - Non-proportional reinsurance accepted	95,786	31,824	16,677	12,316	17,343	15	173,960								
R0340 Reinsurers' share	87,985	34,468	13,839	12,616	8,908	7,096	164,913								
R0400 Net															
Changes in other technical provisions															
R0410 Gross - Direct Business							0								
R0420 Gross - Proportional reinsurance accepted							0								
R0430 Gross - Non-proportional reinsurance accepted							0								
R0440 Reinsurers' share							0								
R0500 Net							0								
R0550 Expenses incurred	44,251	15,582	15,087	7,095	5,026	1,828	88,869								
R1200 Other expenses							-244								
R1300 Total expenses							88,624								

5.05.02.01

Premiums, claims and expenses by country

Life

Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country	
	FR	ES	PL	IT	MO	FR	ES	PL	IT	MO		
	C0220	C0230	C0240	C0250	C0260	C0270	C0280					
Premiums written												
R1410 Gross	12,395	11,930	1,232	21	14	11	25,603					
R1420 Reinsurers' share	0	0	0	0	0	0	0					
R1500 Net	12,395	11,930	1,232	21	14	11	25,603					
Premiums earned												
R1510 Gross	12,395	11,930	1,232	21	14	11	25,603					
R1520 Reinsurers' share	0	0	0	0	0	0	0					
R1600 Net	12,395	11,930	1,232	21	14	11	25,603					
Claims incurred												
R1610 Gross	2,757	2,074	381	3	14	0	5,230					
R1620 Reinsurers' share	0	0	0	0	0	0	0					
R1700 Net	2,757	2,074	381	3	14	0	5,230					
Changes in other technical provisions												
R1710 Gross	-4,164	-1,580	-784	9	19	2	-6,497					
R1720 Reinsurers' share	0	0	0	0	0	0	0					
R1800 Net	-4,164	-1,580	-784	9	19	2	-6,497					
R1900 Expenses incurred	8,039	11,416	207	0	0	6	19,668					
R2500 Other expenses												
R2600 Total expenses							19,668					

5.23.01.22
Own Funds

Basic own funds before deduction for participations in other financial sector

	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	CO010	CO020	CO030	CO040	CO050
RO010 Ordinary share capital (gross of own shares)	350,010	350,010			
RO020 Non-avoidable called but not paid in ordinary share capital at group level	0				
RO030 Share premium account related to ordinary share capital	0	0		0	
RO040 Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
RO050 Subordinated mutual member accounts	0			0	
RO060 Non-avoidable subordinated mutual member accounts at group level	0			0	
RO070 Surplus funds	0	0			
RO080 Non-avoidable surplus funds at group level	0				
RO090 Preference shares	0	0		0	
RO100 Non-avoidable preference shares at group level	0			0	
RO110 Share premium account related to preference shares	0			0	
RO120 Non-avoidable share premium account related to preference shares at group level	0			0	
RO130 Reconciliation reserve	-131,927	-131,927			
RO140 Subordinated liabilities	0			0	
RO150 Non-avoidable subordinated liabilities at group level	0			0	
RO160 An amount equal to the value of net deferred tax assets	6,734				6,734
RO170 The amount equal to the value of net deferred tax assets not available at the group level	0				
RO180 Other items approved by supervisory authority as basic own funds not specified above	0	0		0	
RO190 Non-avoidable own funds related to other own funds items approved by supervisory authority	0				
RO200 Minority interests (if not reported as part of a specific own fund item)	0				
RO210 Non-avoidable minority interests at group level	0				
RO220 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					
RO230 Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	0				
RO240 whereof/ deducted according to art 228 of the Directive 2009/138/EC	0				
RO250 Deductions for participations where there is non-availability of information (Article 229)	0				
RO260 Deduction for participations included by using DEA when a combination of methods is used	0	0		0	
RO270 Total of non-avoidable own fund items	0	0		0	0
RO280 Total deductions	0	0		0	0
RO290 Total basic own funds after deductions	224,818	218,083	0	0	6,734
Ancillary own funds					
RO300 Unpaid and uncalled ordinary share capital callable on demand	0				
RO310 Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	0				
RO320 Unpaid and uncalled preference shares callable on demand	0				
RO330 A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
RO340 Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
RO350 Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
RO360 Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
RO370 Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
RO380 Non-avoidable ancillary own funds at group level	0				
RO390 Other ancillary own funds	0				
RO400 Total ancillary own funds	0				0
Own funds of other financial sectors					
RO410 Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	0				
RO420 Institutions for occupational retirement provision	0				
RO430 Non-regulated entities carrying out financial activities	0	0	0	0	0
RO440 Total own funds of other financial sectors	0	0	0	0	0

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Own Funds

Basic own funds before deduction for participations in other financial sector

Own funds when using the DEA, exclusively or in combination of method 1

R0450	Own funds aggregated when using the DEA and combination of method				
R0460	Own funds aggregated when using the DEA and combination of method net of IGT	0			
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via DBA)	224,818	218,083	0	6,734
R0530	Total available own funds to meet the minimum consolidated group SCR	218,083	218,083	0	0
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via DBA)	224,818	218,083	0	6,734
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	218,083	218,083	0	0
R0610	Minimum consolidated Group SCR	47,254			
R0650	Ratio of Eligible own funds to Minimum Consolidated Group SCR	461.51%			
R0660	Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via DBA)	224,818	218,083	0	6,734
R0680	Group SCR	129,933			
R0690	Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via DBA	173.03%			

Reconciliation reserve

R0700	Excess of assets over liabilities	224,818			
R0710	Own shares (held directly and indirectly)				
R0720	Forseable dividends, distributions and charges	356,744			
R0730	Other basic own fund items	0			
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds				
R0750	Other non available own funds				
R0760	Reconciliation reserve	-131,927			

Expected profits

R0770	Expected profits included in future premiums (EPIFP) - Life business	716			
R0780	Expected profits included in future premiums (EPIFP) - Non- Life business				
R0790	Total Expected profits included in future premiums (EPIFP)	716			

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050

0				
224,818	218,083	0	0	6,734
218,083	218,083	0	0	0
224,818	218,083	0	0	6,734
218,083	218,083	0	0	0

47,254				
461.51%				
224,818	218,083	0	0	6,734
129,933				
173.03%				

C0060

224,818				
356,744				
0				
-131,927				

716				
716				

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Solvency Capital Requirement - for groups on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
RD010 Market risk	27,801		
RD020 Counterparty default risk	32,262		
RD030 Life underwriting risk	5,119		
RD040 Health underwriting risk	45		
RD050 Non-life underwriting risk	83,138		
RD060 Diversification	-33,502		
RD070 Intangible asset risk	0		
RD100 Basic Solvency Capital Requirement	114,862		
Calculation of Solvency Capital Requirement			
RD130 Operational risk	15,070		
RD140 Loss-absorbing capacity of technical provisions	0		
RD150 Loss-absorbing capacity of deferred taxes	0		
RD160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
RD200 Solvency Capital Requirement excluding capital add-on	129,933		
RD210 Capital add-ons already set	0		
RD220 Solvency capital requirement for undertakings under consolidated method	129,933		
Other information on SCR			
RD400 Capital requirement for duration-based equity risk sub-module	0		
RD410 Total amount of Notional Solvency Capital Requirements for remaining part	0		
RD420 Total amount of Notional Solvency Capital Requirements for ring fenced funds	0		
RD430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
RD440 Diversification effects due to RFF nSCR aggregation for article 304	0		
RD470 Minimum consolidated group solvency capital requirement	47,254		
Information on other entities			
RD500 Capital requirement for other financial sectors (Non-insurance capital requirements)	0		
RD510 <i>Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies</i>	0		
RD520 <i>Institutions for occupational retirement provisions</i>	0		
RD530 <i>Capital requirement for non-regulated entities carrying out financial activities</i>	0		
RD540 Capital requirement for non-controlled participation requirements	0		
RD550 Capital requirement for residual undertakings	0		
Overall SCR			
RD560 SCR for undertakings included via D&A	0		
RD570 Solvency capital requirement	129,933		

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

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Undertakings in the scope of the group

Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
1	LU	5493001WMTGB2H4H989	LEI	Aioi Nissay Dowa Insurance Company of Europe SE	Non life insurance undertaking	Limited by shares	Non-mutual	Commissariat aux Assurances (CAA)
2	DE	3912008URQCCWNTNF491	LEI	Aioi Nissay Dowa Life Insurance Of Europe AG	Life insurance undertaking	Aktiengesellschaft	Non-mutual	Federal Financial Supervisory Authority (BaFin)
3	DE	213800NEV7ADJWF5D46G00001	Specific code	AD Information and Data Services (Europe) GmbH	Other	Limited by shares	Non-mutual	
4	GB	213800NEV7ADJWF5D46G00002	Specific code	Aioi Nissay Dowa Insurance Management Limited	Facility services undertaking as defined in Article 1 (31) of Delegated Regulation (EU) 2015/35	Limited by shares	Non-mutual	
5	DE	213800NEV7ADJWF5D46G00003	Specific code	Toyota Insurance Management SE	Other	Limited by shares	Non-mutual	Financial Conduct Authority
6	SA	213800NEV7ADJWF5D46G00004	Specific code	Toyota Insurance Management (Insurance Brokers) SA	Other	Limited Liability Corporation	Non-mutual	Prudential Authority
7	KZ	213800NEV7ADJWF5D46G00005	Specific code	Toyota Insurance Management (Insurance Brokers) LLP	Other	Limited Liability Partnership	Non-mutual	
8	KZ	213800NEV7ADJWF5D46G00006	Specific code	Autosan Kazakhstan LLP	Other	Limited Liability Partnership	Non-mutual	
9	RU	213800NEV7ADJWF5D46G00007	Specific code	Toyota Insurance Management (Insurance Brokers) LLC	Other	Limited Liability Partnership	Non-mutual	
10	RU	213800NEV7ADJWF5D46G00008	Specific code	Toyota Insurance (Insurance Agents) LLC	Other	Limited Liability Partnership	Non-mutual	
11	GB	213800NEV7ADJWF5D46G00009	Specific code	Toyota Management UK Limited	Other	Limited Liability Partnership	Non-mutual	
12	GI	213800NEV7ADJWF5D46G00010	Specific code	Box Innovation Group Limited	Other	Limited by shares	Non-mutual	
13	GB	213800NEV7ADJWF5D46G00011	Specific code	TB Web Limited	Other	Limited by shares	Non-mutual	
14	GI	213800NEV7ADJWF5D46G00012	Specific code	Insure The Box Limited	Other	Limited by shares	Non-mutual	Gibraltar Financial Services Commission
15	GB	213800NEV7ADJWF5D46G00013	Specific code	ITB Services Limited	Other	Limited by shares	Non-mutual	
16	GB	213800NEV7ADJWF5D46G00014	Specific code	ITB Telematics Solutions LLP	Other	Limited by shares	Non-mutual	
17	GI	213800NEV7ADJWF5D46G00015	Specific code	ITB Premium Finance Limited	Other	Limited by shares	Non-mutual	
18	GB	213800NEV7ADJWF5D46G00016	Specific code	Aioi R&D Lab Limited	Other	Limited by shares	Non-mutual	
19	GB	213800NEV7ADJWF5D48	LEI	Aioi Nissay Dowa Europe Limited	Insurance holding company as defined in Article 2(12)(1) (f) of Directive 2009/138/EC	Limited by shares	Non-mutual	Prudential Regulatory Authority (PRA)
20	GB	213800SAPC1QK4ND76	LEI	Aioi Nissay Dowa UK Limited	Non life insurance undertaking	Limited by shares	Non-mutual	Prudential Regulatory Authority (PRA)

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Undertakings in the scope of the group

Row	Criteria of Influence										Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	
1	LU	5493001WNTGSH4H99	LEI	Aoi Nissay Dowa Insurance Company of Europe SE	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
2	DE	3912000RQDCWNT491	LEI	Aoi Nissay Dowa Life Insurance Of Europe AG	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
3	DE	213800NE67AD3WFS046G00001	Specific code	AD Information and Data Services (Europe) GmbH	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
4	GB	213800NE67AD3WFS046G00002	Specific code	Aoi Nissay Dowa Insurance Management Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
5	DE	213800NE67AD3WFS046G00003	Specific code	Toyota Insurance Management SE	75.00%	100.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
6	SA	213800NE67AD3WFS046G00004	Specific code	Toyota Insurance Management (Insurance Brokers) SA	75.00%	100.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
7	KZ	213800NE67AD3WFS046G00005	Specific code	Toyota Insurance Management (Insurance Brokers) LLP	75.00%	100.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
8	KZ	213800NE67AD3WFS046G00004	Specific code	Audson Kazakhstan LLP	75.00%	100.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
9	RU	213800NE67AD3WFS046G00007	Specific code	Toyota Insurance Management (Insurance Brokers) LLC	75.00%	100.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
10	RU	213800NE67AD3WFS046G00008	Specific code	Toyota Insurance (Insurance Agent) LLC	75.00%	100.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
11	GB	213800NE67AD3WFS046G00009	Specific code	Toyota Management UK Limited	75.00%	100.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
12	GI	213800NE67AD3WFS046G00010	Specific code	Box Innovation Group Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
13	GB	213800NE67AD3WFS046G00011	Specific code	ITB Web Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
14	GI	213800NE67AD3WFS046G00012	Specific code	Insure The Box Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
15	GB	213800NE67AD3WFS046G00013	Specific code	ITB Services Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
16	GB	213800NE67AD3WFS046G00014	Specific code	ITB Telematics Solutions LLP	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
17	GI	213800NE67AD3WFS046G00015	Specific code	ITB Premium Finance Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
18	GB	213800NE67AD3WFS046G00016	Specific code	Aoi R&D Lab Limited	77.30%	100.00%	100.00%		Dominant	77.30%	Included in the scope		Method 1: Adjusted equity method
19	GB	213800NE67AD3WFS046G00017	LEI	Aoi Nissay Dowa Europe Limited					Dominant		Included in the scope		Method 1: Full consolidation
20	GB	213800S4PCCK4KQD76	LEI	Aoi Nissay Dowa UK Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation