Solvency and Financial Condition Report

Aioi Nissay Dowa Insurance Company of Europe S.E. Group

Year ended 31 December 2022

Table of Contents

List of abbreviations

AND-E SE	Aioi Nissay Dowa Insurance Company of Europe S.E.
AND-E SE Group	The insurance Group consisting of AND-E SE and ANDLIE
ANDLIE	Aioi Nissay Dowa Life Insurance of Europe AG
ANDEL	Aioi Nissay Dowa Europe Limited
CAA	Commissariat aux Assurances

Summary

A. Business activities

The Aioi Nissay Dowa Insurance Company of Europe S.E. Group ("AND-E SE Group") conducts direct insurance business in property/casualty insurance and in life insurance in Germany, France, Monaco, Italy, Spain and Belgium. The main business is retail general insurance, with a focus on auto-centric products.
The AND-E SE Group's underwriting performance essentially consists of the collection of insurance premiums and the payment of insurance benefits.

B. System of Governance

AND-E SE Group companies have set up all key functions and key roles within their system of governance. In addition, this section deals with the regulations on pay, fit and proper requirements and the internal control system.

In the view of the boards of directors, the AND-E SE Group companies' organisational and operational structures are adequate in terms of the complexity and the size of the companies and in line with the Group business strategy.

C. Risk profile

The risk profile of the group currently includes all risks of the individual companies. The consolidation process at Group level as part of the ORSA process has now begun and is expected to be completed by the end of 2023. For this reporting, the risk assessments were therefore used in consideration of the individual business strategies.

D. Valuation for Solvency purposes

For reporting according to Solvency II, the solvency overview is prepared according to the required valuation rules under Solvency II. The valuation is always carried out at fair value in contrast to the principle of prudence under commercial law.

Recognition and measurement differences between the values determined in accordance with the Solvency II regulations and the values under commercial law arose, in particular for investments, deferred tax assets and recoverable amounts from reinsurance contracts.

On the liabilities side, the main differences resulted from the revaluation of technical provisions and annuity payment obligations, the prohibition on recognising the equalisation provision under Solvency II, and the recognition of the actuarial reserves.

E. Capital Management

The consolidated eligible own funds as per Solvency II amounted to €169.1m as at 31 December 2022. The Solvency Capital Requirement according to the standard formula was €103.1m. The SCR coverage ratio as at 31 December 2022 was 164.0%.

The Minimum Capital Requirement was €32.9m. The MCR coverage ratio as at 31 December 2021 was 514.0%.

Annex

The Annex shows the QRTs in accordance with Article 4 of the Implementing Regulation 2015/2452 laying down implementing technical standards as regards the procedures, formats and reporting forms for the group Solvency and Financial Condition Report.

A. Business and Performance

A.1 Business

A.1.1 General information

AND-E SE Group is part of MS&AD Insurance Group Holdings, Inc., Tokyo, Japan. As part of this larger corporate group, the AND-E SE Group wants to help in achieving the corporate objectives: Creating a leading global insurance and financial services group that focuses on sustainable growth and continually increases the company value.
AND-E SE, as the parent company of the AND-E SE Group, is a specialist in innovative motor insurance products and operates as an Societas Europaea in Luxemburg. Together with its subsidiary Aioi Nissay Dowa Life Insurance of Europe AG, it offers a comprehensive range of products related to the purchase and ownership of motor vehicles.

The competent supervisory authority of AND-E SE Group is:

- Commissariat aux Assurances ("CAA")
- 7, boulevard Joseph II, L – 1840 Luxembourg, GD de Luxembourg
- (+352) 22 69 11 – 1
- caa@caa.lu

The external audit of the financial statement and the Solvency II balance sheet is carried out by:

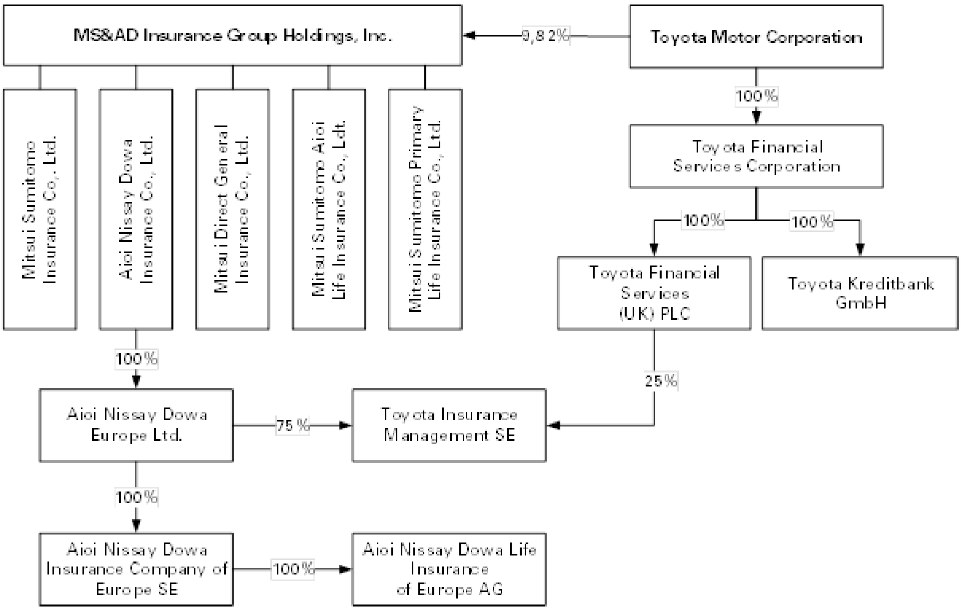
- KPMG Luxembourg, Société coopérative,
- 39 Avenue John F. Kennedy,
- L-1855 Luxembourg.

A.1.2. Holder of qualifying holdings

AND-E SE holds 100% and therefore a direct interest in ANDLIE. No other company agreements such as a domination agreement or profit transfer agreement exist.

A.1.3 Group Structure

The Group parent AND-E SE has its registered office in Luxembourg. In addition to its subsidiary ANDLIE in Germany, it operates with five branches within the EU. The AND-E SE Group itself is in turn a 100% subsidiary of Aioi Nissay Dowa Europe Limited, a company incorporated in the United Kingdom, which itself is 100 % owned by Aioi Nissay Dowa Insurance Company Limited, a company incorporated in Japan. The largest scope of consolidation in Japan is through MS&AD Insurance Group Holdings, Inc, Tokyo, Japan.
Within the corporate structure, Toyota Insurance Management SE is also significant as a joint venture company between Toyota Financial Services (UK) PLC and Aioi Nissay Dowa Europe Limited.
The table below shows a summary of the relevant group structure.



A.1.4 Basic areas of business

The business activities of the AND-E SE Group are as follows:

- Motor and general insurance
- Payment protection insurance

The activity of AND-E SE comprises motor and general insurance, having branches in Belgium, France, Germany, Italy and Spain and schemes via freedom to provide services in Ireland and Norway. It carries out active reinsurance in the markets of Austria, Denmark, Estonia, Finland and Poland.

ANDLIE has the authorisation to transact the "life" class of insurance – limited to payment protection insurance – as per annex 1 no. 19 of VAG (German Insurance Supervision Act) in the framework of direct insurance and reinsurance in Germany and abroad. The range of products for the direct insurance comprises term life insurance in the form of payment protection insurance including supplementary insurance marketed and sold via Toyota Financial Services and TVG-Trappgroup Versicherungsvermittlungs-GmbH on the basis of financing and leasing contracts. ANDLIE currently offers its products in Germany, France and Monaco. In addition, the company carries out active quota share reinsurance on payment protection insurance, including supplementary insurance, concluded in Italy, Spain and Poland.

Within the group, AND-E SE's business clearly dominates in terms of type and scope, whereas ANDLIE's life insurance business is generally considered to be more complex. The companies within the group provide services to each other, whereby the main general functions, such as the provision of the IT landscape and human resources, are provided by AND-E SE. Transactions occur within the framework of cooperation within the Group. A distinction is made between particularly material and material transactions.

For AND-E SE Group, "particularly material transactions" are deemed to be Insurance transactions in which at least one insurance company is involved and which account for 5% of the last and which exceed 5% of the most recently determined solvency capital requirement of the Group solvency capital requirement.

There were no particularly significant transactions within the Group during the reporting period.

The geographical split of gross written premium by country of risk for 2022 is as follows:

Gross written premiums	Non-Life 2022 €m	Life 2022 €m
Germany	123.6	14.6
Italy	104.1	0.0
France	48.9	14.0
Spain	34.5	1.4
other	7.0	0.1
total	**318.1**	**30.1**

A. 1.5 Outsourcing

Within the AND-E SE Group, ANDLIE has outsourced the following operational areas to ANDIE SE and its branch ANDIE GER:

- General administration
- Accounting
- Personnel
- Legal advice
- Telephony
- IT support for the business processes
- Help in the claims processing of the supplementary disability insurance for Germany

The sales, marketing and the supervision of the sales force for Germany were outsourced to TKG and MCE/TVG by means of cooperation and group-insurance contracts. In addition, there is an agency agreement with TIM SE for the business relationships between TKG and ANDLIE and an insurance agency contract with TVG for the procurement of the German insurance business via Mitsubishi sales and marketing.

There is an agreement with TFF, the French branch of TKG, within the scope of which it undertakes the sales and marketing of the products and provides customer service support for ANDLIE's PPI products in France and Monaco. The claims processing for the French and Monegasque portfolio and sales and marketing support are outsourced to the French branch of TIM SE.

ANDLIE, on the other hand, undertakes the following activities for ANDIE SE and its branch in Germany:

- Claims processing and portfolio management for the accident insurance and unemployment insurance sold in conjunction with the payment protection insurance.
- Processing and claims processing of the payment default insurance.
- Management of the reinsured insurance policies, including the supplementary insurance policies, which were concluded in other countries within the scope of the payment protection insurance policies.

Outside of the affiliated companies, ANDLIE has outsourced the asset management to DEVK Asset Management GmbH ("DEVK"), the internal auditing to Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft ("MAZARS") and the role of the information security officer to DEKRA.

A. 1.6 Significant business events

During the reporting period, no significant business or other events, such as information about new areas of business, corporate mergers or portfolio transfers, occurred that had a material impact on the AND-E SE Group in terms of the risks or the management.

A.2 Underwriting Performance

Since no consolidation is carried out at the Group level shown here within the financial statements under commercial law, the individual results from the companies are reported below.

A. 2.1 Underwriting Performance from AND-E SE

The following table summarises the underwriting performance of AND-E SE for 2022, as per the Company's financial statements:

	2022 €m	2021 €m
Gross premiums written	318.1	280.0
Net earned premiums	166.4	179.2
Net insurance claims	92.7	84.5
Investment income	6.0	8.3
Other technical income	0.3	1.8
Operating expenses	58.1	72.6
Loss ratio	55.7%	47.9%

In terms of its underlying operations, after writing less business in 2021 than in previous years, the Company's gross premiums written increased again in 2022. This was mainly due to the successful customer retention rate achieved by the German branch as well as successful launches of new products by the Italian and Spanish branches. The Company continued to see pressure on sales due to the key role of Toyota dealerships in the Company's product distribution – in the context of a still challenging environment for motor vehicle sales and the continuous shortages in new vehicle because of supply chain issues. This was however offset again through successful product and retention initiatives. The Company reported a profit after tax for the year of €26.2m (2021: profit of €25.0m).

Overall, the Company's strategy continues to be the provision of auto-centric insurance products either directly or on behalf of the Company's strategic partners. ANDIE SE's main strategic relationship remains with Toyota. The Company's fellow subsidiary Toyota Insurance Management SE ("TIM"), which is part-owned by Toyota Financial Services, provides Toyota with insurance expertise, and works in support of Toyota across Europe. The link with Toyota remains 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 Europe but more widely in support of Toyota and the Group's Japanese parent company Aioi Nissay Dowa Insurance Co., Ltd ("ADJ").

The Company's gross written premium ("GWP") for general insurance increased from €280.0m in 2021 to €318.1m in 2022. General insurance premium income includes retail motor and related products, motor fleet and motor-related commercial Japanese Interests Abroad ("JIA"). This growth had been expected to a certain extent because of the ongoing recovery of the European markets after the Covid-19 crisis and the aforementioned new products launches at the Italian and Spanish branches. The outstanding retention result of the German branch had not been expected.

The net underwriting result for retail motor and JIA (excluding UK) in 2022 was better than expected, albeit the lower sales than planned present a challenge for future years as the Company's insurance portfolios are not growing as strongly as would be desirable in most markets.

Earned premiums are strongly affected by the lack of UK business premium income and only partially offset by the increase in premium earned by the Italian French, German and Spanish branches.

Net claims incurred have increased by 16%. This is mainly a consequence of several large bodily injury claims in the French branch, increased number of customers and an increase in repair costs.

A. 2.2 Underwriting Performance from ANDLIE

ANDLIE's new business recovered in the financial year 2022. A total of 67k new contracts (previous year: 58k) were concluded. Set against this were a total of 71k cancellations (previous year: 70k).

As of 31.12.2022, this results in a portfolio of 160k policies (previous year: 165k) in the direct insurance business and 76k policies (previous year: 76k) in the reinsurance business. The movement within and structure of the insurance portfolio are shown in the appendix to the status report.

As a result of the increasing number of policies with monthly payments, for which there is a higher cancellation rate, the cancellation rate in terms of the numbers of contracts for the direct insurance business increased to 6.02% (previous year: 5.39%).

The booked premiums for the direct insurance business increased in the financial year by €2.6m to €28.6m. In addition, ANDLIE earned €1.5m in premiums from the reinsurance business. The premium income thus increased overall by 11% to €30.1m (previous year: €27.2m).

In the financial year 2022, the benefit payments decreased slightly to a total of €6.3m (previous year: €6.4m); about 74% of these were for death benefits.

The acquisition costs in the financial year amounted to €9.7m (previous year: €7.8m). The administrative expenses were €12.5m (previous year: €7.7m). The administration expense ratio, which shows the administrative expenses in relation to the booked premiums, increased as a result of the higher risk-dependent portfolio commission in France and Monaco compared to the previous year to 41.4% (previous year: 28.2%). The general expenses increased by 3% to €1.6m (previous year: €1.5m).

A.3 Investment Performance

A. 3.1 Investment Performance from AND-E SE

For the statutory accounts, where debt securities and other fixed income assets are valued at amortised cost, investment income decreased by 28.3% from €8.3m in 2021 to €6.0m in 2022. The decrease in investment income reflects the reduction in the Company's investment holdings from €294.1m in 2021 to €272.5m, with this decrease in investment holdings in turn reflecting the overall reduction in the statutory balance sheet as the Company's UK business continues its run-off.

On a mark to market basis the total return of the asset portfolio for 2022 is -10.8%. Main drivers were the increase in yield curves across all currencies and the adverse change in the Euro to GBP exchange rate from 0.84028 as at 31.12.2021 to 0.88693 as at 30.12.2022.

The Company 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 Company 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 Company'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 Company 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 Company'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 Company operates. Nonetheless, should inflation fall back to more recent trends and the current level of interest rates be maintained, the Company 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.

A. 3.1 Investment Performance from ANDLIE

The capital investment result increased in the financial year to EUR 283k (previous year: EUR 117k). Even though the investment portfolio increased by 5.5% in comparison to the previous year, the reallocation of the bearer bonds from the current assets to the fixed assets is primarily responsible for the positive development of the result.

As a result, the balanced write-ups and write-offs on capital investments amounted to only EUR -183k (previous year: EUR -256k). In addition, the ordinary income on fixed-interest securities increased by 17% in comparison to the previous year, while the dividend income decreased by 6%. However, since the share portfolio was reduced in the course of the financial year, the dividend yield increased from 3.7% to 4.5%.

The investment performance from ANDLIE by investment class as per the German Commercial Code for the year under report was as follows:

	Shares 2022 EUR k	Government bonds 2022 EUR k	Corporate bonds 2022 EUR k	Other loans 2022 EUR k	Total 2022 EUR k	Total previous year EUR k
Earnings from capital investments						
a) Earnings from other capital investments						
aa) Earnings from other capital investments	76	8	513	0	598	527
b) Earnings from write-ups	14	0	0	0	14	23
c) Profit from the divestiture of capital investments	36	0	5	0	41	21
Total earnings	126	8	519	0	653	571
Expenses for capital investments						
a) Expenses for asset management, interest costs and other expenses for capital investments	8	7	155	0	170	176
b) Write-offs on capital investments	105	0	93	0	198	279
c) Losses from the divestiture of capital investments	2	0	0	0	2	0
Total expenses	115	7	248	0	370	454
Investment result	11	1	270	0	283	117

A.4 Performance of other activities

A. 4.1 Performance of other activities from AND-E SE

The other income and expenses of the AND-E SE are as follows:

	2022 €m	2021 €m
Other technical income	(0.3)	(1.8)
Administrative expenses	13.4	19.2
Acquisition costs	88.7	81.7
Reinsurance commissions	(40.4)	(22.6)
Other charges, incl. value adjustments	(2.8)	0.5
Lease costs	3.5	8.2

Other technical income comprises income directly related to the Company's insurance business which does not constitute insurance premium income, including add-on income and rebates.

Administrative expenses are general expenses related to the management of the company and its underlying business which cannot be allocated to either the handling of claims or the acquisition of insurance business. Acquisition costs comprises commissions paid for the acquisition of business, including a share of administrative expenses allocated to business acquisition. Reinsurance commissions are the net of commissions taking into account the reinsurers' share. Lease costs are mainly for the leasing of general office space and other equipment. Within the financial statements, lease costs are included within the total for administrative expenses. Other charges comprise other non-technical expense, profit or loss on exchange and value adjustments on investments.

A. 4.2 Performance of other activities from ANDLIE

The other profit and loss items for the financial year calculated in accordance with the German Commercial Code are shown below:

Other earnings	2022 EUR k	Previous year EUR k
Earning from services rendered	0	0
Earnings from commission	0	0
Earnings from processing fees and premiums	0	0
Earnings from the release of other reserves	742	33
Interest and similar earnings	1	0
Exchange rate profit	0	0
Other earnings	17	4
Total	761	37

Other expenses	2022 EUR k	Previous year EUR k
Expenses for services received	390	429
Commission expenses	0	0
Wages, salaries and social insurance contributions	740	691
Interest and similar expenses	0	19
Exchange rate losses	0	0
Expenses for annual financial statement costs	140	112
Expenses for premiums and fees	114	105
Other expenses	176	162
Total	1.560	1.517

Taxes	2022 EUR k	Previous year EUR k
Other taxes	0	0
Taxes from income and earnings	-14	738
Total	-14	738

A.5 Any other information

5.1. Transactions with affiliated companies

There were no reportable transactions between AND-E SE and ANDLIE during the reporting period.

5.2. Current challenges

The geopolitical and economic environment is currently being defined by several crises, including the COVID-19 pandemic, the Russian invasion of Ukraine and high inflation. Accordingly, the economic outlook for Germany and the EU is complicated. A recession cannot be ruled out. The forecasts of various economic institutes and experts range from a mild recession to a low level of economic growth in 2023.

There are now hardly any restrictions in Germany and Europe as a result of the COVID pandemic. The protective measures are gradually being phased out. On the other hand, the supply chain problems that occurred at the beginning of the pandemic have not been resolved yet. In addition, the production capacities of the manufacturers of semiconductors, which are important in the automobile industry, are limited, with the result that the demand cannot be met. Continuing restrictions in the manufacture of motor vehicles could be the result.
Furthermore, consumers are feeling the impact of the increased prices. In Germany, for example, the GfK Consumer Climate Study, which measures the mood of consumers, has been at very low level since the beginning of the war in Ukraine. This could also affect car sales in the coming year.

The 2022 stock market year was one of the worst in recent years. The optimism resulting from the gradual end of the COVID pandemic was thwarted, in particular, by the Russian attack on Ukraine.

Energy prices increased dramatically as a result of the war in Ukraine, driving up inflation. The ECB reacted with increases in interest rates, raising the base rate, which was still at 0% at the start of 2022, in several steps to 3.0% in February 2023. The measures are beginning to have an effect. It can be assumed that we have already passed the inflation peak and that the price increases will continue to level off in the coming months.

The strategies of the central banks in the fight against inflation, the war in Ukraine, a worsening of the COVID situation, for example, in China are not predictable. The great uncertainty that exists as a result in terms of the further development of inflation and interest rates can be seen in the volatility on the capital markets. The possibility of large drops in share prices cannot be ruled out.

B System of Governance

B1. General governance arrangements

Since July 2022, AND-E SE is to be seen as holding to AND-E SE Group, with the group consolidation to be carried out already at the first node at AND-E SE. Since this notification, the AND-E SE group is working on the implementation of a group oversight by the group functions. At the current time, work is being done on the organisational and operational structure at Group level, which the AND-E SE strives to finalize until the end of 2023.

For this reason, the solo governance systems are repeatedly referred to in the following, with the group governance system deriving from the results. At this point, however, it can be stated that the individual business organisations within the group are aligned with the uniform (corporate) group strategy.

B 1.1 Group oversight

General meeting

Within the Group, AND-E SE is the sole shareholder of ANDLIE. At the General meeting, it represents 100 % of the shares.

Board and Supervisory Board

As at 31 December 2022, the members of the Board at AND-E SE were:

- Christian Alt — Dirigeant Agréé
- Michael Kainzbauer — Chairman, non-executive director
- Roger McCorriston — Independent non-executive director
- Michael Swanborough — Non-executive director
- Noboru Yamahara — Non-executive director

Overview of existing key functions

According to Art. 268 et seq. of the Commission Delegated Regulation 2015/35, the Group has established the four key functions Risk management, Actuarial, Compliance and Internal audit. At ANDLIE level, the internal audit function is outsourced to Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft (MAZARS).

B. 1.2 Remuneration Policy

The remuneration principles within the Group companies serve to ensure appropriate and transparent remuneration structures that are in line with the business and risk strategy of the AND-E SE Group. In doing so, they have been aligned with the risk profile as well as the long-term interests and performance of the company. The remuneration principles promote effective risk management and do not encourage excessive risk-taking that would ultimately exceed the risk tolerance thresholds of individual companies.

The remuneration principles are geared towards the sustainable success of the company and thus of the Group. Accordingly, the variable remuneration - if agreed - is designed in such a way that the focus is not on short-term success, but on ensuring the long-term stability of the respective company. Any target agreements are designed in such a way that no conflicts of interest are triggered by the achievement of targets and no incentives are created to take on disproportionately high risk positions.

The framework for the remuneration of the supervisory board members is also set by the remuneration principles. At this point it is pointed out that the Supervisory Board performs its monitoring and advisory function at ANDLIE free of charge.

The company agreement is used as a benchmark for the remuneration of employees. Appropriate adjustments are made in the event of deviations that are not in line with the market. Remuneration is reviewed annually as part of the employee appraisals.

B.2 Fit and proper requirements

The Group, and consequently all individual entities, are committed to ensuring that all its staff have the appropriate skills, knowledge and experience to perform their roles.

Beyond that, both the article 273 of the Commission Delegated Regulation 2015/35 and the local requirements set up “fit and proper” requirements for the following roles:

- Members of the board of directors
- Key function holders
- Any other members of staff who perform key tasks identified by the Company of who effectively run the Company.

Both Group companies have set up requirements according to their local supervisory authority.

Before appointing new members of staff for one of the above roles, the companies need to consider whether the candidate is fit and proper to undertake the required role. This needs to involve an assessment of both their experience with their envisaged tasks and of their appropriateness.

On the basis of their professional qualifications, knowledge and experience, members of the Board should be able to carry out a sound and cautious management of the relevant company. Sufficient knowledge could be demonstrated by relevant professional experience and a sufficient theoretical knowledge deriving from professional training, degrees and training courses in relation to insurance business, business management, economics, tax or general law.

The tasks of the key functions are described in articles 268-272 of the Commission Delegated Regulation. The holders of key functions must have the knowledge necessary to perform the key function in accordance with the tasks described in articles 268-272 of the Commission Delegated Regulation 2015/35. This knowledge needs to be specified in the job descriptions for the individual positions and can generally be demonstrated by many years of professional experience in the relevant area. The fit and proper requirements need to be checked by the Board, including an inspection of the documents to be submitted to the local supervisory authority for the specific activity.

Furthermore, it is to be assessed whether there is a potential conflict of interest and whether the key function holder has enough time available to perform the task properly.

B.3 Risk management system including the own risk and solvency assessment

B.3.1 Risk Management System

As an insurance group, ANDIE SE group is fundamentally concerned with the management of risks. The wider ANDEL Group maintains a risk management system with which ANDIE SE Group is aligned. Each Company of the ANDIE SE Group operates through 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. Those reviews include:

- Identification of whether a single risk gives rise to an event previously reflected on the appropriate risk register(s) and appropriately assessed;
- Considering whether the existing risk ratings are still appropriate;
- Seeking assurance regarding the effectiveness of controls and control testing; and
- Confirming that appropriate action(s) have been, or will be, taken and monitored to completion, including action to prevent reoccurrence.

Risk management systems are designed to comply with regulatory standards. Risk management processes at ANDIE SE group will draw upon recognised industry standards where this is appropriate for the business.

The risk management systems and processes at ANDIE SE Group are required to cover all risks included in the calculation of the Solvency Capital Requirement (“SCR”), and 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.

Company, branch, subsidiary and departmental management are required to identify, assess, manage and monitor their key risks, within the risk management framework overseen by the Audit, Risk and Compliance Committee for the non-life business and by ANDLIE’s board of directors for the life business. The overall risk management system provides for the aggregation of risk management information as required by the Board and the Board committees.

Risk management frameworks cover the management of the risk categories and sub-categories. The high-level risk categories currently set out in that document are:

- Strategic risk (including reputational risk);
- Insurance risk;
- Credit risk;
- Market risk;
- Operational risk;

- Liquidity risk; and
- Financial risk.

Qualitative and quantitative limits in terms of risk preference, risk tolerance and risk capacity are set out in the Risk Appetite Statements documents.

The assessment of capital requirements (for both internal and regulatory capital measures) is based explicitly on the risks identified and evaluated through the processes. Both companies use the standard formula without undertaking-specific parameters to assess the solvency capital requirements.

The risk management framework supports the achievement of the ANDIE SE 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 embedded into several business processes and decision frameworks, including pricing assessment, asset allocation, reinsurance purchase, counterparty selection, reserve assessment and capital planning.

The ANDIE SE group Risk Management function forms a second line of defence and provides support, coordination, and challenge to business units regarding the required risk management process. The ANDIE SE Company Risk Management function has oversight of the first line risk registers and reports on the status of compliance with risk appetite and is responsible for providing aggregated reporting to the Audit, Risk and Compliance Committee. For the life business, the risk management function reports to the key function holder committees and ANDLIE's board of directors.

The monitoring of the risks is undertaken at the level of each single business area, the subsidiaries and the ANDIE SE Group as a whole.

- As the ANDIE SE Company develops its non-life business through national branches, within the process of risk monitoring, individual risks can be combined and aggregated in a way to develop single risks that give complete understanding of the overall risk exposure of the ANDIE SE Company. The Audit, Risk and Compliance Committee (ARCC) receives a report at each meeting, showing the latest Risk Dashboard, the annual view on emerging risks, the RAG status of the qualitative and quantitative indicators of the Risk Appetite Statements and any additional points that the Head of Risk Management wishes to raise for awareness or debate.
- For the risks of the life business, the management of ANDLIE receives continuous, prompt and comprehensive reports about the results of the risk monitoring performed by ANDLIE's key functions and their recommended action.

B.3.2 Roles and responsibilities

The Boards of Directors ("the Boards") of ANDIE SE and ANDLIE have the overall responsibility for the company's systems of risk management and approves Risk Management Policy and Risk Strategy. They also approve changes and exceptions to the Companies Risk Appetite, determine the level of tolerance for each category of risk and review reports on adherence to the stated appetite and risk tolerance. The Boards also challenge the identification, assessment and measures for key risks, and they identify and evaluate emerging risks that have the potential to affect the business. The Boards review and approves the respective ORSA reports.

For ANDIE SE Company, the role of the Audit, Risk & Compliance Committee (ARCC) is to review and recommend to the Board to approve the Company's Risk Strategy and Risk Management Policy, changes to the Company's Risk Appetite and ensures that appropriate monitoring measures are in place. The ARCC evaluates the risk register and emerging risks and proposes changes to the controls and risk mitigation measures employed to the Board. Furthermore, the ARCC proposes changes to the controls and risk mitigation measures and guides the risk management activity across the company.
For ANDLIE the board of directors combines the roles and responsibilities of the ARCC and the board.

Subsidiaries and branches may define risk appetite statements and thresholds that are specific to their area of operation. Local regulation may require an ANDIE SE Group company to have documented a specific RAS. ANDLIE has its own risk appetite statements and thresholds to steer its life business. Further responsibilities of subsidiaries and branches include:

- Keep the subsidiaries / branch / business units Risk Register and Risk Event Log up to date;
- Agree action plans with risk / control owners;
- Report regularly to the ARCC the current risk profile and risk outlook for the relevant business area, updates on action plans and control testing; and
- The risk representative remains part of the first line of defence.

B.3.3 Risk Management process

ANDIE SE Group's risk management process is aligned with that of ANDEL Group and incorporates the following elements:

- Articulation of risk appetite and tolerance
- Risk identification, assessment and prioritisation (inherent risk assessment)
- Risk response and control implementation
- Control evaluation and residual risk assessment
- Residual risk quantification
- Formal risk reviews performed by the Head Office risk management function
- Risk oversight, monitoring, aggregation and reporting
- Stress and scenario testing

B.3.4 Own Risk and Solvency Assessment

All risks identified within the Group are inventoried in the Accelerate risk database, which is used throughout the Group. In addition, each unit produces a quarterly summary report by providing insights into changes in risk profiles.

As part of the group tasks, the ANDIE SE and ANDLIE risk management functions obtain an overview of the individual risk assessment through the quarterly summary report that provides insights into changes in risk profiles (e.g. top risks, new risks, risk events, emerging risks). A summary of each report is presented to the Audit, Risk & Compliance Committee of ANDIE SE.

The risk profiles of the companies are examined individually and as a group as part of the ORSA reporting processes.

From 2023 onwards, The Own Risk and Solvency Assessment ("ORSA") process will be part of ANDIE SE 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 used to identify, quantify, monitor, manage and report on the risks that ANDIE SE and ANDLIE as single companies and as a group may face. The process includes the use of an Internal Capital Model, the parameterisation and validation of which is overseen by the ANDEL Group Risk Modelling Committee. 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. Both internal and external risks are considered.

Full ORSA processes are performed at least annually, and reports are produced by the Risk Management function based upon the results of the Internal Capital Model output and taking 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 Boards consider that an annual review cycle is proportionate to the nature and scale of the risks which both Companies face.

In addition, following any significant change in Companies' risk profiles, a full or partial ORSA process would be performed. The analysis must inform Boards 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 ANDIE SE Group's overall risk profile:

- The start of a material or significant new line of business;
- Capital injection;
- A change in risk tolerance limits;
- Changes to reinsurance or other risk mitigation arrangements;
- A portfolio transfer;
- Major changes in asset mix;
- Long term market disruption resulting in changes to our business or capital plans;
- Occurrence of risk events leading to a significant change in available capital and solvency; and
- Other external change which significantly affects the viability of ANDIE SE Group's business model.

For a fundamental change, the ANDIE SE 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 Boards whether a full ORSA process needs to be run and a full set of documentation produced. Boards can request the Risk Management team to run the full ORSA process, even if the Risk Management function determines it is not necessary. Boards review the ORSA report and uses this to guide key decisions for the business, such as decisions regarding Companies' strategies and business plans and assessing the Companies' short- and long-term capital positions.

B.4 Internal control system

Internal controls are the processes established by each Board of the Companies to provide reasonable assurance of effectively and efficiently meeting, inter alia, the Companies' various operational, financial and compliance objectives. Their systems of internal control include all policies and procedures adopted by managements to assist in achieving Companies objective of ensuring, as far as practicable, the orderly and efficient conduct of their business.

The systems of internal control relate to every aspect of each Company's operations, including but not limited to the:

- Adherence to management policies;
- Safeguarding of assets;
- Prevention and detection of fraud and error;

- Accuracy and completeness of accounting records; and
- Timely preparation of reliable financial information.

B.4.1 Systems 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 both Companies in a manner which provide the respective Boards 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 different Company's policies, standards, plans and procedures, and all relevant laws and regulations;
- Companies' resources (including its people, systems, data / information bases, and client goodwill) are adequately protected; and
- Companies' internal controls promote the achievement of Companies' plans, programs, goals and objectives.

B.4.2 Components of internal control

The following components make up the Companies' systems of internal control and help to achieve the objectives of controlling the operations of both Companies:

B.4.2.1 Control Environment

The control environment is set by the Boards and senior management in line with both Companies' risk appetite as well as their priorities and directions. The control environment sets the tone for Companies. 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.

B.4.2.2 Risk Assessment

Risk assessment is the identification and analysis of relevant risks which may prevent the Companies or a specific business unit from meeting its operational, financial and compliance objectives. The Audit, Risk and Compliance and key functions Committees identify risks affecting both Companies, both internally and externally, and recommends risk strategy to the Boards.

B.4.2.3 Control Activities

Control activities are the policies and procedures established to ensure that Boards and senior management's directives are implemented, and risks identified are mitigated. 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 Companies to:

- Identify and evaluate the exposures to loss relating to their particular 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.

- Maintain the effectiveness of the controlling processes established and foster continuous improvement to these processes.

B.4.2.4 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.
All the organisational units involved in the internal controls must inform the risk management, internal audit, compliance and actuarial functions of any facts relevant for the performance of their duties within the internal control policies.

B.4.2.5 Monitoring

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

- Managers are responsible for monitoring activities performed within their department.
- The Risk Management and Compliance functions assess the appropriateness of and compliance with both Companies' 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.
- The Audit, Risk and Compliance (ANDIE SE) and the key functions committee (ANDLIE) are responsible for reviewing monitoring actions.

B.4.3 Compliance Function

Both AND-E SE as well as its subsidiary ANDLIE have installed a Compliance key function holder.

The Compliance Function is responsible for:

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

The AND-E SE Compliance Function comprises of a Luxembourg based key function holder which is supported by the branches' Compliance responsible for local matters.

ANDLIE has appointed one of its members of the board as key function holder. AND-E SE as mother entity is outsourcing partner to ANDLIE regarding support by the German Compliance responsibilities in the Legal/Compliance department. In overarching AND-E SE compliance meetings, the stakeholders for Legal/Compliance for Germany/ANDLIE are subject to reporting to the AND-E SE Compliance function. As ANDLIE is mostly subject to local German requirements, the exchange with the German Compliance responsibilities allow for an alignment between the AND-E SE Compliance priorities and those of its subsidiary.

Within the Group, the relevant key function holders and Compliance departments are subject to internal, group wide assessments, both regarding AND-E SE's as well as ANDLIE's compliance set-up.

B.5 Internal Audit Function

B.5.1 Implementation of the Group Internal Audit function

In terms of organizational structure, Group Audit scope is the Internal Audit function for AND-E SE and also from 2023 will coordinate and steer all Internal Audit units within the AND-E SE Group including the controlled life subsidiary ANDLIE established in Germany (internal audit for ANDLIE is outsourced to an external local provider).

The audit scope also includes activities delegated or subcontracted by the company or by the audited subsidiaries.

In our Three Lines of Defense Model, the Internal Audit function acts as a Third and Last Line of Defense. The implementation of the Internal Audit function within the AND-E SE Group is defined in the Audit charter, which set out core principles, tasks, methods as well as processes and procedures.
The resulting annual audit plan is approved by the Board of Directors and the Audit Risk and Compliance Committee. If needed, ad-hoc audits may be executed. The execution of an audit is concluded by an audit report, which is shared with the auditee, the Chairman of the Board of Directors and the Audit Risk and Compliance committee. Subsequently, the Internal Audit function monitors the implementation of the auditee’s plans to remediate the identified deficiencies.

Amongst others, the coordination and steering activities of Group Audit with respect to the Internal Audit units within the Group include: − setting standards, − exercising quality control, and − designing audit strategies and related audit programs. Quarterly meetings are implemented with the local audit representative of ANDLIE.

Local audit representative for the controlled Subsidiary (ANDLIE) are obliged to immediately inform Group Audit of any significant risk or finding in their area of responsibility, if, based upon their professional judgment, they decide that there may be a need for such information and/or action on the part of Group Audit. Internal Audit units report to Group Audit on audit issues, compliance with the Group Audit Policy, adherence to the approved local audit plan, and disagreements with local management on important measures. Through these processes, consistency and quality of the Internal Audit units is driven throughout the Group.

B.5.2 Independence and personal objectivity

The Internal Audit function of the AND-E SE Group possesses organizational independence, which corresponds to its role as Last Line of Defense. Its Compliance with these principles is ensured through adequate reporting lines and comprehensive information rights:
The group head of internal audit :

- reports directly to the Chairperson of the Board of Directors and to the respective Audit Risk and Compliance Committee
- Performs the key internal audit function within the meaning of Solvency 2 and does not perform any other key function
- has the right to directly communicate with any employee and obtain access to any information, records, or data it requires to fulfill its responsibilities – all to the extent legally permitted.

- has the authority to make assessments and recommendations; however, he does not implement operational processes

Members of the Internal Audit function for both the AND-E SE Group and its controlled subsidiaries (ANDLIE), including external resources used must avoid conflicts of interest in fact or appearance.

B.5 3. Group Internal audit Framework

The AND-E SE Group Head of internal audit is responsible for the Group's audit Framework.
He ensures that :

- the audit policy is implemented at local level and that it complies with Solvency 2 regulations.
- the audit plans of the subsidiaries are drawn up in coordination with the Group audit department.
- a quarterly steering meeting is implemented with the local internal audit function in the controlled subsidiaries (ANDLIE).
- in particular, that major findings and recommendations are consolidated at Group level and the follow-up of recommendations.

In addition, each subsidiary will submit a quarterly summary of its activities and all recommendations issued within its scope.

B.6 Actuarial Function

The Company's Actuarial Function Holder is a member of ANDEL 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.

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

The Company's Actuarial Function Holder reports on a day-to-day basis to ANDEL Group's Head of Actuarial. He also has an independent access to the Dirigeant Agréé and the Chairman of the ARCC. The Actuarial Function Holder has suitable ability, experience, resources and independence to carry out the prescribed tasks of the function holder.

The Actuarial Function is responsible for:

- Co-ordinating the calculation of technical provisions;
- Reviewing the appropriateness of the models and assumptions and considering the sufficiency and quality of data used in the Company's risk and solvency assessments;
- Providing an opinion to the Audit, Risk and Compliance Committee on the Company's underwriting policy and effectiveness of reinsurance; and
- Producing the annual actuarial reports for the CAA.

The Actuarial Function Holder and other members of the actuarial team are members of or regularly attend the following committees:

- ANDIE SE's Underwriting and Pricing Committee;
- ANDIE SE's Reserving Committee and the ANDEL Group's Reserving Committee;
- ANDEL Group's Risk Modelling Committee;

- ANDIE SE's ARCC and ANDEL Group's Risk and Assurance Committee;
- ANDEL Group's Reinsurance Committee; and
- ANDIE SE and the ANDEL Group's Investment Committee.

The Actuarial Function Holder also attends the Board of Directors by invitation. Attendance and membership of these Committees allows the Actuarial Function Holder and the actuarial team to contribute to the effective implementation of the Company's risk management system.

B.7 Outsourcing

The Company considers outsourcing as defined by Solvency II as an arrangement of any form between an insurance or reinsurance undertaking and a service provider, whether a supervised 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 undertaking itself.

The Company recognises that it remains responsible for discharging all legal and regulatory responsibilities relating to the outsourced activity.

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

The Company's outsourcing policy sets out controls in place to reduce the risks associated with outsourcing. The outsourcing policy applies throughout the Company and its branches, and it addresses the following controls:

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

The Company's management is responsible for designating suitable owners for each outsourced arrangement. Outsourcing Management oversees the outsourced activities to ensure that the outsourcing policy is followed. Designated owners of outsourced business processes are responsible for assessing and managing the operational and security risks associated with outsourcing, working in conjunction with ANDEL Group Outsourcing Management, the Company's Risk Management, Legal and Compliance, Data Protection Officers, Information Security and other functions including IT, and Human Resources.

Designated business owners are responsible for ensuring the appropriate controls to manage the risks from outsourcing are in place and to monitor regular reports against KPIs. Designated owners are responsible for the maintenance, accessibility and storage of any relevant data and documents.

In accordance with Solvency II recommendations, the Company has set four main categories to our outsourced activities and functions:

- 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 company 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 of ANDEL Group Outsourcing Management.

- 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.
- Category C: Covers "nice to have" activities, products and services not related to core functions or our main value chain, and are not exemptible
- 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 Company 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.
- 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 should assess the outsourcing risks and run the corresponding controls.

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

Company / Branch	Jurisdiction of the service provider	Outsourced Services	Responsible Individual	Role
Luxembourg	UK	Investment Management	Thomas Jannakos	Chief Financial Officer
Luxembourg	Luxembourg	Payroll Service Provider	Diana Strasser	HR General Manager
Germany	Germany	Cloud Services	Steve Wood	Deputy Manager/ Lead Architect – IT Infrastructure Services
Germany	Germany	Customer Services	Jörn Schwarplys	General Manager
Italy	Italy	Claims Management	Marco Gelli	Customer Experience Manager
Italy	Italy	Claims Management	Marco Gelli	Customer Experience Manager
Italy	Italy	Claims Management	Claudio Pistolesi Marco Gelli	Branch Manager TIM Italy Customer Experience Manager
Italy	Italy	Claims Management	Massimiliano Duca	Underwriting & Business Development Manager
Italy	Italy	Customer Services	Marco Gelli	Customer Experience Manager
Spain	Spain	Claims Management	Luis A. Juárez	Claims Manager
Spain	Spain	Claims Management	Luis A. Juárez	Claims Manager
France	France	Claims Management	Céline Cerol	Claims Manager
Germany	Germany	Audits	Ulrike Parkinty	General Manager Kundenservice
Germany	Germany	Investment Management	Ulrike Parkinty	General Manager Kundenservice

B.7.1 Claims

There are outsourced 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, Germany, Italy, and Spain.

B.7.2 Audits

Day-to-day internal audit activity is overseen by the Company's Head of Internal Audit. Where appropriate, the Head of Internal Audit engages third parties to provide specialist skills to support with audit activity.

B.7.3 Human Resources

The Company uses an outsourced payroll services provider which operates in Luxembourg.

B.7.4 Management services

The company uses Management Services of Group companies Aioi Nissay Dowa Europe Limited and Aioi Nissay Dowa Insurance Management Limited, based in the UK, with the recharge of expenses incurred on the Company's behalf.

B.7.5 Investment management

The Company has outsourced the management of its bond portfolio to Goldman Sachs Asset Management, based in London as well as to DEVK (Deutsche Eisenbahn VK) in Munich.

B.8 Any other information

There is no further information that hasn't been provided in other sections of part B.

B.9. Appropriateness

Overall, AND-E SE Group consider the general set-up of their group companies' governance system to be appropriate. AND-E SE Group will continue in improving their group oversight procedures.

C. Risk Profile

Due to the recent integration of ANDLIE (July 2022) in ANDIE SE Group, overall responsibility for the management of the risks both companies lie with their respective Boards.
To support it in their role, Boards have established enterprise risk management frameworks comprising risk identification, risk assessment, control and reporting processes. Boards are assisted in their oversights of the risk management framework by the Corporate Governance and Business committees: ARCC for ANDIE SE and the key functions for ANDLIE.

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

Additional comments are provided below for liquidity risk, credit risk and operational risk.

The risk management policies established are specific risk taxonomy for both companies that includes high level risk categories and sub-categories. First step of integration at ANDIE SE group level: all the key risks are recorded within the same risk management system "Accelerate".

C.1 Underwriting risk

C.1.1 Nature of the risk

For ANDIE SE, the risk 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).

For ANDLIE, the underwriting risk describes a loss or adverse changes to the value of insurance liabilities resulting from inadequate pricing and inadequate reserving.

C1.2 Methods used to assess and quantify the risk

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

As part of the ANDIE SE's 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. The Company's modelling approach has been independently validated by third parties over the past few years.

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 in order 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.

For insurance risks in life insurance (ANDLIE), a differentiation is made between three risk components: the chance risk, the risk of error and the risk of change. We do not differentiate between the risk of error and the risk of change in the portfolio because it ultimately does not make a difference and, in both cases, the actuarial reserve would be increased in order to allow for the risk. If a chance risk were to occur, the first effect would be an increase in claims; an increase in the reserves would only follow after some time. The chance risk means specific events that lead to an increased number of claims, such as accumulation risks. The underwriting risk represents ANDLIE's most relevant risk, within which – in addition to the cancellation risk – the death and disability risks are particularly significant. The valuation of the underwriting risks is carried out on the basis of existing data and own experience using stress tests of the biometric assumptions.

C1.3 Risk mitigation

Disciplined underwriting including appropriate risk management and pricing control is essential to the Company's success. The ANDIE SE Company 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 ANDIE SE Company 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 ANDIE SE Company 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 ANDIE SE Company's parent, ADJ, which is A+ rated. The ANDIE SE Company also enters into quota share and co-insurance arrangements with third parties. These arrangements vary depending on the product and country in question. The ANDIE SE Company also places an excess of loss programme with a high-quality panel of reinsurers, including its parent company. The risk of default by reinsurers is discussed in the section on Credit risk.

For ANDLIE, there is a regular monitoring of planned and actual data that ensures that serious negative developments can be identified at an early stage.

C.1.4 Material changes in methodology

There was no material change in methodology during 2022.

C.1.5 Risk sensitivity for underwriting risks

As mentioned in the introduction of this section, the ANDIE SE Company has considered the impact on its solvency of a 1% increase of the ANDIE SE Company's net earned loss ratio: the ANDIE SE Company's year-end solvency would be reduced by €1.6m. At year-end 2021, the ANDIE SE Company's earned loss ratio was in line with the reforecast. This is 7.0% behind the net earned loss ratio planned at the end of 2021 (used for the ORSA capital requirements) and 1.7% behind the latest 2022 reforecast carried out in October 2022.

C.2 Market risk

C.2.1 Nature of the risk

This is the risk of external market influences affecting the Company'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, ANDIE SE's investments consisted of €192.6 (2021: €224.5m) in bonds and €93.1 (2020: €111.8m) in cash, deposits and money market funds. The Company also has a subsidiary company, ANDLIE, as detailed in the group structure chart in Section A.

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 Company'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 Company's cash holdings were €67.4m (2021: €57.2m) and money market fund holdings €25.7m (2021: €54.7m). 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 (and in recent years persistently low or even negative) interest rates.

The Company's investment policy is to limit the amount of equities it holds. This is subject to ongoing review.

The Company has assets and liabilities in three main currencies: EUR, GBP and NOK. The Company also has some assets and liabilities in other currencies, but these are not material. 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 funds for projected operating cash flow requirements.

C.2.2 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 Company'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.

C.2.3 Risk mitigation

The Company manages its market risk in a number of ways, among which the following can be highlighted:

- The Company 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 Company's ALM framework is to match assets to the liabilities arising from insurance contracts by reference to the expected timing of settlement of liabilities. The Company's ALM framework is integrated with the management of the financial risks associated with other financial assets and liabilities not directly associated with insurance and investment liabilities;
- The Company monitors interest rate risk by comparing the duration of the investment portfolio and of the policyholder liabilities. The duration is an indicator of the sensitivity of the assets and liabilities to changes of 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 Company monitors currency risk and aims to reduce any mismatch between assets and liabilities by reinvesting maturing bonds accordingly.
- The Company 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 Company invests in high quality agency and corporate bonds in the UK and Europe, with the average rating of the bond portfolio of A+ (2021: A+) and duration of 2.6 years (2021: 3.2 years). Bond holdings below investment grade are not permitted.
- The Company maintains the outsourced management of its bond portfolio with Goldman Sachs Asset Management in London.
- The Company seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

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

C.3 Credit risk

C.3.1 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 Company 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.

C.3.2 Methods used to assess and quantify the risk

The Company 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. The Company 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.

C.3.3 Risk mitigation

The Company'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 Company considers the appropriate response to this occurrence on a case by case basis. Typically, balances are minimised in response to a downgrade, and the Company would no longer allow debt to accrue with a counterparty. The Company considers the advice of its investment manager Goldman Sachs Asset Management.

The Company 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 Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company 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 parent company ADJ, which is A+ rated.

The Company has some exposure to BBB rated bonds. The total amount is not permitted to be more than 15% of the overall bond portfolio and individual holdings in BBB investments are restricted to 1.25% of the bond portfolio. All BBB investments are closely monitored with the assistance of Goldman Sachs Asset Management. As at the balance sheet date, the total BBB investment exposure was 12.3% of the total portfolio (2021: 12.7%).

C.4 Liquidity risk

C.4.1 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 Company's portfolio is kept in highly liquid marketable securities to meet liabilities as they fall due. Liquidity risk affects the Company 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 a number of 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 Company's investment portfolio this risk is deemed to be low.

C.4.2 Methods used to assess and quantify the risk

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

C.4.3 Risk mitigation

The Company carries out the following to mitigate liquidity risk:

- Cash flow forecasting. The Company monitors its cash flows closely across all branches to ensure they are correctly funded and 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.
- Liquidity is regularly monitored by management and quarterly by the Investment Committee.

C.4.4 Risk sensitivity for liquidity risks

Cash, deposits and money market funds at the year-end totalled €93.1m (2021: €111.8m). The insurance business is broadly cash neutral, with some fluctuations over the year. There are also €192.6m (2021: €224.5m) 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.

C.5 Operational risk

C.5.1 Nature of the risk

This is the risk that errors caused by people, processes or systems lead to losses to the ANDIE SE Group, or the risk that arises from unanticipated or poorly anticipated external events. Among the most important contributors to operational risk considered by both companies are:

- Internal and external fraud;
- Legal action against the Company;
- 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.

C.5.2 Methods used to assess and quantify the risk

Both companies manage operational risk mainly through the use of risk and control assessment guidance. The Companies maintains a record of significant materialised risk events experienced, and also takes account of materialised risk events within the wider market.

The Companies 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.

C.5.3 Risk mitigation

Companies' enterprise risk management framework requires all key functions and units to maintain risk registers, which are reviewed and challenged by the Risk Management Functions, with a process of escalation of key issues to the Companies' Risk Committees.

For each risk identified both companies may choose to avoid particular activities completely because the risk is unacceptable or on the other hand, ANDIE SE company or ANDLIE can choose to accept (i.e. take no specific action) for very low risk exposures. Risks can also be transferred, e.g. insurance and reinsurance arrangements. For each existing risk, internal controls are the main mechanisms, rules and procedures that each single company of the group can activate to mitigate them.

The risk register is used to record the significant Directive, Detective, Preventative and Corrective controls that are in place for each risk. Control ownership is identified on the risk register, which also sets out the control testing frequency. The effectiveness of each control is rated by management, and the residual likelihood and impact of each single risk is assessed based on the overall effectiveness of the controls.

Control evaluation should consider how well each control is designed (i.e., if correctly applied, to what extent does the control reduce risk exposure); then ANDIE SE or ANDLIE have to consider the actual operation of the control.

The risk management application requires both the design and the performance of a control to be assessed. Assessments are performed by control owners using their knowledge and experience (expert judgement) of how well controls have been designed and how they have performed during the period under review.

C.5.4 Risk sensitivity for operational risks

The operational risk per the Group SCR standard formula calculation is 10.6% of the SCR as at the balance sheet date.

Following the Covid-19 pandemic, there was an increase in cyber-crime worldwide and this remains the case with further recent examples of cyber-attacks. ANDIE SE Group also faces increased regulatory pressures. The most recent example comes from GDPR, DORA and IA, which impact the processing of telematics data, which is relevant to both companies given the intention to introduce new product types and to roll-out further telematics-based products in European markets.

C.6 Other material risks

There are no other material risks not covered elsewhere in this document.

C.6.1 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.

Much of the Company's business relies on the parent company's relationship with Toyota. This mono-customer strategy is considered to be the Company's most significant strategic risk, as, according to our reverse stress testing exercise, it is the risk that is most likely to render the business model unviable. While the Company 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 our client base and distribution channels.

C.6.2 Reputational risk

Reputational risk is a form of strategic risk within the Company's risk taxonomy. Reputational risk is defined as the risk of losses as a result of damage to the reputation and brands of the Company or of other companies on which the Company's fortunes depend. The main forms of reputational risk affecting the Company are:

- Damage to the Toyota brand, as much of the Company's business is Toyota branded;
- The Company's own reputation with Toyota and credibility as an insurance partner; 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 of time. The Company 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 the Company's operations although the main 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 Company'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 indictors and complaints to management meetings at various levels to ensure that the Company is strategically and operationally aligned with Toyota.

C.7 Any other information

There is no other material information that is not already covered in the other sections of Part C.

D. Valuation for Solvency Purposes

D.1 Assets

According to Article 75(1)(a) of Directive 2009/138/EC, all assets must be valued at an amount for which they could be exchanged between knowledgeable and willing parties at an arm's length transaction, i.e., at their fair values.

The table below gives the values of assets according to Luxembourg Gaap or German Gaap and Solvency II. Any differences are explained in the following paragraphs.

As at 31.12.2022	Annual Accounts value [€m]	Reclassification/ Valuation [€m]	Solvency II Value [€m]
Assets:			
Deferred acquisition costs	33,8	(33,8)	0,0
Intangible assets	1,5	(1,5)	0,0
Property, plant & equipment	3,3	(1,3)	1,9
Holdings in related undertakings	1,7	0,7	2,4
Bonds	261,3	(22,1)	239,3
Collective investment undertakings	25,9	(0,3)	25,7
Deposits other than cash equivalents	32,9	(32,9)	0,0
Other Investments	0,2	(0,2)	0,0
Reinsurance recoverables	206,7	(50,8)	155,9
Insurance receivables	75,6	(33,6)	42,1
Cash and cash equivalents	37,8	33,2	71,0
Other assets	47,8	10,8	58,6
Total assets	**728,6**	**(131,8)**	**596,8**
Liabilities:			
Technical provisions - Non-Life	429,9	(134,7)	295,3
Technical provisions - Life	40,7	(22,1)	18,6
Other Technical Provisions	8,6	(8,6)	0,0
Provisions other than Technical	0,4	0,0	0,4
Deferred tax liabilities	0,0	12,0	12,0
Insurance payables	21,3	(1,0)	20,3
Reinsurance payables	7,8	(2,2)	5,6
Other liabilities	35,1	25,4	60,4
Total liabilities	**543,8**	**(131,1)**	**412,7**
Excess of assets over liabilities	**184,8**	**(0,6)**	**184,2**

In the following sections the Solvency II valuation basis for each class of asset is described. Any significant differences in the valuation under Solvency II and the valuation in the annual accounts are explained for the class of asset in question. Technical provisions are discussed in section D.2 and liabilities are considered in section D.3.

D.1.1 Deferred acquisition costs

In the annual accounts, deferred acquisition costs are earned over the term of the policy, in proportion to the earning of premium. In the solvency balance sheet deferred acquisition costs are not shown as an asset but are reflected in the valuation of technical provisions.

D.1.2 Intangible assets

Intangible assets are only shown in the solvency balance sheet if they are accounted for under local Gaap and traded in an active market. The latter requirement is deemed to be met if an active market exists for similar assets. Since the Group's intangible assets currently do not meet this requirement, no amount is reported for this item in the solvency balance sheet.

Under Solvency II intangible assets are assigned a value only when they can be traded, and a valuation can be derived from an active market. As the intangibles of the Group do not meet these requirements no value is assigned to intangible assets for Solvency II reporting.

D.1.3 Deferred tax assets

There is no requirement to account for and calculate deferred taxes under Luxembourg Gaap. For Solvency II purposes, deferred taxes are determined pursuant to Article 15 together with Article 9 of the Delegated Regulation (EU) 2015/35. Therefore, deferred taxes are recognised and valued in accordance with IAS 12.

Deferred tax assets should only be recognised to the extent that it is probable that future profits are available in the same country and the same period in which the temporary differences are expected to reverse. Therefore, as at 31 December 2022 ANDIE SE does not recognise any deferred tax assets or tax loss carry-forwards in its Solvency II balance sheet.

For ANDLIE deferred tax assets amount to €5.0m. They arise from the Solvency II valuation of the annual net loss for 2022 as per the tax balance sheet, fixed-interest assets, the accounts receivable from insurers and agents and the other assets not included elsewhere.

The deferred tax assets are netted off with deferred liabilities (see D.3.1).

D.1.4 Property, plant and equipment

The Group's property is held in the annual accounts at cost less depreciation. Solvency II requires them 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 remaining amount of €1.9m (2021: €2.2m) relates to property holdings. These are held at historical cost in the accounts and are held at fair value in the Solvency II balance sheet.

D.1.5 Holdings in related undertakings, including participations

As at the year-end, ANDIE SE Group has no holdings in related undertakings.

D.1.6 Bonds

As at the reporting date the Group held investments in fixed income securities of €239.3m. The holdings are split between the asset classes government bonds, corporate bonds and collateralised securities. As at the reporting date, the balance per asset class is €21.1m in government and agency bonds, €217.7m in corporate bonds and €0.4m in collateralised securities.

Within the annual accounts, the bond portfolio is held at cost. In Solvency II, 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. Under Solvency II the value reported includes any interest accrued on each holding as at the reporting date. In the annual accounts this accrued interest is reported as a separate asset under "Accrued Interest".

D.1.7 Collective investments undertakings

In the annual accounts, assets held in short-term deposits or collective investment schemes (known as "money market funds") are reported as "Deposits with credit institutions". Under Solvency II, these amounts are treated either as cash when they are short-term deposits held with banks or collective investment undertakings when they are money market funds.

As at the reporting date, the Group held €25.7m in collective investment undertakings. The collective investment 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 at 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 investment undertakings are included in the reported value. There are no material estimates, assumptions or judgements made when reporting the value of the collective investment undertakings.

D.1.8 Other investments

Deposits other than bank deposits of €0.2m are written off for the purposes of Solvency II.

D.1.9 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 (non-proportional) 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 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.

The reinsurance recoverables calculated as part of the Solvency II technical provisions replace the reinsurance recoverables in the annual accounts, which are valued in accordance with the reinsurers' share of the insurance liabilities. Please refer to the technical provisions section D.2 for further details.

D.1.10 Insurance receivables

As at the reporting date, the Group had €42.1m in insurance and intermediary receivables. Insurance and intermediary receivables comprise mostly of insurance premiums past due from policyholders or amounts due from intermediaries in relation to amounts collected from policyholders. The companies of the Group maintain provisions 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 most receivables are short-term in nature (and doubtful balances are provided for) the carrying value in the annual accounts 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.

D.1.11 Cash and cash equivalents

As at the reporting date, the Group held €71.0m as cash and cash equivalents. 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.

D.1.12 Any other assets, not elsewhere shown

As at the reporting date, the Group had had €58.6m of any other assets, not elsewhere shown. These other assets include amounts due from group companies, taxation debtors and prepayments. As most of these assets are short-term in nature the carrying value in the annual accounts is considered to approximate their 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.

The balance of other assets differs by €10.8m from the value in the annual accounts. As noted above, accrued interest on the bond portfolio is included as part of the overall bond valuation for Solvency II, which is removed from the equivalent balance in the annual accounts. The Group has also reduced the other assets balance in the annual accounts in respect of other debtors and prepayments which the Group would not be able to use to meet any solvency needs arising.

D.2 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:

Class of business	2022 Net best estimate €m	2022 Risk margin €m
Motor third party liability	71,5	1,7
Motor other	52,1	2,0
Other Non-Life	11,9	1,0
Life	16,9	1,0
Total	**152,4**	**5,6**

Technical Provisions - Non-Life:
The technical provisions are split into the two largest Solvency II classes of business (both motor), with all other business grouped together in “Other”. Most of the business grouped into “Other” is the Solvency II class “Miscellaneous Financial Loss insurance”, which includes coverages for Guaranteed Asset Protection and Extended Warranty.

The basis on which the technical provisions are calculated is outlined below. For 2022 the risk margin was calculated in accordance with the level 2 in the EIOPA hierarchy of simplifications for the calculation of the risk margin (Article 58(a) of Commission Delegated Regulation 2015/35) reflecting more accurately our actual risk. Additionally, risk margins reduced in line with the run-off of the UK book which is more volatile than the European business.

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. This contrasts with the value for technical provisions in the annual accounts which are the undiscounted best estimate of all open cases plus future claims as far as they are represented in the claim’s history (or market history, depending on the method).

The difference between these two bases has been termed “Events Not In Data” or ENIDs. An allowance for ENIDs has been added to the Solvency II technical provisions 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 ANDIE SE Group’s approach to ENIDs was broadly in line with that of peer entities.

The undiscounted best estimates in both cases (annual accounts and Solvency II) have been calculated using standard deterministic actuarial models. For most classes, development factor (or “chainladder”) 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.

Usually, 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. However, given the current inflationary environment, allowance was made to include additional inflation on top of our base case assumptions.

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 ANDIE SE Group has committed to writing at a future date but that have not incepted at that date. The contracts written by the ANDIE SE 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 Group. 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 sufficient data is available. These classes do not make up a significant proportion of the net best estimate as at 31 December 2022.

The technical provisions 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 the best estimate of technical provisions. This simplification is deemed appropriate because there are no negative best estimates at the valuation or subsequent dates, the Group’s reinsurers are A- rated or better and there are no unavoidable market risks.

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

Technical provisions have decreased mainly due to the runoff of the UK reserves and the reinterpretation of the definition of premium receivables.

Technical Provisions - Life:
The best estimate of the value of the technical provisions corresponds to the probability-weighted average of future cash flows, taking into account the time value of money. It is calculated using best estimates of the termination rates and the recovery rates. The risk-free yield curve of EIOPA is used for discounting. The calculation is done separately and prospectively for each insurance contract, taking into account the individual month of commencement. Future measures by the management were not explicitly modelled. The behaviour of the policyholder is taken into account in terms of the option for the policyholder to terminate the contract. There are no other options, guarantees or profit participation.

Costs that can be directly allocated to insurance liabilities and allocated overheads are incorporated into the projection of the future costs.

The accounts receivable from insurers and agents that are not yet overdue are deducted from the technical provisions. In addition, the accounts payable to insurers and agents that are not yet overdue, the expected liability from the remuneration agreement on risk-dependent portfolio commission between Toyota France Financement and ANDLIE and the liability from the profit-sharing (PS) as per the reinsurance contract for the insurance business in Spain are added to the technical provisions.

The risk margin corresponds to the amount that insurance and reinsurance companies would demand in order to be able to take over and fulfil the insurance and reinsurance liabilities. It is calculated separately from the best estimate of the value. The risk margin is calculated approximately with the modified duration of the insurance liabilities as a proportionality factor according to simplified method 3 of guideline 62[1]. The appropriateness of using this simplified method was investigated. Since the technical provisions are calculated for each insurance contract and not using homogeneous risk groups, the duration and the settlement pattern of each liability are taken into account. In addition, ANDLIE's risk profile is considered to be unchanged over time. Thus, the stipulated method to determine the risk margin can be used. The appropriateness of the method used is reviewed annually.

D.3 Other liabilities

Below is set out the Solvency II valuation basis for each material class of liability. Any significant differences in the valuation under Solvency II and the valuation in the annual accounts is explained for the respective class of liability in question.

D.3.1 Deferred tax liabilities

There is no requirement to account for and calculate deferred taxes under Luxembourg Gaap. For Solvency II purposes, deferred taxes are determined pursuant to Article 15 together with Article 9 of the Delegated Regulation (EU) 2015/35. Therefore, deferred tax liabilities are recognised and valued in accordance with IAS 12.

Deferred tax liabilities result from temporary differences between the recognition and measurement of assets and liabilities in the solvency statement and in the tax balance sheets of the countries concerned. Any changes in tax rates and tax legislation as at the balance sheet date are reflected in the calculation.

[1] Guideline on the valuation of technical provisions (EIOPA-BoS-14/166 EN)

The German Branch of ANDIE SE has an equalisation provision of €28.7m in its local balance sheet that is not shown in in the Luxembourg Gaap or Solvency II balance sheet. The corresponding deferred tax liability in the solvency balance sheet amounts to €7.9m.

For ANDLIE this applies to the valuation of the capital investments, the technical provisions, the accounts payable to insurers and agents and the other liabilities not entered elsewhere. This results in deferred tax liabilities of €9.1m.

The deferred tax liabilities are balanced with the deferred tax assets. In total net deferred tax liabilities in the amount to €12.0m are shown in the Solvency II balance sheet of ANDIE SE Group.

D.3.2 Insurance and intermediaries payable

As at the reporting date, the Group had €20.3m of insurance and intermediaries payable. These are valued in the annual accounts at expected settlement value. However, as these liabilities represent the amounts to be paid to insurance claimants these amounts are not revalued as they are typically settled in the short-term, with the settlement amount rarely differing from the initial valuation. The annual accounts valuation therefore substantially equates to fair value and there is no significant adjustment made for Solvency II valuation purposes. Similarly, there is no adjustment for the valuation of other insurance payables between the annual accounts and Solvency II. There are no material estimates, assumptions or judgements when reporting the value of insurance and intermediaries payable.

D.3.3 Reinsurance payables

As at the reporting date, the Group had €5.6m 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 expected settlement value. As the majority of payables are short-term in nature the carrying value in the annual accounts 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.

D.3.4 Any other liabilities, not elsewhere shown

As at the reporting date, the Group had €59.7m of other liabilities, not elsewhere shown. These amounts represent accruals and other liabilities. Accruals are recognised in line with generally accepted accounting principles, 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. 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 in the annual accounts is considered to be 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.

D.4 Alternative methods for valuation

No alternative valuation methods were used.

D.5 Any other information

As mentioned under D.3.1 the deferred tax liability (DTL) relating to the equalisation provision of ANDIE SE’s German branch is reflected in the Solvency II balance sheet for the first time for the year 2022.

E. Capital Management

E.1 Own funds

The capital management objective of the Group is to maintain sufficient own funds to cover the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (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 Own Risk and Solvency Assessment (ORSA), which is prepared annually on a three-year basis, is compared to the results of the SCR projection at the three-year point 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 regulator as required.

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.

The Group is funded only by share capital and retained reserves. The share capital of ANDIE SE as at 31 December 2022 is €41.9m. There is a reconciliation reserve of €127.2, after taking account of the foreseeable dividend of €15.1m.

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.

The directors of ANDIE SE recommended a final dividend of €0.036 per ordinary share, for a total distribution of €15.1m (2021: €35.7m), on the basis of the Group's result and solvency position as at 31 December 2022. This dividend has been treated as foreseeable as at the date of this report and has therefore been deducted from the Group's own funds.

As at 31 December 2022, the excess of assets over liabilities of the Group as calculated for the annual accounts was €184.8m.

For Solvency II purposes, eligible own funds to meet the MCR and SCR were €169.1m. The main differences between eligible own funds and the net asset value in the annual accounts are set out below.

	2022 €m	Reason
Net asset value per local GAAPs	184.8	Per accounts
Revaluation of net technical reserves	105.9	Differing reserving basis under Solvency II
Deferred acquisition costs	(33,8)	No deferred acquisition costs for Solvency II
Investment in subsidiaries	0.0	
Dividend	(15,1)	Treated as reasonably foreseeable per Solvency II

Adjustments to other assets & liabilities (net)	(72.8)	Different valuation bases between Solvency II and local GAAPs
Own funds under Solvency II	**169.1**	

Solvency II Own Funds were impacted by changing the methodology to reflect deferred tax liabilities as described above and in E.4. During 2022 financial market parameters, especially rising interest rates and the weakening of the GBP against the Euro had an adverse impact on own funds of the Group. This was more than offset by a strong technical result in both companies.

The SCR coverage ratio as at 31 December 2022 was 164.0%, with eligible own funds of €169.1m and an SCR of €103.1m.

The MCR coverage ratio as at 31 December 2021 was 514.0%, with eligible own funds of €169.1m and an MCR of €32.9m.

Solvency II reporting since Q3 2021 has shown that the Group has complied continuously with both the MCR and the SCR throughout the current and prior reporting period.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The standard formula is used to calculate the SCR, without modification for undertaking specific parameters. 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
Non-life underwriting risk analysed by:	
- Premium and reserve risk	54.8
- Catastrophe risk	4.0
- Lapse risk	0.9
- Diversification credit	(3.8)
Health underwriting risk	0.1
Life underwriting risk	5.6
Market risk analysed by:	
- Interest rate risk	8.6
- Equity risk	0.5
- Property risk	0.5
- Spread risk	10.8
- Currency risk	32.6
- Concentration risk	0.0
- Diversification credit	(13.0)
Counterparty default risk	24.4
Diversification credit	(33.7)
Operational risk	10.9
SCR	**103.1**
MCR	**32.9**

The inputs used to calculate the MCR are the net technical provisions and the net written premiums in the last twelve months.

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

ANDIE SE group does not use a duration-based equity risk sub-module to calculate the solvency capital requirement.

E.4 Differences between the standard formula and any internal model used

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

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

ANDIE SE Group had adequate own funds throughout the reporting period to cover MCR and SCR.

E.6 Any other information

We are not aware of any other material information that is not already covered in the other sections.

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	S.05.01.02
Premiums, claims and expenses by country	S.05.02.01
Life and health SLT technical provisions	S.12.01.02
Non-life technical provisions	S.17.01.02
Non-life insurance claims by line of business	S.19.01.21
Own funds	S.23.01.01
Solvency capital requirement – on standard formula	S.25.01.21
Minimum capital requirement – only non-life	S.28.01.01

AIOI Nissay Dowa Insurance Company of Europe SE Group

Solvency and Financial Condition Report

Disclosures

31 December

2022

(Monetary amounts in EUR thousands)

General information

Participating undertaking name	AIOI Nissay Dowa Insurance Company of Europe SE
Group identification code	5493001W3NTGB2HAN989
Type of code of group	LEI
Country of the group supervisor	LU
Language of reporting	en
Reporting reference date	31 December 2022
Currency used for reporting	EUR
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
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	1,930
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	267,307
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	2,391
R0110	*Equities - listed*	2,359
R0120	*Equities - unlisted*	32
R0130	*Bonds*	239,251
R0140	*Government Bonds*	21,143
R0150	*Corporate Bonds*	217,667
R0160	*Structured notes*	0
R0170	*Collateralised securities*	441
R0180	*Collective Investments Undertakings*	25,665
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	155,859
R0280	*Non-life and health similar to non-life*	155,116
R0290	*Non-life excluding health*	155,091
R0300	*Health similar to non-life*	24
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	743
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	743
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	30,946
R0370	Reinsurance receivables	11,127
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	71,020
R0420	Any other assets, not elsewhere shown	58,619
R0500	**Total assets**	596,807

S.02.01.02
Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	295,287
R0520	*Technical provisions - non-life (excluding health)*	295,212
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	290,573
R0550	*Risk margin*	4,640
R0560	*Technical provisions - health (similar to non-life)*	74
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	71
R0590	*Risk margin*	4
R0600	Technical provisions - life (excluding index-linked and unit-linked)	18,599
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	18,599
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	17,622
R0680	*Risk margin*	977
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	448
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	11,952
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	20,295
R0830	Reinsurance payables	5,646
R0840	Payables (trade, not insurance)	0
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	60,428
R0900	**Total liabilities**	412,655
R1000	**Excess of assets over liabilities**	184,152

S.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
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business		0		77,620	184,058	569	734	2,426	0	238	170	47,244					313,060
R0120	Gross - Proportional reinsurance accepted		0		1,805	0	0	0	0	0	0	0	3,232					5,037
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share		0		39,219	87,318	568	647	2,384	0	238	68	3,964					134,406
R0200	Net		0		40,207	96,740	1	88	42	0	0	102	46,512					183,691
	Premiums earned																	
R0210	Gross - Direct Business		0		70,980	168,313	520	671	2,219	0	218	155	43,202					286,279
R0220	Gross - Proportional reinsurance accepted		0		1,651	0	0	0	0	0	0	0	2,956					4,606
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share		0		36,336	80,900	526	599	2,209	0	221	63	3,673					124,527
R0300	Net		0		36,295	87,413	-6	72	10	0	-3	92	42,485					166,358
	Claims incurred																	
R0310	Gross - Direct Business		0		66,007	82,896	15	103	481	0	64	355	5,281					155,203
R0320	Gross - Proportional reinsurance accepted		0		1,317	0	0	0	0	0	0	0	907					2,224
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share		0		32,029	40,485	15	82	464	0	63	146	2,124					75,408
R0400	Net		0		35,295	42,410	0	21	17	0	1	209	4,065					82,019
	Changes in other technical provisions																	
R0410	Gross - Direct Business		0		0	0	0	0	0	0	0	0	0					0
R0420	Gross - Proportional reinsurance accepted		0		0	0	0	0	0	0	0	0	0					0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share		0		0	0	0	0	0	0	0	0	0					0
R0500	Net		0		0	0	0	0	0	0	0	0	0					0
R0550	**Expenses incurred**		0		47,007	9,304	-756	-115	11	0	-5	38	13,311					68,795
R1200	**Other expenses**																	-287
R1300	**Total expenses**																	68,508

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross				28,606				1,490	30,095
R1420	Reinsurers' share				0				0	0
R1500	Net				28,606				1,490	30,095
	Premiums earned									
R1510	Gross				28,606				1,490	30,095
R1520	Reinsurers' share				0				0	0
R1600	Net				28,606				1,490	30,095
	Claims incurred									
R1610	Gross				5,679				468	6,147
R1620	Reinsurers' share				0				0	0
R1700	Net				5,679				468	6,147
	Changes in other technical provisions									
R1710	Gross				-6,750				-887	-7,637
R1720	Reinsurers' share				0				0	0
R1800	Net				-6,750				-887	-7,637
R1900	**Expenses incurred**				22,875				244	23,119
R2500	**Other expenses**									0
R2600	**Total expenses**									23,119

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	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
R0010			DE	IT	FR	ES		
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	0	123,614	104,154	48,908	34,516		311,193
R0120	Gross - Proportional reinsurance accepted	3,232	0	0	0	0		3,232
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0	0		0
R0140	Reinsurers' share	0	59,623	40,062	11,358	22,441		133,484
R0200	Net	3,232	63,992	64,092	37,551	12,075		180,941
	Premiums earned							
R0210	Gross - Direct Business	0	63,715	149,064	32,176	26,043		270,998
R0220	Gross - Proportional reinsurance accepted	4,755	0	0	0	0		4,755
R0230	Gross - Non-proportional reinsurance accepted	0	0	0	0	0		0
R0240	Reinsurers' share	0	43,945	48,877	11,861	16,930		121,613
R0300	Net	4,755	19,771	100,187	20,315	9,113		154,140
	Claims incurred							
R0310	Gross - Direct Business	0	125,873	43,518	14,122	41,618		225,132
R0320	Gross - Proportional reinsurance accepted	1,659	0	0	0	0		1,659
R0330	Gross - Non-proportional reinsurance accepted	0	0	0	0	0		0
R0340	Reinsurers' share	0	63,160	23,844	4,743	29,228		120,975
R0400	Net	1,659	62,714	19,674	9,379	12,391		105,816
	Changes in other technical provisions							
R0410	Gross - Direct Business	0	0	0	0	0		0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0		0
R0430	Gross - Non-proportional reinsurance accepted	0	0	0	0	0		0
R0440	Reinsurers' share	0	0	0	0	0		0
R0500	Net	0	0	0	0	0		0
R0550	**Expenses incurred**	1,291	18,387	1,407	23,310	85		44,480
R1200	**Other expenses**							-287
R1300	**Total expenses**							44,193

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		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
R1400			FR	ES	PL	IT	MC	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	14,570	14,023	1,449	25	16	13	30,095
R1420	Reinsurers' share	0	0	0	0	0	0	0
R1500	Net	14,570	14,023	1,449	25	16	13	30,095
	Premiums earned							
R1510	Gross	14,570	14,023	1,449	25	16	13	30,095
R1520	Reinsurers' share	0	0	0	0	0	0	0
R1600	Net	14,570	14,023	1,449	25	16	13	30,095
	Claims incurred							
R1610	Gross	3,241	2,438	448	3	17	0	6,147
R1620	Reinsurers' share	0	0	0	0	0	0	0
R1700	Net	3,241	2,438	448	3	17	0	6,147
	Changes in other technical provisions							
R1710	Gross	-4,894	-1,857	-921	11	23	2	-7,637
R1720	Reinsurers' share	0	0	0	0	0	0	0
R1800	Net	-4,894	-1,857	-921	11	23	2	-7,637
R1900	**Expenses incurred**	9,450	13,419	244	0	0	6	23,119
R2500	**Other expenses**							0
R2600	**Total expenses**							23,119

S.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**
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	41,876	41,876		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0				
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	0	0			
R0080	*Non-available surplus funds at group level*	0	0			
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0				
R0130	Reconciliation reserve	127,201	127,201			
R0140	Subordinated liabilities	0		0	0	0
R0150	*Non-available subordinated liabilities at group level*	0				
R0160	An amount equal to the value of net deferred tax assets	0				0
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at group level*	0				
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities**	0				
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	169,077	169,077	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0380	Non available ancillary own funds at group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	0				
R0420	Institutions for occupational retirement provision	0				
R0430	Non regulated entities carrying out financial activities	0				
R0440	**Total own funds of other financial sectors**	0	0	0	0	0

S.23.01.22
Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector	C0010	C0020	C0030	C0040	C0050
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A 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 D&A)	169,077	169,077	0	0	0
R0530	Total available own funds to meet the minimum consolidated group SCR	169,077	169,077	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 D&A)	169,077	169,077	0	0	0
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	169,077	169,077	0	0	
R0610	**Minimum consolidated Group SCR**	32,896				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	513.98%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	169,077	169,077	0	0	0
R0680	**Group SCR**	103,115				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	163.97%				

		C0060
	Reconcilliation reserve	
R0700	Excess of assets over liabilities	184,152
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	15,075
R0730	Other basic own fund items	41,876
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non available own funds	
R0760	**Reconciliation reserve**	127,201
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	1,962
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	2,257
R0790	**Total Expected profits included in future premiums (EPIFP)**	4,219

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	39,936		
R0020	Counterparty default risk	24,360		
R0030	Life underwriting risk	5,626		
R0040	Health underwriting risk	51		
R0050	Non-life underwriting risk	55,956		
R0060	Diversification	-33,731		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	92,198		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	10,917
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	103,115
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	103,115
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0470	Minimum consolidated group solvency capital requirement	32,896
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	0
R0520	*Institutions for occupational retirement provisions*	0
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0
	Overall SCR	
R0560	SCR for undertakings included via D&A	0
R0570	**Solvency capital requirement**	103,115

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

S.32.01.22

Undertakings in the scope of the group

Row	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
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	LU	5493001W3NTGB2HAN989	LEI	AIOI Nissay Dowa Insurance Company of Europe SE	Non life insurance undertaking	Limited by shares	Non-mutual	Commissariat aux Assurances
2	DE	3912008URQQCWTNXTA91	LEI	Aioi Nissay Dowa Life Insurance of Europe AG	Life insurance undertaking	Aktiengesellschaft	Non-mutual	Bundesanstalt für Finanzdienstleistungsaufsicht

S.32.01.22

Undertakings in the scope of the group

					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	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	LU	5493001W3NTGB2HAN989	LEI	AIOI 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	3912008URQQCWTNXTA91	LEI	Aioi Nissay Dowa Life Insurance of Europe AG	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation