Solvency and Financial Condition Report 2023

Year ended 31 December 2023

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Glossary

Term (alphabetical order)	Explanation
ADJ	Aioi Nissay Dowa Japan
AFS	Available for sale
AND-E (LIFE)	Aioi Nissay Dowa Life Insurance SE
AND-E SE	Aioi Nissay Dowa Insurance Europe SE
ANDEL	Aioi Nissay Dowa Europe Limited
ANDI UK	Aioi Nissay Dowa Insurance UK Limited
ANDIM	Aioi Nissay Dowa Insurance Management Limited
ARCC	Audit Risk Compliance Committee
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht
BBNI	Bound But Not Incepted
BIGL	Box Innovation Group Limited and its subsidiaries
CAA	Commissariat aux Assurances
EDC	Executive Directors' Committee
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ENIDs	Events Not In Data
GRAC	Group Risk Assurance Committee
Group	ANDEL and all its subsidiaries
GWP	Gross Written Premium
IBS	Important Business Service
IFRS4	International Reporting Standard 4 – Insurance Contracts
MCR	Minimum Capital Requirement
MS&AD	MS&AD Insurance Group Holdings, Inc
OF	Own Funds
ORSA	Own Risk and Solvency Assessment
PEM	Proposals Evaluation Matrix
PRA	Prudential Regulatory Authority
QRT	Quantitative Reporting Template
SCR	Solvency Capital Requirement
SFCR	Group Solvency and Financial Condition Report
SII	Solvency II
TIM SE	Toyota Insurance Management SE
XoL	Excess of Loss

Introduction

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

This is the Group Solvency and Financial Condition Report ("SFCR") for Aioi Nissay Dowa Europe Limited Group (the "Group"), as at 31 December 2023. It is prepared in accordance with the Solvency II Regulations. The Group is regulated by the Prudential Regulatory Authority in the UK, with its subsidiaries having various financial and prudential regulators local to its operations and licensed activities.

Executive summary

The principal activity of the Group is motor-centric general insurance and insurance distribution across various Europe regions. The Group has a strong strategic relationship with Toyota that is important to the achievement of the Group's plans.

The Company's principal activity is that of a holding company for insurance and insurance-related businesses. The Company's key operating subsidiaries focus on motor insurance and other motor-centric insurance products. Through its subsidiary companies, the Group operates as a general insurer in the UK and Luxembourg, and as a credit life insurer in Germany with various branches and freedom of service arrangements in place across the European Economic Area ("EEA"). The Company also has various subsidiaries, including insurance intermediaries and a management services company.

This Solvency and Financial Condition Report ("SFCR") is organised into the following sections:

Section A – Business and performance

This section provides further information on the Group and provides details of its underwriting performance in the reporting period, relevant comparatives to the previous reporting period, and commentaries on any material performance differences. It covers underwriting and investment performance along with any other material elements of the Group's performance.

The Group experienced a challenging 2023 primarily driven from inflationary pressures impacting claims costs and operational costs and weather-related losses and increase on vehicle thefts, resulting in an increase in loss ratio from 62% to 76%.

Section B – Systems of Governance

This section includes a description of the Group's corporate and governance structure, key function roles and responsibilities, remuneration policy and practices, and Fit and Proper requirements. The Group has not made any significant changes to its systems of governance in the year and continues to apply a system of governance appropriate for the Group considering the nature, scale and complexity of the risks inherent in the business.

Section C – Risk profile

This section sets out the risk dimensions of the Group's operations in the context of Solvency II capital requirements. The group's risk profile has not significantly altered from 2022 and continues to identify, assess, control and report risks in accordance with its risk management framework.

Throughout the Group there are robust processes for all SII reporting. In addition, an Own Risk and Solvency Assessment ("ORSA") report is prepared on a group supervision basis including applying appropriate stress and sensitivity tests, challenges and validates the Group.

Section D – Valuation for solvency purposes

This section details the Solvency II metrics for valuing the Group's assets and liabilities. The Solvency II representation of the Group balance sheet differs from the consolidated financial reporting prepared for the purpose of reporting its result and its financial position to its immediate parent company, ADJ: that difference is explained in this section.

There have been no significant changes to the valuation basis for any of the Group's assets or liabilities.

Section E – Capital management

The Group's goal is to always maintain sufficient Own Funds to cover its Solvency Capital Requirement ("SCR") and Minimum Capital Requirement ("MCR") with an appropriate surplus. A straightforward capital structure reflects the Group's risk appetite and prudent investment strategy.

During the reporting period, the Group agreed its 5-year plan for 2023-2027 with its shareholder and based on this ADJ provided £140m of capital in December 2023. The significant changes in 2023 own funds were the capital injection (£140m) less the loss for the year before taxation (£31.3m) plus increase in other assets.

Group SCR and MCR

Solvency	2023 £m	2022 £m
Solvency II Own Funds (pre-dividend)	343.8	224.8
Foreseeable dividend	-	-
Solvency II Own Funds (post dividend)	**343.8**	224.8
SCR	144.4	129.9
SCR solvency coverage %	**238%**	173%
MCR	48.9	47.3
MCR solvency coverage %	**672%**	461%

Capital is reviewed and managed on an ongoing basis across the Group and on an entity specific basis aligned to the Groups risk appetite to maintain a sufficient capital surplus to maintain a prudent level of solvency which reflects not only its strategic objectives, but also provides a contingency in the event of adverse events occurring.

The change in the SCR results from growth in the non-life insurance business, increasing in the non-life underwriting risk element of the SCR by £10.6; reduction of EURO surplus assets, decreasing currency risk element by £5.7m; and, a reduction in receivable balances, decreasing the counterparty risk element of SCR by £5.1m.

Section F – Appendices

This section comprises the Annual Quantitative Reporting Templates ("QRTs") for the Group and a glossary of all key abbreviations used in this report.

External audit requirements

The Group is above the Solvency II external audit threshold and so Sections D and E in this report are subject to external audit. Other sections in this SFCR are not subject to external audit.

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

The Directors acknowledge their responsibility for preparing the Company's SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations

The Board of Directors confirm that, to the best of their knowledge:

(a) Throughout the financial year in question, the Group and its solo insurance undertakings have complied in all material respects with the requirements of the PRA rules and SII Regulations as applicable; and

(b) It is reasonable to believe that, at the date of the publication of the SFCR, the Group and its solo insurance undertakings continue to comply and will continue so to comply in future.

Jon Hermon,
Chief Financial Officer
1st May 2024

Business and Performance

A. Business and Performance

A.1 Information regarding the business

A.1.1 Name and legal form

Aioi Nissay Dowa Europe Limited

Registered office:
7th Floor, 52-56 Leadenhall Street
London, EC3A 2BJ
United Kingdom

Registered in England Wales, Number: 11054298.

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

A.1.2 Name and contact details of supervisory authority

Entity: Aioi Nissay Dowa Europe Limited Group

Prudential Regulation Authority

20 Moorgate,
London, EC2R 6DA
United Kingdom

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

Aioi Nissay Dowa Insurance Company of Europe S.E.
Regulator: CAA - Commissariat aux Assurances.
Address: 11, rue Robert Stumper, L - 2557 Luxembourg, GD of Luxembourg

Aioi Nissay Dowa Life Insurance of Europe AG
Regulator: BaFin - Bundesanstalt für Finanzdienstleistungsaufsicht (Federal Financial Supervisory Authority)
Address: Graurheindorfer Str. 108 53117 Bonn, Postfach 1253, 53002 Bonn, Germany

Aioi Nissay Dowa Insurance UK Limited
Regulator: PRA - Prudential Regulation Authority
Address: 20 Moorgate, London, EC2R 6DA, United Kingdom

A.1.3 Name and contact details of independent external auditors

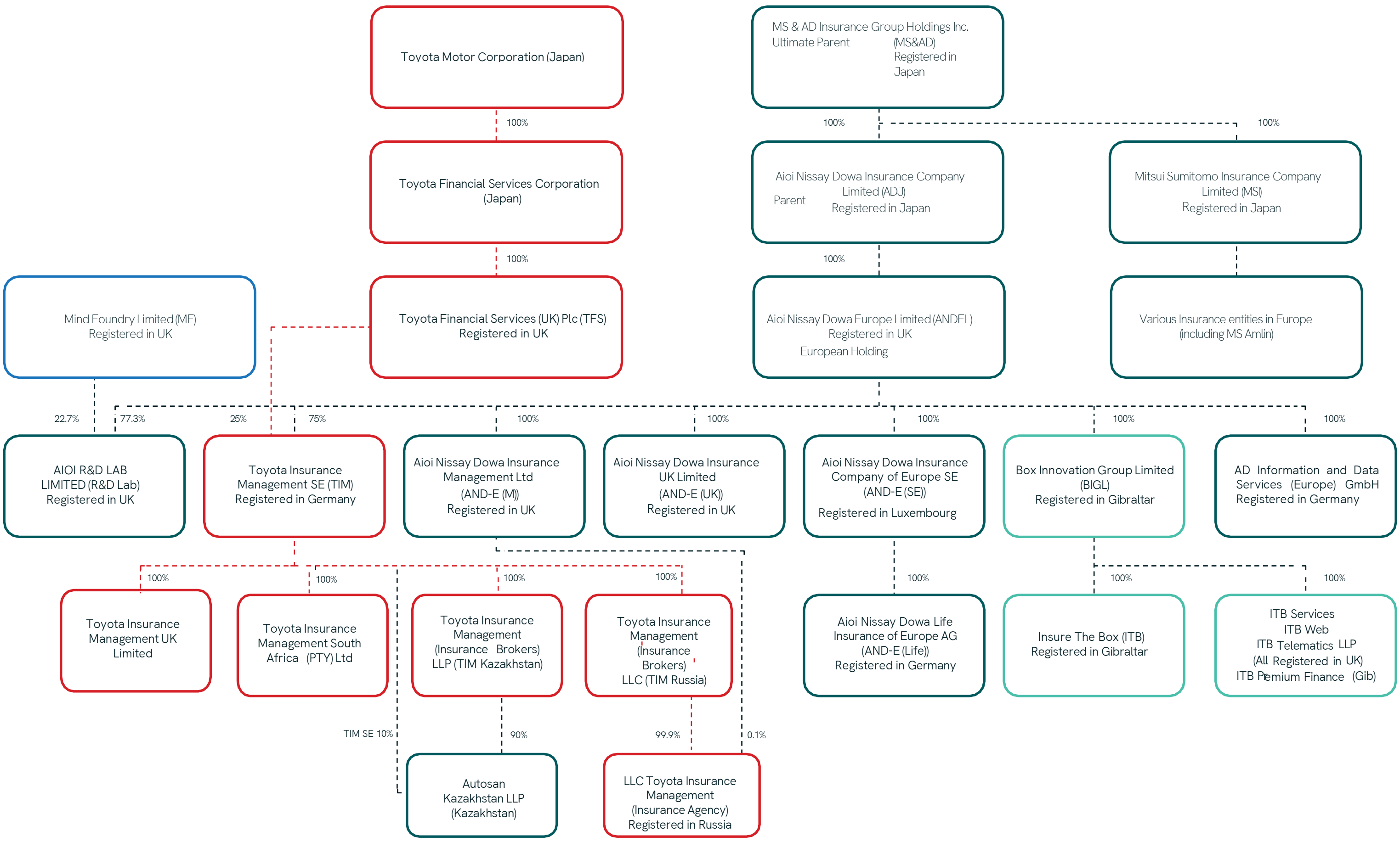
KPMG LLP
15 Canada Square
London E14 5GL
United Kingdom

A.1.4 Holders of qualifying holdings

The Group is a 100% owned subsidiary of Aioi Nissay Dowa Insurance Company Limited ("ADJ"), a company incorporated in Japan.

A.1.5 Legal structure of the Group - Overview

Group company structure:



A. Business and Performance continued

The Scope of the Group used for consolidated financial statements and scope for the Group for Solvency II purposes is explained in Section D.

A.1.6 Trends and factors regarding development, performance and position over business planning period, the competitive position and any significant legal or regulatory issues

During the reporting period, the Group agreed its 5-year plan for 2023-2027 with its shareholder and based on this ADJ provided £140m of capital in December 2023. The Group business plan focusses on:

- Continued leverage and building upon its focused Toyota partnership and unique distribution capabilities, expanding regionally and into new markets where Toyota has significant presence.
- A continued program of investment in IT systems and data capabilities, including machine learning and artificial intelligence.
- Exiting and improving unprofitable business lines across a handful of markets and products.
- Enhancing value to the Groups customers through service and insurance product offerings.
- Generate mid to long term value to the Group's shareholder with targeted returns.

Significant performance and capital movements in the year are set out in the Business and Performance section.

A.1.7 Description of the business objectives, including strategies and time frames

TOYOTA Insurance centre of excellence

The Group remains Toyota Motor Europe expert provider of insurance and protection solutions through a clear and integrated One Toyota approach. The Group aims to enhance insurance sales, by further embedding insurance offerings into the Toyota customer journey and delivering insurance products how and where the Groups customers want them. This partnership only works if the Group are where Toyota are, with the Group already present in over 30 markets, opportunities to support further into new markets still exist.

Protecting today while embracing tomorrow

The Group creates insurance products and service solutions that not only safeguard customers today, but also embrace the possibilities of the future in a connected mobility market.

Digital Evolution

The Group strives to leverage and improve ecosystems of partnerships and technologies that underpin market leading customer solutions for distribution strategy alongside Toyota's Finance offerings within the Toyota networks.

A.2 Underwriting performance

£'m	2023	2022
Gross written premiums	670.4	556.2
Net earned premiums	301.1	280.3
Net claims incurred	227.7	173.1
Loss ratio (%)	76%	62%

A.2.1 Qualitative and quantitative information on underwriting performance by line of business

Product segmentation for the Groups is across five business lines, GWP volumes across these lines:

Business line £'m	2023 GWP	2022 GWP	2023 % of total	2022 % of total
Toyota – non-life	339.2	266.1	51%	48%
Toyota – life	26.7	25.6	4%	5%
Aggregator (Non Toyota)	85.7	68.8	13%	12%
Fleet	183.0	165.1	27%	29%
JIA	35.8	30.6	5%	6%
Total	**670.4**	**556.2**	100%	100%

The market geographical split of GWP by country is as follows:

Business line £'m	2023 GWP	2022 GWP	2023 % of total	2022 % of total
United Kingdom	294.0	259.8	44%	46.7%
Germany	134.8	103.9	20%	18.7%
Italy	122.7	88.6	18%	15.9%
France	61.4	53.6	9%	9.6%
Spain	45.9	30.8	7%	5.5%
Nordics & others	11.6	19.5	2%	3.5%
Total	670.4	556.2	100%	100%

A. Business and Performance continued

In the UK, the increase in the GWP was primarily driven by increases to average premiums and not through significant increases in exposure. The wider UK motor market has seen corrections to market pricing in 2023, reflecting a catch up with inflationary pressures on claims costs. In particular, the Fleet and Aggregator business saw significant rate increases.

Across the rest of Europe, the Group's GWP increased by 27% to £376.4m. All major markets contributed to this success with double-digit growth, with Italy and Spain being the biggest contributors.

This growth was driven by higher car sales of Toyota and a further increase of the penetration rate in car sales to insurance sales.

Product segmentation for the Groups is across five business classes, GWP volumes across these business classes:

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

2023 £'m	Motor vehicle liability	Other motor insurance	Misc. financial loss	Other non-life	Life
Gross written premiums	365.8	206.2	65.5	6.2	26.7
Net earned premiums	124.2	99.9	50.5	(0.2)	26.7
Net claims incurred	123.1	87.6	10.4	0.4	6.2
Loss ratio (%)	99%	88%	21%	(200%)	23%

2022 £'m	Motor vehicle liability	Other motor insurance	Misc. financial loss	Other non-life	Life
Gross written premiums	305.2	157.5	63.5	4.4	25.6
Net earned premiums	131.9	74.4	48.3	0.1	25.6
Net claims incurred	125.8	36.1	5.8	0.3	5.2
Loss ratio (%)	95%	49%	12%	300%	20%

The Group experienced a challenging 2023 for the European motor insurance market primarily driven from inflationary pressures impacting claims costs and operational costs, weather-related losses across parts of continental Europe and increase on vehicle thefts.

Inflation in the UK has proven to be more persistent than initially expected, and the wider UK motor insurance market was slower to respond to this inflationary pressure than hoped, making required price increases difficult to achieve. Inflation impacted upon the cost of claims relating to premiums earned in 2023 but also on those claims already open at the end of 2022, which cost more to settle, on average, than envisaged.

Claims costs have been impacted by UK large bodily injury losses, which are inherently less predictable, that were worse than longer-term expectations in 2023. The cost-of-living crisis and inherent vulnerabilities in certain Toyota and Lexus models has driven an increase in theft claims in 2023 across most markets.

The Group also saw a significant number of named winter storms in the UK and significant hail and other severe weather events across Italy and Germany, increasing the cost of weather-related claims.

Reinsurer appetite for motor insurance remained muted, driving up the cost to maintain the Groups retained loss under the excess of loss program at £3m. Whilst the Group tried to place natural catastrophe cover to provide protection across key continental European regions, placement of cover was not possible on a commercially viable basis. The Group uses quota share insurance with its parent entity, ADJ, to reduce the total net retained loss within risk appetite. During the year the Group increased the amount of business ceded through quota share for ANDI UK, increasing to 70% for main business lines (2022 40%).

Inflation also impacted operational costs, primarily through wage increases, but also via supplier cost increases. The impact of cost inflation was mitigated by management cost savings, and with employee level being below budgeted levels.

A.3 Investment performance

A.3.1 Qualitative and quantitative information on investment performance

The Group invests principally in high quality corporate, agency and supra-national fixed income securities, principle retained until maturity, whilst ensuring securities are help in active markets. The Group also has significant money market holdings with high quality investment managers. The Group has outsourced the management of its bond and equity portfolios, through managers in the UK to Goldman Sachs Assets Management (for AND-E SE and ANDI UK), and in Germany to DEVK Asset Management GmbH, (for AND-E (LIFE)).

The Group has continued, and does not expect to change, its strategy of capital preservation and the maintenance of a high degree of liquidity. It does this by investing in high-quality fixed income securities, money market funds and cash.

The Group experienced falls in the value of its fixed income portfolio during 2022 and 2023 as markets reacted to interest rate increases by central banks and the wider macroeconomic uncertainty. The Group's approach of maintaining immediately liquid assets in the form of cash and money market fund holdings means that it was not required to sell any of its fixed income securities to meet its liquidity requirements. This position is not expected to change, and the combination of cash and capital surplus means that the Group expects to be able to maintain its fixed income portfolio to maturity, by which time the current level of unrealised losses will have unwound.

The fixed income and equity securities are treated as "available for sale" ("AFS") financial assets. All unrealised gains and losses on AFS financial assets are recognized through other comprehensive income, so do not directly affect the Group's reported income statement result.

A. Business and Performance continued

The money market holdings are treated as cash equivalents as they are short-term, highly liquid investments which are subject to insignificant changes in value and are readily convertible into known cash amount.

Income from the Group's investment portfolio is:

Investment Income - £m	2023	2022
Interest income on debt securities	0.7	0.7
Interest income on deposits	11.0	4.2
Interest income and URGL on securities	0.4	0.1
Gain on sale of debt securities	1.3	0.2
Exchange gain/ (loss)	(0.8)	(0.8)
	12.6	**4.4**

A.4 Performance of other activities

A.4.1 Information on other material income and expenses

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

£m	2023	2022
Service fees	19.7	17.1
Commissions	27.8	9.2
Ancillary income	2.9	3.3
Staff costs	(63.2)	(52.8)
Other operating expenses	(87.9)	(71.8)
Lease costs	(2.4)	(2.4)

The group's service fee income derives from the provision of administrative services to Toyota. Commissions and ancillary income are generated from two sources: first, from the Groups brokering placing of insurance business or where the Group sells insurance products when it is not acting as underwriter. Secondly, the Group received commission income where it has agreed quota share arrangements with reinsurers, whereby the reinsurer pays the Group a commission. Staff costs relate to staff salaries, bonuses and social security costs. Operating expenses are business expenses which are not directly related to the settlement or handling of claims. Lease costs are mainly for the rental of office space.

A.5 Any other information

The following significant capital transactions occurred during the year:

- ANDI UK continued to have capital strain, caused mainly from losses experienced in the year, and the Company provided additional capital of £40m.
- The Group agreed its 5-year plan for 2023-2027 with ADJ and based on this ADJ provided £140m capital in December 2023 into the Company.
- The following significant capital transactions occurred within the Group following the end of the reporting period (31 December 2023):
  - On 7 March 2024, the Company injected £40m of capital into the ANDI UK, which, aligned to the business plan moves the SCR coverage ratio above 150%.
  - On 25 March 2004, the Company injected €30m of capital into AND-E SE, which, aligned to the business plan maintains the SCR coverage ratio above 150%.

On 10 January 2024 ANDEL repaid a loan provided by ADJ during 2023. The repayment of this loan was a condition of a capital injection of £140m from ADJ which was received on 29 December 2023. Therefore, the repayment of the loan has been treated as an adjusting balance sheet event for both the corresponding asset and liabilities within the Groups own funds.

System of governance

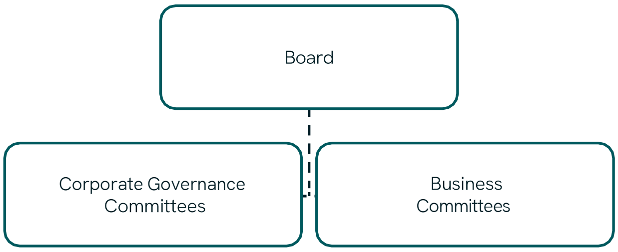
B. System of governance

B.1 General Information

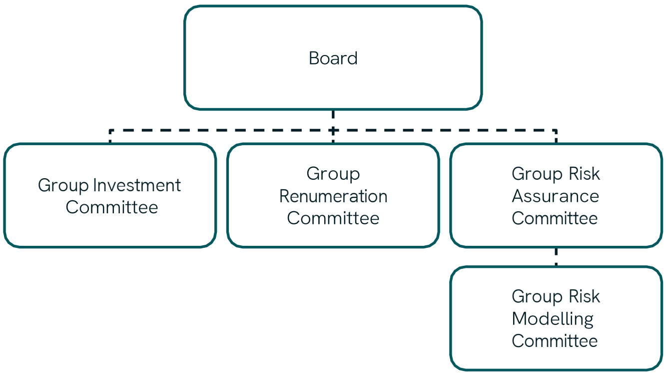
B.1.1 Board Structure and Roles

The system of governance is considered to be appropriate for the Group taking into account the nature, scale and complexity of the risks inherent in the business.

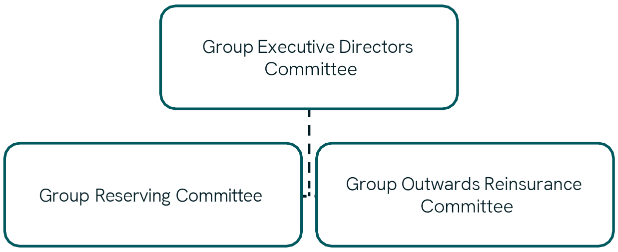
The Board is ultimately responsible and accountable for the performance and strategy of the Group and for ensuring that the Group complies with all legal, statutory, regulatory and administrative requirements. To support the efficient management of the Group the Board has delegated certain functions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



The Corporate Governance committees are structured as follows.



The Business Committees are structured as follows.



B.1.2 The Board and its Committees

The Board:

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

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

Group Risk Assurance Committee

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

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

Group Investment Committee

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

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

Group Remuneration Committee

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

Group Risk Modelling Committee

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

The Committee typically meets four times a year. The Committee is chaired by the senior independent non-executive director. In addition to

B. System of governance continued

the non-executive director, the Committee's members are the Group Chief Executive Officer and four members of executive management: the Group Risk Assurance Director, the Group Chief Financial Officer, the Group Head of Actuarial and the Group Capital Senior Manager.

Group Executive Directors' Committee

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

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

Group Reserving Committee

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

The Committee meets at least six times a year. The Chair of the Committee is the Group Chief Financial Officer. The other Committee members are the Group Chief Executive Officer, the Deputy Chief Executive Officer, the Group Head of Actuarial and the Group Chief reinsurance Officer.

AND-E (LIFE) has its own actuarial function, which is responsible for calculating AND-E (LIFE)'s actuarial reserves in accordance with legal and regulatory requirements. The monitoring of AND-E (LIFE)'s reserves is carried by AND-E (LIFE)'s own board of directors and ultimately overseen by the AND-E SE Board.

Group Outwards Reinsurance Committee

The purpose of the Group Outwards Reinsurance Committee is to ensure that the Group's outwards reinsurance programme is enacted correctly and in line with the Board approved risk appetite and other relevant policies. The Committee is charged with formulating and placing the most appropriate reinsurance programme and monitoring the programme to ensure the Group remains protected.
The Committee reports to the EDC and the GRAC and meets at least four times a year. The Committee is chaired by the Group Chief Executive Officer. Members of the Committee are the Group Chief Financial Officer, the Group Deputy Chief Executive Officer, the Group Chief Actuary, the Group Chief Reinsurance Officer and the reinsurance manager.

B.1.3 Remuneration policy and practices

The Group's remuneration policy is designed to attract and retain suitable employees to assist the Group in meeting its aims. The Group seeks to provide a base salary together with a benefits package that will ensure the long-term security and health of its employees. Salaries and benefits are reviewed regularly to take account of the performance of the Group and the latest employment trends. The Group is committed to being a fair and equal employer and the remuneration policy is designed to support this objective. In the UK, there are two employing entities, ANDEL, the Group's holding company and regional headquarters, and ANDIM, the management services company. In those countries where the Group has branches, the branches themselves (of either AND-E SE or TIM SE) are the employing entities, while AND-E (LIFE) also has employees.

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

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

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

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

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

B.2 Fit & proper requirements

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

B.2.1 Assessment of fitness and propriety

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

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

In addition, staff should be sufficiently qualified to enable them to discharge their duties. In significant areas of responsibility, senior

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management and those undertaking other certification functions should be qualified to provide sound and prudent management of the Group or associated part of the Group. Policies and processes are in place to assessing and ensure ongoing compliance with fitness and propriety requirements.

B.2.2 Technical and professional development

All employees' training needs are assessed upon joining and at regular intervals thereafter (including if their role changes). Appropriate training and support is provided to ensure that any relevant training needs are satisfied. The quality and effectiveness of such training is reviewed by the Human Resources department and the employees line manager. All employees' competence is reviewed on a regular and frequent basis and appropriate action is taken to ensure that they remain competent for their role. Maintaining competence will consider, where relevant, such matters as:

- Technical knowledge and its application;
- Skills and expertise; and
- Changes in the market to products, legislation and regulation.
- "Competence" means having the skills, knowledge and expertise needed to discharge the responsibilities of an employee's role.
- This includes achieving a good standard of ethical behaviour.

B.3 Risk management system (including ORSA)

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

B.3.1 Enterprise risk management framework

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

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

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

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

The risk management framework covers the management of the risk categories and sub-categories as detailed in the Group's Risk Management Policy.

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

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

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

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

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

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

B.3.2 Three Lines of Defence Model

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

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

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

B.3.3 Own Risk and Solvency Assessment

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

The Group has not completed a full capital model which combines its non-life and life insurance subsidiaries. While there is a theoretical additional level of precision which could be derived from combining the ANDI UK, AND-E SE and AND-E (LIFE) figures, the benefit would be marginal compared to the level of effort required to model risks fully on a combined basis. Instead, the Board has approved an approach which, for ORSA purposes, combines the capital requirements for AND-E SE and ANDI UK and consolidates the results with the capital

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requirements of AND-E (LIFE) by using an aggregation method prescribed in the Solvency II directive.

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

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

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

- The start or cession of a material or significant line of business
- Significant changes to capital structure
- 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; or
- Other external change which significantly affects the viability of the Company's business model

The Board can request the Risk Management team to run the full ORSA process, even if the Risk and Compliance function determines it is not necessary. The Board reviews the ORSA report and uses this to guide key decisions for the business, such as:

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

In relation to the SCR, the Group produces a five-year projection of the Group's SCR position in line with the Group's business plan horizon. The ORSA, which is prepared on a 1 Year to Ultimate time horizon basis, is compared to the results of the SCR projection (1 Year time horizon basis) to determine whether additional solvency cover is required. The outcome of this assessment is recorded in the ORSA report and shared with the Group's regulator as required.

B.4 Internal control system

Internal controls are the processes established by the Board to provide reasonable assurance of effectively and efficiently meeting, inter alia, the Group's various operational, financial and compliance objectives. The system of internal control includes all policies and procedures adopted by management to assist in achieving the Group's objective of ensuring, as far as practicable, the orderly and efficient conduct of its business.

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

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

B.4.1 System of internal control objectives

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

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

B.4.2 Components of internal control

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

a) Control Environment

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

The Board is responsible for:

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

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

The Executive and senior management are responsible for:

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

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- Monitoring the adequacy and effectiveness of the internal control system.

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

b) Risk Assessment

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

c) Control Activities

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

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

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

d) Information and Communication

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

e) Monitoring

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

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

B.4.3 Compliance Function

The Compliance Function is responsible for:

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

The Compliance Function across the Group comprises of the following;

ANDI UK

The Risk and Compliance Function is headed by the Director of Risk and Compliance UK and consists of two compliance teams, "Compliance Advisory & Regulatory Intelligence" and "Compliance Monitoring & Regulatory Relationships" and one Risk team.
The Director of Risk and Compliance UK reports to the Chief Executive Officer UK and has independent access to the Board and its Committees.

AND-E SE

The Compliance Function is led by the Head of Compliance as key function holder who is supported by the branch compliance representatives and teams, who are responsible for local matters. The Compliance Function has independent access to the Audit Risk Compliance Committee ("ARCC") and the Board.

The Risk and Compliance Functions are responsible for:

- Ensuring that suitable, robust, integrated frameworks, policies, procedures and tools for risk and compliance management are in place to enable the first line of defence to identify, assess, mitigate and report on the exposure of their risks;
- Monitoring and reviewing the performance of risk management processes across the business and providing independent insight;
- Providing an enterprise-wide view on the risk profile and reporting to management and the GRAC/ARCC on the level at which the Company is operating against its Risk Appetite;
- Completing compliance monitoring and risk assurance reviews, reporting to management and the GRAC/ARCC and to ensure regulatory risks have been identified and are appropriately controlled;
- Following up identified deficiencies and suggesting improvements as necessary;
- Supporting regulatory engagement with the CAA, PRA, FCA and other regulators and
- Providing advice, guidance and challenge across risk and regulatory matters where required.

B.5 Internal Audit Function

B.5.1 Description of how the internal audit function is implemented

The Board has established an Internal Audit Function, which is the third line of defence in the Group.

The Group's Internal Audit Functions are overseen by the GRAC for ANDEL and ARCC for ANDUK and ANDIE SE and report through the GRAC/ARCC quarterly but also has a regular reporting line to the relevant Chief Executive Officer. Internal Audit is also able to report directly to the GRAC/ARCCs outside the regular committee meetings. The GRAC/ARCC is responsible for agreeing an annual programme of internal audit activity, overseeing the performance of internal audits and ensuring that all major issues reported by the Internal Audit function have been satisfactorily addressed.

On a day-to-day basis in the UK the internal audit activity is performed by the outsourced internal audit firm, BDO LLP.

In Europe, the day-to-day internal audit business is overseen by the Head of Internal Audit. When necessary, AND-E SE can utilise specialist resource from external or internal providers, when there are no conflicts of interest. The use of specialist external resources helps to ensure the independence of the function and provides the business with a wider range of skills for performing audit activities than is available

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from suitably independent internal staff.

B.5.2 Independence and objectivity

Internal Audit is independent from all operational activities.

The primary role of Internal Audit is to help the Board and Executive Management to protect the assets, reputation, and sustainability of the organisation. It does this by assessing whether all significant risks are identified and appropriately reported by management and the Risk function to the Board and Executive Management; assessing whether they are adequately controlled; and by challenging Executive Management to improve the effectiveness of governance, risk management and internal controls. The independence of the internal audit function helps to ensure that accurate and wholly independent reports are provided to governance forums without undue management influence.

The internal audit function service provider is chosen through a tender process involving reputable audit firms and the independence of that firm is regularly reviewed. Internal audit also reviews the effectiveness of the Group's risk functions.

B.6 Group Actuarial Function

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

- ANDI UK – the role of actuarial function holder for ANDI UK is fulfilled by the Group's Head of Actuarial. The Actuarial Function Holder is a member of the Institute and Faculty of Actuaries, holds a relevant Practising Certificate and has complied continuously with the specific professional obligations that this requires.
- AND-E SE – the Actuarial Function Holder is a member of the AND-E SE actuarial team and part of the Group's Actuarial team. The Actuarial Function Holder is a member of the Institute of Actuaries of Luxembourg-ILAC has complied continuously with the specific professional obligations that the Institute requires.
- AND-E (LIFE) – the Actuarial Function Holder is a qualified actuary who is a member of the AND-E (LIFE) board of directors.

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

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

The Actuarial Functions are responsible for:

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

B.7 Outsourcing

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

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

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

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

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

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

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

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

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- 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 is closely monitored on the performance, as well as on business contingency plans, including exit plans.

The Group has an appropriate due diligence process for accepting an outsourced service provider. Criteria for selecting an outsource service provider shall be defined and documented as part of the "PEM" (Proposals Evaluation Matrix) i.e. taking into account the:

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

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

- Category A: Outsourcing activities under this category demand a higher level of monitoring, especially if an Important Business Service (IBS) is outsourced. This would include monthly meetings / performance reviews, enhanced due diligence on renewal, regular performance audits and may require the appointment of a responsible person.
- Category B: Outsourcing activities under this category require quarterly meetings / performance reviews, due diligence on renewal and performance audits.
- Category C: Outsourcing activities under this category require yearly meetings / performance reviews.
- Category D: Outsourcing activities under this category do not require regular monitoring.

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

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

a. Policy administration and underwriting

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

b. Claims

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

c. Audits

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

d. Business continuity planning

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

e. Human Resources

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

f. Investment management

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

B.8 Any other information

There are no further disclosures to add.

Risk profile

C. Risk profile

The Board has established an enterprise risk management framework comprising risk identification, risk assessment, control and reporting processes. The Board is assisted in its oversight of the risk management framework by the Corporate Governance and Business committees.

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

The Group has carried out various tests and examined plausible scenarios against the ORSA capital requirements. These included a failure to meet growth targets, sales targets (supply chain), loss of significant strategic partners, macroeconomic scenarios (impact of inflation, Ogden rate change, deterioration in corporate credit quality and interest rate movements), loss of key business lines, cyber-attack and GDPR breach. The Group also performed various reverse stress tests, including:

- Loss of capital/reinsurance support;
- Inability of ADJ to provide support (downgrade/deterioration);
- Capital exhaustion; and,
- Business partners unwilling or unable to transact business.

C.1 Underwriting and Reserve risk

C.1.1 Nature of the risk

This is the risk that arises from the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities. It manifests itself in variability in the contribution towards expenses and profits.
The risk arises both from current year activity (premium risk) and the run-off of claims which occurred in the current year and prior years (reserving risk).

C.1.2 Information on the underwriting risk exposure

The SCR position at the reporting date was:

Non-life underwriting risk by SCR sub-module	2023 £m
Premium and reserve risk	91.0
Catastrophe risk	21.7
Lapse risk	0.9
Undiversified total	113.6
In-module diversification	(14.9)
Diversified total	98.7

C.1.3 Methods used to assess and quantify the risk

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

As part of the ORSA process, insurance risks are quantified internally using a simulation model which is used to assess variability of the contribution compared to the business plan. Various validation tests have been performed focusing on the reasonableness of the ORSA capital results.

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

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

a. Current year loss ratio

The risk of the current attritional loss ratio being different from the expected level, due to market wide trends or Group specific variability. Some examples of market-wide trends are claims inflation, changes in the level of competition, etc. In effect this represents the variability that exists within each market's insurance cycle.
Deviation from plan can occur due to natural random variability but can also be because of variation in the Group's success at achieving planned claims savings.

b. Claim frequency and severity

For large claims (greater than £100k indexed), the Group models the typical variation in the frequency and severity of claims.

c. Natural catastrophe

The Group models the typical variation in frequency and severity of losses due to Natural Catastrophe events. The Group's greatest exposure to Natural Catastrophes differs by geographic location, the most significant perils are Italy hail and German floods.

d. Reserve run-off and ENID scenarios

The Group models the reserve runoff using a standard market practice: the one-year Mack bootstrap. ENID scenarios are applied on top of the reserve run-off in order to capture Events Not In Data considering the likelihood/severity of such scenarios.

C.1.4 Risk mitigation

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

Reinsurance is used to manage insurance risk. A significant reinsurance quota share is placed with the Company's parent, ADJ, which is A+ rated. The Group also enters quota share and co-insurance arrangements with third parties. The Group also places an excess of loss programme with a high-quality panel of reinsurers, including its parent company. The mitigating impact of reinsurance is allowed for in the ORSA capital model results.

The risk of default by reinsurers is discussed in the section on Credit risk.

C.1.5 Risk sensitivity for underwriting risks

The Group has considered the impact on its solvency of a 1% increase of the Group's net earned loss ratio. Should this occur the Group's year-end solvency would be reduced by £3m. The Group's solvency surplus would be sufficient to absorb a loss of this level.

C. Risk profile continued

C.2 Market risk

C.2.1 Information on the market risk exposure

The SCR position at the reporting date was:

Market risk by SCR sub-module £m	2023
Interest rate risk	13.0
Equity risk	2.2
Spread risk	11.9
Currency risk	10.6
Property risk	3.2
Concentration risk	0.1
Undiversified total	**41.0**
In-module diversification	(14.8)
Diversified total	**26.2**

C.2.2 Nature of the risks

The Group's investments consisted of

£m	2023	2022
Equities	2.5	2.1
Bonds	312.4	303.5
Money market fund holdings	284.7	58.3
Time deposit	2.7	-
Cash	31.2	101.3

The Group also has subsidiary companies as detailed in the Group structure chart in Section A1 and there is a risk that the valuations of these companies (treated in the Solvency II balance sheet as both participations and other liabilities, due to a negative balance for some entities) will change because of their performance.

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

An alternative to investing in fixed income bonds is to invest in cash or money market funds. 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 in the mid to long term, and reduces the ability to asset and liability match, as this is affected by fluctuating interest rates.

Other than subsidiaries held for strategic purposes, the Group's investment policy is to limit the amount of equities it holds. This is subject to ongoing review. Only AND-E (LIFE) has non-subsidiary equity investments.

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

C.2.3 Measures to assess the risks

Market risks are quantified using the standard formula which is calibrated based on long term market risk parameters. The following risks are material to the Group:

- Interest rates risk – the movement on net assets from applying a yield curve shock to both assets and liabilities
- Spread risk – the movement on net assets from applying a shock to credit spreads
- Concentration risk – a charge is estimated where the exposure to a single counterparty (including related counterparties) exceeds specific thresholds.

C.2.4 Risk mitigation techniques

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

- The Group has an asset liability management ("ALM") framework that has been developed to achieve investment returns in excess of obligations under insurance contracts. The principal technique of the ALM framework is to match assets to the liabilities arising from insurance contracts by reference to the expected timing of settlement of liabilities. The assets of AND-E (LIFE) are managed separately from the general business but according to the same principles. The ALM framework is integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities;
- The Group monitors interest rate risk by calculating the mean duration, by currency and subsidiary, of the investment portfolio and of the insurance liabilities. The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates. Any gap between the mean duration of the assets and the estimated mean duration of the liabilities is minimised by means of buying and selling fixed interest securities of different durations;
- The Group has a defined investment policy which sets limits on exposure to securities both in aggregate terms and by geography, industry and counterparty. Investment management meetings are held quarterly. The Group invests principally in high quality corporate bonds in the UK and Europe, with the average rating of the bond portfolio of A+ (2022: A+) and duration of 3.0 years (2022: 3.4 years). Corporate bonds below investment grade are not permitted.
- ANDI UK and AND-E SE maintain the outsourced management of its bond portfolio with Goldman Sachs Asset Management, while AND-E (LIFE) uses DEVK Asset Management.
- The Group seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

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

C.2.5 Risk sensitivity analysis

Interest rate and credit spread risk

The Group is exposed to movements in interest rates and credit

C. Risk profile continued

spreads, which affect the value of the Group's mark-to-market financial investment holdings and the value of its technical provisions. The standard formula SCR calculation includes interest rate and credit spread shock scenarios. The combined impact of these shocks increased the Group's SCR by £5.8m (against a total SCR of £144m).
Inflation risk

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

The global economic and political outlook remains uncertain and there is a risk of inflation continuing at elevated levels for a prolonged period. Heightened geo-political risk in the Middle East has the potential to impact inflation. The Group continues to actively monitor inflation and its potential to impact on the Group and its subsidiary's capital resources.

C.3 Credit risk

C.3.1 Nature of the risk

Credit risk is the risk of loss or adverse change in the financial position, due to the fluctuations in the credit standing of issuers of securities, counterparties, or any other debtors. The Group's credit risk arises predominantly from investment activities, reinsurance activities, dealings with intermediaries and balances owing from policyholders, noting the largest single credit exposure is material - exposure to ADJ via quota share arrangements and to a much smaller extent ADJ's participation to the XoL programmes.

The SCR position at the reporting date:

Credit risk by SCR sub-module £m	2023
Type 1 Counterparty risk	17.3
Type 2 Counterparty risk	11.5
Undiversified total	**28.8**
In-module diversification	(1.8)
Diversified total	**27.0**

C.3.2 Measures to assess the risks

The Group measures the capital requirement for credit risk using the Standard formula. The Standard formula considers probability of default and recovery rate (given default) on reinsurance recoveries/investments and bank balances based on long term market information. For insurance receivables (premium receivable and intermediaries), different charges are applied depending on how long the balances are overdue. Correlations between all the risks are also considered within the Standard formula.

C.3.3 Risk mitigation techniques

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

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

The Group places limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Much of the reinsurance is placed with the Group's parent company, which is A+ rated with regular reviews and updated provided to management on ADJ's financial performance. The Group does not have an explicit limit on reinsurance with its parent ADJ in 2023 and prior years. Recognizing that that the level of exposure is material, the Group has designed mitigating measures, primary through a Funds Withheld arrangement, with ADJ that has been implemented from 2024.

C.3.4 Risk sensitivity analysis

The Group's largest single exposure is to its parent ADJ (A+ rated) at around £394m, this is around 90% of the total reinsurance recoverable. As described under C.3.3, this is a material concentration of credit risk to a single reinsurer, and mitigation measures will be implemented from 2024 to reduce the level of credit risk to ADJ.

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

£m	2023	2022
BBB-rated investment exposure	38.4	33.8
% of total portfolio	12.3%	11.1%

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 Group's portfolio is kept in highly liquid marketable securities to meet liabilities as they fall due. Liquidity risk affects the Group and its subsidiaries in two main ways:

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

C. Risk profile continued

C.4.2 Measures to assess the risks

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

C.4.3 Risk Mitigation techniques

The Group has a robust liquidity risk management framework in place, commensurate with the nature and complexity of its operations. Liquidity is managed at both Group and on a subsidiary level. The Group carries out the following to mitigate liquidity risk:

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

C.4.4 Risk sensitivity analysis

The insurance business is broadly cash neutral, with some fluctuations over the year. The Group's fixed income bonds are highly liquid in most market circumstances. It would therefore require an extreme cash flow shock for a material liquidity risk to arise. Group's fixed income bonds have an average duration of 3 years, which is closely matched with the expected duration of the Group's liabilities. Close matching of assets and liabilities by duration reduces the risk that fixed income securities would need to be sold before their maturity date, thereby avoiding the realisation of currently unrealised losses on the investment portfolio. In extremis, however, the Group could take this step-in order to generate immediately liquid funds. Nonetheless, overall, the directors are confident that it would require an extreme cash flow shock for a material liquidity risk to arise.

C.5 Operational risk

Operational risk by SCR sub-module £m	2023
Operational risk	19.3

C.5.1 Nature of the risk

Operational risk arises from errors caused by people, processes or systems, leading to losses to the Group, or the risk that arises from unanticipated or poorly anticipated external events. Among the most important contributors to operational risk considered by the Group are:

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

C.5.2 Measures to assess the risks

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

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

C.5.3 Risk mitigations

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

In response to increased cyber-crime, the Group has continued to strengthen its controls around phishing emails, by enhancing multi-factor authentication across the business, updating the Group's key business applications, applying additional data security and protection applications and running focused cyber scenario exercises.

C.5.4 Risk sensitivity analysis and scenario stress testing

The operational risk SCR standard formula is 13.8% (2022: 11.7%) of the Group SCR as at the balance sheet date.

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

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

The analysis of operational risk carried out for the ORSA completed in January 2023 (based on data as at 31 December 2021) has arrived at an operational risk of £20m (2021: £20m), which is 3.6% higher than the amount calculated according to the SCR standard formula (2021: 32.5% higher). The SCR coverage ratio would be sufficient to absorb a loss at this level.

C. Risk profile continued

C.6 Other material risks

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.

A significant proportion of the Group's business relies on the parent company's relationship with Toyota. This mono-customer strategy (which applies to much of the business) is the Group's most significant strategic risk, as according to our reverse stress testing exercise it is considered to be the risk that is most likely to render the business model unviable. While the Group has diversified its product base and its business lines the relationship with Toyota is likely to remain the largest single distribution channel for some time. This risk is mitigated by the close relationships with Toyota within the Group and alignment of business planning and target setting activities across the Group and Toyota.

C.6.2 Reputational risk

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

The main forms of reputational risk affecting the Group are:

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

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

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

C.7 Any other information

No other information

Valuation for solvency purposes

D.Valuation for solvency purposes

Exemption from preparing consolidated financial statements

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

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

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

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

Solvency II balance sheet

The following table sets out the Group's assets and liabilities at 31 December:

£'m	2023	2022
Assets		
Deferred tax assets	15.1	6.7
Property, plant & equipment	12.9	10.3
Holdings in related undertakings	7.6	0.5
Equities	2.0	2.1
Bonds	312.5	303.5
Collective investment undertakings	284.7	58.3
Reinsurance recoverables	432.8	277.9
Insurance receivables	19.9	29.7
Reinsurance receivables	12.3	9.0
Cash and cash equivalents	31.2	101.3
Any other assets	32.7	67.1
Total assets	**1,163.7**	**866.4**
Liabilities:		
Technical provisions – non-life	645.3	482.1
Technical provisions – health and life	23.0	16.5
Provisions other than technical provisions	-	2
Deferred tax	10.0	10.6
Insurance payables	31.2	25.6
Reinsurance payables	33.3	9.1
Any other liabilities	77.1	95.7
Total liabilities	**819.9**	**641.6**
Excess assets over liabilities	**343.8**	**224.8**

D. Valuation for solvency purposes continued

D.1 Assets

D.1.1 Deferred tax asset

Deferred tax assets are valued at fair value principles in accordance to IAS 12. Recoverability of any assets is assessed on a routine basis and are reduced to the extent that it is probable that they will not be recovered. Deferred tax assets and liabilities are calculated, within each individual tax jurisdiction and associated taxable entity, by the tax rates expected to apply when the assets are realised, or liabilities are settled based on laws and rates that have been enacted or substantively enacted at the balance sheet date.

D.1.2 Property, plant and equipment

Solvency II requires plant and equipment to be held at fair value. Cost less depreciation is considered an approximation for fair value.
Right-of-use lease assets have been recognised in the Solvency II balance sheet in accordance with IFRS 16 rules and these are assumed to approximate to fair value.

D.1.3 Holdings in related undertakings, including participations

As explained above, the Group's IFRS consolidated financial reporting consolidates the assets and liabilities of ANDEL and its subsidiaries (as set out in A.1.5 above) and the Scope of the Group used for consolidated financial statements and scope for the Group for Solvency II purposes is explained in this section above. Within the IFRS consolidation, ANDEL's investments in subsidiaries (both direct and indirect) are replaced by the underlying assets and liabilities of these subsidiaries.

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

D.1.4 Equities

The equity investments are held at fair values. Fair values are quoted prices, unadjusted, in active markets for identical assets. The Group can access these quoted prices at the measurement date.

D.1.5 Bonds

The bond portfolio is valued at fair value based on market prices as at the reporting date. Changes in the market value of the bonds are included in the reported Solvency II valuation. There are no material estimates or judgements made when reporting the value of the bonds. Under Solvency II, the value reported includes any interest accrued on each holding. In the annual accounts this accrued interest is reported as a separate asset under "Accrued interest".

D.1.6 Collective investment undertakings

In the annual accounts of the solo insurance undertakings, 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 as cash and cash equivalent, when they are readily accessible from banking counterparties within 24 hours, or collective investment undertakings, when they are money market funds.

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

D.1.7 Reinsurance recoverables

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

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

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

D.1.8 Insurance and intermediaries receivables

Insurance and intermediaries receivables comprise mostly insurance premiums past due from policyholders or amounts due from intermediaries in relation to amounts collected from policyholders. The Group maintains a provision for doubtful debts, based on prior loss experience.

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

D.1.9 Reinsurance receivables

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

D.1.10 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. There are no material estimates or judgements when reporting the value of cash and cash equivalents.

D.1.11 Any other assets

Any other assets includes taxation debtors, deposits other than cash equivalents, other investments and other debtors. Prepaid expenses are eliminated under Solvency II valuation rules. These assets are mostly short-term in nature so the carrying value is considered to approximate to fair value. Any discounting for the time value of money would not have a material effect. There are no material estimates, assumptions or judgements when reporting the value of these assets.

D.2 Technical provisions

D.2.1 For each line of business: the value of technical provisions; the bases, methods and assumptions used

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.

D. Valuation for solvency purposes continued

As at 31 December, the technical provisions were:

Technical provisions £m	2023		2022	
Class of business	Net best estimate	Risk Margin	Net best estimate	Risk Margin
Motor Vehicle Liability	157.9	3.2	131.1	4.2
Motor, Other Classes	32.6	2.3	48.2	3.0
Miscellaneous Non-Life Insurance	19.3	1.0	16.3	1.6
General Liability	0.1	-	0.1	-
Credit and Suretyship	0.7	-	-	-
Marine, Aviation and Transport	0.3	-	-	-
Assistance	0.3	-	-	-
Fire and Other Damage	0.1	-	0.2	-
Other life business	16.7	1.0	16.9	0.9
Total	**228.0**	**7.5**	**212.8**	**9.7**

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

For the Non-Life business, the basis on which the technical provisions, which comprises of the best estimate claims provision and premium provision and a risk margin are calculated is outlined below:

- The IFRS4 gross and net claims provision (excluding management margin) forms the basis of the gross and net Solvency II claims provision.
- The Solvency II Premium provision consist of the following:
  - Gross expected claims arising from the following exposures:
    - the Unearned premiums under IFRS4; and,
    - Bound But Not Incepted ("BBNI") business – policies have not yet incepted at the valuation date that the group is legally obliged to.
  - Future receivables (policy holders and intermediaries that are not yet overdue), this is material to the group and materially effectively reduce the SII Premium provision.
  - Allowance for expected lapse/cancellation on all the above
  - Allowance for expected future reinsurance premium payments and expected reinsurance recoveries on claims.
- Other SII adjustments that applies to both SII claims and premium provisions to form part of the best estimate:
  - Expenses: adjustment for overhead expenses including investment expenses.
  - Events Not In Data ("ENIDs"): additional allowance for low frequency high severity events which is not captured within the claims and premium provisions, with allowance for reinsurance recoveries.
  - Discounting is applied to all the cashflows using the risk-free yield curves published by the PRA.
  - Expected losses from reinsurer default.
- Solvency II Risk Margin
  - The SII Risk Margin effectively replaces the Management margin under IFRS4.
  - It is calculated by projecting the various components of the SCR and discounting these using the PRA risk free yield curves assuming a 4% cost of capital rate (cost of capital rate prescribed by the PRA).

There have been no material changes in assumptions made in the technical provisions calculation since the prior year, apart from a minor simplification in ENIDs methodology and recalibration of assumptions to better reflect the range of ENIDs that can be expected considering our business profile; and the change in cost of capital from 6% to 4% following the PRA Risk margins changes.

There is inherent uncertainty around the best estimate technical provisions, noting that there is significantly more uncertainty around the premium provision considering the premium provision is in relation to events that have not even happened yet.

The largest areas of uncertainty during 2023 are claims inflation, higher levels of frequency of whole vehicle thefts and the improvements on performance from underwriting actions, these have been explicitly considered and adjusted for in the technical provisions.

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

D. Valuation for solvency purposes continued

D.2.2 Qualitative and quantitative explanations of differences of bases, methods and assumptions used between the valuation for solvency purposes and the financial statements

Technical provisions £m	Motor vehicle liability	Motor, Other Classes	Misc. Non-Life Insurance	Other life insurance	Total
Gross					
UK GAAP* Best estimate	575.4	288.8	32.6	14.1	910.9
SII adjustments	(145.3)	(108.4)	(9.3)	-	(263.0)
SII best estimate	**430.1**	**180.4**	**23.3**	**14.1**	**647.9**
Net					
UK GAAP* Best estimate	248.7	100.3	32.2	14.1	395.3
SII adjustments	(90.8)	(67.7)	(12.9)	-	(171.4)
SII best estimate	**157.9**	**32.6**	**19.3**	**14.1**	**223.9**
Risk margin	3.2	2.3	1.0	0.8	7.3
SII total net best estimate	161.1	34.9	20.3	14.9	231.2

*UK GAAP represents IFRS 4 basis for insurance contracts.

D.3 Other liabilities (other than technical provisions)

Qualitative and quantitative explanations of differences of bases, methods and assumptions used between the valuation for solvency purposes and the financial statements.

D.3.1 Deferred tax liabilities

The deferred tax liability arises on temporary timing differences on the valuation of assets and liabilities under Solvency II. Deferred tax assets and liabilities are calculated, within each individual tax jurisdiction and associated taxable entity, by the tax rates expected to apply when the assets are realised, or liabilities are settled based on laws and rates that have been enacted or substantively enacted at the balance sheet date.

D.3.2 Insurance and intermediaries payable

The insurance and intermediaries payable comprise of direct insurance payables and other insurance payables. The insurance payables are valued initially at fair value and subsequently at amortised cost using the effective interest rate method. However, as these liabilities represent the amounts to be paid to insurance claimants these amounts are not revalued to amortised cost as they are typically settled in the short-term, with the settlement amount rarely differing from the initial valuation. This valuation therefore substantially equates to fair value and is used for Solvency II valuation purposes. Similarly, the carrying value of payables due from intermediaries substantially equates to fair value and is used for the Solvency II valuation.

There are no material estimates, assumptions or judgements when reporting the value of insurance payables and payables due from intermediaries.

D.3.3 Reinsurance payables

Reinsurance payables represent premiums due to reinsurers. They are valued initially at transaction value plus attributable costs. They are subsequently measured at amortised cost using the effective interest rate method. As the majority of payables are short-term in nature the carrying value is considered to approximate to fair value. Any discounting for the time value of money would not have a material effect.

There are no material estimates, assumptions or judgements when reporting the value.

D.3.4 Any other liabilities, not elsewhere shown

The other liabilities represent accruals, R&D Lab's negative Solvency II valuation (treated as a negative participation) (£2.1m), lease liabilities (£9.1m) and other liabilities.

Accruals are recognised in line with IFRS requirements, so the Group accrues when it is probable that the Group will be required to settle an obligation and a reliable estimate can be made of the amount of the obligation.

Lease liabilities are recognised in accordance with the requirements of IFRS 16, with these values assumed to approximate fair value.
Other liabilities are recognised initially at transaction value plus directly attributable costs. As the majority of liabilities are short-term in nature the carrying value is considered to approximate to fair value. Any discounting for the time value of money would not have a material effect.

There are no material estimates, assumptions or judgements when reporting the value.

D.3.5 Contingent liabilities

As at the reporting date, one of the Group's subsidiaries, which is has been in run off since 2021, held a contingent liability. The Group obtained external legal advice in relation to long standing liabilities, given the time elapsed since the generation of the liabilities, and that

D. Valuation for solvency purposes continued

sufficient information had been supplied to the counterparties to enable them to reliably estimate any amounts due, the UK Limitation Act would apply to the liabilities. There remains a remote risk that, despite the legal advice, the position could be tested, in which case the liabilities would need to be reinstated, in part or in full.

D.4 Alternative methods for valuation

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

D.5 Any other information

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

The assets and liabilities of the other entities within the group are valued in accordance with Solvency II valuation principles for both the solo entities. There are no differences between the valuation for solvency purposes used at Group level for the valuation of the Group's assets, technical provisions and other liabilities and those used by the Group's subsidiaries (solo or company-only basis), apart from the following:

- The cost of capital assumption for the calculation of the risk margin is 4% for ANDI UK and the consolidated Group entity. However, it is 6% for AND-E (LIFE) and AND-E SE solo entities, these cost of capital assumptions are based on the respective regulations from PRA and EIOPA.
- The EIOPA yield curves are used for valuation of AND-E (LIFE) and AND-E SE entities, and the PRA yield curves are used for valuation of ANDI UK and the consolidated Group entity.

Capital Management

E. Capital Management

E.1 Own Funds

The capital management objective of the Group is to maintain sufficient own funds to cover the SCR and the MCR with an appropriate buffer which takes account of the Group's growth ambitions as set out in its business plan. The Board and the Board Committees consider at least quarterly the ratio of eligible own funds over the SCR and MCR. The Group prepares solvency projections over a five-year period as part of the business planning process. The ORSA, which is prepared on an ultimate basis i.e. considers the risks of the business over the whole term until the liabilities are settled as opposed to just considering the volatility over the next 12 months which is the basis of the SCR (noting that one year of future business is included in the ORSA assessment, this is aligned with the SCR basis) determine whether additional solvency cover is required. The outcome of this assessment is recorded in the ORSA report and shared with the regulator as required. There are no material changes with regards to objectives, policies or processes for managing the Group's own funds during the year.

Own funds are the regulatory capital resources of an insurance undertaking or group under SII. Own funds for the Group consist of the excess of assets over liabilities (including technical provisions), all of which are valued in accordance with Solvency II regulations. The Group's eligible own funds are primarily invested in high quality fixed income securities, in cash in bank accounts or in money market funds. The Group does not intend to change its investment policy or to make any change to the disposition of own fund items.

	2023 £m		2022 £m	
	Tier 1	Tier 3	Tier 1	Tier 3
Ordinary share capital	490.0	-	350.0	-
Reconciliation reserve	(161.3)	-	(131.9)	-
Excess of assets over liabilities eligible to meet MCR		**328.7**		**218.1**
Deferred tax asset	-	15.1	-	6.7
Excess of assets over liabilities eligible to meet SCR		**343.8**		**224.8**

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

The deferred tax asset is classified as Tier 3 own funds. Tier 3 own funds are restricted to 15% of the amount of the SCR and are not eligible to cover the MCR. The Group's Tier 3 own funds are in line with the value of the deferred tax asset held in the Group's IFRS reporting and are below 15% of the SCR, so none of the deferred tax asset is considered ineligible for recognition as part of the Group's own funds. None of the Group's own funds are subject to transitional arrangements and the Group has no ancillary own funds. No deductions are applied to own funds. There are no own shares held.

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

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

These differences can be summarised as follows:

£m	2023	2022	Ordinary share capital
Net asset value per IFRS	**347.0**	**230.7**	Per IFRS reporting
Revaluation of net technical reserves	360.9	296.6	Differing reserving basis under Solvency II
Deferred acquisition cost	(80.5)	(74.4)	No DAC for Solvency II
Intangible assets	(4.4)	(9.4)	Written off for Solvency II
Holdings in related undertakings	0.5	0.5	Non-consolidated subsidiaries have a negative impact on Solvency II own funds
Other assets and liabilities	(279.7)	(219.2)	Net impact of adjustments to fair value
Own funds under Solvency II	**343.8**	**224.8**	Solvency II own funds

E. Capital Management continued

The movement of own funds on a Solvency II basis during 2023 was as follows:

£m	2023	2022
Own funds brought forward 1 January	224.8	280.9
Movement in year	119.0	(56.1)
Own funds as at 31 December	343.8	224.8
SCR	144.4	129.9
SCR Coverage	**238%**	**173%**
MCR	48.9	47.30
MCR Coverage	**672%**	**461%**

The significant changes in 2023 in own funds were the capital injection (£140m) less the loss for the year before taxation (£31.3m) plus increase in other assets (£3.8m in ANDI UK and £6.6m in AND-E (SE)).

Annual and quarterly reporting throughout both 2023 and the prior year have shown that the Group has complied continuously with both the MCR and the SCR throughout the reporting period.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Group's SCR is fully covered by Tier 1 Own Funds.
As described in section E1, the Group has used the accounting consolidation-based method to calculate group solvency. The standard formula is used to calculate the SCR, without modification for undertaking specific parameters. Other than the calculation of the risk margin, the Group has not used any permitted simplifications.

Component £m	2023	2022
Non-life underwriting risk analysed by:		
- Premium and reserve risk	91.0	81.6
- Catastrophe risk	21.7	5.1
- Lapse risk	0.9	0.3
- Diversification credit	(14.9)	(3.9)
Health underwriting risk	-	-
Life underwriting risk analysed by:	-	-
- Mortality risk	1.4	1.3
- Disability risk	1.1	1.1
- Life expense risk	0.4	-
- Lapse risk	3.5	2.7
- Catastrophe risk	3.0	2.9
- Diversification credit	(3.3)	(2.8)
Market risk analysed by:		
- Interest rate risk	13.0	9.8
- Equity risk	2.2	0.6
- Property risk	3.2	2.6
- Spread risk	11.9	12.4
- Currency risk	10.6	16.3
- Concentration risk	0.1	-
- Diversification credit	(14.8)	(13.8)
Counterparty default risk	27.0	32.1
Diversification credit	(32.8)	(33.5)
Operational risk	19.3	15.1
SCR	**144.4**	**129.9**
MCR	**48.9**	**47.3**

E. Capital Management continued

The inputs used to calculate the MCR are the net technical provisions and the net written premiums in the last twelve months. The Group's MCR is the sum of the MCRs for ANDI UK, AND-E (SE) and AND-E (Life).

At the end of the reporting period the Group's MCR increased in 2023. The increase reflects the greater exposure to insurance risk as a result of the increase in the Group's underwriting volumes.

The Group's SCR has increased in 2023. Most components of the SCR have remained consistent with the prior year. Those areas which have moved more significantly are:

Risk	£m	Explained by
Non-life underwriting risk	15.6	Growth of the non-life insurance business
Life underwriting risk	0.9	Growth in the business volumes of AND-E (LIFE)
Interest rate risk	3.2	Increase in Group's investment portfolio, predominantly money market funds
Spread risk	(0.5)	Higher portion of Government bonds in the Group investment portfolio
Currency risk	(5.7)	Decreased due to proportionate reduction of EURO surplus assets
Counterparty default risk	(5.1)	Resulting from reduced receivable balances.
Operational risk	4.2	The increase in business volumes leading to larger operations
Other	1.9	Other components of market risk, due to increase in Group's investment portfolio
Increase in SCR	**14.5**	

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

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

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

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

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

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

E.6 Any other information

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

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

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

Audit Opinion

F. Audit Opinion

Report of the external independent auditor to the Directors of Aioi Nissay Dowa Europe Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

REPORT ON THE AUDIT OF THE RELEVANT ELEMENTS OF THE GROUP SOLVENCY AND FINANCIAL CONDITION REPORT

Opinion

Except as stated below, we have audited the following documents prepared by Aioi Nissay Dowa Europe Limited ('the Group' or 'the Company') as at 31 December 2023:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report of the Company as at 31 December 2023, (**'the Narrative Disclosures subject to audit'**); and
- Group templates S02.01.02, S23.01.22, S25.01.22, S32.01.22 (**'the Templates subject to audit'**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the **'Relevant Elements of the Group Solvency and Financial Condition Report'.**

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

- The 'Business and performance', 'System of governance' and 'Risk profile' sections of the Group Solvency and Financial Condition Report;
- Group templates S05.01.02, S05.02.01; and
- the written acknowledgement by the Directors of their responsibilities, including for the preparation of the Group Solvency and Financial Condition Report (**'the Responsibility Statement'**); and

In our opinion, the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report of the Company as at 31 December 2023 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which it is based.

Basis for opinion

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

Emphasis of Matter – special purpose basis of accounting

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

Going concern

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

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

Accordingly, we identified a fraud risk related to the valuation of technical provision, given the direct impact on the Group's results and the opportunity for management to manipulate assumptions due to the subjectivity involved.

F. Audit Opinion continued

We performed procedures including:

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

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

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

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.
We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

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

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

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report, for instance through the imposition of fines or litigation or the loss of Group's license to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity and certain aspects of Group legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

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

Other Information

The Directors are responsible for the Other Information.

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

In connection with our audit of the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors for the Group Solvency and Financial Condition Report

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

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

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

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

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

F. Audit Opinion continued

Condition Report.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other Information

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements for the year ended 31 December 2023. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

As set out in our audit report on those financial statements, that audit report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. The audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for that audit work, for the audit report, or for the opinions we have formed in respect of that audit.

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

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

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

Thomas Tiplin (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London, E14 5GL
1st May 2024

Appendix - Disclosures

Aioi Nissay Dowa

Solvency and Financial Condition Report

Disclosures

31 December

2023

(Monetary amounts in GBP thousands)

General information

Participating undertaking name	Aioi Nissay Dowa Europe Limited
Group identification code	213800NEYB7AD3MF5D48
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	31 December 2023
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business: Life insurance and reinsurance obligations
S.05.01.02 - Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations
S.05.02.01 - Premiums, claims and expenses by country: Life insurance and reinsurance obligations
S.05.02.01 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations
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	15,072
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	12,925
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	610,040
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	7,626
R0100	*Equities*	1,974
R0110	*Equities - listed*	1,928
R0120	*Equities - unlisted*	46
R0130	*Bonds*	312,538
R0140	*Government Bonds*	45,588
R0150	*Corporate Bonds*	265,982
R0160	*Structured notes*	0
R0170	*Collateralised securities*	968
R0180	*Collective Investments Undertakings*	284,703
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	2,691
R0210	*Other investments*	508
R0220	Assets held for index-linked and unit-linked contracts	0
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:	432,776
R0280	*Non-life and health similar to non-life*	427,444
R0290	*Non-life excluding health*	427,429
R0300	*Health similar to non-life*	15
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	5,332
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	5,332
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	19,947
R0370	Reinsurance receivables	12,322
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	31,241
R0420	Any other assets, not elsewhere shown	29,409
R0500	**Total assets**	1,163,731

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	645,369
R0520	*Technical provisions - non-life (excluding health)*	645,302
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	638,789
R0550	*Risk margin*	6,514
R0560	*Technical provisions - health (similar to non-life)*	66
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	63
R0590	*Risk margin*	3
R0600	Technical provisions - life (excluding index-linked and unit-linked)	22,961
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)*	22,961
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	21,995
R0680	*Risk margin*	966
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	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	10,022
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	31,155
R0830	Reinsurance payables	33,326
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	77,114
R0900	**Total liabilities**	819,946
R1000	**Excess of assets over liabilities**	343,785

S.05.01.02

Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations

		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	310	0	364,314	200,142	691	2,066	2,647	0	240	177	63,351					633,939
R0120	Gross - Proportional reinsurance accepted	0	0	0	1,517	6,096	0	0	0	0	0	0	2,138					9,751
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share	0	152	0	259,551	89,380	690	1,987	2,631	0	240	71	5,553					360,257
R0200	Net	0	158	0	106,279	116,858	1	79	16	0	0	106	59,936					283,433
	Premiums earned																	
R0210	Gross - Direct Business	0	320	0	332,875	166,417	748	2,175	2,891	0	240	178	53,658					559,501
R0220	Gross - Proportional reinsurance accepted	0	0	0	1,469	5,558	0	0	0	0	0	0	2,128					9,155
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share	0	158	0	210,159	72,119	1,003	2,244	2,927	0	240	75	5,330					294,256
R0300	Net	0	162	0	124,184	99,856	-255	-69	-36	0	0	103	50,456					274,400
	Claims incurred																	
R0310	Gross - Direct Business	0	41	0	331,050	156,205	669	-83	2,233	0	118	532	12,413					503,179
R0320	Gross - Proportional reinsurance accepted	0	0	0	1,052	4,906	0	0	0	0	0	0	101					6,059
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share	0	25	0	209,024	73,496	669	-201	2,252	0	119	242	2,135					287,762
R0400	Net	0	16	0	123,078	87,615	0	118	-19	0	-1	290	10,379					221,476
	Changes in other technical provisions																	
R0410	Gross - Direct Business	0	0	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	0					0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share	0	0	0	0	0	0	0	0	0	0	0	0					0
R0500	Net	0	0	0	0	0	0	0	0	0	0	0	0					0
R0550	**Expenses incurred**	0	46	0	24,980	35,550	-725	-323	157	0	10	21	42,549					102,264
R1200	**Other expenses**																	0
R1300	**Total expenses**																	102,264

S.05.01.02

Premiums, claims and expenses by line of business: Life insurance and reinsurance obligations

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross				25,219				1,516	26,734
R1420	Reinsurers' share				0				0	0
R1500	Net				25,219				1,516	26,734
	Premiums earned									
R1510	Gross				25,219				1,516	26,734
R1520	Reinsurers' share				0				0	0
R1600	Net				25,219				1,516	26,734
	Claims incurred									
R1610	Gross				4,213				1,287	5,500
R1620	Reinsurers' share				0				0	0
R1700	Net				4,213				1,287	5,500
	Changes in other technical provisions									
R1710	Gross				0				0	0
R1720	Reinsurers' share				0				0	0
R1800	Net				0				0	0
R1900	**Expenses incurred**				18,305				77	18,382
R2500	**Other expenses**									-24
R2600	**Total expenses**									18,359

S.05.02.01

Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations

		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			
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	294,030	124,403	122,665	47,293			588,391
R0120	Gross - Proportional reinsurance accepted	0	0	0	0			0
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0			0
R0140	Reinsurers' share	197,820	62,071	55,498	11,982			327,371
R0200	Net	96,210	62,331	67,167	35,311			261,020
	Premiums earned							
R0210	Gross - Direct Business	272,059	120,827	83,457	45,930			522,273
R0220	Gross - Proportional reinsurance accepted	0	0	0	0			0
R0230	Gross - Non-proportional reinsurance accepted	0	0	0	0			0
R0240	Reinsurers' share	159,542	59,322	37,885	11,438			268,189
R0300	Net	112,517	61,504	45,571	34,492			254,084
	Claims incurred							
R0310	Gross - Direct Business	259,580	113,537	67,151	23,064			463,332
R0320	Gross - Proportional reinsurance accepted	0	0	0	0			0
R0330	Gross - Non-proportional reinsurance accepted	0	0	0	0			0
R0340	Reinsurers' share	155,450	56,315	39,258	9,328			260,351
R0400	Net	104,130	57,222	27,894	13,735			202,982
	Changes in other technical provisions							
R0410	Gross - Direct Business	0	0	0	0			0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0			0
R0430	Gross - Non-proportional reinsurance accepted	0	0	0	0			0
R0440	Reinsurers' share	0	0	0	0			0
R0500	Net	0	0	0	0			0
R0550	**Expenses incurred**	31,493	17,212	25,675	21,937			96,318
R1200	**Other expenses**							
R1300	**Total expenses**							96,318

S.05.02.01

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

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
R1400			FR					
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	11,115	14,092					25,207
R1420	Reinsurers' share	0	0					0
R1500	Net	11,115	14,092					25,207
	Premiums earned							
R1510	Gross	11,115	14,092					25,207
R1520	Reinsurers' share	0	0					0
R1600	Net	11,115	14,092					25,207
	Claims incurred							
R1610	Gross	2,566	1,647					4,213
R1620	Reinsurers' share	0	0					0
R1700	Net	2,566	1,647					4,213
	Changes in other technical provisions							
R1710	Gross	0	0					0
R1720	Reinsurers' share	0	0					0
R1800	Net	0	0					0
R1900	**Expenses incurred**	5,438	12,861					18,299
R2500	**Other expenses**							-24
R2600	**Total expenses**							18,276

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)	490,010	490,010		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	-161,297	-161,297			
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	15,072				15,072
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**	343,785	328,713	0	0	15,072
	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)	343,785	328,713	0	0	15,072
R0530	Total available own funds to meet the minimum consolidated group SCR	328,713	328,713	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)	343,785	328,713	0	0	15,072
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	328,713	328,713	0	0	
R0610	**Minimum consolidated Group SCR**	48,883				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	672.45%				
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)**	343,785	328,713	0	0	15,072
R0680	**Group SCR**	144,398				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	238.08%				

		C0060
	Reconcilliation reserve	
R0700	Excess of assets over liabilities	343,785
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	
R0730	Other basic own fund items	505,082
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**	-161,297
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	2,350
R0790	**Total Expected profits included in future premiums (EPIFP)**	2,350

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	26,199		
R0020	Counterparty default risk	26,994		
R0030	Life underwriting risk	6,075		
R0040	Health underwriting risk	41		
R0050	Non-life underwriting risk	98,663		
R0060	Diversification	-32,838		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	125,133		

USP Key

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

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

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

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	19,265
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**	144,398
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	144,398
	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	48,883
	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**	144,398

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 (CAA)
2	DE	3912008URQQCWTNXTA91	LEI	Aioi Nissay Dowa Life Insurance Of Europe AG	Life insurance undertaking	Aktiengesellschaft	Non-mutual	Federal Financial Supervisory Authority (BaFin)
3	DE	213800NEYB7AD3MF5D48GB00001	Specific code	AD Information and Data Services (Europe) GmbH	Other	Limited by shares	Non-mutual	
4	GB	213800NEYB7AD3MF5D48GB00002	Specific code	Aioi Nissay Dowa Insurance Management Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Limited by shares	Non-mutual	
5	DE	213800NEYB7AD3MF5D48GB00003	Specific code	Toyota Insurance Management SE	Other	Limited by shares	Non-mutual	Financial Conduct Authority
6	SA	213800NEYB7AD3MF5D48GB00004	Specific code	Toyota Insurance Management (Insurance Brokers) SA	Other	Limited Liability Corportation	Non-mutual	Prudential Authority
7	KZ	213800NEYB7AD3MF5D48GB00005	Specific code	Toyota Insurance Management (Insurance Brokers) LLP	Other	Limited Liability Partnership	Non-mutual	
8	KZ	213800NEYB7AD3MF5D48GB00006	Specific code	Autosan Kazakhstan LLP	Other	Limited Liability Partnership	Non-mutual	
9	RU	213800NEYB7AD3MF5D48GB00007	Specific code	Toyota Insurance Management (Insurance Brokers) LLC	Other	Limited Liability Partnership	Non-mutual	
10	RU	213800NEYB7AD3MF5D48GB00008	Specific code	Toyota Insurance (Insurance Agent) LLC	Other	Limited Liability Partnership	Non-mutual	
11	GB	213800NEYB7AD3MF5D48GB00009	Specific code	Toyota Insurance Management UK Limited	Other	Limited by shares	Non-mutual	Financial Conduct Authority
12	GI	213800NEYB7AD3MF5D48GB00010	Specific code	Box Innovation Group Limited	Other	Limited by shares	Non-mutual	
13	GB	213800NEYB7AD3MF5D48GB00011	Specific code	ITB Web Limited	Other	Limited by shares	Non-mutual	
14	GI	213800NEYB7AD3MF5D48GB00012	Specific code	Insure The Box Limited	Other	Limited by shares	Non-mutual	Gibraltar Financial Services Commission
15	GB	213800NEYB7AD3MF5D48GB00013	Specific code	ITB Services Limited	Other	Limited by shares	Non-mutual	
16	GB	213800NEYB7AD3MF5D48GB00014	Specific code	ITB Telematics Solutions LLP	Other	Limited Liability Partnership	Non-mutual	
17	GI	213800NEYB7AD3MF5D48GB00015	Specific code	ITB Premium Finance Limited	Other	Limited by shares	Non-mutual	
18	GB	213800NEYB7AD3MF5D48GB00016	Specific code	Aioi R&D Lab Limited	Other	Limited by shares	Non-mutual	
19	GB	213800NEYB7AD3MF5D48	LEI	Aioi Nissay Dowa Europe Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Limited by shares	Non-mutual	Prudential Regulatory Authority (PRA)
20	GB	213800OSAPC1OK4N2D76	LEI	Aioi Nissay Dowa UK Limited	Non life insurance undertaking	Limited by shares	Non-mutual	Prudential Regulatory Authority (PRA)

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Undertakings in the scope of the group

					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
3	DE	213800NEYB7AD3MF5D48GB00001	Specific code	AD Information and Data Services (Europe) GmbH	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
4	GB	213800NEYB7AD3MF5D48GB00002	Specific code	Aioi Nissay Dowa Insurance Management Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
5	DE	213800NEYB7AD3MF5D48GB00003	Specific code	Toyota Insurance Management SE	75.00%	100.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
6	SA	213800NEYB7AD3MF5D48GB00004	Specific code	Toyota Insurance Management (Insurance Brokers) SA	75.00%	100.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
7	KZ	213800NEYB7AD3MF5D48GB00005	Specific code	Toyota Insurance Management (Insurance Brokers) LLP	75.00%	100.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
8	KZ	213800NEYB7AD3MF5D48GB00006	Specific code	Autosan Kazakhstan LLP	75.00%	100.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
9	RU	213800NEYB7AD3MF5D48GB00007	Specific code	Toyota Insurance Management (Insurance Brokers) LLC	75.00%	100.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
10	RU	213800NEYB7AD3MF5D48GB00008	Specific code	Toyota Insurance (Insurance Agent) LLC	75.00%	100.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
11	GB	213800NEYB7AD3MF5D48GB00009	Specific code	Toyota Insurance Management UK Limited	75.00%	100.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
12	GI	213800NEYB7AD3MF5D48GB00010	Specific code	Box Innovation Group Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
13	GB	213800NEYB7AD3MF5D48GB00011	Specific code	ITB Web Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
14	GI	213800NEYB7AD3MF5D48GB00012	Specific code	Insure The Box Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
15	GB	213800NEYB7AD3MF5D48GB00013	Specific code	ITB Services Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
16	GB	213800NEYB7AD3MF5D48GB00014	Specific code	ITB Telematics Solutions LLP	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
17	GI	213800NEYB7AD3MF5D48GB00015	Specific code	ITB Premium Finance Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
18	GB	213800NEYB7AD3MF5D48GB00016	Specific code	Aioi R&D Lab Limited	77.30%	100.00%	100.00%		Dominant	77.30%	Included in the scope		Method 1: Adjusted equity method
19	GB	213800NEYB7AD3MF5D48	LEI	Aioi Nissay Dowa Europe Limited					Dominant		Included in the scope		Method 1: Full consolidation
20	GB	213800OSAPC1OK4N2D76	LEI	Aioi Nissay Dowa UK Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation