AIG Holdings Europe Limited

Solvency and Financial Condition Report 2024

CONTENTS

Summary

2024 Solvency and Financial Condition

This document sets out the Solvency and Financial Condition Report for AHEL in accordance with Solvency II Regulations. The group SFCR includes the Solo Solvency and Financial Condition information for American International Group UK Limited (AIG UK) which are shown side-by-side. AIG UK contributes 87% of the group Solvency Capital Requirement (SCR).

This group SFCR also includes information on AIG Israel Insurance Company Limited (AIG Israel) which is a non-EEA insurance subsidiary based in Israel and is not subject to Solvency II Regulations.

Business and Performance

The principal activity of AHEL is to act as a holding company of AIG UK and AIG Israel. AHEL is a UK registered and domiciled company. AIG UK is the legal entity for AIG's UK General Insurance activities.

As at 31 December 2024, AHEL held 100% of the ordinary shares in AIG UK and AIG Israel.

The results of AHEL for the 12-month period-ended 31 December 2024, as shown in the Financial Statements, show a profit before tax for the period of £199.9m (2023 – profit of £200.7m). As at 31 December 2024, total equity of the Company was £2,361m (2023 - £2,356m).

AIG UK is the largest insurance subsidiary contributing 86% of AHEL's aggregated net written premiums for FY2024. AIG UK's business segments are organised into Commercial (including Speciality) and Retail and Personal lines. Commercial lines refer to products and services for the commercial and institutional customers. Product lines include traditional types such as general liability, property and financial lines, and highly specialised ones for marine energy, political risk, cyber security and aviation. Retail and Personal lines focus on SME package and customer-centric services, innovating product offerings and developing strong distribution relationships. Main product types in Personal Lines are warranty service programmes, business travel and accident and health.

AIG Israel contributed 14% of AHEL's aggregated net written premium for FY2024. The majority of AIG Israel's business is on the consumer side, these being retail policies which are marketed, sold and serviced directly to customers either through call centres or online. Most of the commercial business and a small proportion of its retail business is also sold through intermediaries.

AIG UK made a total underwriting profit of £164.2m (2023 – profit of £74.5m).

AHEL as a group in 2024 had total investment gains of £238.1m (2023 gain of £160.6m). This is made up of:

- £13.6m unrealised gains arising primarily from corporate bonds and mutual funds over the year due to increased market yields between 2023 and 2024;
- £25.4m on realised gains arising primarily from government bonds, mutual funds and loan participations during the year; and
- £199.1m investment income mostly representing the market yield accrued over the year from the fixed income portfolio.

Section A of this report sets out further details about AHEL and AIG UK's business structure, key operations and financial performance over the reporting period.

System of Governance

AHEL's business strategy and operations function within its subsidiary's governance structure, of which the management of risk plays a significant part. The Board provides oversight of its subsidiaries who operate a framework of prudent and effective controls.

Each subsidiary has a Risk Management Framework which establishes risk reporting and risk controls. Each subsidiary operates a three lines of defence model which ensures effective risk governance.

Section B of this report provides further detail about the system of governance and the key control functions embedded in the subsidiaries namely Risk Management, Actuarial, Compliance and Internal Audit. The Risk Management Framework explains how it complies with the requirements of Solvency II. It also describes the approach to the Own Risk and Solvency Assessment (ORSA) and governance over AHEL's Partial Internal Model (PIM) and AIG UK's Internal Model, which are used to determine the SCR.

Risk Profile

For the purposes of risk identification and measurement AHEL's key risk types are Insurance Risk, Market Risk, Credit Risk, Liquidity Risk and Operational Risk (see sections C.1 to C.6). The types of risk to which AHEL is exposed have not changed significantly over the year and remain as those mentioned above.

Risk identification is carried out on a regular basis, embedded in the business planning process, drawing on a combination of internal and external data, covering both normal and stressed conditions. The primary sources for identifying risks include risk event analysis, external and internal trends analysis and management information as well as other risk governance processes and input from executive teams and internal committees.

The SCR and cover ratio are the bases on which Solvency II capital risk appetites and limits are set. These are used to assess the significance of risks and to appropriately direct resources to their management. The primary basis used to measure risks is the SCR which is calculated as Solvency II Own Funds at risk in a 1-in-200-year loss event over a 1-year time horizon.

AHEL's capital requirement under Solvency II (which seeks to quantify and reflect its current risk profile) is calculated on a consolidated group basis through the PIM. AHEL currently has and is forecast to maintain a capital surplus above this binding capital constraint over the horizon of our business plan, with each of AHEL's subsidiary insurance entities maintaining capital above their solo entity SCRs.

AHEL SCR (unaudited) £'m	AHEL	AIG Israel	Group SCR
	Y/E 2024	Y/E 2024	Y/E 2024
Insurance risk	846.1	185.5	1,031.6
Market risk	390.9	51.2	442.2
Credit risk	158.0	13.7	171.7
Operational risk	238.3	12.2	250.5
Pension risk	18.5	-	18.5
Loss Absorbing capacity of deferred taxes	-	(14.5)	(14.5)
Diversification	(483.8)	(91.2)	(575.0)
Total SCR	1,167.9	157.0	1,324.9

For the AHEL Year End capital calculation, the AIG Israel Standard Formula (SF) calculations are performed as at 2024 Q3.

During 2024, there were no Major Model Change applications to the PRA for AHEL's Internal Model and subsequently there are no outstanding Major Model Change applications under review by the PRA for AHEL.

Valuation for Solvency Purposes

The "Valuation for Solvency Purposes" section states the principles and bases applied by AHEL in preparing the Solvency II Economic Balance Sheet (EBS). AHEL's Solvency II balance sheet has been prepared using the default accounting consolidation method (Method 1).

AHEL's subsidiaries consist of largely insurance undertakings and service providing entities. AHEL and its subsidiaries have a 31 December period end. At 31 December 2024, AHEL has consolidated AIG Israel's EBS as at quarter-ended 30 September 2024 being the latest available locally approved information for the entity.

Solvency II requires Technical Provisions to be segmented by Solvency II lines of business. Currently, the PRA regulations do not apply to AIG Israel and therefore it is not required to produce an annual SFCR. However, the Israeli regulator has been moving steadily towards implementing a prudential regime similar to Solvency II. The Technical Provisions valuation methodology for AIG Israel is in line with Solvency II regulations.

For AHEL the consolidated best estimate of Technical Provisions is calculated as the sum of Solvency II Best Estimates of AIG UK and AIG Israel. AHEL's Risk Margin is the sum of solo Risk Margins for AIG UK and AIG Israel.

Section D of this report provides further description of the bases, methods and main assumptions used in the valuation of assets, technical provisions and other liabilities for each material asset/liability class.

Capital Management

AHEL recognises the SCR as the minimum capital level. It aims to hold a target capital buffer over and above this minimum capital level to limit the possibility of breaching the minimum capital level. Capital management focuses on two aspects:

- ensuring that there is sufficient coverage of both the regulatory capital requirements (MCR and SCR) as well as the economic capital target level; and
- optimisation of the quality of available Own Funds, in respect of the capital position of the organisation and also in the context of the worldwide AIG Group.

Capital Management works alongside Enterprise Risk Management to conduct group internal and regulatory stress and scenario testing. In managing Own Funds, AHEL seeks to maintain sufficient financial strength in accordance with its risk appetite and to satisfy regulatory requirements, maintain strong liquidity and allocate capital efficiently to remain within risk appetite and drive growth.

AHEL's insurance subsidiaries are regulated and capitalised individually in order to meet their respective regulatory and other capital needs. Each insurance subsidiary produces an Individual Capital Plan at least annually, on which the AHEL Capital Plan is built. The AHEL Capital Plan is updated and approved by the Board annually or more frequently if there are material changes in circumstances.

AIG Holdings Europe Limited and American International Group UK Limited Solvency II Capital Performance at a glance

YE 2024	AIG Holdings Europe Limited	American International Group UK Limited
Eligible Own Funds	£2,469.6m	£2,244.3m
Solvency Capital Requirement	£1,324.9m[1]	£1,149.0m[2]
Surplus	£1,144.7m	£1,095.3m
Solvency Ratio	186.4%[1]	195.3%[2]
Minimum Capital Requirement	£705.0m	£517.0m

[1] Partial Internal Model

[2] Internal Model

Since 1 December 2018, both AHEL and AIG UK have been using their PIM / Solo Internal Model (IM) respectively for the calculation of their Group and Solo SCR.

AHEL views its PIM and AIG UK views its Internal Model to be true representations of their risk profiles respectively and continue to monitor their solvency by reference to the Internal Model SCR (IM SCR).

AHEL PIM Solvency Capital Requirement (PIM-SCR) at 31 December 2024 is £1,324.9m. This is covered by £2,469.6m of eligible capital resources, providing a Solvency II surplus of £1,144.7m and a Solvency II coverage ratio of 186.4%. Both metrics are defined by the regulations to mean the excess of AHEL's total eligible Own Funds over its SCR.

AIG UK's IM-SCR at 31 December 2024 is £1,149.0m. This is covered by £2,244.3m of eligible capital resources, providing Solvency II surplus of £1,095.3m and Solvency II coverage ratio of 195.3%. Both metrics are defined by the regulations to mean the excess of AIG UK's total eligible Own Funds over its SCR.

The total Available Own Funds for AHEL by tier are summarised below.

	Tier 1 Unrestricted £'m	Tier 1 Restricted £'m	Tier 2 £'m	Tier 3 £'m	Total £'m
Total Available Own Funds 2024	**1,750.7**	**304.3**	**400.0**	**14.6**	**2,469.6**
Total Available Own Funds 2023	1,668.8	304.3	400.0	60.5	2,433.7

AIG Holdings Europe Limited Directors' Report

The Directors are responsible for preparing the AHEL Solvency Financial Condition Report, including the attached public quantitative reporting templates, in all material respects in accordance with the Solvency II Directive, applicable laws and regulations.

The listing of Directors as of 31 December 2024 is as follows:

Director	**A. Baldwin**
Director	**N. Kapoor**

During the financial year 2024, the following resignations and appointments took place:

C. Newby	**Resigned 10 October 2024**

Statement of Directors' Responsibilities

The Solvency II Directive, the Delegated Acts, related Implementation Rules, Technical Standards and Guidelines, as well as PRA rules provide the regulatory framework in which AHEL operates. The Solvency II rules and regulations include, but are not limited to, the recognition and measurement of its assets and liabilities including Technical Provisions and Risk Margin, the calculation of its capital requirement and the reporting and disclosures of the Solvency II results.

Compliance with SCR

AHEL has complied with all material respects with Solvency II requirements throughout the financial year 2024. AHEL reasonably believes that it will continue to comply with the Solvency II requirements for the foreseeable future.

Statement of disclosure of information to auditors

Each of the persons, who are a director in office at the date this report is approved, confirms that:

- So far as each of them is aware, there is no relevant audit information of which the company's auditors are unaware; and
- Each of them has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

AHEL has, by ordinary resolution appointed Forvis Mazars LLP as the Company's auditors to hold office until the end of the next period for appointing auditors.

On behalf of the Board,

Naval Kapoor

Director

American International Group UK Limited Directors' Report

The Directors are responsible for preparing the Solvency Financial Condition Report, including the attached public quantitative reporting templates, in all material respects in accordance with the Solvency II Directive, applicable laws and regulations.

The listing of Directors as of 31 December 2024 is as follows:

Chief Executive Officer	**A. Baldwin**
Chief Financial Officer	**N. Kapoor**
Non-Executive Director	**J. Hancock**
Independent Non-Executive Director	**P. Snowball**
Independent Non-Executive Director	**P. Shaw**
Independent Non-Executive Director	**D. Smith**
Independent Non-Executive Director	**J. Warrack**

During the financial year 2024, the following resignations and appointments took place:

P. Snowball	**Appointed 18 March 2024**
J. Warrack	**Resigned 31 December 2024**

Statement of Directors' Responsibilities

The Solvency II Directive, the Delegated Acts, related Implementation Rules, Technical Standards and Guidelines, as well as PRA rules provide the regulatory framework in which the Company operates. The Solvency II rules and regulations include, but are not limited to, the recognition and measurement of its assets and liabilities including Technical Provisions and Risk Margin, the calculation of its capital requirement and the reporting and disclosures of the Solvency II results.

Compliance with SCR

The Company has complied with all material respects with Solvency II requirements throughout the financial year 2024. The Company reasonably believes that it will continue to comply with the Solvency II requirements for the foreseeable future.

Statement of disclosure of information to auditors

Each of the persons, who are a director in office at the date this report is approved, confirms that:

- So far as each of them is aware, there is no relevant audit information of which the company's auditors are unaware; and
- Each of them has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

AIG UK has, by ordinary resolution, appointed Forvis Mazars LLP as the Company's auditors to hold office until the end of the next period for appointing auditors.

On behalf of the Board

Naval Kapoor

Director

Independent Auditors' Report

Report of the external independent auditor to the Directors of AIG Holdings Europe Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by **AIG Holdings Europe Limited** as at 31 December 2024

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group- Wide Solvency and Financial Condition Report of the Company as at 31 December 2024, ('**the Narrative Disclosures subject to audit**'); and
- Group Templates IR.02.01.02, IR.23.01.04, IR.32.01.22 ('**the Group Templates subject to audit**')
- Company templates IR.02.01.02, IR.12.01.02, IR.17.01.02, IR.23.01.01 and IR.28.02.01 in respect of American International Group UK Limited ('the group member') ('**the Company Templates subject to audit**').

The Narrative Disclosures subject to audit, the Group Templates subject to audit and the Company Templates subject to audit are collectively referred to as the **'relevant elements of the Single Group- Wide Solvency and Financial Condition Report**'.

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

- Information contained within the relevant elements of the Single Group-Wide Solvency and Financial Condition Report set out above which is, or derives from the Solvency Capital Requirement, as identified in the Appendix to this report;
- The 'Summary,' 'Business and performance', 'System of governance' and 'Risk profile' elements of the Single Group-Wide Solvency and Financial Condition Report;
- Group Templates IR.05.03.02, IR.05.04.02 and IR.05.02.01;
- Company templates IR.05.03.02, IR.05.04.02, IR.05.02.01 and IR.19.01.21; and,
- The written acknowledgement by management of their responsibilities, including for the preparation of the Single Group-Wide Solvency and Financial Condition Report ('the Statement of Directors' Responsibilities').

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

In our opinion, the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2024 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for Opinion

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

Emphasis of Matter - Basis of Accounting

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

Conclusions relating to going concern

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

Our audit procedures to evaluate the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting in the preparation of the Single Group-Wide Solvency and Financial Condition Report included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;
- Obtaining an understanding of the process relating to the directors' going concern assessment
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the company's future financial performance

- Challenging the appropriateness of the directors' key assumptions in their future performance forecasts, by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios;
- Testing the accuracy and functionality of the model used to prepare the Directors' forecasts.

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

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

Other Information

The Directors of the Company are responsible for the Other Information.

Our opinion on the relevant elements of the Single Group-Wide Solvency and Financial Condition Report does not cover the Other Information and, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Single Group-Wide Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Single Group-Wide Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Single Group-Wide 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 Single Group-Wide Solvency and Financial Condition Report

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

Modifications

- Permission to publish a Single Group-Wide SFCR

Approvals

- Approval of items of ancillary own funds
- Approval to use a full or partial internal method
- Approval to classify certain equity accounted convertible notes as restricted tier-1 capital

The Directors are also responsible for:

- such internal control as management determines is necessary to enable the preparation of a Single Group-Wide Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error;
- overseeing the Company's financial reporting process; and,
- assessing the 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 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 Single Group-Wide Solvency and Financial Condition Report

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

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Company and the insurance sector in which it operates, we considered that non-compliance with the following laws and regulations have a material effect on the relevant elements of the Single Group-Wide Solvency and Financial Condition Report: permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

To help us identify instances of non-compliances with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates, and considering the risk of acts by the group which were contrary to the applicable laws and regulations, including fraud;

- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the group is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;

- Inspecting correspondence with relevant licensing or regulatory authorities;

- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct impact on the preparation of relevant elements of the Single Group-Wide Solvency and Financial Condition Report such as the Solvency II regulations.

In addition, we evaluated the Directors' and management's incentives and opportunities for fraudulent manipulation of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report, including the risk of override of controls and determined that the principal risks were related to posting manual entries to manipulate own funds against the Solvency Capital Requirement or Minimum Capital Requirement; management bias through judgements and assumptions in significant estimates, in particular in relation the valuation of technical provisions, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing; and
- Critically assessing accounting estimates for evidence of management bias, particularly in relation to the estimation of technical provisions.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Other Matter

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

Report on Other Legal and Regulatory Requirements.

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

Use of the audit report

This report, including the opinion, has been prepared for the Directors of the Company to enable them to comply with their obligations under External Audit Rule 2.1 of the Solvency II Firms Sector of the PRA Rulebook.

Our audit work has been undertaken so that we might state to the insurer's Directors those matters we are required to state to them in an auditor's report on the relevant elements of the Solvency and Financial Condition Report and for no other purpose. We acknowledge that our report will be provided to the PRA for the use of the PRA solely for the purposes set down by statute and the PRA's rules.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors for our audit work, for this report, or for the opinions we have formed.

Forvis Mazars LLP
Forvis Mazars LLP (Apr 7, 2025 20:36 GMT+1)

Forvis Mazars LLP
Chartered Accountants 30 Old Bailey
EC4M 7AU

Date: 07 April 2025

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

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

Group templates:

The following elements of Group template IR.02.01.02

- Row R0552: Risk margin – total
- Row R0554: Risk margin - non-life
- Row R0556: Risk margin – life

The following elements of Group template IR.23.01.04

- Row R0020: Non-available called but not paid in ordinary share capital at group level
- Row R0060: Non-available subordinated mutual member accounts at group level
- Row R0080: Non-available surplus funds at group level
- Row R0100: Non-available preference shares at group level
- Row R0120: Non-available share premium account related to preference shares at group level
- Row R0150: Non-available subordinated liabilities at group level
- Row R0170: The amount equal to the value of net deferred tax assets not available at the group level
- Row R0190: Non-available own funds related to other own funds items approved by supervisory authority
- Row R0210: Non-available minority interests at group level
- Row R0380: Non-available ancillary own funds at group level
- Rows R0410 to R0440 – Own funds of other financial sectors
- Row R0680: Group SCR
- Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds
- Row R0750: Other non-available own funds

Company templates:

The following elements of template IR.02.01.02:

- Row R0552: Risk margin – total
- Row R0554: Risk margin – non-life
- Row R06556: Risk margin – life

The following elements of template IR.12.01.02

- Row R0100: Risk margin

The following elements of template IR.17.01.02

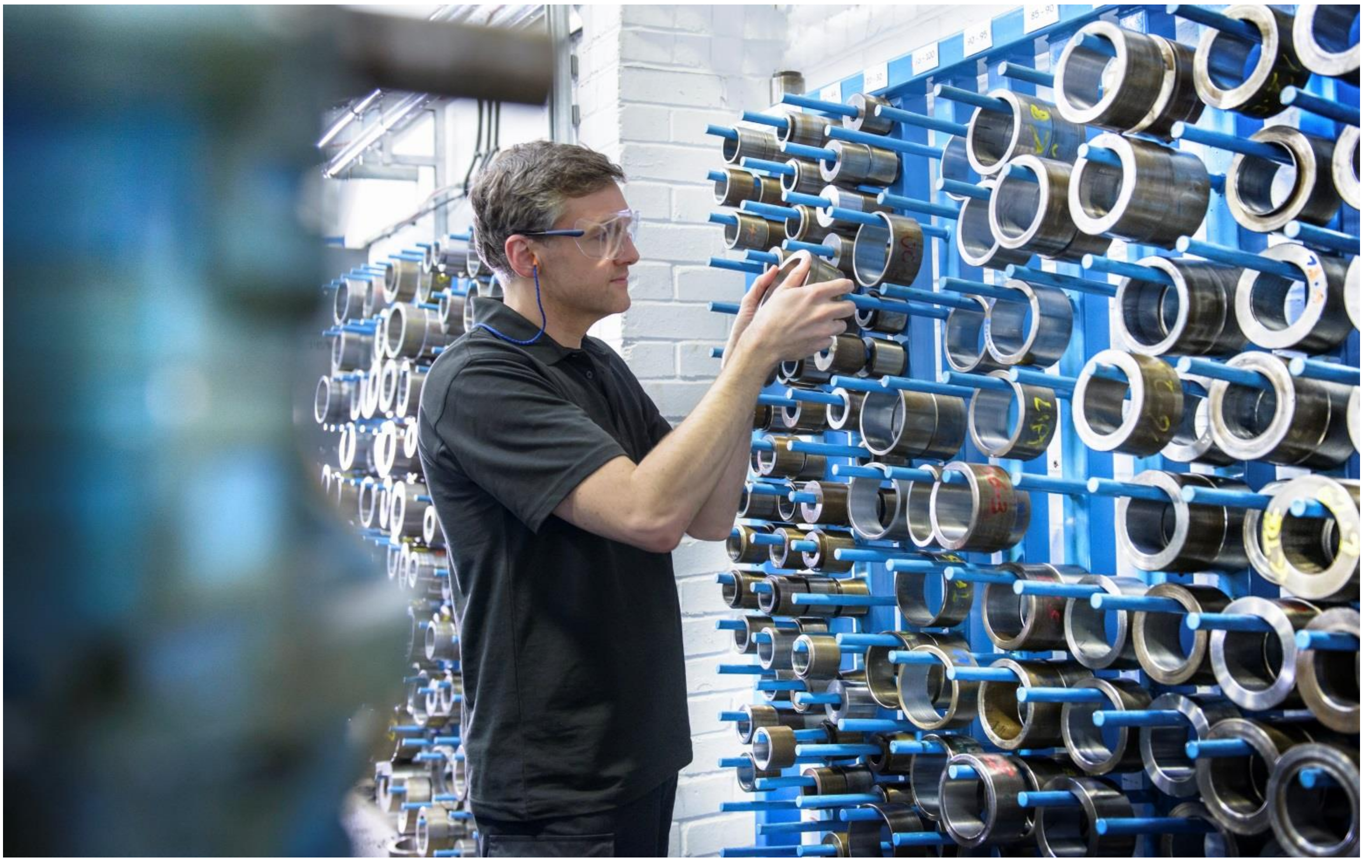
- Row R0280: Risk margin

The following elements of template IR.23.01.01:

- Row R0580: SCR
- Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds

The following elements of template IR.28.02.01

- Row R0310: SCR



Solvency & Financial Condition Report 2024

A. Business and Performance

THIS SECTION OF THE REPORT SETS OUT THE DETAILS REGARDING AIG HOLDINGS EUROPE LIMITED'S BUSINESS STRUCTURE, KEY OPERATIONS, MARKET POSITION AND THE FINANCIAL PERFORMANCE FOR 2024.

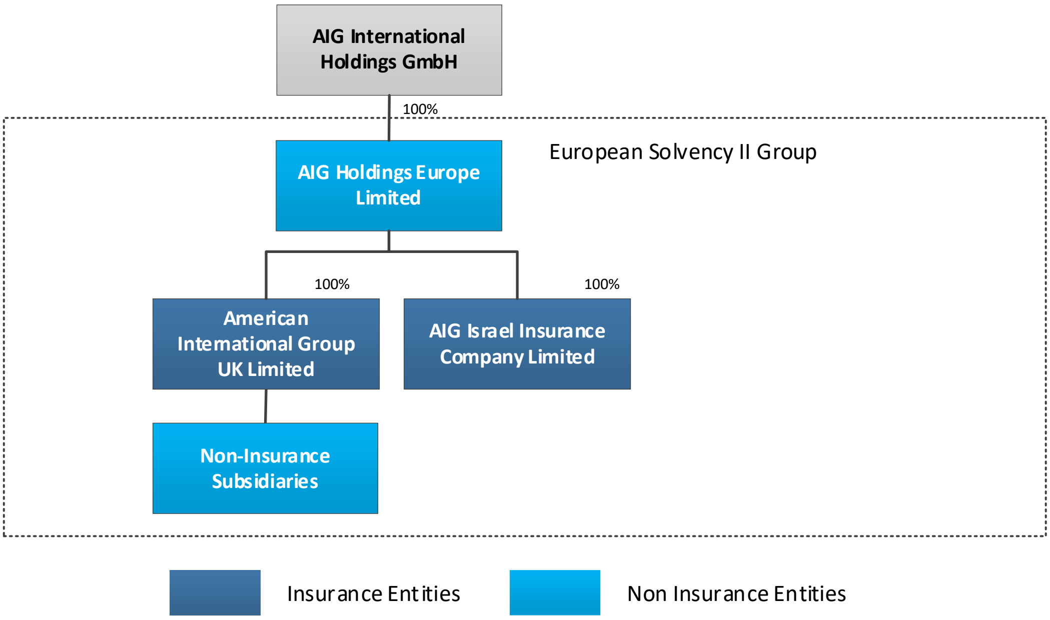
KEY ELEMENTS OF THE SECTION ARE:

- Business Information
- Underwriting Performance
- Investment Performance
- Performance from Other Activities

A.1 BUSINESS

AIG HOLDINGS EUROPE LIMITED INFORMATION

AHEL is a wholly owned subsidiary of AIG International Holdings GmbH, a Swiss incorporated company. Its ultimate parent company is AIG Inc., a U.S company with headquarters in New York City. A simplified group structure as of 31 December 2024:



AIG UK is an insurance company incorporated in the United Kingdom authorised and regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). AIG UK is the core subsidiary of AHEL, representing 89% of the Group's net assets as at 31 December 2024. AIG UK is a multiline insurance company writing substantially all lines of property and casualty insurance. Major lines of insurance written include commercial, consumer, accident and health and specialty coverage.

AIG UK is in scope of Solvency II.

As at Year End 2024, the SFCR will continue to refer to the Solvency II directive. The Solvency II directive has been modified by the PRA's 2024 reforms.

The SFCR is prepared in accordance with Article 256(2) of the Solvency II Directive and paragraph 3 from the Reporting Section of PRA's Rulebook and is a single group wide SFCR that covers AHEL and AIG UK.

The SFCR is presented in pounds sterling rounded to the nearest million, and the attached public quantitative reporting templates (QRTs) in Appendix F are presented in pounds sterling, rounded to the nearest thousand as set out in Article 2 of the Commission Implementing Regulation (EU) 2015/2452. Rounding differences of + / - one unit can occur. The functional and reporting currency of AHEL is pounds sterling.

AHEL's second insurance company, AIG Israel has been granted licence by the Israeli Commissioner of the Capital Markets and Insurance (ICCMI) to write general and life insurance business in Israel. AIG Israel is not in scope of Solvency II, however for the purpose of calculation of the Group's solvency position, its capital resources and requirements are valued in accordance with Solvency II rules and regulations as applicable.

AHEL's registered office address and the contract details of its external auditors and supervisory authorities are shown below:

Registered Office
The AIG Building
58 Fenchurch Street
London EC3M 4AB
+44 (0) 20 7954 7000

External Auditors
Forvis Mazars LLP
Chartered Accountants and Statutory Auditors
30 Old Bailey
London
EC4M 7AU
+44 (0) 20 7063 4000

Supervisory Authority
PRA
20 Moorgate
London EC2R 6DA
+44 (0) 20 7601 4444

The Group SFCR has been authorised for issue by the Board of Directors on 3 April 2025.

A-1 Significant Business Developments or Other Events

Change in reporting period

In the prior year, the Company changed its financial reporting date to 31 December 2023. The comparative amounts presented in these financial statements present the Company's financial position and financial performance for the 13-month period from 1 December 2022 to 31 December 2023. Therefore, the comparative amounts presented in these financial statements (including the related notes) are not directly comparable.

AHEL MATERIAL PARTICIPATING UNDERTAKINGS

AHEL's participating undertakings as at 31 December 2024 are listed in the table below.

Participation	Principal Activity	Country	Ownership
American International Group UK Limited	UK non-life insurer operating in the UK	UK	100%
AIG Israel Insurance Company Limited	Israel insurer specialising in retail general, life and health insurance policies	Israel	100%
AIG Europe (Services) Limited	Provision of operational and administrative services to affiliates within the AIG Inc. group	UK	100%
AIG Trade Finance Limited	Provision of technical knowledge in trade finance	UK	100%

AIG UK operate from the UK and AIG Israel operates from Israel. AHEL does not have any branches. More than 1,830 staff and 854 in Israel facilitate the operation of the subsidiary companies specialising in dealing with the top end of the global insurance market, particularly multinational corporations, where AIG's wide global reach, product range and large capital base can be used to write business in smaller countries and leverage the size of the group through the use of global reinsurance treaties.

AHEL's solvency position is calculated using Method 1: Accounting Consolidation as prescribed in Article 230 of the Solvency II Directive. Using this method, insurance holding companies, insurance undertakings and ancillary service undertakings are fully consolidated. The entities that do not fall within one of those three classifications are consolidated using the adjusted equity method.

AHEL has taken advantage of the exemption in Section 401 of Companies Act 2006 from the requirement to produce consolidated financial statements.

During 2024, there were no Major Model Change applications to the PRA for AHEL's Internal Model and subsequently there are no outstanding Major Model Change applications under review by the PRA for AHEL.

The Standard Formula SCR (SF SCR) is a one size fits all capital calculation which provides for a generic benchmark which comprises standardised risk modules calculated using a number of pre-determined factors and aggregated through EIOPA-specified correlation matrices.

Whilst the SF SCR is a good fit for most insurance firms with relatively low variety of insurance product offerings and straightforward investment strategy, it has inherent limitations. The SF SCR is more rigidly defined, formulaic and not calibrated to accurately reflect the complexities of a diverse multinational insurance firm such as AHEL.

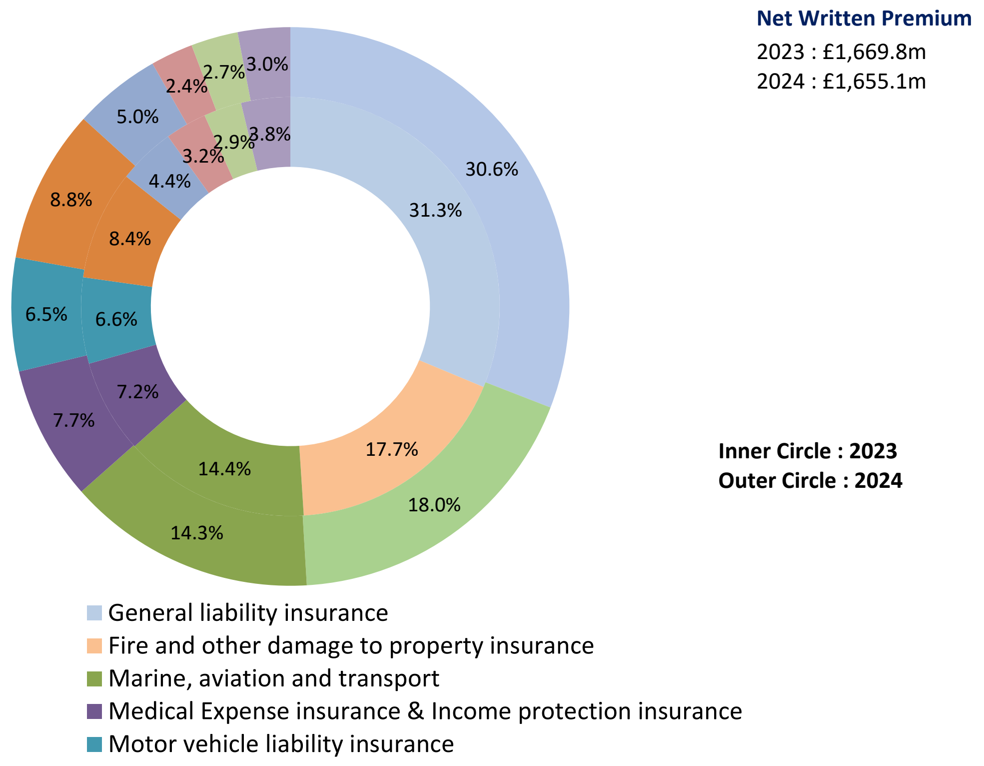
AHEL's PIM is a better reflection of its capital requirements on a true economic basis and better aligned to its business model. The Internal Model approval demonstrates the regulator's confidence in AIG's technical modelling capabilities and in the Board and Management's understanding of the model and the effectiveness of the governance supporting the model and its use in the business, as described in Section B - System of Governance, in this report.

AHEL MATERIAL LINES OF BUSINESS BY OPERATING SEGMENT AND SOLVENCY II

AIG UK is the largest insurance subsidiary, contributing 97% of AHEL's aggregated net written premiums for FY2024. AIG UK's business segments are organised into Commercial (including Speciality) and Retail and Personal lines. Commercial lines refer to products and services for the commercial and institutional customers. Product lines include traditional types such as general liability, property and financial lines, and highly specialised ones for marine energy, political risk, cyber security and aviation. Retail and Personal lines focus on SME package and customer-centric services, innovating product offerings and developing strong distribution relationships. Main product types in Personal Lines are warranty service programmes, business travel and accident and health.

AIG Israel contributed 3% of AHEL's aggregated net written premium for FY2024. The majority of AIG Israel's business is on the consumer side, these being retail policies which are marketed, sold, and serviced directly to customers either through call centres or online. Most of the commercial business and a small proportion of its retail business is also sold through intermediaries.

Solvency II LoB



Under Solvency II, insurance products and offerings are categorised into 16 standardised Solvency II lines of business (LoB). The Group's most material Solvency II LoBs by Net Premiums Written in 2023 and 2024 are shown above.

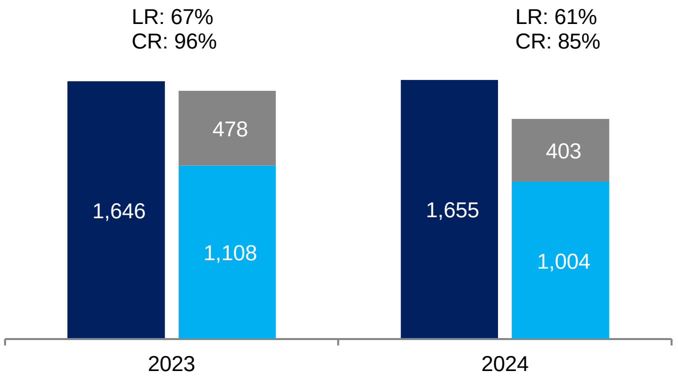
Source Group QRT IR.05.04

A.2 UNDERWRITING PERFORMANCE

UNDERWRITING PERFORMANCE AT AN AGGREGATE LEVEL - AHEL

The diagram below provides key performance indicators (Net Premium Written, Claims Incurred and Expenses) for major Solvency II lines of business as per the QRTs IR.05.04.02 and IR 05.03.03. The Loss and Combined Ratios are on a written net basis.

AHEL – Premiums Claims and Expenses



2023 reflects a 13-month period due change of AIG UK's financial reporting date. This impacts the nominal values. The loss ratio improvement is driven by smaller adverse prior year loss reserve development in 2024 and lower prior year CAT loss development. Additionally, the Allocated Loss Adjustment Expenses (ALAE) change of treatment improved the loss ratio but has no impact on the combined ratio. The underlying expense ratio is slightly lower compared to 2023 driven by lower acquisition costs and overhead expense efficiency savings.

Premiums Claims Expenses

LR – Loss Ratio / CR – Combined Ratio

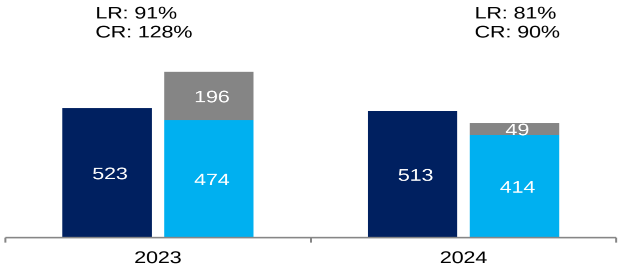
UNDERWRITING PERFORMANCE BY MATERIAL LINES OF BUSINESS AND MATERIAL BUSINESS ENTITY

Under Solvency II, the lines of business are pre-defined with majority of the business originating from the lines highlighted in the section A.2.A1.

A.2.A1 UNDERWRITING PERFORMANCE BY SOLVENCY II LINES OF BUSINESS

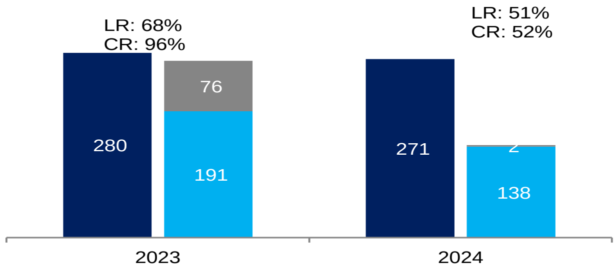
The diagrams below provide key performance indicators (Net Premium Written, Claims Incurred and Expenses) for major Solvency II lines of business as per the Group QRTs IR.05.04.02[1] and IR 05.03.03. The Loss and Combined Ratios are on a net basis[2].

General Liability



General Liability portfolio is the largest portfolio in respect of claims reserves and premium volumes. It contains the long-tailed Casualty and Financial lines of business. The premium decrease is a result of lower M&A market activity and market-driven negative premium rate change in Financial lines. The loss ratio improvement follows benign experience for domestic GL classes compared to the prior year.

Fire and Other Damage to Property



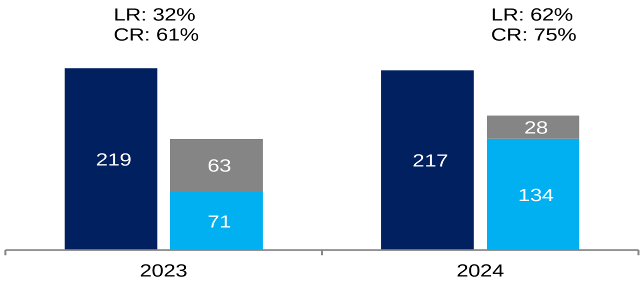
Fire portfolio consists primarily of property damage and energy lines of business. It is a short-tailed book where the losses are reported and settled quickly. In comparison to 2023, the combined ratio decrease is driven by favourable prior year development due to benign loss experience in recent accident years and a single large loss reserve decrease in Energy. Current year CAT activity had similar impact on loss ratio in both years. 2023 was impacted by prior year CAT loss increases.

---

[1] *Note QRT IR.05.04 at 2024 is reported under Solvency UK rules following implementation effective 31 December 2024. Under Solvency UK rules, Allocated Loss Adjustment Expenses (ALAE) are included within Claims Incurred for 2024. In addition, Overhead Expenses together with Investment Management Expenses are excluded from Expenses reported by Solvency II line of business for 2024, however are included in the aggregate Combined Ratio above. This differs from the 2023 treatment where ALAE, Overhead Expenses and Investment Management Expenses were included within Expenses reported by Solvency II line of business. Given the change in QRT requirements year on year, the 2023 and 2024 Expense and Claims Incurred balances are not directly comparable.*

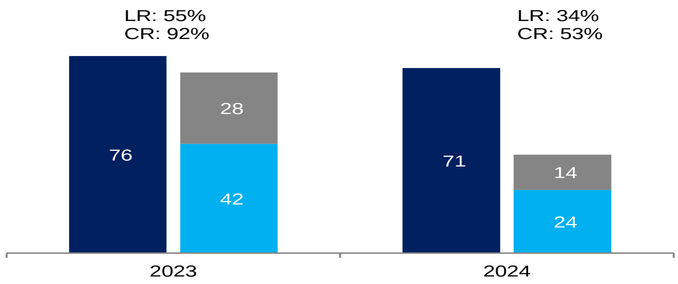
[2] *Note prior year results have been re-stated for Motor Vehicle Liability and General Liability classes following a reallocation of exposures in 2024. The underlying allocations informing 2023 and 2024 loss ratios are provided on a consistent basis.*

Marine, Aviation and Transport



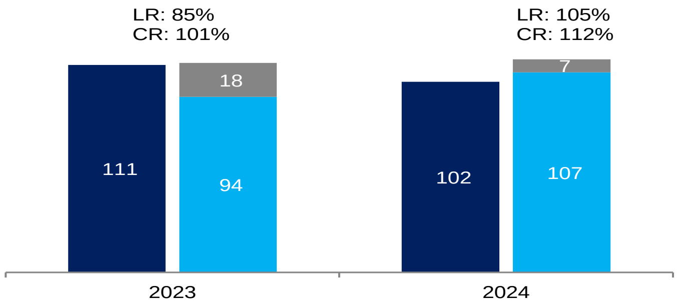
Marine, Aviation and Transport portfolio contains Aviation and Marine hull, cargo, liability and products insurance. In comparison to 2023, the loss ratio increase is driven by an Aviation severe loss in 2024 compared with reserve releases in 2023 related to benign claims experience primarily within Aviation prior AYs.

Income Protection



Income protection portfolio primarily includes personal accident and other lines of business. The decrease in loss ratio is driven by benign loss experience in current AY and small adverse developments reflected in 2023.

Motor Vehicle Liability



Premiums Claims Expenses

LR – Loss Ratio
CR – Combined Ratio

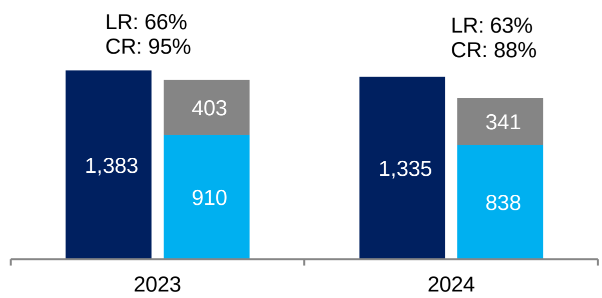
For the Motor Vehicle Liability portfolio, the overall loss ratio has increased following adverse large loss experience, partially offset by an improvement in Israel MVL loss ratio in the year. The underlying attritional loss experience was consistent with prior year.

A.2 Underwriting Performance – American International Group UK Ltd

UNDERWRITING PERFORMANCE AT AN AGGREGATE LEVEL – AIG UK

The diagram below provide key performance indicators (Net Premium Earned, Claims Incurred and Expenses) for major Solvency II lines of business as per the QRTs IR.05.04.02 and IR 05.03.03. The Loss and Combined Ratios are on an earned net basis.

AIG UK – Premium Claims and Expenses



2023 reflects a 13-month period due change of AIG UK's financial reporting date. This impacts the nominal values. The loss ratio improvement is driven by smaller adverse prior year loss reserve development in 2024 and lower prior year CAT loss development. Additionally, the Allocated Loss Adjustment Expenses (ALAE) change of treatment improved the loss ratio but has no impact on the combined ratio. The underlying expense ratio is slightly lower compared to 2023 driven by lower acquisition costs and overhead expense efficiency savings.

Premiums Claims Expenses LR – Loss Ratio / CR – Combined Ratio

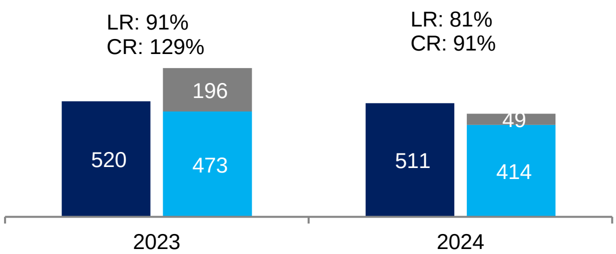
UNDERWRITING PERFORMANCE BY MATERIAL LINES OF BUSINESS

A.2.B AMERICAN INTERNATIONAL GROUP UK LIMITED

A.2.B1 UNDERWRITING PERFORMANCE BY SOLVENCY II LINES OF BUSINESS

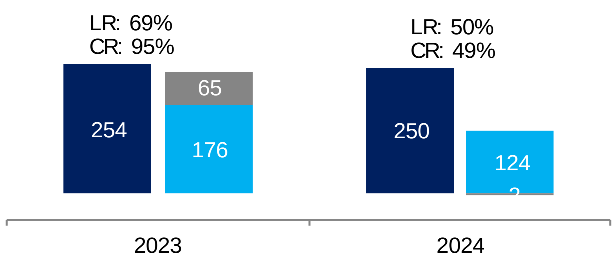
The diagrams below provide key performance indicators (Net Premium Earned, Claims Incurred and Expenses) for major Solvency II lines of business as per AIG UK QRT IR.05.04.02[3]. The Loss and Combined Ratios are on a net basis.

General Liability



General Liability portfolio is the largest portfolio in respect of claims reserves and premium volumes. It contains the long-tailed Casualty and Financial lines of business. The premium decrease is a result of lower M&A market activity and market-driven negative premium rate change in Financial lines. The loss ratio improvement follows benign experience for domestic GL classes compared to the prior year

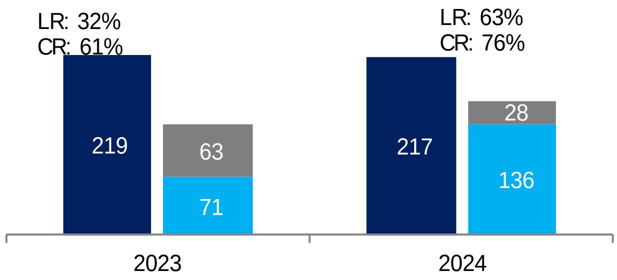
Fire and Other Damage to Property



Fire portfolio consists primarily of property damage and energy lines of business. It is a short-tailed book where the losses are reported and settled quickly. In comparison to 2023, the combined ratio decrease is driven by favourable prior year development due to benign loss experience in recent accident years and a single large loss reserve decrease in Energy. Current year CAT activity had similar impact on loss ratio in both years. 2023 was impacted by prior year CAT loss increases.

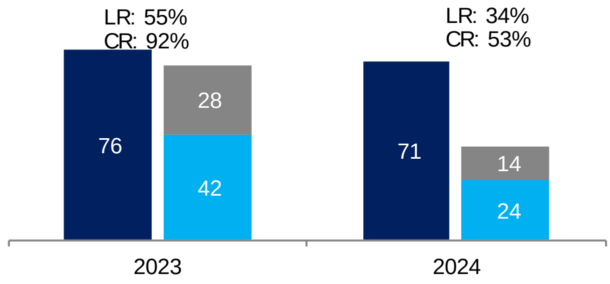
[3] See notes 1 and 2 on previous page

Marine, Aviation and Transport



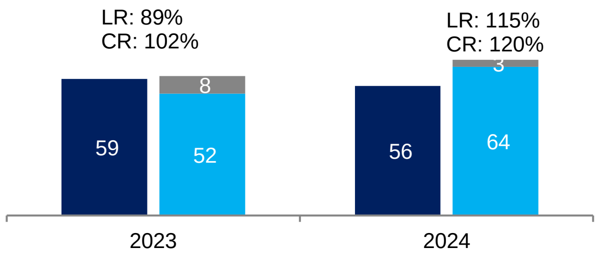
Marine, Aviation and Transport portfolio contains Aviation and Marine hull, cargo, liability and products insurance. In comparison to 2023, the loss ratio increase is driven by an Aviation severe loss in 2024 compared with reserve releases in 2023 related to benign claims experience primarily within Aviation prior AYs.

Income Protection



Income protection portfolio primarily includes personal accident and other lines of business. The decrease in loss ratio is driven by benign loss experience in current AY and small adverse developments reflected in 2023.

Motor Vehicle Liability



Premiums Claims Expenses

LR – Loss Ratio
CR – Combined Ratio

For the Motor Vehicle Liability portfolio, the overall loss ratio has increased following adverse large loss experience and resulting strengthening of assumptions, while the underlying attritional loss experience remained in line with expectations.

A.3 INVESTMENT PERFORMANCE

A.3.A AHEL INVESTMENT RETURN

Investment performance is defined as net investment income plus realised and unrealised gains and losses less investment management expenses.

AHEL's investment performance by asset class for 2024 and 2023 are shown in the table below:

Asset Classes £'m	Gross Investment Income		Realised Gains and Losses		Unrealised Gains and Losses (recognised in Equity)		Total Investment Return	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Corporate Bonds	120.5	90.4	13.8	(7.3)	4.5	15.7	138.8	98.8
Government Bonds	33.1	30.1	11.2	(8.0)	(3.8)	(6.1)	40.5	16.0
Securitised Assets	17.2	10.9	0.3	(0.1)	(3.4)	(8.1)	14.1	2.7
Mutual Funds	-	-	-	-	10.0	13.2	10.0	13.2
Equity Instruments	-	-	-	-	6.7	5.0	6.7	5.0
Loan Participations	12.1	14.6	0.1	2.2	(0.4)	(2.2)	11.8	14.6
Short Term Deposits	16.2	10.3	-	-	-	-	16.2	10.3
Total	**199.1**	**156.3**	**25.4**	**(13.2)**	**13.6**	**17.5**	**238.1**	**160.6**

Source: AHEL QRT IR.09.01

£238.1m of total investment gains are made up of:

- £13.6m unrealised gains arising primarily from corporate bonds and mutual funds over the year due to increased market yields between 2023 and 2024;
- £25.4m on realised gains arising primarily from government bonds, mutual funds and loan participations during the year; and
- £199.1m investment income mostly representing the market yield accrued over the year from the fixed income portfolio.

A.3.B AMERICAN INTERNATIONAL GROUP UK LIMITED INVESTMENT RETURN

AIG UK's investment management framework sets out its Strategic Asset Allocation (SAA) that is approved by the Board and is reviewed annually. Assets categories that are included in the SAA are those that are suitable for AIG UK's liabilities profile by nature, term and currency and for which the investment manager could assess, monitor and control risks. In order to achieve this objective, AIG UK holds a diversified investment portfolio that is invested in government bonds, corporate bonds, securitised assets, loans, real estate funds, equities, investments in group undertakings and cash.

AIG UK measures its investment performance using total investment return from Investment Income and other gains and losses comprising of realised and unrealised gains and losses and impact of movements in foreign exchange rates.

Asset Classes £'m	Gross Investment Income		Realised Gains and Losses		Unrealised Gains and Losses (recognised in Equity)		Total Investment Return	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Corporate Bonds	115.5	83.1	13.8	(4.9)	(3.6)	13.8	125.7	92
Government Bonds	32.0	28.4	8.3	(8.7)	(7.8)	(6.3)	32.5	13.4
Securitised Assets	17.2	10.9	0.3	(0.1)	(3.4)	(8.1)	14.1	2.7
Real estate Funds	-	-	-	-	4.4	6.5	4.4	6.5
Equity Instruments	-	-	-	-	6.7	5.0	6.7	5.0
Loan Participations	12.1	14.6	0.1	2.2	(0.4)	(2.2)	11.8	14.6
Short Term Deposits	16.2	10.7	-	-	-	-	16.2	10.7
Total	**193.0**	**147.7**	**22.5**	**(11.5)**	**(4.1)**	**8.7**	**211.4**	**144.9**

Source: AIG UK QRT IR.09.01

UNREALISED GAINS AND LOSSES RECOGNISED IN EQUITY

Net unrealised gains recognised in equity in 2024 amount to £4m (2023: gains of £9m).

INVESTMENTS IN SECURITISATION

The Company's holdings in securitised assets as shown on its statutory financial statements is as follows:

Investments in Securities, £m	2024	2023
RMBS	165.0	85.8
CMBS	108.3	92.8
CDO/ABS	145.9	109.9
Total	**419.2**	**288.5**

A.4 PERFORMANCE FROM OTHER ACTIVITIES

A.4.A AIG HOLDINGS EUROPE LIMITED

No other activities are material to AHEL.

A.4.B AMERICAN INTERNATIONAL GROUP UK LIMITED

The ‘Performance from other activities’ subsection of the report aims to provide an overview of the qualitative and quantitative information regarding income from other activities, other expenses and lease arrangements.

OTHER MATERIAL INCOME AND EXPENSES

Other material income and expenses, £m	2024	2023
Net foreign exchange gain / (loss)	(16.9)	74.5
Administrative expenses	134.2	148.4

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and the translation of foreign currency denominated monetary assets and liabilities at year-end exchange rates are recognised in the income statement as part of other income.

Administrative expenses are incurred to support the infrastructure of the organisation and include but are not limited to personnel costs, projects and bad debt expenses.

A.5 ANY OTHER MATERIAL INFORMATION

A.5.A AIG HOLDINGS EUROPE LIMITED

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

A.5.B AMERICAN INTERNATIONAL GROUP UK LIMITED

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

Solvency & Financial Condition Report 2024

B. System of Governance

THE 'SYSTEM OF GOVERNANCE' SECTION OF THE REPORT SETS OUT DETAILS REGARDING THE ADMINISTRATION AND MANAGEMENT OF THE COMPANY. THE SECTION ALSO OUTLINES THE PROCESS OF RISK MANAGEMENT AND THE FIT AND PROPER AND OUTSOURCING ARRANGEMENTS PUT IN PLACE.

KEY ELEMENTS OF THE SECTION ARE:

- Overview of the System of Governance
- Fit and Proper
- Risk Management System
- Own Risk and Solvency Assessment
- Outsourcing Arrangements

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

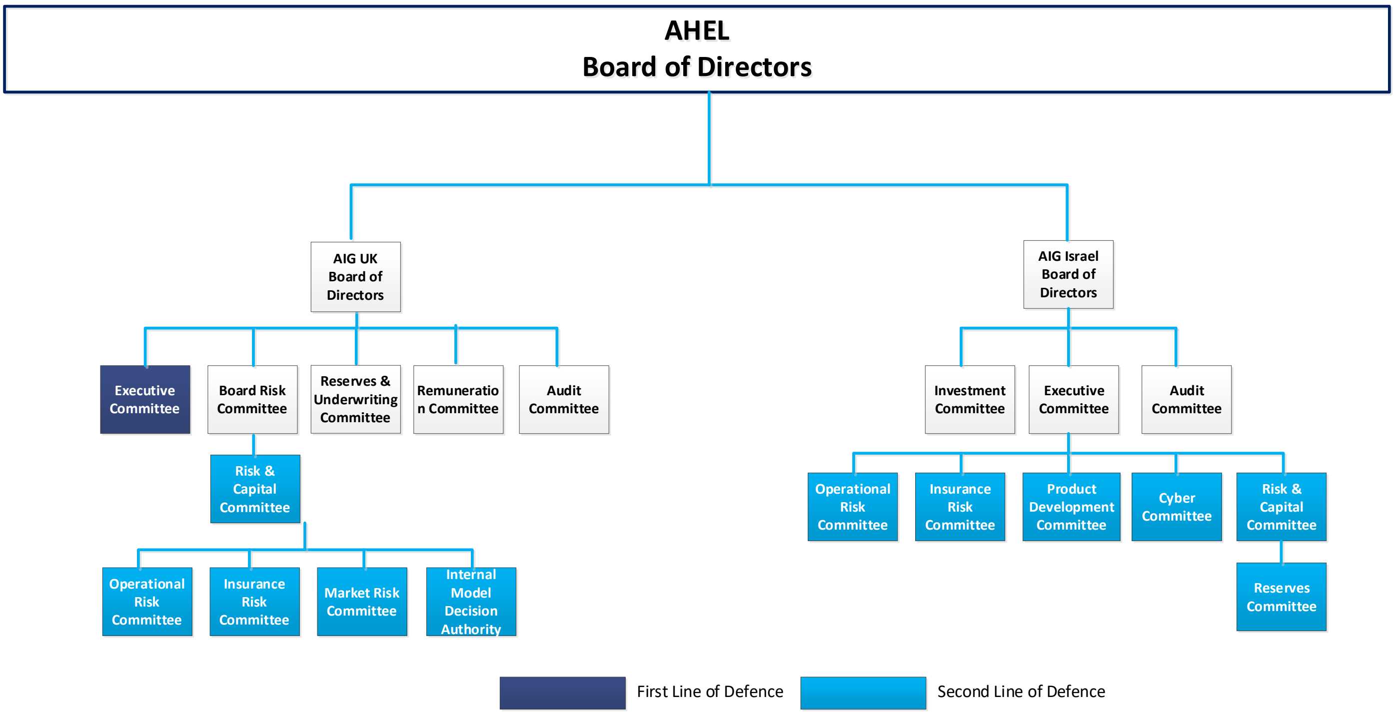
AHEL's 'General Information on the System of Governance' subsection of the report aims to provide details of the underlying management structures of the company and its subsidiaries.

B.1.A. MANAGEMENT AND GOVERNANCE STRUCTURE

AHEL's business strategy and operations function within its subsidiary's governance structure, of which the management of risk plays a significant part. The Board provides oversight of its subsidiaries who operate a framework of prudent and effective controls. Each insurance subsidiary has a Risk Management Framework which establishes risk reporting and risk controls. Each subsidiary operates a three lines of defence model which ensures effective risk governance. The risk governance structure works to provide an oversight and decision-making framework that operates to identify, assess, monitor and manage material risks, utilising outputs from the Economic Capital Model (ECM) for AIG UK, where appropriate.

The subsidiary risk governance structure supports a strong risk culture integrating risk management with regulatory requirements and business activities such as strategy and planning. The organisation chart below provides a high-level overview of the Company's risk governance structure:

AHEL STRUCTURE



AHEL BOARD

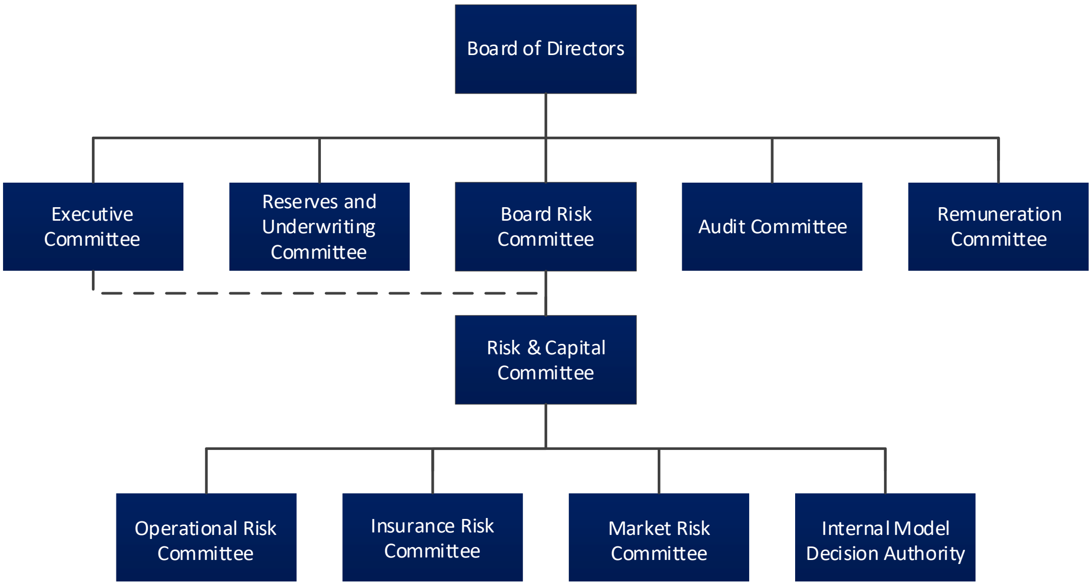
The Board provides oversight of its subsidiaries through reviewing reports from its key subsidiaries. The Board is responsible for maintaining the Group SCR. The Board meets as required and is comprises of directors able to carry out this oversight role.

Allocation of responsibilities

The Board fulfils its duties through various reports received from its subsidiaries. The management and governance of the subsidiaries are the provenance of the Boards of AIG UK and AIG Israel. The reporting is adequate and appropriate for the structure. The underlying insurance subsidiaries have appropriate governance structures in place including risk committees established to comply with local laws and regulation.

AIG UK and AIG Israel are regulated and have properly constituted unitary boards, appropriately structured committees and executive management teams. They also have specific personnel dedicated to the 'control functions', i.e., Compliance, Risk, Audit and Actuarial. Both subsidiaries have in place the appropriate documentation as required by their regulators.

Similar governance structures are in place for AIG Israel, appropriate to its size and complexity.



Overview of Management and Governance Structure in AIG UK

Authority in AIG UK flows from the Board, which in turn delegates the authority to Committees as set out in their respective terms of reference.

The role of the Board Risk Committee (BRC) is to challenge, oversee and monitor the management of risks in AIG UK to ensure they are being managed within the Board-approved risk appetite.

The Reserves and Underwriting Committee is responsible to ensure that AIG UK maintains reasonable and adequate technical reserves and to oversee and manage reserving risk with the risk appetite.

The Risk and Capital Committee (RCC) is authorised by the BRC and by ExCo to manage the risk profile within the risk governance framework and Risk Appetite. The RCC has sub-committees which cover Insurance, Market and Operational Risk, to manage the risk profile at a more granular level. Other members include relevant business heads, risk experts from ERM and actuarial expertise from the Internal Model team.

The Risk Management Framework is itself supported by and delivered through a set of processes, which aid the identification, measurement, monitoring, management and reporting of risks. These processes and deliverables include the Risk Register, Risk Appetite Framework, Internal Model Output (for risk analytics), Stress and Scenario Testing and Risk Indicator Reporting. The outputs of these risk processes are fundamental to the delivery of the Own Risk and Solvency Assessment (ORSA) and, ultimately, the yearly ORSA reports.

The delivery of the Risk Management Framework is reviewed and challenged within the risk governance structure, as above. The outputs of the risk management processes are reported through the committee structure with each ORSA report, and its underlying components reviewed and challenged at each level and approved by the Board.

The Internal Audit function delivers the "Third Line of Defence" by providing independent assurance to the Audit Committee.

Overview of Management and Governance Structure in AIG Israel

AIG Israel has a strong risk culture articulated by effective ERM and embodied by management at all levels through the governance structure and risk management processes. The Board has the ultimate responsibility for development and oversight of the Risk Management Framework and delegates the management of risks to the Board's Investment Committee and to the Executive Committee (ExCo).

As required by the local regulation, there are two Board committees namely the Audit Committee and the Investment Committee. The Investment Committee convenes on a monthly basis. The Audit Committee, through the Internal Audit function, provides independent assurance to the Board over the effectiveness of the First and Second Lines of Defence. The Audit Committee convenes a minimum of 6 meetings a year.

ERM provides insight and risk reports to these committees.

THE "THREE LINES OF DEFENCE" MODEL

AHEL's subsidiaries run a standard Three Lines of Defence model. This structure allows for each subsidiaries functions and individuals to have a clear understanding of their risk management responsibilities and aids embedding an effective risk culture.

Overview of Management and Governance - AIG UK Board of Directors

The Board has responsibility for the oversight and management of AIG UK. Its role is to provide entrepreneurial leadership within a framework of prudent and effective controls which enables each of the risks to be assessed and managed. The Board is responsible for promoting the long-term success of AIG UK whilst securing an appropriate degree of protection for policyholders. Its objectives are to set AIG UK's strategic aims, monitor management's performance against those strategic aims, set the risk appetite, ensure AIG UK is adequately resourced and that effective controls are in place. The Board is composed of a mix of Executive Directors, Independent Non-Executive Directors, and a Group Non-Executive Director, to achieve a balance of skills, experience, challenge and debate and so that no individual or small group of individuals can dominate its decision-making. Any major changes to business activities must receive Board approval prior to implementation.

B.1.A.A FIRST LINE OF DEFENCE

The first line of defence rests with the senior management team and their staff who are responsible for implementing the business and/or functional plans and maintaining the AIG controls framework. Senior management own and manage the inherent risks, compliance with corporate standards and legal and regulatory obligations. Certain senior management are defined as Material risk-takers.

The Executive Committee

The UK ExCo supports the CEO in developing and implementing strategy and business plans and in managing the operations functions such as Operations, Claims and IT. The CEO is responsible to the Board for the day-to-day management and oversight of the UK operations. The CEO develops strategies and business plans which are supported by a budget and a capital plan which are proposed to the Board for approval on an annual basis. The ExCo is comprised of the CEO and a mix of senior executives and key functions.

The ExCo receives relevant reports to enable it to support the CEO to execute the strategic business plans and provide oversight of the operations functions, transformation projects and other strategic initiatives. The CEO reports to the Board each quarter on the business plan, budget and the performance of the operational activities of the Company.

B.1.A.B SECOND LINE OF DEFENCE

The Risk function is responsible for defining the risk framework and for monitoring the effectiveness of risk controls and for reporting their weaknesses or failures to the relevant risk committees. The Compliance also carries out some monitoring and testing. These functions are the "Second Line of Defence". ERM partners with the business in providing advice, guidance, and challenge in managing their risks.

Board Risk Committee

The role of the BRC is to challenge, oversee and monitor the risk management framework to ensure the Board approved risk appetite statements are adhered to. The BRC is comprised of Independent Non-Executive Directors, an Executive Director, and other senior staff. The Head of Internal Audit is an optional attendee. The BRC reviews the Risk Review of the Annual Business Plan to ensure that risks to the business plan and the capital implications are adequately identified and assessed and appropriate mitigating actions have been considered. The BRC chair provides a verbal summary report to the Board on key discussions and actions of the BRC.

Where the BRC asks for further information or for particular issues to be addressed and reported on, the ERM function is responsible for capturing a list of action points and ensuring that these are reported back on in full at the subsequent and following BRC meetings until the action point is closed. The RCC is the body which bears primary responsibility for ensuring that the BRC's instructions are executed.

Reserves & Underwriting Committee

The role of the Reserves & Underwriting Committee is to ensure that AIG UK maintains reasonable and adequate technical reserves. The Reserves & Underwriting Committee is comprised of Independent Non-Executive Directors, Executive Directors, and other senior staff. The Head of Internal Audit is an optional attendee. The Reserves & Underwriting Committee chair provides a verbal summary report to the Board on key discussions and actions of the BRC.

Risk and Capital Committee

The RCC is authorised by the BRC and by the ExCo to manage the risk profile of AIG UK within the risk governance framework and risk appetite approved by the Board.

This Risk Management Framework is supported by and delivered through a set of processes, which aid the identification, measurement, monitoring, management and reporting of risks. These processes and deliverables include the Risk Register, Risk Appetite Framework, Internal Model Output (for risk analytics), Stress and Scenario Testing and Risk Indicator Reporting. The outputs of these risk processes are fundamental to the delivery of the ORSA and, ultimately, the half-yearly ORSA reports.

The Insurance Risk Committee has four sub-groups that focus on particular aspects of Insurance Risk and report to the Insurance Risk Committee on any recommendations and findings undertaken as a result of the execution of their responsibilities.

The responsibilities of each group are as follows:

- Pricing Sub-Group: To ensure underwriting adherence to technical pricing, to drive improvements in rating strength and pricing integrity and to monitor and analyse the Company's pricing risk profile;
- Reinsurance Sub-Group: To review the reinsurance strategy and to recommend reinsurance treaty structures;
- Risk Aggregation Sub-Group: The aggregation and analysis of risk accumulation of key perils; and
- Large and Unusual Transaction (LUT) Sub-Group: To consider transactions that meet or exceed set trigger levels in relation to the Company's risk profile before the Company is committed. The LUT is an ad-hoc meeting of the RCC.

The Market Risk Committee (MRC) meets at least four times a year and any such time as required to focus on the entire balance sheet by monitoring and managing the Market Risk, Investment Risk, Counterparty Credit Risk and Liquidity Risk profile of AIG UK.

The RCC also delegates responsibility to the Internal Model Decision Authority to cover specific aspects of risk management that is concerned with the effective operation and utilisation of the Internal Model.

The RCC fulfils its duty to oversee the Internal Model via the Internal Model Decision Authority, which reports into it on a quarterly basis. The RCC is deliberately designed to be a second line of defence body but composed of members who are also in a position to take immediate executive action to address risk issues. The RCC is comprised of designated ExCo members. Other ExCo members may attend where an agenda item touches on their subject-matter expertise.

Any matter due to go to the BRC should first receive RCC review. The RCC chair reports to the BRC and ExCo on key issues arising in RCC meetings which the RCC considers materially significant. Where the RCC identifies an action or requires further information in relation to a risk, it gives instructions to the relevant committee member and tracks the progress of the required steps through an actions list.

B.1.A.C THIRD LINE OF DEFENCE

Internal Audit Function

The Internal Audit function delivers the "Third Line of Defence" by providing independent assurance designed to support AIG UK control framework. It reports to the Audit Committee. Refer to 'B.1.A.D' of this report for details of key functions, roles and responsibilities.

Audit Committee

The Audit Committee is composed of the Independent Non-Executive Directors. The Chief Financial Officer (CFO), General Counsel, CRO, Head of Internal Audit and the lead partner of the External auditors are standing invitees.

The Audit Committee reports directly to the Board through a verbal report from the Chair which highlights material issues which the Audit Committee considers should be escalated for the Board's attention or action. In addition, documents such as the annual accounts must be reviewed by the Audit Committee prior to being put before the Board for approval.

B.1.A.D Key functions, roles and responsibilities in the subsidiaries

As part of the governance system, the subsidiaries have established the key functions of Risk Management, Compliance, Actuarial and Internal Audit. The roles and responsibilities for each of these functions and their key function holders are set out in turn below:

AIG UK

1. The Enterprise Risk Management Function: Chief Risk Officer (CRO)

The ERM function oversees the delivery of the Risk Management Framework. The function is led by the CRO, who is a member of the AIG UK ExCo. The ERM function implements AIG UK's Risk Management Framework through a suite of Risk Processes, the results and findings of which are reviewed, challenged and escalated through the Company's risk governance framework.

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

- Insurance Risk (including underwriting, reserving risk and catastrophe risk);
- Market Risk (including asset-liability management);
- Liquidity Risk;
- Credit Risk (including risks associated with utilisation of reinsurance and other risk mitigation techniques);
- Operational Risk; and
- Business & Strategy Risk.

These processes ensure a common approach to risk management throughout the Company and ensures that all relevant risks are identified, measured, managed, monitored and reported. ERM also works closely with management to improve the risk profile of the Company.

The 'Risk Management System' subsection B.3 of the report aims to provide an overview of the key risks encountered by the Company and the corresponding processes and procedures put in place for the management of these risks. The section also outlines the overall risk culture established within the Company.

2. Compliance Function: Chief Compliance Officer

AIG UK Compliance is organised in accordance with the AIG Global Compliance Group (GCG) Structure, which ensures a common approach to compliance activities across AIG and provides a framework for Compliance risks to be identified, measured, managed, monitored, and reported.

Compliance works closely with the business to ensure that good customer outcomes and the right market behaviours are demonstrated. The UK Compliance function is led by the UK Chief Compliance Officer, who is supported by the UK Local Compliance Officers and Compliance Operations. Subject Matter Expert teams for Financial Crimes, Testing, Data Analytics & Monitoring support where required.
The Compliance function has the following responsibilities:

- **Compliance Policies and Procedures:** AIG's compliance policy issuance is governed by the AIG Policy Framework overseen by the AIG Policy Governance Unit. The Framework is designed to provide consistency across the company in the development, implementation, and maintenance of policies, which are documents that communicate the philosophy, rules and expectations of AIG. The UK Local Compliance Officers organise the review of these policies, and any related procedures, periodically to determine whether updating is necessary to reflect changes in applicable laws and regulations. Compliance policies are maintained on the Compliance page of the AIG intranet as well as the AIG Policy Portal.
- **Subject Matter Expertise:** GCG has subject matter expertise with regard to Key Compliance Risks, which are evaluated as part of the annual Compliance risk assessment process, as well as via other means during the year. Although day-to-day management of these risks resides within the Business Units, in order to assist businesses with the management of locally required compliance risk issues, the Compliance teams, including the Financial Crime Group (FCG) and Privacy group, provide advisory guidance for these matters.
- **Advisory Services:** The UK Local Compliance Officers provide guidance and advice on various Compliance Risk-related matters in order to assist Business Units and Corporate Functions as they assess opportunities, as well as address challenges, related to governance, performance and growth to facilitate strategies for execution.
- **Compliance Risk Assessments**: The UK Local Compliance Officers participate in an annual global compliance risk assessment program to facilitate the identification, assessment, and measurement of key Compliance Risks. As part of this overall programme, the Compliance teams evaluate the inherent risk ratings, applicable key controls, and residual risk ratings for key Compliance Risks. The Risk Control Self-Assessment (RCSA) includes the evaluation of key laws and regulations; policies, procedures, and processes; training; compliance-related external and internal risk events; and testing results, as well as relevant Audit and Regulatory reports related to Key Compliance Risks.
- **Compliance Testing:** GCG maintains a function-wide testing program designed to verify that business operations comply with certain AIG Inc. and Business Unit policies and standards, as well as key laws and regulations. The testing program covers Key Compliance Risks that have been agreed upon with Operational Risk Management. The programme is managed by the Testing group who are responsible for the execution of the approved Test plan.
- **Compliance Data Analytics & Monitoring:** UK Local Compliance Officers partners with the GLCR Service Delivery Group to maintain a Testing and Data Analytics & Monitoring program that is designed to provide ongoing surveillance, review and analysis of key risk indicators to identify red flags and potential compliance violations. The program assists management through data driven risk insights, analytics and automation, in determining where it might need to focus efforts in order to enhance process and control effectiveness, and/or address emerging risks. In addition to this, UK Local Compliance Officers conduct local monitoring to enable management to determine where it might need to focus resources in order to improve processes, develop remediation plans to address control deficiencies, address emerging risks or implement key initiatives in order to meet business objectives.
- **Compliance Training:** Corporate Compliance is responsible for developing and implementing an annual global compliance training program addressing enterprise-wide key Compliance Risks. The training program is designed to enhance employee knowledge and understanding of compliance policies and procedures, laws, regulations, and standards of good business conduct. The UK Local Compliance Officers are responsible for developing a local training program tailored to key Compliance Risks specific to the country Business Units.

3. Actuarial Function: Chief Actuary

The Actuarial function is led by the Chief Actuary. The Chief Actuary is a member of the AIG UK ExCo and works closely with other ExCo members. The Actuarial function is responsible for calculating the probability and risk of future events using specialised mathematical techniques, software, and commercial expertise. The Actuarial Function is a critical function having a significant impact on the pricing, reserving and capital modelling calibration of all lines of business. The Actuarial function is a key contributor to the effective control management of Insurance Risks relating to the failure of pricing, risks relating to the failure of a product or strategy, and risks relating to adverse reserve development. The principal activities of the Actuarial Function are as follows.

- Portfolio/Account Pricing: The Actuarial Function provides advice and support in respect of understanding portfolio trends and related pricing decisions as well as individual account pricing for large complex policies across various countries. This support includes pricing profitability studies, individual account pricing, technical raters and Account Quality Index ('AQI').
- Strategic Pricing: Actuarial also develop structured raters to provide a more controlled environment in which accounts are priced whilst maintaining the ability for underwriting judgement within agreed parameters. Actuarial are heavily involved with the design and development of a strategic IT platform that acts as a well governed yet flexible front-end. It allows AIG UK to trade in such a way that risk data and exposure data is captured, allowing for a more robust premium rate management environment across AIG UK.
- Reserving: The Actuarial Function leads the analysis of historic data and recent trends in order to advise senior management on the appropriate levels of reserves to cover the expected cost of claims and highlights trends seen in historic claim movements. The level of reserves is AIG UK's largest liability on its balance sheet; hence an accurate valuation of reserves is critical for AIG UK to run its business effectively. The Actuarial Function makes reserving recommendations to the Reserves Committee which, in turn, reports to the Board.
- Capital Modelling Calibration: Combining analytical skills, actuarial modelling software and business knowledge, the Actuarial Function plays a leading role in the increasingly important task of modelling of AIG UK's Insurance Risk. IT supports the Internal Model review and challenge process as part of the Internal Model Decision Authority process. This element feeds into the ECM, which plays a wider role in determining the overall capital impact of changes to the risk profile. Actuarial also helps calculate the Insurance Risk elements of the SF requirements which are in turn used as a benchmark to compare against the results of the Internal Model.
- Solvency II Technical Provisions: In compliance with the European Union Solvency II legislation, the Actuarial Function calculates both the best estimate technical provisions and the risk margin which forms the market value of the technical provisions. These calculations are performed based on the latest draft regulations and in conjunction with the ECM team, ensuring consistency with the Internal Model.
- Planning: The Actuarial Function develops a best estimate view of the loss ratio for the budget year; this takes into account information such as expected change in business mix, expected future premium rates, expected future claims inflation and expected changes to terms and conditions as well as considering the historical loss ratio trends by segment. This is then discussed with the wider business. The execution of the underwriting initiatives in the budget are tracked and reported during the course of the year.
- Overseeing the preparation and submission of the Actuarial function report to the Board which sets out the assessment of the reliability and adequacy of the calculation of technical provisions and an opinion on the underwriting policy and overall reinsurance arrangements.
- Timely provision of actuarial inputs into Solvency II Pillar 3 reporting.
- Owning the risks identified in AIG UK's Risk Register.
- Peer review of pricing profitability studies.
- Production of management information around profitability as required by the wider business.

4. Internal Audit Function: Head of Internal Audit

Internal Audit's mission is to enhance and protect enterprise value by providing stakeholders with objective assurance and insight. Internal Audit does this by establishing, implementing and maintaining a risk-based audit programme that is effective and efficient, taking into account the Company's activities, internal controls, system of governance and risk management processes; conducting an independent assessment of how effectively key risks are identified and managed, challenging management on the effectiveness of their discharge of responsibilities and making recommendations for improvement.

The Internal Audit function is led by the Head of Internal Audit and is responsible for developing and maintaining a risk-based internal audit programme for the Company through:

- Developing an audit plan based on risk and control maturity assessment results, taking into account all activities and the complete system of governance;
- Delivering a comprehensive, dynamic and globally-aligned audit programme;
- Continuously considering the risk profile, including new or emerging risks, business changes and transformation, new initiatives and business trends, and communicating any impact on the risk profile to the Audit Committee and Senior Management as appropriate;
- Ensuring execution of the audit plan and that individual audit engagements are performed according to the Internal Audit Group's overall policies and procedures;
- Communicating any corrective actions not effectively implemented to remediate issues to the Audit Committee and Senior Management;
- Ensuring principles of integrity, objectivity, confidentiality, and competency are applied and upheld;
- Supporting the assurance needs of the Board and the Audit Committee by developing tailored planning, reporting and advice to meet local corporate governance and regulatory requirements.

Internal Audit Independence and Objectivity

The independence of Internal Audit is fundamental to its ability to deliver objective coverage of all businesses and corporate functions of the Company. The Head of Internal Audit ensures that Internal Audit remains free from all conditions that threaten the ability of its personnel to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. This is achieved through the following:

- The Head of Internal Audit reports directly to the AIG UK Audit Committee, with no reporting line to local management. Internal Audit is a global function, where the global Chief Audit Executive has a direct reporting line to the AIG Inc. Audit Committee; this establishes Internal Audit's position within the organization and permits the Internal Audit Group to continue to render impartial and unbiased judgments.
- The Head of Internal Audit is authorised by the Audit Committee to have full and complete access to any of the organisation's records, properties and personnel.
- The Head of Internal Audit is also authorised to designate members of the audit staff to have full and complete access in discharging their responsibilities.
- The Head of Internal Audit will confirm the organizational independence of Internal Audit to the Audit Committee annually, as well as disclose to the Committee any interference and related implications.
- Internal Audit personnel may not have operational responsibility or authority over any of the Company's business activity or personnel outside of Internal Audit, and may not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.
- The Audit Committee is responsible for recommending the approval of the appointment or termination of the Head of Internal Audit.

AIG UK – Other relevant functions

Finance Function: Chief Financial Officer (CFO)

The Finance function is led by the CFO who is a member of the ExCo and is responsible for overseeing the leadership finance controllership, capital management, reinsurance, taxation and treasury. The Finance controlling team is responsible for recording and organising the financial transactions generated by other departments.

The Finance function has the following key responsibilities:

- External reporting for AIG UK and its subsidiaries including statutory accounts and Solvency II reporting;
- Business planning;
- Business partnering including management information;
- Tax;
- Capital management including reinsurance; and
- Rating agency relationships.

The Finance function has established adequate internal controls over Solvency II reporting which are overseen by the Board and are designed to provide reasonable assurance that the SCR calculation is complete, accurate and is underpinned by an appropriate level of data governance.

AIG UK's internal control over Solvency II reporting includes procedures that:

- Pertain to data inputs are complete, accurate and of appropriate quality to use in the SCR calculation;
- Provide reasonable assurance that Solvency II reporting tools are producing expected results; and
- Provide reasonable assurance regarding prevention or timely detection of errors & omissions that could have a material effect on the Solvency II reporting.

For the submissions done during the reporting period under consideration, checks have been performed to ensure the accuracy of data feeding into the SCR reporting by data quality team and detailed review by AIG Internal Audit function of quarterly and annual submissions including review of controls.

B.1.B MATERIAL CHANGES IN THE SYSTEM OF GOVERNANCE DURING THE PERIOD

There were no material changes during 2024 in AHEL's System of Governance.

B.1.C REMUNERATION COMMITTEE

The AIG Group compensation programme is structured so as to make enterprise-wide compensation decisions consistent with the AIG Group's compensation philosophy.

Principles of the AIG Group's remuneration policy

The guiding principles that form the foundation of the compensation philosophy and strategy are:

- Provide a market-competitive, performance-driven Total Direct Compensation (TDC) structure (i.e., TDC, which consists of base salary plus annual short-term incentive plus long-term incentive);
- Variable incentive compensation will be used to reward annual and long-term risk-adjusted performance and to provide exceptional pay opportunities for top performers at all levels within the Company;
- Weight TDC opportunities toward variable incentive compensation (both annual and long-term), which will increase as a percentage of total compensation at higher grade levels, while making sure that all variable incentive elements appropriately balance risk and reward; and
- Use performance measures to drive high-performance business results compared to relevant benchmarks and to achieve sustainable increases in the "intrinsic value" of the firm.

Performance criteria

To ensure fair, compelling, competitive and consistent compensation opportunities throughout the firm, employees are assigned to pay grades based on their job responsibilities (internal equity) and compensation is administered under a structure that is anchored on competitive market data (external equity).

Each pay grade has a salary range and ranges for target annual incentives and long-term incentives; these grades and ranges will be designed to reflect that the AIG Group competes in multiple markets and geographies, and that a "one size fits all" approach will not meet the needs of its various Business Units.

The AIG Inc. Group values differentiated incentive compensation. Managers have discretion in determining short term and long-term incentives, within the incentive pools and differentiate individual performance. Decision aids are provided on how to make the compensation determination and manager toolkits are provided with advice on ways to recognize top performance and have better, continuous performance conversations with employees.

Annual and long-term incentives paid to current and former executive officers are subject to recovery if it is determined they have been based on financial statements that were restated due to material noncompliance with any financial reporting requirement under the securities laws within three years prior to payment or if the AIG Inc. Group's Compensation and Management Resources Committee (CMRC), in its discretion, determines that such incentives were based on erroneous data to a degree that it deems material.

Human Resources

The Human Resources (HR) team is responsible for the following aspects of the business: Business Partnership, Talent Management, Talent Acquisition, HR Operations, Compensation and Benefits and Payroll.

The HR team is a key control for Operational Risks relating to employment legislation and people related risks, such as a lack of appropriately skilled resourcing, which covers aspects of the Operational Risks relating to Employment Practices.

This is managed by a combination of ensuring remuneration and staff benefit packages are competitive, appropriate talent, development and succession frameworks are in place to enable ongoing development and long-term prospects for employees and effective recruitment practises are maintained to attract new skills to the business. Global Job Grading is a global initiative that is operated to ensure that the process of remuneration and career progression within the company is transparent and encourages the right skills and behaviours amongst staff.

HR supports the performance management by recruiting, training, coaching and developing effective managers to maintain good performance. HR coordinate tools to assist in this process such as the annual performance review process which validates the performance of individuals against their goals and their behaviours.

The HR team ensures that AIG UK complies with all relevant employment legislation through the relevant policies such as the Code of Conduct, the staff handbook, Disciplinary and Grievance Procedures and the Equal Opportunities Policy.

HR oversees employee tax compliance and ensures appropriate contributions are made to pension funds.

Compensation

The Total Direct Compensation (TDC) consists of the following elements:

Direct compensation	Fixed/variable
Base salary	Fixed
Short-term incentives	Variable
Long-term incentives	Variable
Benefits and perquisites	Fixed/variable

Under the AIG Group's long-term incentives plan, a significant portion of executives' compensation is provided in equity, based on performance metrics over a three-year vesting period. This promotes long-term value creation for the AIG Group's shareholders and appropriately accounts for the time horizon of risks.

Risk and Compensation Plans

The AIG Group remains committed to continually evaluating and enhancing our risk management control environment, risk management processes and enterprise risk management functions, including through enhancements to its risk governance framework. The AIG Group's compensation practices are integral parts of its approach to risk management, and the AIG Group Remuneration Committee regularly monitors the AIG Group's compensation programmes to ensure they align with sound risk management principles.

B.1.D MATERIAL TRANSACTIONS DURING THE PERIOD

There were no material transactions during the reporting period between AIG UK and AIG Holdings Europe Limited, the Board members and members of the administrative, management or supervisory body.

B.2 FIT AND PROPER

The 'Fit and Proper' subsection of the report aims to provide a description of AHEL's subsidiary processes for assessing the fitness and propriety for persons who effectively run the UK regulated subsidiaries or the key functions.

Assessment of fit and proper of AIG UK senior managers

Staff designated as Senior Management or Certification functions under the SMCR are the senior managers accountable for the effective management of the Company. They are required to meet AIG's fit and proper requirements and comply with the SMCR Regime. The process requires AIG UK to check whether those taking up designated roles are fit and proper and to test those designated as Certification Functions on an annual basis. These processes are documented in the governance manuals.

Training of the Board Members

The Company Secretary is responsible for identification and coordination of general training needs of the Board members. These may include general governance issues or technical matters. In addition, individual Board members may identify further training needs.

B.3 RISK MANAGEMENT SYSTEM

AHEL GROUP

Risk Management Overview, Strategy and Objectives

The Risk Management Framework builds on the strength and depth of the risk management processes undertaken in each of the insurance subsidiaries, overseen by the respective subsidiary boards. Each component of the insurance subsidiaries' Risk Management Frameworks are delivered by both first and second line of defence teams, the outputs of these activities are critical feeds into the Group ORSA.

Risk Culture

AIG has an ongoing commitment towards maintaining an effective risk culture, as it is critical to our success in maintaining and developing an effective risk management system. The five key elements which underpin the risk culture are to be found in the subsidiaries namely:

- Visible Leadership – senior management takes an active role in promoting the Risk Management Framework.
- Communication – internal communication to all levels of management and staff to describe and inform (to an appropriate level of detail) the risk framework (strategy, governance), risk policies/procedures and risk profile.
- Involvement – appropriate contribution at all levels of management and staff to the processes of identifying, assessing, managing, monitoring and reporting risks. All Company's employees have a responsibility to manage risk.
- Compensation – alignment of incentives to risk management objectives and use of risk adjusted performance measures to evaluate performance.
- Professional Development – provision of information and appropriate levels of training to elevate individual competencies, and thereby organisational capabilities, in risk management across AIG.

This structure allows for each function and individual to have a clear understanding of their risk management responsibilities and aids embedding an effective risk culture in the subsidiaries. The subsidiary risk governance structures provide an oversight and decision-making framework within which material risks are continually identified, assessed, monitored and managed at a regional level.

AHEL GROUP INTERNAL MODEL

AHEL's Economic Capital Model (ECM) was approved in July 2017 by the PRA. The ECM captures all risks within AHEL excluding AIG Israel. The SF is used to calculate the capital requirement for AIG Israel. This means that, at a Group level, the ECM is a PIM which has to be integrated with the SF in order to calculate the Group SCR.

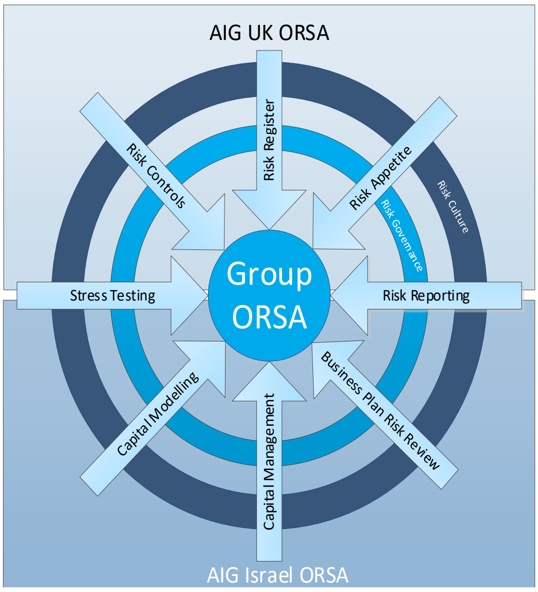
Following the Directive and the Delegated Regulation providing several integration techniques, it was agreed to use Integration Technique 1 as defined in Annex XVIII of the Directive for AHEL.

Following the concept of Integration Technique 1, AHEL's Group SCR will be the sum of the:

- Capital requirement of the PIM primarily focused on AIG UK.
- Capital requirement of the SF primarily focused on AIG Israel combined.

There are no identified Solvency II categorised risks that are out of scope of the model. There are no intangible assets not included in EBS. Therefore, using the Internal Model to calculate the AHEL SCR remains compliant with the Solvency II requirement.

B.3 GROUP OWN RISK AND SOLVENCY ASSESSMENT



AHEL's ORSA looks at the current and forward-looking risk profile of AHEL and its insurance subsidiaries: AIG UK and AIG Israel. The AHEL ORSA is performed, reviewed and approved annually.

AIG UK and AIG Israel apply a number of governance processes over their respective ORSA to ensure that risk management processes and the risk and solvency positions are appropriately defined, assessed and managed.

The ORSA Report is used to summarise the outputs of these risk management and capital assessment processes. This report includes both the quantitative and the qualitative outputs of these processes and links to their business performance, to assist the Board and senior management in making strategic business decisions.

The subsidiaries prepare an annual ORSA report. The ORSA reports are reviewed, challenged and ultimately approved by their boards. In addition, a further interim update of the ORSA may be produced in cases where an event occurs that results in a material change to its Risk Profile, Internal Model or Business Plan. The ORSA processes and reports are used and embedded in the first line of defence.

The ORSA Reports are a distillation of the key outputs from these processes into a key document for management and the regulator.

AMERICAN INTERNATIONAL GROUP UK LIMITED

Risk Management Overview, Strategy and Objectives

AIG UK believes that a strong, effective and embedded Risk Management Framework is crucial to maintaining successful business operations and delivering sustainable, long-term profitability. AIG UK achieves this through a strong risk culture articulated by effective ERM senior leadership and embodied by management at all levels through its governance structure and risk management processes.

AIG UK utilises the "Three Lines of Defence" model for risk management, as described in Section B.1.A Management and Governance Structure above. Overseeing the AIG UK's Risk Management Framework is a risk governance structure that encompasses its principal business operations and risk areas and defines a framework of risk committees, risk reporting and risk controls embedded throughout AIG UK.

AIG UK seeks to maintain a risk profile that meets the following business objectives:

- Deploy its resources in the service of its customers, accepting risks that AIG UK is able to manage;
- Maintain the financial strength to assure its customers, affiliates and distributors AIG UK will be able to honour its commitments;
- Operate from a position of strength on requirements from its external stakeholders including regulatory requirements, creditor covenants and rating agency expectations;
- Take measured risks that generate sustainable and profitable growth and deploy its resources where AIG UK can achieve the greatest long-term risk-adjusted returns; and
- Diversify its revenue streams and sources of risk.

AIG UK will assume risks that:

- Are aligned with strategic objectives, growth and/or innovation opportunities in specific markets, or where AIG UK has or can develop a competitive advantage;
- Are well understood by management and where AIG UK has organisational capabilities or expertise to manage them well;
- Allow the development of information and capabilities for future profitable growth in new markets or segments; and
- Are appropriately priced to provide an adequate risk-adjusted return on capital, apart from limited instances as described above as an investment for future growth.

AIG UK will avoid risks that:

- Expose AIG UK or the AIG Group to a material level of legal, regulatory or accounting risk, unless appropriate review and mitigation is exercised; and
- Result in outsized risk exposures relative to peers or its financial resources.

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

AIG UK's adherence to its quantified risk parameters is supported by ongoing risk identification exercises conducted across the company, the outputs of which are documented within a standing risk register framework, which captures the material risks that AIG UK faces. Identified risks are then managed through the application of a set of policies and procedures which align to AIG's global corporate policies and define risk management processes and controls adopted across our business.

The impact of these risk management and risk mitigation activities is given appropriate context through the utilisation of risk management information, which includes the results of our stress testing programs as well as periodical risk reporting assessments provided to executive risk committees, thereby allowing senior management to take the appropriate decisions required to manage AIG UK as a risk-aware business.

The Board, via the BRC, has ultimate responsibility for development and oversight of the Risk Management Framework; the Board delegates the management of risks within the risk appetite and the risk governance framework to the RCC. The RCC escalates matters of importance to the BRC, and the Board as needed.

Risk Culture

AIG UK has an ongoing commitment towards maintaining an effective risk culture, as it is critical to its success in maintaining and developing an effective risk management system. The five key elements which underpin the risk culture are:

- Visible Leadership – senior management takes an active role in promoting the Risk Management Framework. AIG UK has defined a framework of risk committees, risk reporting and controls embedded throughout the business. The risk governance structure supports AIG's efforts in embedding a strong risk culture through the integration of risk management with business activities.
- Communication – internal communication to all levels of management and staff to describe and inform (to an appropriate level of detail) the risk framework (strategy, governance), risk policies/procedures and the company risk profile. The risk governance framework generates information on the impact of risk management operations and the current risk profile of AIG UK.
- Involvement – appropriate contribution at all levels of management and staff to the processes of identifying, assessing, managing, monitoring and reporting risks. All of the Company's employees have a responsibility to manage risk.
- Compensation – alignment of incentives to risk management objectives and use of risk adjusted performance measures to evaluate performance.
- Professional Development – provision of information and appropriate levels of training to elevate individual competencies, and thereby organisational capabilities, in risk management across the AIG Group.

AIG UK believes that an effective risk culture must achieve an effective blend of both constraints and incentives. See above for the Risk governance structure.

Risk Identification

AIG UK operates in an ever-changing environment, where new risks may emerge periodically, leading the Company to continually assess and revise its current risk profile. As a result, AIG UK participates in an AIG-wide consistent risk identification process and incorporates the assembled risk profiles and identified material risks into its Risk Register and other related elements of the company's Risk Management Framework.

AIG UK conducts risk identification through a number of methods, including:

- Ongoing assessments of relevant risks in risk committees;
- Identifying growing or emerging risks through conducting risk analysis and follow up monitoring of the annual business plans and its many lines of business;
- The application of insight from selected external industry studies and media coverage of loss events;
- Participation in and review of the outputs of an enterprise-wide Vulnerability Identification Process, which is designed to ensure that potential new or emerging risks are brought to the attention of senior management;
- The assessment of internally and externally generated loss events and Risk and Control Self Assessments (RCSAs); and
- Regular stress and scenario exercises are undertaken during the year in co-operation with business operations to evaluate the perils the company is exposed to across multiple facets of the business.

The outputs from these activities enable AIG UK to identify key areas for focus and to identify their potential impact on AIG UK's risk profile.

Risk Register

AIG UK currently has in place a three-tier structure for the capturing, discussion and assessment of risks. The current three-tier structure is described below:

- Tier 1 - Comprised of the 'Top Ten' key risks, spanning the whole of operations. These risks are owned at RCC level.
- Tier 2 - Comprised of Granular ExCo risks; owned and managed through the Executive Risk Committees that report to the RCC (being the Insurance, Market, Credit and Operational Risk Committees).
- Tier 3 - Comprised of control risks; these support ExCo risks with enhanced granularity and are designed to mitigate the frequency and/or severity of a given risk. The more effective a key control is, the greater its ability to mitigate the impact of the risk it is linked to. The reverse is also true.

The risks identified at Tier 2 and Tier 3 levels are designed to align to the entity level key risks identified for Tier 1. This enables the company to maintain a dynamic, interactive, risk register structure, where issues or developments within specific risks at a certain level are discussed and taken into account for relevant risks within the other tiers.

This also allows AIG UK to better reflect the dynamic, ever-changing risk landscape that it currently operates within a diagram of the three levels of risk is provided below for illustration purposes:

Tier 1: 10 Key Risks
The entity level Key Risks are designed to align to the five main risk categories of Insurance, Market, Operational, Credit and Business/Strategy Risk. This allows AIG UK to produce risk dashboards for the RCC, ExCo and BRC covering all of these key risks.

Tier 2: The 'ExCo' Risks
The entity level key risks within Tier 1 are then broken down into more granular ExCo risks. These ExCo risks are managed by the respective Insurance, Market and Operational risk committees, with cross-cutting Business/Strategy Risks managed at the RCC. Each of these risks has a number of potential causes and controls which require review and management, interacting with global support functions. These ExCo risks are supported by specific tailored Key Risk Indicators for use in committees.

Risk Management and Control
The management of key risks and the establishment and application of relevant mitigating controls are an essential part of the management of its activities against appetite. Without appropriately designed and monitored controls, the likelihood of being in line with its defined risk appetite is reduced. Therefore, the management of the risk controls plays a key part in its Risk Management Framework.

Risk reporting and risk indicators
ERM utilises periodical risk reporting to articulate to regional and local management, including the RCC and the Board, whether AIG UK is identifying, monitoring and managing its risks sufficiently to adequately operate within its risk appetite and to recommend (where appropriate) remedial actions. Our risk reporting and communication framework principally consists of three channels, being Quarterly Risk Assessments, Annual risk documents and ad-hoc reporting.

Quarterly risk assessments
The ERM function co-ordinates the production of detailed risk assessments covering key risks for discussion by the Insurance, Market and Operational Risk Committees before being fed up to the RCC on a quarterly basis.

These reports communicate ERM's view of the current and future risk and control landscape around each of the entity level key risks. The assessment of the underlying ExCo risks that comprise each entity level key risk and the results of monitoring conducted on emerging risks is documented in a Risk Watch list. Expert judgement on the part of the individual Heads of Risk for Insurance, Market, Credit and Insurance is applied in conjunction with that of subject matter experts throughout the company to produce these assessments on a quarterly basis.

These assessments utilise a combination of qualitative and quantitative factors, most notably the current calculated risk appetite for each entity level key risk against its defined risk appetite, to grade each of the entity level key risks from low to high risk. These assessments are accompanied by recommendations for further management action to follow.

This reporting format provides to executive management a clear indicator of what the key areas of concern are across the company's risk profile, as well as more detailed engagement with solutions to resolve these concerns, thus enabling them to approve and set these solutions in motion.

Risk Watch list
ERM monitors key risks identified from annual review of the Business Plan Risk Review and from ongoing oversight of the risk profile. Once identified and approved, these key risks are reported on a quarterly basis until they have been fully addressed or the exposure to these risks has passed. These risks are formalised within a Risk Watch list, which also includes an overview of monitoring methods and tools used to review these risks on an ongoing basis. Monitoring of these risks may include the use of Key Risk Indicators; these are reported to the RCC and BRC on a quarterly basis as part of ERM's ongoing risk assessment reporting.

Ad-hoc Reporting
Reporting is also flexible enough to report events outside of the normal reporting cycle and as required ad hoc reports are produced.

Stress and scenario testing framework
Since the Major Model Change approval by PRA in September 2018, AIG UK calculates its capital requirements using its own Internal Model. Since the Internal Model provides a more tailored and comprehensive assessment of the Company's risk profile compared to the SF, the Internal Model is deemed to deliver the true economic view of risk.

Stress and Scenario Testing provides valuable input through informing senior management of how simulated 'real-life' events create pools of risk aggregation across risk types that ultimately impact the capital position. The suite of stress and scenarios tests are utilised in the following areas:

Internal Model Calibration - The results of Stress and Scenario Testing are key calibration inputs for two modules of the Internal Model: Operational Risk and Man-Made Catastrophe Risk. For each risk module, a representative set of scenarios are designed, and the results are used as calibration points for the model.

Internal Model Validation - Stress and Scenario Testing is used to independently validate the Internal Model, through providing an alternative, quantitative lens to view specific risks and compare against the Internal Model output (e.g., comparing specific model simulations against independently calculated scenarios).

Business Plan Risk Review - The 1- and 3-year baseline forecasts underpinning the Business Plan are set based on a number of "best estimate" predictions including: future loss ratios, GPW growth rate, retention rates.

Reverse Stress Testing - AIG UK performs annual Reverse Stress Testing exercises to identify and assess events and circumstances that would cause the business model to become unviable. Reverse Stress Testing allows AIG UK to assess the extreme risks which could threaten AIG UK. Consequently, it ensures early warning indicators can be developed to both mitigate (pre-event) and remediate (post event) management actions.

Emerging Risk Stress Testing - Stress and Scenario Testing is used to quickly quantify the exposure to emerging risks. Shifting macro-economic trends and external events are assessed through stress testing to deliver entity-specific loss analysis.

Solvency Capital Management

Management develop and regularly reassess capital targets and operating ranges in order to ensure AIG UK holds an appropriate and efficient amount of capital. A suite of stress and scenario tests are employed to independently assess the level of capital buffer above the IM-SCR.

AIG UK targets holding sufficient capital to meet the IM SCR run off to 'ultimate' and withstand various stresses. The IM SCR is designed to capture all relevant risks faced by the business over a 1-year time horizon. Management believe that the capital buffer is sufficient to provide for the run-off of liabilities beyond the 1-year time horizon, to cover all risks until the ultimate settlement of all liabilities (ultimate SCR). Regular stress testing supports the assessment of the target capital buffer. AIG UK has available Tier 1 and Tier 2 capital to meet its IM SCR and target capital buffer although it aims to fully hold its capital requirement in Tier 1.

For the Risk Appetite Framework, AIG UK utilises an alternative economic basis. This basis is still on a 1:200 and One Year view, but unlike Solvency II is with no discounting, on a UK GAAP basis and has no provision for tax loss absorbency. AIG UK refers to this approach as its "Risk Profile Valuation Basis" and it provides a further lens through which to analyse and assess its risk profile.

This basis allows for risk management decisions to be based on a clear understanding and quantification of risk (in terms of loss to capital resources) at a given probability. The risk profile is assessed on this basis at the 1:7 and 1:200 loss points.

OWN RISK AND SOLVENCY ASSESSMENT

The ORSA is a set of processes undertaken to define, assess and manage the risk and solvency capital position. The ORSA Process draws together the results and analysis delivered through each of the above risk processes and provides a current and forward-looking assessment of the risk profile.

ORSA Governance

AIG UK applies a number of governance processes over the ORSA, in order to ensure that risk management processes and the risk and solvency position of the Company are appropriately defined, assessed and managed.

The UK CRO is responsible for conducting centralised risk management activities such as documenting the ORSA Report, maintaining the risk register and producing management information packs for several risk committees.

ORSA Report

The ORSA Report is used to summarise the outputs of these risk management and capital assessment processes. This report includes both the quantitative and the qualitative outputs of these processes and links these to the business performance, to assist the Board and senior management in making strategic business decisions.

The ERM function prepares at least one ORSA report annually which is reviewed, challenged and approved by the Board. In addition, a further interim update of the ORSA may be produced in cases where an event occurs that results in a material change to the Risk Profile, Internal Model or Business Plan. The ORSA process and report is used and embedded in the first line of defence.

The ORSA Report is a distillation of the key outputs from these processes into a key document for management and the regulator. The submission of the final ORSA report includes the completion of several key business processes undertaken by ERM in conjunction with wider business management. The diagram below provides an indication of the ORSA process, including the principal internal stakeholders (such as the RCC, ERM and the Board) and how it fits in with the key business processes.

B.5 INTERNAL CONTROL SYSTEM

The description of the internal control system is disclosed in Section B.1.A.D Key Functions, Roles and Responsibilities above along with the description on Finance Function.

B.6 INTERNAL AUDIT FUNCTION

The description of the internal audit function is disclosed in Section B.1.A.D Key Functions, Roles and Responsibilities above within the internal audit function.

B.7 ACTUARIAL FUNCTION

The description of the actuarial function is disclosed in Section B.1.A.D Key Functions, Roles and Responsibilities above within the actuarial function.

B.8 OUTSOURCING ARRANGEMENTS

The 'Outsourcing' subsection of the report aims to provide a description of the critical outsourcing activities and the outsource service providers. The Outsourced Service Providers (OSP's) are defined as Third Parties that perform/provide core business activities, i.e., insurance products/services (and/or regulated activities) on behalf of AIG UK.

AIG UK utilises outsourcing arrangements for a number of operational activities to obtain operational efficiencies, leveraged specialised market skills, and free internal personnel for other key functions.

The screening/due diligence process confirms if a vendor is suitably qualified and possesses the expertise, experience and capabilities for the goods and/or services being provided. The contract owner is required to ensure adherence to internal policies, procedures and applicable international, regional and local laws and regulations. The process also investigates if the vendor is financially sound based on the vendor's current financial and other key operating information, which is either publicly available or provided by the Vendor.

The contract owners are responsible for the relevant risk management and assurance of AIG's policies associated with outsourcing. The policy addresses regulatory, legal and control requirements that require proper governance and management of the third parties. In addition, other policies and standards are adopted to comply with regional and local laws and regulatory requirements.

A risk rating for each vendor is assigned to assure the appropriate oversight is performed and establishes the frequency and mechanism for initial and ongoing oversight. The scope and frequency of ongoing oversight of a vendor may be increased or decreased due to but not limited to the following:

- change to legal/regulatory requirements and laws;
- notification of a security incident, privacy incident;
- change in ownership of the third party; and
- control issues identified during an assessment.

Oversight, monitoring and management reporting of vendor activities are performed by the contract owner. Each vendor must have a contract owner who is responsible for managing the third party. Performance monitoring includes but is not limited to:

- assessing adherence to contracts terms;
- reviewing contract performance and operational issues;
- ensuring that the vendor complies with consumer protection laws and regulations;
- reviewing customer complaints about services or products handled by the vendor; and
- assessing the adequacy of business recovery and business contingency plans and reporting and monitoring of metrics (e.g., KPIs).

During the reporting period the following auxiliary functions were outsourced:

Outsourced Processes	**Jurisdictions**	**Description**
Accounts Payable and Finance Centre	India	Administration & fulfilment; Accounts payable, data entry, refunds and billing.
Investment / Asset Management	UK	Investment Management and Operations
Claims Handling	Bulgaria, India	Claims handling and settlement.
Underwriting	India, Malaysia	Non-advised back-office Sales, Underwriting quotation and analytics.
Operations – Policy servicing, Multinational	Philippines, India	Administration & fulfilment; premium collection, data entry, refunds and billing.
HR Shared Services	Malaysia	Administration & Payroll
Treasury Operations	Ireland	Treasury Operations, Bank Administration
IT Services	India, Philippines, US	IT support

B.9 ADEQUACY AND APPROPRIATENESS OF THE SYSTEM OF GOVERNANCE

The governance structure ensures that management are able to provide the appropriate levels of oversight whilst allowing decisions to be made at the appropriate levels within the subsidiaries. The governance structure provides a mechanism for AHEL's subsidiaries to anticipate and respond to potential changes in the business environment or risk profile within an appropriate period of time. The governance structure is also designed to facilitate the formulation, scrutiny and once approved, implementation of strategy.

B.10 ANY OTHER MATERIAL INFORMATION

As at 31 December 2024, there is no other material information regarding the System of Governance of the Company.

Solvency & Financial Condition Report 2024

C. Risk Profile

THE RISK PROFILE SECTION OF THE REPORT CAPTURES THE COMPLEXITY OF THE OVERALL RISK STATUS OF THE COMPANY, TAKING INTO ACCOUNT ALL THE MATERIAL RISKS TO WHICH THE COMPANY IS EXPOSED.

FOR EACH MAJOR RISK GROUPING, THIS SECTION PROVIDES A DESCRIPTION OF:

- Risk Exposure
- Measures Used to Assess the Risk
- Risk Concentration
- Risk Mitigation
- Risk Sensitivities

RISK PROFILE

A strong, effective and embedded Risk Management Framework is crucial to maintaining successful business operations and delivering sustainable, long-term profitability. The goal is to achieve this through a risk culture articulated by its ERM senior leadership and embodied by management at all levels through the governance structure and risk management processes.

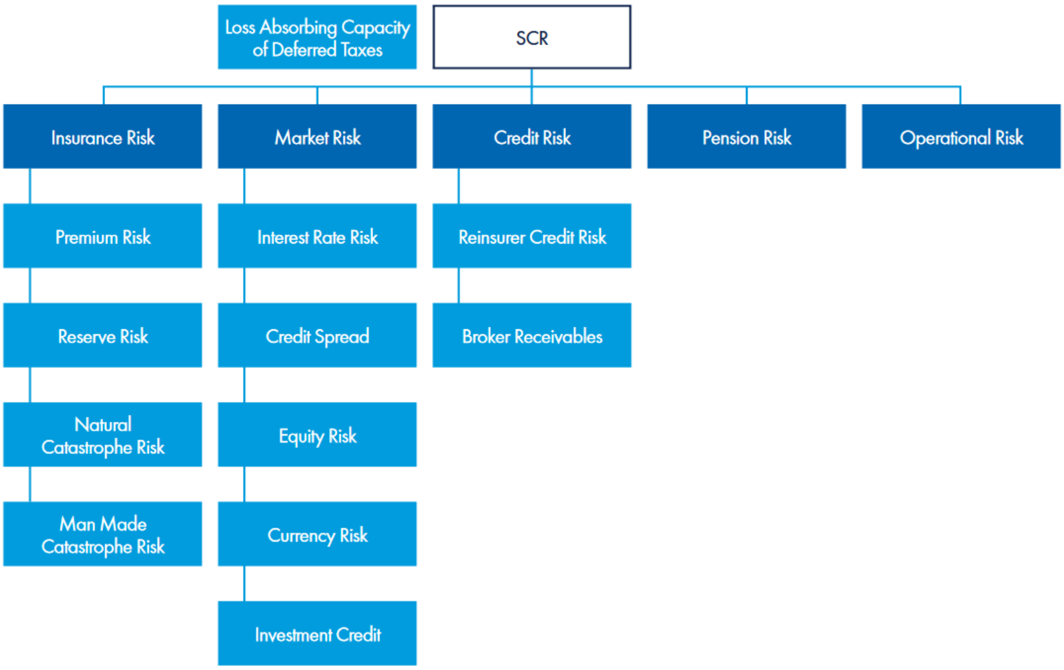
AHEL's capital requirement under Solvency II (which seeks to quantify and reflect its current risk profile) is calculated on a consolidated group basis through the PIM. AHEL currently has and is forecast to maintain a capital surplus above this binding capital constraint over the horizon of our business plan, with each of AHEL's subsidiary insurance entities maintaining capital above their solo entity SCRs.

AHEL SCR (unaudited) £'m	AHEL	AIG Israel	Group SCR
	Y/E 2024	Y/E 2024	Y/E 2024
Insurance risk	846.1	185.5	1,031.6
Market risk	390.9	51.2	442.2
Credit risk	158.0	13.7	171.7
Operational risk	238.3	12.2	250.5
Pension risk	18.5	-	18.5
Loss Absorbing capacity of deferred taxes	-	(14.5)	(14.5)
Diversification	(483.8)	(91.2)	(575.0)
Total SCR	1,167.9	157.0	1,324.9

For the AHEL Year End capital calculation, the AIG Israel Standard Formula (SF) calculations are performed as at 2024 Q3.

During 2024, there were no Major Model Change applications to the PRA for AHEL's Internal Model and subsequently there are no outstanding Major Model Change applications under review by the PRA for AHEL.

The schematic below articulates the risks in scope of the Internal Model:



Risk Profile, Measurement and Assessment

The Risk Management Framework supports the identification, measurement, management, monitoring and reporting of the five major risk groupings, including:

- Insurance Risk;
- Market Risk including Liquidity Risk;
- Credit Risk;
- Operational Risk including Technology Risk; and
- Business and Strategy Risk.

The Risk Profile is a point in time measurement of risk exposure in the subsidiaries. The risk assessment draws on available Management Information (MI) and Key Risk Indicators (KRIs) to provide context to judgements and strategic decisions, which are split between a current and forward-looking perspective on each of major risks. KRI results, particularly those that breach an agreed trigger level, are discussed within the appropriate risk committee within the risk management governance structure to identify the root cause and to approve remedial actions for the relevant risk owners to execute. Where key risk hotspots are identified, being either those that have crystallised or may potentially emerge, the assessments will quantify their potential or actual impact and propose remediation actions for specific Risk Owners and management to take note of and, if agreed, execute.

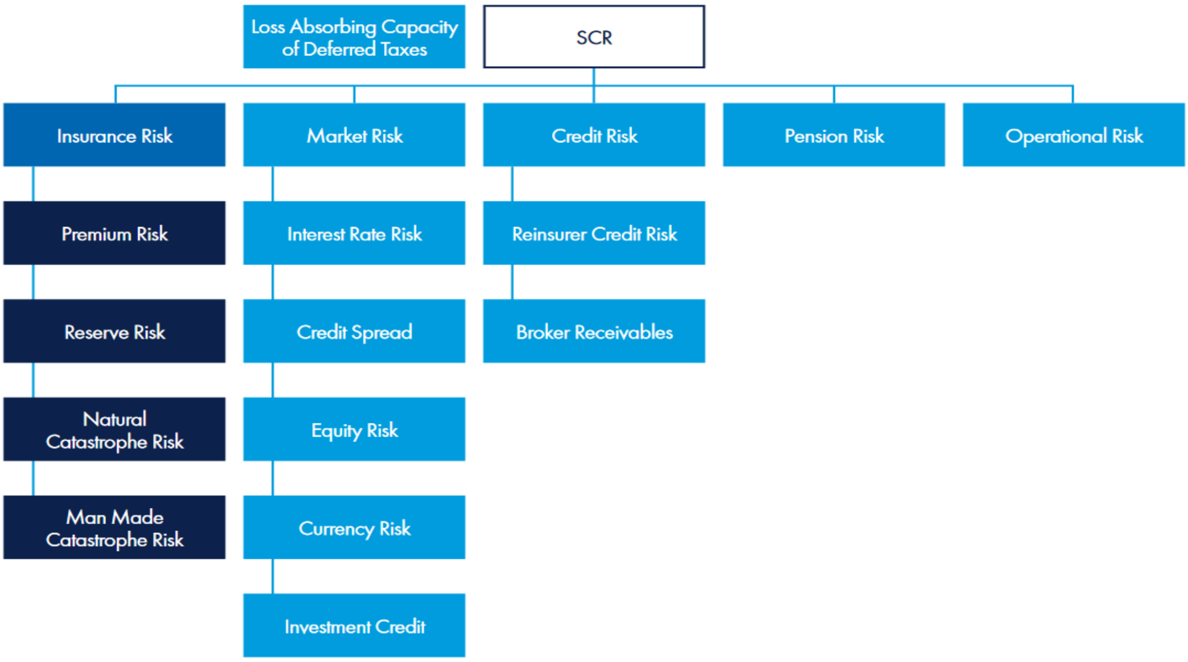
AHEL's subsidiaries have identified a number of risks that may potentially impact on the successful execution of their business plans and ability to generate sustainable profits.

Top Ten risks on the Company's Risk Watch List

Risk Area		Description
Insurance Risk	1	Failure of Pricing, Product or Strategy
	2	Aggregation / Accumulation Risk – Natural Catastrophe
	3	Aggregation / Accumulation Risk – Man Made Catastrophe
	4	Adverse Reserve Development
Market Risk	5	Unexpected Loss in Market Value
	6	Liquidity Risk
Credit Risk	7	Unexpected Credit Loss – Reinsurer Failure
	8	Unexpected Credit Loss – Other Counterparties
Operational Risk / Technology Risk	9	Operational Risk – loss or other adverse consequences resulting from inadequate or failed internal processes, people, systems, or from external events
Business and Strategy Risk	10	Business and Strategy Risk - implementation of business plans and strategies

C.1 INSURANCE RISK (UNDERWRITING RISK)

Insurance Risk encompasses the risks AIG UK is exposed to arising from its insurance underwriting operations and is broadly split and assessed between the following risk categories:



INSURANCE RISK EXPOSURES

Premium Risk

Premium Risk is the risk that the loss experience for the future accident year is different from the central assumption. More specifically, Premium Risk results from fluctuations in the timing, frequency, and severity of insured events. It relates to risks from policies that will be written during the period (including renewals), and to unexpired risks on existing contracts. Premium Risk includes the risk that premium provisions turn out to be insufficient.

Reserve Risk

Reserve risk is the risk that the eventual reserve requirement is greater than that currently held. More specifically, reserve risk relates to the risk that technical provisions are inadequate due to fluctuations in the timing and amounts of claim settlements. Under Solvency II, it relates to the possible inadequacy of claims provisions, i.e., provisions in respect of business already earned. It also covers the uncertainty in expense provisions relating to this business.

Natural Catastrophe Risk

AHEL is exposed to various catastrophic events in which multiple losses can occur and affect multiple lines of business in any calendar year. Natural disasters such as hurricanes, earthquakes and other catastrophes have the potential to adversely affect operating results.

Man-Made Catastrophe Risk

Man-made catastrophe risk represents the uncertainty regarding potential aggregate losses caused by human activities including pandemics, terrorism, financial crisis and latent diseases.

AHEL's exposure to Insurance Risks is the largest contributor to its capital requirement.

MEASURES USED TO ASSESS INSURANCE RISK

Premium Risk (Non-Cat)

The modelling of separate capped and excess losses allows AIG to model reinsurance explicitly based on treaties that are in place to determine a distribution of potential net losses. Facultative and captive reinsurance are modelled using a factor/proportional based approach. Excess of Loss reinsurance is modelled on a claim-by-claim basis.

Using historical loss data split by line of business into homogeneous groups (claims with the same underlying behaviour), loss ratio data is adjusted for changes in rates and inflation.

The process is calibrated by Corporate Actuarial and reviewed by Pricing Actuaries and their profit centres, with guidance on techniques and tools from the ECM team. This ensures alignment with the pricing and reserving process.

Premium Risk (Natural Catastrophes)

ECM predominantly utilises a third-party Catastrophe Model to model the occurrence and severity of events for windstorm/hurricane, earthquake, and flood.

The model uses actual exposure sets of individual in-force policies as a proxy for future exposures. Premium is used as a proxy for exposure and so for changing books the Nat CAT is scaled by change in on-levelled premium.

By modelling individual policies, we are able to model more granularly, model facultative reinsurance explicitly, and also deliver average cat loss by policy to aid premium setting.

Premium Risk (Man-Made Catastrophes)

Scenarios are developed for each threat to form a curve which includes the 1-in-200-year return period loss estimate.

Insurance claims arising from scenarios such as pandemics latent disease, terrorism, systemic financial markets events, products recall, pandemic and aircraft collision are all considered. These scenarios are based on events not experienced in historical loss data, but some non-zero probability potential loss still exists.

When deriving each scenario, the impact of multiple lines of business is considered. Workshops with product tower managers, risk officers and actuaries are used to identify and determine scenario inputs. The scenarios are calculated on a gross, gross less facultative and net basis. An Expert Panel reviews and signs off on the scenarios.

Reserve Risk

The Reserve variability method is to re-project the reserves to obtain a range of potential reserve outcomes. The method that we use looks to model a re-reserving exercise following further development and payments modelled in each simulation.

Consistency of reserve risk calibration is discussed with other parts of AIG in particular the difference in outcome from using other available techniques.

A factor-based approach is used to estimate risk on a one-year time horizon vs. an ultimate time horizon perspective. A one-year time horizon is used to calculate the Solvency II SCR.

The process is calibrated by Corporate Actuarial with guidance on techniques and tools from the ECM team.

The reserve risk calibration process is done at the same time as that for premium risk ensuring consistency both in terms of data and approach.

Statistical distributions of reserve volatility are selected for each of the lines of business calibrated using historical data and expert judgement regarding the best fit going forward

The following Key Risk Indicators (KRI) are used to qualitative assess the risks described in the previous section:

Insurance Risk Components	Key Risk Indicators (KRIs)
Premium Risk	Premium Adequacy ratio per line of business. A ratio of 100% indicates the line of business is expected to exactly break-even.
Reserve Risk	This KRI measures the prior year development in the reserves as a percentage of reserves held on a quarterly basis
Natural Catastrophe Risk	Natural Catastrophe Accumulations
Man-Made Catastrophe Risk	Terrorism Accumulations

There are no material changes to the measures used to assess Premium Risk, Reserve Risk, Natural Catastrophe Risk and Man-Made Catastrophe Risk during the year 2024.

INSURANCE RISK CONCENTRATION

Insurance risk concentration occurs due to the concentration of an insurance operation in a particular geographic area, industry, or insurance peril. It may also occur as a result of a correlation between individual insured perils.

The largest concentrations of risk related to potential natural catastrophe losses with the highest risks monitored through KRI's on a net 1 in 200 Occurrence Exceedance Probability (OEP) basis. The largest concentration risks include Europe Windstorm, North America Earthquake or a large flood event in the UK.

INSURANCE RISK MITIGATION TECHNIQUES

AHEL manages insurance risks by monitoring and controlling the nature of and accumulation by geographic location of the risks in each line of business underwritten, the terms and conditions of the underwriting and the premiums charged for taking on the risk. This is achieved through a number of common techniques and procedures; some of the more significant of these are highlighted below:

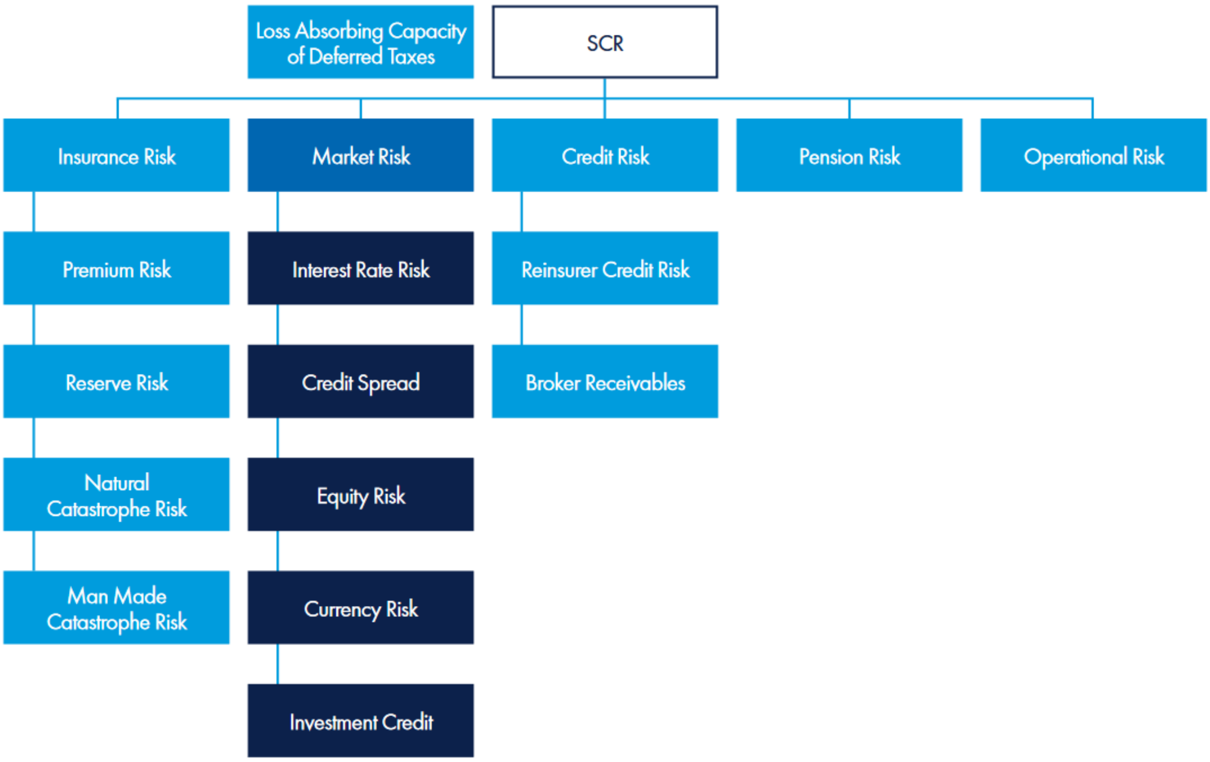
Type of risk / Risk Title	Risk mitigation techniques
Premium Risk - Failure of pricing	
Pricing guidelines	The Company seeks to manage pricing risk through the setting and review of pricing guidelines relevant to each business line and the application of a strict hierarchy of underwriting authorities to ensure that policies are underwritten with management oversight.
Review of large and unusual transactions	Large and unusual transactions are referred to the Large and Unusual Transactions (LUT) referral group, primarily comprised of members of AIG UK's Insurance Risk Committee for consideration from a Statement of Financial Position, liquidity and portfolio point of view before AIG UK becomes committed.
Purchase of reinsurance	AIG also mitigates exposure to pricing risk through the purchase of reinsurance.
Premium Risk - Ineffective strategy / Failure of product	
Review of business plans and new products	AIG seeks to manage this risk through the use of processes and procedures over the production, review and analysis of annual business plans and the introduction of new products for each line of business, prior to approval and execution.
Assessment of key projects and strategic investments	AIG also has processes in place for the identification, assessment and approval of key projects and strategic investments.
Reserve Risk - Adverse reserve development	
Monitoring adherence to claims reserving policies and procedures	AIG seeks to manage this risk through monitoring adherence to established policies and procedures in place governing claims reserving practices.
Quarterly Reserve Reviews	AIG seeks to manage this risk through quarterly reserve reviews of the book to determine appropriate IBNR levels and reviews of expected reserve adequacy
Catastrophe Risk - Failure to manage risk aggregation / accumulation	
Realistic Disaster Scenarios (RDS)	AIG regularly runs RDS to determine whether aggregate exposures are being adequately managed within the parameters of approved business plans for each line of business.
Use of pre-bind rules and authorities	AIG seeks to manage this risk through the use of pre-bind rules and authorities to manage significant within line and crossline exposures.
Review of large and unusual transactions	For AIG UK large and unusual transactions are referred to the LUT for further consideration.

PROCESS FOR MONITORING THE EFFECTIVENESS OF INSURANCE RISK MITIGATION TECHNIQUES

As disclosed in Section B.1.A above, the RCC actively monitors the continued effectiveness of the above risk mitigation techniques through processes and deliverables including the Risk Register, Risk Appetite Framework, Internal Model Output (for risk analytics), Stress and Scenario Testing and Risk Indicator Reporting. The outputs of these risk processes are fundamental to the delivery of the ORSA.

In relation to Reserve Risk, as described above, the Actuarial Team conducts quarterly reserve reviews of the overall book to determine appropriate reserve levels and quarterly reviews of the expected IBNR adequacy. External consultants are also employed to perform reviews of its reserves to provide an independent review of their adequacy.

C.2 MARKET RISK



Market risk is the risk that AHEL's subsidiaries are adversely affected by movements in the market value of its financial assets arising from market movements, such as credit spreads, interest rates and foreign exchange rates or other price risks. Market Risk is the second largest risk type.

AHEL's subsidiaries are exposed to Market Risk on both the asset and the liability sides of its balance sheet, through both on and off-balance sheet exposures including, but not limited to:

- Assets in the investment portfolio including, but not limited to, bonds, loans, structured products, equity, alternative investments and real estate;
- Capital markets transactions, such as exchange-traded and over the counter derivatives;
- The insurance businesses providing services to clients that can generate assets and liabilities with valuations linked to Market Risk Factors
- Operating Subsidiaries that maintain their financial records in a currency other than the British Pound, generating foreign exchange translation risk; and
- Transactions that require cash-flow settlement in a currency other than the functional currency, generating foreign exchange transaction risk.

MARKET RISK EXPOSURE

A description of the components of Market Risk is shown below:

Market Risk Components	Description
Spread Risk	The potential financial loss due to the increase in the spread that an asset trades at relative to comparable government bonds hence a decrease in the asset's market value.
Currency Risk	The potential financial loss arising from the change in value of currency exchange rates or from closing out a currency position at a loss due to adverse movements in exchange rates.
Interest Rate Risk	The potential financial loss arising from the reduction in the value of the investment portfolio and an increase in the value of liabilities due to changes in the level of interest rates.
Equity Risk	The potential financial loss arising from the reduction in the value of the investment portfolio due to changes in prices of equities, mutual funds and equity-linked capital market instruments. The exposure to Equity risk is immaterial because holdings in underlying equity securities are not significant.
Investment Credit Risk	In the process of holding investment assets to pay claims and meet future liabilities AHEL is exposed to investment credit risk. Investment credit risk is the risk of idiosyncratic or systematic default within our investment portfolio which results in credit losses and impairments.

MEASURES USED TO ASSESS MARKET RISK

Systematic movements in market factors are produced by an external Economic Scenario Generator (ESG). As well as simulating systemic movements in individual market risk factors, the ESG also generates co-movements in market risk factors. These are an important component of the Internal Model dependency structure. The dependency between economic factors such as GDP and inflation are used to link Market Risk and other risk types.

The Internal Model's modelling of the change to the Solvency II balance sheet of Market Risk is captured through the following areas:

- Valuation of invested assets;
- Valuation of derivative instruments;
- Discounting of liabilities;
- Insurance risk outcomes (i.e., inflation driving larger claims); and
- Foreign exchange translations applied in the simulations of financial statements during SCR computations.

In addition to Interest Rate, Credit Spread, Equity and Exchange Rate risk, Investment Credit risk is included within the Market Risk sub-module. Investment Credit Risk is included to provide governance alignment between risk and reward where representatives from AIG investments, through the Market Risk Framework, can influence both the Market Risk and Investment Credit Risk profiles.

The following Key Risk Indicators (KRI) and Early Warning Indicators (EWI) are used to quantitatively assess the risks described in the previous section:

Market Risk Components	Key Risk Indicators (KRIs) / Early Warning Indicators (EWI)
Spread risk	EWI based on spread indexes. A rise of more than 60bps for an index of single A rated bonds over a quarter will trigger a review of the solvency of the entity.
Interest rate risk	1Y and 5Y Swaptions implied volatility to assess market sentiment in interest rates.
Currency Risk	FX exposure is monitored on a quarterly basis and the MRC is informed of the exposure when thresholds (2% and 5% of target capital) measured with a 1 year 99.5% VaR are breached.

There are no material changes to the measures used to assess market risk during the year 2024.

MARKET RISK CONCENTRATION

AHEL holds and maintains a diversified investment portfolio in corporate bonds, government bonds, securitisations, loans and mortgages, un-listed equities, mutual funds, investments in group undertakings (participations) and short-term deposits.

AHEL has a well-defined Risk Appetite for Market Risk (and its investment activities) and it manages its investment portfolio so that the Total Return is maximised, and risks do not breach the concentration limits.

MARKET RISK CONCENTRATION – BY CREDIT RATING.

Bonds (government, corporate and securitised assets) comprise the largest portion of the Company's investment portfolio out of which 71% (Bonds only table) were either rated AAA, AA or A in 2024.

Total investments including cash and other asset holdings

Asset Ratings	Market Risk Concentration £m	Market Risk Concentration %
AAA	771	13%
AA	1,542	26%
A	1,537	25%
BBB	1,057	17%
BB	125	2%
B	125	2%
CCC	4	0%
Not Rated	889	15%
Total	**6,050**	**100%**

Source: QRT IR.06.02.04

The not rated assets are mainly constituted of cash/term deposits, loans, Israeli bonds, and a holding in an equity real estate fund

Bonds Only

Asset Ratings	Market Risk Concentration £m	Market Risk Concentration %
AAA	771	16%
AA	1,322	26%
A	1,461	29%
BBB	1,057	21%
BB	125	2%
B	48	1%
Not Rated	270	5%
Total	**5,054**	**100%**

Source: QRT IR.06.02.04

MARKET RISK CONCENTRATION – BY ISSUER

The top exposures (by Solvency II market values) are:

Issuer names	Market Risk Concentration £m	Market Risk Concentration %
United States Treasury	421	7%
BlackRock ICS US Dollar Liquidity Fund	315	5%
UK Government	253	4%
State of Israel	204	3%
AIG International Holdings GmbH	96	2%

Source: QRT IR.06.02.04

The largest exposure above is from the US national government, therefore the associated market risks are considered to be low.

MARKET RISK CONCENTRATION – BY CURRENCY

AHEL have large asset exposures to US Dollars (USD) and GB Pounds Sterling (GBP). The split of excess of assets by major currencies is as follows:

Currency	Market Risk Concentration £m	Market Risk Concentration %
USD	2,888	48%
GBP	2,168	36%
ILS	538	9%
Other	456	7%
Total	**6,050**	**100%**

Source: QRT IR.06.02.04 List of Assets - Total Solvency II Amount

MARKET RISK MITIGATION TECHNIQUES

AIG manages its investment portfolio with respect to the risk profile of its liabilities in order to minimise the impact on its solvency position due to adverse market movements. Risk mitigation of market risk is executed through the combined use of investment limits, guidelines and principles detailed below.

The principal controls that support the management of Market Risk:

- Monitoring adherence to established set of investment guidelines, which are reviewed and updated periodically by the Market Risk Committee. The guidelines contain restrictions on areas such as asset class concentrations, business sector concentrations, the duration of investments against our insurance liabilities, the level of assets held with single obligors with a credit rating lower than AAA and the overall average credit rating target of the investment portfolio.
- The AIG UK Treasury Department reviews, assesses and, if necessary, takes action on foreign exchange rate movements, in conjunction with ERM and the Finance department.
- Performing an annual Strategic Asset Allocation (SAA) exercise to define its investment strategy within its Market Risk Appetite. Execution of the SAA is monitored by ERM.

PROCESS FOR MONITORING THE EFFECTIVENESS OF MARKET RISK MITIGATION TECHNIQUES

The scope and magnitude of the market risk exposures are managed under a robust framework that contains documented risk-taking authorities, defined risk limits and minimum standards for managing market risk in a manner consistent with the Risk Appetite. Firm-wide limits have been established on the consolidated interest rate, foreign exchange (FX), credit spreads, equity and residential and commercial real estate exposures.

Each of the subsidiary boards either as a whole or through its committees oversees market risk and approves annually the Risk Appetite Framework which includes the risk appetite for market risk. The RCC oversees the policies and procedures and is chaired by the CRO. The MRC, chaired by the CFO, is a subcommittee of the RCC. The primary purpose of the MRC is to monitor and manage the Market Risk profile against the Board approved Risk Appetite. The MRC regularly reviews the latest market risk developments and requests more precision when needed.

RISK MITIGATION AND THE PRUDENT PERSON PRINCIPLE

AHEL's UK subsidiaries' investment management policies ensure that their continued compliance with the Prudent Person Principle (PPP) as laid down in Article 132 of the Directive 2009/138/EC.

As detailed in Investment Performance in section A above, AIG UK's investment management framework sets out its SAA that is approved by the AIG UK Board and is regularly reviewed.

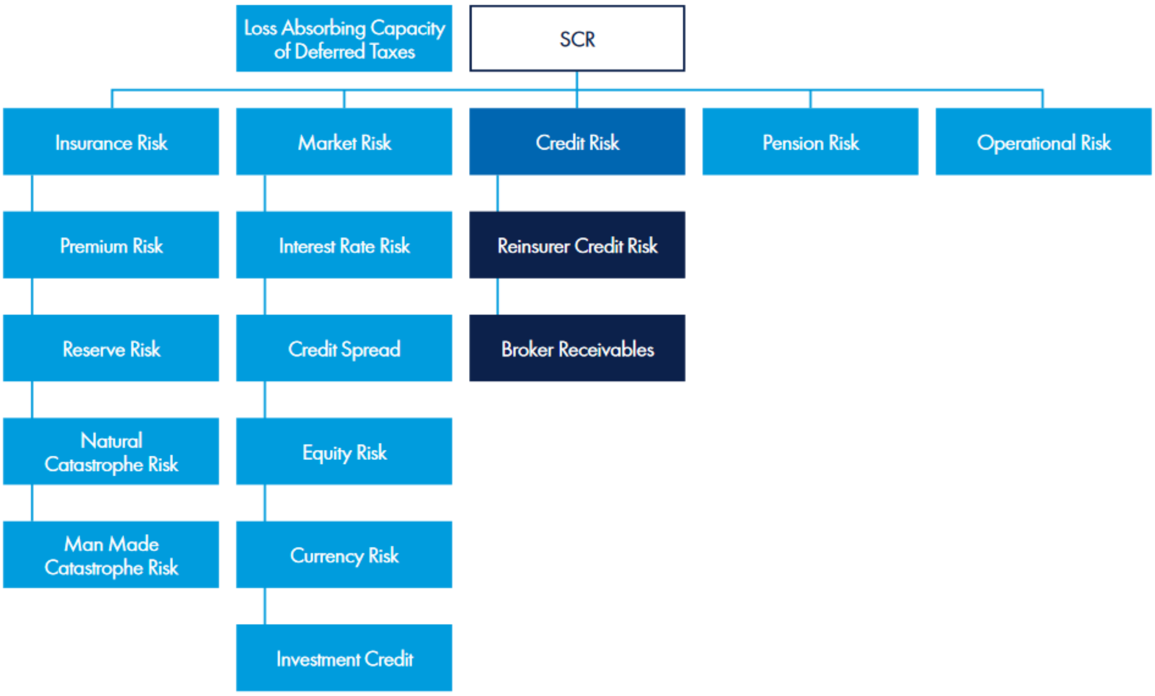
Asset categories that are included in the SAA are those that are suitable for the liabilities profile by nature, term and currency and for which BlackRock could assess, monitor and control risks. AIG UK does not invest in any asset categories that are not included in the SAA.

Tactical deviations from the SAA to maximise investment returns are permitted but they are limited to changes in allocation of asset categories covered by the SAA only. The investment composition, credit quality, duration and strategy are governed by the Investment Management Agreement (IMA) and SAA. The IMA includes specific concentration limits around the credit rating of counterparties per asset class. AIG UK holds a well-diversified portfolio due to aforementioned limits and it uses derivatives for risk management purposes only.

C.3 CREDIT RISK

Counterparty Default Risk (Credit Risk) is defined as the change in the value of assets and liabilities caused by unexpected default or deterioration in the credit standing of independent counterparties and debtors.

Counterparty Default Risk excludes investments and credit derivatives which are assessed within the Market Risk profile.



CREDIT RISK EXPOSURE

Credit risk can be incurred from a variety of activities in the investment, financial services and insurance businesses.

MEASURES USED TO ASSESS CREDIT RISK

The Internal Model allows the explicit modelling of default and exposure to both reinsurance and broker counterparties. AHEL assigns to each counterparty an internal rating with each counterparty modelled separately within the Internal Model.

The calibration of Probability of Defaults utilises information from the external credit rating agencies.

The calibration of Loss Given Default of each counterparty is carried out using a credibility theory approach which utilises both internal and external data.

The following Key Risk Indicators (KRI) are used by AHEL' subsidiaries to assess the credit risk:

KRIs	Description
Unexpected Credit Loss owing to Reinsurer failure	AIG faces a risk of material losses if its main reinsurers fail or are unable to pay their contractual share of claims payable. AIG's assessment of 'Unexpected Credit Loss owing to Reinsurer Failure' is 'Low'. Record capital levels of Reinsurers and strong underwriting profits up to this point have led to increasing equity being held in the market, thus reducing the risk of reinsurer failure.
Unexpected Credit Loss (all parties counterparties including group)	AIG faces a risk of material losses and cash flow issues if other internal (intra-group) or third-party obligors are unable to pay amounts due and default in their commitments.

There are no material changes to the measures used to assess Credit Risk during the year 2024.

CREDIT RISK CONCENTRATION

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

AHEL's most material Credit Risk concentration relates to reinsurance arrangements. Details of the top five external (to the AHEL Group) reinsurer balances including those held with captive reinsurers are shown below, with the largest reinsurance balance with National Union Fire Insurance Co. of Pittsburgh (NUFIC).

Reinsurer Name	£m
National Union Fire Insurance Company of Pittsburgh	341
HSBC Insurance (Bermuda) Limited	245
AIG Global Reinsurance Operations	227
AES Global Insurance Company	159
Munich Reinsurance Company	145

Source: IR.31.01 QRT

It should be noted that the combined exposure from reinsurers, which belong to American International Group, Inc., is £828m.

CREDIT RISK MITIGATION TECHNIQUES

AHEL is governed by the AIG Inc (Group) Credit Risk Management Policy Framework which sets out to define global credit risk processes to identify, evaluate, risk rate, measure, manage and control credit risk and to ensure the consistency of those processes across the group. Principal responsibility for managing credit risks resides within the risk-taking business units and/or corporate functions with oversight by AIG's Chief Credit Officer (AIG CCO) and teams of highly experienced Credit Officers within the Business Units.

The AIG CCO ensures appropriate credit risk management in accordance with enterprise-wide credit risk policies and procedures and relative to global credit risk parameters in terms of limits, risk ratings and aggregations. AIG CCO maintains and mandates the use of a common set of internally set Counterparty risk ratings (Obligor Risk Ratings or ORRs) to measure and quantify obligor-related credit risks throughout the group. ORRs are an integral part of the risk culture and risk management framework and are key factors in loss and capital models.

Additionally, there are source specific credit management tools in place to better manage credit risk arising from a variety of activities in which AIG engages.

AIG's reinsurance planning is closely aligned with Group approach which seeks to reduce exposure through a lowering of net retention and managing volatility. The choice of individual reinsurer and the associate risk appetite is closely controlled by Group and AIG is expected to adhere to global risk framework. The key elements and requirements of which may be summarised as follows:

- External reinsurers to have an A- rating or better. There may be instances where a reinsurer could have a rating less than A- (for instance compulsory cessions), although these represent exceptional cases and will be subject to specific approval by the Global Reinsurance Credit risk team.
- Non-rated intercompany Reinsurance should be collateralised.
- Credit and Operational risk related to reinsurance will be controlled by the adoption of global Reinsurance Standards.

PROCESS FOR MONITORING THE EFFECTIVENESS OF CREDIT RISK MITIGATION TECHNIQUES

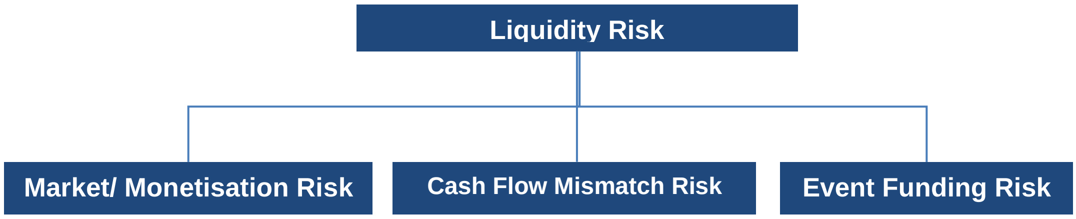
The creation and maintenance of a strong internal control framework is essential and is required to identify, evaluate, risk rate, measure, manage and govern credit risk across the enterprise and to ensure the consistency of those processes.

To this end, an effective Credit Risk Management Framework has been established, which dovetails with AIG's Credit Policy and Procedures, intended to achieve that objective by defining guidelines and establishing credit risk processes to govern day-to-day credit risk-taking activities. The CCO and credit executives are primarily responsible for implementing and maintaining a Risk Management Framework consistent with the AIG Credit Policy, and the AIG Credit Procedures.

C.4 LIQUIDITY RISK

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

Liquidity Risk is defined as the risk that the financial condition will be adversely affected by the inability or perceived inability to meet short-term cash, collateral or other financial obligations. The failure to appropriately manage Liquidity Risk can result in reduced operating flexibility, increased costs, and reputational harm. Liquidity Risk has been categorised into:



LIQUIDITY RISK EXPOSURE

The following sources of liquidity and funding risks could impact AHEL's subsidiaries' ability to meet short-term financial obligations as they come due:

- Market/Monetisation Risk: Assets cannot be readily transformed into cash due to unfavourable market conditions. Market Liquidity Risk may limit the ability to sell assets at reasonable values to meet liquidity needs.
- Cash Flow Mismatch Risk: Discrete and cumulative cash flow mismatches or gaps over short-term horizons under both expected and adverse business conditions may create future liquidity shortfalls.
- Event Funding Risk: Additional funding is required as the result of a trigger event. Event Funding Risk comes in many forms and may result from a downgrade in credit ratings, a market event, or some other event that created a funding obligation or limits existing funding options.

MEASURES USED TO ASSESS LIQUIDITY RISK

The Treasury and ERM have developed "Standard Metrics" on the short-term liquidity position, to assess liquidity risks. These Standard Metrics, as detailed below, are used in conjunction with 12-month liquidity stress testing to monitor liquidity position.

Metrics	Description
Short-term Cash Coverage Ratio	Measures the sufficiency of cash equivalents to meet immediate forecasted net cash flow needs over a two-week period
Liquid Coverage Ratio (LCR)	Provides a view into the sufficiency of liquid assets to meet forecasted net cash flow needs over various time horizons.
Cash Flow Forecast Variance Ratio	Provides a view into the performance of cash flow forecasts against actual experience over a defined time horizon.

There are no material changes to the measures used to assess liquidity during the year 2024.

LIQUIDITY RISK CONCENTRATIONS

Liquidity Risk is impacted by the concentrations in both assets and liabilities. A concentration in assets can disrupt the ability to generate cash in times of illiquidity or reduced market liquidity for certain asset classes.

A liability concentration (or funding concentration) exists when the funding structure makes it vulnerable to a single event or a single factor, such as a significant and sudden withdrawal of funds or inadequate access to new funding.

The amount that represents a funding concentration is an amount that, if withdrawn by itself or at the same time as similar or correlated funding sources would require the institution to significantly change its day-to-day funding strategy.

Being predominantly a non-life insurer AIG UK has made all of its financial investments in assets designated as available for sale except for loans and mortgages, and therefore, can be sold when needed. For the purpose of monitoring Liquidity Risk these are classified as available on demand or within one year and therefore, the largest concentration of assets is within one year maturity category.

Similarly, due to short-term and seasonal nature of the business, most of the insurance related liabilities are due for payment within five years with the largest concentration of insurance liabilities in its second year. Under Solvency II regime the insurance liabilities are split into two components namely, the best estimate Technical Provision and Risk Margin (see section D for details).

LIQUIDITY RISK MITIGATION TECHNIQUES

Liquidity Risk is managed by ensuring there is a sufficient surplus of unencumbered capital and diversity of funding sources available to meet actual and contingent liabilities during both normal and stressed periods. It is mitigated through investment in predominately liquid financial assets and constant monitoring of expected asset and liability maturities.

PROCESS FOR MONITORING THE EFFECTIVENESS OF LIQUIDITY RISK MITIGATION TECHNIQUES

An effective Liquidity Risk management framework, which is guided by the Liquidity Risk tolerance as set forth by the Statement of Risk Appetite approved by the Board. The purpose of the framework is to establish minimum liquidity requirements that protect the long-term viability and ability to fund its ongoing business and meet short-term financial obligations in a timely manner in both normal and stressed conditions.

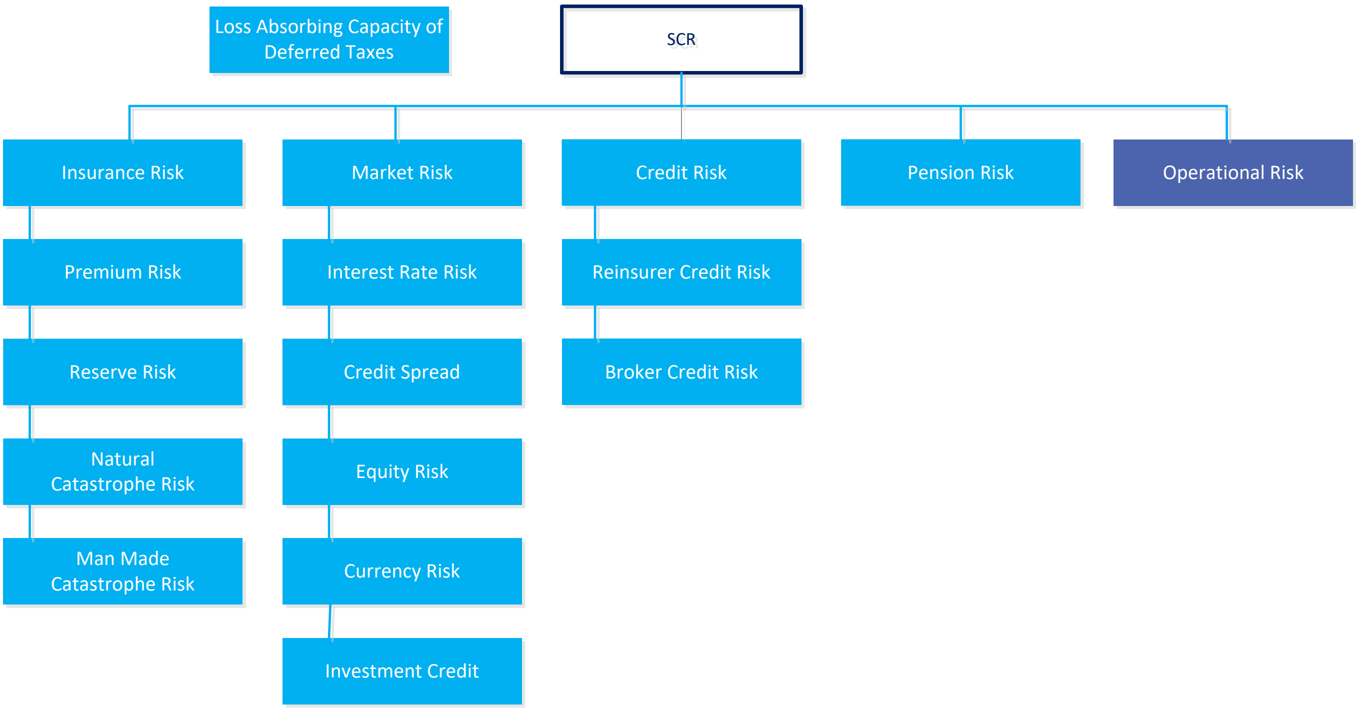
The Liquidity Management Policy prescribes procedures to maintain sufficient liquidity to meet the obligations as they become due. Within the liquidity management policy, risk tolerance levels are established for baseline and adverse scenarios over a one-year time horizon, which are designed to ensure that funding needs are met under varying market conditions. Liquidity risk is managed through a framework that is designed for the measurement and monitoring of AIG UK's Liquidity Risks, which includes the following key controls:

- Reviews of Liquidity Risk Management Reports provided by the Treasury function, as well as review and approval of stress scenarios designed by ERM to assess liquidity risk in extreme situations.
- Management of short-term cash coverage ratios and long-term asset coverage ratios within the limits defined by ERM. ERM also independently sets which assets are to be considered as available liquidity and which haircuts should be considered in case asset sales are required.
- Treasury is operationally responsible for ensuring that sufficient funding required for a stressed scenario is available based on the defined stress scenarios and limits, and that the sources of funding are appropriately diversified.
- Maintenance of a Contingent Funding Plan, which is triggered in the event of breaches in Liquidity Risk limits.

C.5 OPERATIONAL RISK

Operational risk is defined as the risk of loss, or other adverse consequences, resulting from inadequate or failed internal processes, people, systems or external events. The definition of Operational Risk includes legal risk and the impact from business and strategy risks.

Operational Risk is considered a key risk area and it is inherent in each of its business units. Operational risks can have many impacts, including but not limited to unexpected economic losses or gains, reputational harm due to negative publicity, regulatory action from supervisory agencies, operational and business disruptions and damage to customer relationships.



OPERATIONAL RISK EXPOSURES

Exposure to Operational Risks is the third largest risk type. Exposure is to the following types of Operational risk:

Operational Risk Components	Description
IT system disruptions	IT systems or applications fail or do not perform reliably
Outsourcing and Third-party performance and engagement	Third party capabilities and SLAs do not match business requirements and expose AIG UK to unintended risk. Errors and delays in the on-boarding of new vendors and business partners
Legal & Regulatory risk	Local insurance rules & regulations. Economic sanctions: Inability to comply with economic sanctions
Financial reporting misstatements	This is the risk of financial statements containing material misstatements / or errors in financial reporting accounting and includes late filing of accounts or errors in tax accounting.
Claims	The risk of inadequate handling of claims by the company resulting in claims leakage or inappropriate denials.
People Risk	Loss due to insufficient capability of staff resources (including the failure to provide a safe working environment to employees)
Fraud	Risk of loss due to fraud perpetrated internally or externally.
Administration execution	Execution administration errors in policy servicing (timelines, incorrect data, communication breakdowns) leading to customer detriment, reputational, financial and operational impacts.
Cyber	Information theft & denial of service. Hackers break into AIG systems to steal customer information or proprietary AIG information or make systems incapable of functioning properly.
Reinsurance	Risk of loss due to inadequate reinsurance processes. Includes the failure of placing reinsurance when requested.
Receivables	Risk of not recovering receivables from brokers, policy holders and other applicable debtors.

Operational Risk Components	Description
Business continuity	Ineffective business continuity: Risk of ineffective BCP strategy and plan on threats and risks facing AIG due to natural disasters, political events, accidents or physical damage that disrupts business continuity.
Data	The risk that required data is not sufficiently available or of high enough quality to support business decisions.
Conduct risk	The risk of not ensuring fair customer outcomes through the product life cycle, both from internal and external (outsourced) processes. The risk overlaps with other key risks (e.g., data quality, programme execution, Third Party Agreement (TPA) management, claims, Data Privacy, Cyber, Local insurance rules, product design).

MEASURES USED TO ASSESS OPERATIONAL RISK

Operational Risk is modelled through the development of a representative set of adverse scenarios, which are then used to model the Operational Risk Profile. The scenarios are created and developed in subject matter expert workshops with representatives from both first line (Underwriting, Claims, Operations) and ERM. Three data points are defined for each scenario, setting out a frequency (return period) and expected impact. These data points are then used to create loss distributions for each scenario and in turn are used to calibrate the Internal Model Operational Risk Module.

The following metrics are used to assess Operational Risk:

Operational Risk Components	Metrics
IT system disruptions	Outage Systems and Outage Duration Report
Outsourcing and Third-party performance and engagement	Risk Events, Category Based Risk Assessment (CBRA) Report
Legal & Regulatory risk	Number of Privacy Risk Incidents / Escalations
Financial reporting misstatements	Late Fillings Report
Claims	Closed file reviews, Declined Ratios, Complaints Claim Handling Report
People Risk	Headcount Report
Fraud	Number of internal fraud cases, Gross loss from internal fraud
Administration execution	Service Level Agreement (SLA) Report, Operations Report
Cyber	Number of attacks, Malware detected
Reinsurance	Bound not booked report, Internal Treaty, External Treaty, Facultative / Captive spend
Receivables	Open Receivables Report
Business continuity	Business Impact Analysis / Business Continuity Plan Assessment Report
Data	Data Quality and Availability Report
Conduct risk	Complaint Management Report

There are no material changes to the measures used to assess Operational Risk during the year 2024.

OPERATIONAL RISK CONCENTRATION

Concentrations and aggregations of operational risks may arise from business activities that involve multiple business lines and functions, such as transformation and change initiatives, from disruption to the end-to-end business services provided to AIG's customers, from the failure of significant outsourcing partners, and from external events with widespread impact on AIG's operations. Concentrations of risk also arise where there is a shared dependency on common control activities within the business, or single common points of resourcing, process or system failure.

OPERATIONAL RISK MITIGATION TECHNIQUES

Operational Risk is primarily controlled through adherence to AIG UK procedures which have specific controls in place to comply with AIG's centrally defined corporate policies. AIG UK monitors the appropriate application of these controls through adherence to the AIG Operational Risk Management (ORM) Framework.

AIG Group's ORM Framework, to which the AHEL subsidiaries align, facilitates the identification, assessment, monitoring, and measurement of operational risk and promotes a culture where each employee has responsibility for managing Operational Risk. The ORM Framework establishes a structure within which the ORM process evolves commensurate with changes in the regulatory and business environment.

AHEL's subsidiaries have no appetite for operational risks related to regulatory breaches and internal fraud. However, other operational risks (including conduct risk) are expected to be incurred in the course of conducting business, such as inadvertent errors that may occur in day-to-day operations. AHEL's subsidiaries strive to reduce the probability and impact of operational risks as much as reasonably practicable while maintaining the ability to conduct a viable business.

PROCESS FOR MONITORING THE EFFECTIVENESS OF OPERATIONAL RISK MITIGATION TECHNIQUES

ORM reviews all risk events reported and communicates management actions for significant events within the governance framework. Risk identification is further supported by the execution of Risk and Control Self-Assessments across the entities. These involved workshops facilitated by ORM and covered all processes within the target business unit. The process is continuously reviewed for further simplification and standardisation. ORM conducts an independent validation of the operational risk component of the Internal Model, and it leads to a comprehensive review and refresh of key scenarios and the library of key Operational Risks, aligning this to a global top-down risk assessment.

RISK SENSITIVITIES

Various tests to identify the implications of a wide range of risks within the Stress and Scenario Testing (SST) Framework are conducted. This ensures that potential adverse scenarios are considered, and negative outcomes can be adequately mitigated either through controls implemented in advance or through timely remedial measures. SST (including Reverse Stress Testing) is a key risk management tool used within the Company's subsidiaries alongside the ECM. Reverse stress tests are conducted on an annual basis that examines the conditions that would render the business model unviable.

The details of various SSTs are as follows:

Types of SSTs	Risks covered	Timeline
Model Calibration	Man-Made Catastrophe – Realistic Disaster Scenarios	Performed annually
	Operational Risks and Scenarios	Performed annually
Model Validation	All material risk areas	Performed annually
Business Plan SST	All material risks over 1-year planning period	Performed annually
	All material risks over 3-year planning period	
Reverse Stress Testing (RST)	Solvency/Capital RSTs	Performed annually
	Liquidity RSTs	
	Reputational & Strategic RSTs	
Risk Specific SST	Liquidity Risks	Performed monthly
	Securitisation Stress Testing	Performed quarterly
Regulatory SST	PRA General Insurance Stress Test (GIST)	Performed every two years
Strategic planning SSTs	All Risks	As required
Emerging Risks SSTs	All Risks	As required

STRESS TESTS AND SENSITIVITIES

In order to monitor the impact of sensitivity of material risks and events on AIG UK's risk profile and SII Surplus, AIG UK has performed the following stress tests. These tests quantify the potential impact on the Solvency II ratio of a wide range of shocks reflecting historical stress events. These do not take into account pre-emptive management actions that might be taken to mitigate the effects of the defined shocks, nor indicate a probability of occurrence. The sensitivities are forward looking.

The table below provides a ranking of the stresses based on the lowest Solvency Ratio over the business planning horizon.

Stress	2024 9+3; 22 Nov 2025 Calibration				2024 (2023 9+3) 2024 Calibration			
	Rank	Lowest Solvency Ratio	Largest SR Delta from Baseline	Largest Solvency Impact £m	Rank	Lowest Solvency Ratio	Largest SR Delta from Baseline	Largest Solvency Impact £m
Baseline		233%	0%	0		183%	0%	0
Persistent Inflation - Severe	1	201%	-44%	509	1	144%	-44%	541
Persistent Inflation - Moderate	2	221%	-20%	241	5	172%	-16%	210
Stagflation	3	223%	-22%	245	2	171%	-18%	232
Large Losses and PYD	4	223%	-18%	221	3	172%	-17%	223
Credit Spread & Equity Shock	5	223%	-18%	193	4	173%	-16%	203
European Windstorm	6	226%	-7%	67	7	177%	-6%	71
UK Flood	7	227%	-6%	58	8	178%	-5%	54
Explosion at an Energy Facility	8	229%	-4%	37	10	179%	-4%	40
Interest Rate Increase Shock	9	229%	-7%	73	6	179%	-7%	88
Cyber	10	231%	-5%	54	9	180%	-5%	61

Pre-stress projected capital source: AIG UK capital plan (2 December 2024)

C.6 OTHER MATERIAL RISKS

Pension Risk

Pension Risk is deemed only to exist for AIG on defined benefit (final salary) schemes. AIG is responsible for both Market and Mortality Risk. The defined benefit scheme is now self-funded on a technical provisions basis with plans in place to incentivise members of this now-closed scheme to move to an alternative plan. Pension risk is explicitly modelled within the Company's Internal Model.

Technology Risk

Stable, reliable, and updated systems are important to underpin the successful execution of the business plan and enhance automated controls. The following key technology risk themes are monitored: Production Stability and Resilience, Cyber Security, Application Functionality to support business objectives and the impact of organisational restructuring.

The Technology Risk team provides regional oversight, governance, and reporting with regards to IT security, risk management and compliance in line with internal corporate and regulatory requirements. The team also manages the regional engagement in regulatory dialogue on technology issues. Technology risk is mitigated through capital setting as it is modelled within the Internal Model as part of Operational Risk.

Business and Strategy Risk

Business and Strategy Risk is regarded as taking a number of forms, the most common of which are as follows:

Strategic Risk

This represents the risk of losses due to the inability to implement appropriate business plans and strategies, make decisions, allocate resources, or adapt to changes in the business environment. The risks include general macro-economic pressures, misalignment of AHEL's objectives to those of AIG Inc., as well as risks associated with one off business specific events such as significant mergers and acquisitions. Key controls in the management of Strategic Risk are as follows:

- A business planning process is applied that incorporates all material facets of the business to produce AHEL's one- and five-year business plans and strategy over the year and ensure that it has a sustainable strategy that is aligned to global objectives. Senior executives and the board participate in this process, including review and approval of the final business plan strategy.
- Controls are in place to monitor performance against budget target and adherence to strategic objectives.
- ERM produces risk assessments of profit centres for the year to come, as well as conducting scenario analysis and stress testing on the one- and five-year budgets.

Capital Adequacy Risk

Capital Adequacy Risk covers the risk of not maintaining the capital levels required to meet both regulatory and rating agency standards and the impacts of breaches in these capital requirements. Intra-group transactions such as dividend payments to the AIG Group parent and ceding insurance risk to internal counterparties also plays a part in influencing and being affected by Capital Adequacy Risk. Key controls in the management of Capital Adequacy Risk are as follows:

- Application of and adherence to a clearly defined capital management policy, which requires that AHEL maintains a target capital buffer above its set minimum capital level.
- An annual Capital Management Plan is delivered which articulates the strategy for maintaining capital held over a five-year period to meet regulatory and rating agency requirements as well as meeting dividend payments to the AIG Group parent. The Capital Management Team also conducts monitoring of capital levels and takes appropriate action in accordance with the Capital Management Plan.
- Capital support agreements such as Capital Maintenance Agreements (CMAs) are utilised with the ultimate parent, which defines actions to be taken by the parent in the event of AHEL breaching its local regulatory capital requirement.

Reputational Risk (Including Group Reputational Risk)

This covers the risk that adverse publicity regarding business practices and associations, whether accurate or not, will cause a loss of confidence in the integrity of AIG Group. As a large insurer with business operations around the globe, AIG is exposed to reputational risks which have the potential to impact company standing with customers, investors, business partners and regulators, all of which could crystallize in costs to AHEL or AIG UK. Key controls in the management of Reputational Risk are as follows:

- Application of and adherence to policies to control exposure to scenarios that could damage the AIG brand or the immediate reputation as a company.
- Activities (such as potential mergers and acquisitions, significant investments, and material changes in operations) that carry material reputational risk are subjected to additional levels of governance, including that provided by the executive and board level risk committees.
- Applying forward looking stresses covering aspects of reputational risk to identify potential impacts and management actions arising from these.
- Maintaining close contact with AIG Group regarding the development and execution of strategy which may impact upon or the perception of AHEL or AIG UK by its customers.

Climate Risk

AIG recognises the scientific consensus that climate change is a reality of increasing global concern. Climate change, indicated by higher concentrations of greenhouse gases, a warming atmosphere and ocean, diminished snow and ice, and sea level rise, appears to have contributed to unpredictability, increase in the frequency and severity of natural disasters, and the creation of uncertainty as to future trends and exposures. As such, climate change potentially poses serious financial implications for the insurance industry in areas such as underwriting, claims and investments.

Climate Change has become an increasing priority for public and private sector organisations across the globe. The UN, EU, UK, and other leading nations are now taking a keen interest in addressing the Climate Change agenda and this has been driven at a supranational level by the United Nations Climate Change Conference (COP) and enhanced by the United Nations Climate Change Agreement, 2015 (Paris Agreement).

AIG 2050 Net Zero Commitments

AIG has established a clear direction of travel in regard to Environmental, Social and Governance (ESG) issues. As an important step along this journey, AIG has committed to reaching Net Zero GHG emissions across its underwriting and investment portfolios by 2050 or sooner, as set out on our website.

These commitments include phasing out business and investments significantly associated with coal-fired power, thermal coal mines or oil sands, by 2030. Underwriting excellence is a key pillar of our business strategy, and a key aspect of underwriting excellence includes integrating ESG considerations into our underwriting practices to inform decision making and help ensure our underwriting is aligned with our other ESG efforts.

Developing a Climate Transition Plan

AIG Inc has been diligently working to develop the appropriate infrastructure to continue operationalizing our net zero commitments. We believe the next critical milestone in this process is building a credible and effective transition plan. Accordingly, AIG Inc have committed to developing and publishing a Climate Transition Plan in 2025. AIG Inc is developing this initial plan in accordance with regulatory requirements and guidance in key jurisdictions where AIG operates. AIG Inc will also incorporate guidance from the Transition Plan Taskforce Disclosure Framework and cover the following topics:

- Strategic ambition
- Business operations
- Engagement with our value chain
- Governance, business and operational metrics and targets
- Board oversight and reporting

Developing this plan will be a multi-phase and iterative process that will be refined based on ongoing internal activities and as:

1. ESG and emissions data becomes more accurate and available, and
2. Methodologies for measuring GHG emissions and setting targets for GHG emissions reductions for property and casualty insurers become clearer.

Regulatory Requirement

In April 2019, the PRA issued Supervisory Statement SS3/19: Enhancing banks' and insurers' approaches to managing the financial risks from climate change. This sets out how the regulator expects firms to address the financial risks from climate change as part of their governance arrangements, existing risk management practices, scenario analysis and disclosures. This remains the core document outlining the UK regulator's requirements relating to Climate Risk. Key expectations from the Supervisory Statement are as follows:

Governance

- Board to understand and assess financial risks from climate change that affect the firm and address these within the business strategy and risk appetite.
- Evidence how the firm monitors and manages the financial risks from climate change in line with its risk appetite statement.
- Ensure clear roles and responsibilities for the board and relevant sub-committees in managing the financial risks from climate change.

Risk Management

- Firms to address the financial risks from climate change through their existing Risk Management frameworks.
- Firms to understand the financial risks from climate change and how they will affect their business model.
- Firms to consider a range of tools and metrics to monitor exposure to financial risks from climate change.
- Firms are expected to evidence how they will mitigate these financial risks.

Scenario Analysis

- Firms to conduct scenario analysis to inform strategic planning and determine the impact of climate change on overall risk profile/business strategy.
- Scenario analysis is to address a range of outcomes relating to different transition paths to a low-carbon economy, and a path where no transition occurs.
- Scenarios are to be used to understand the impact from these risks on their solvency, liquidity, and ability to pay policyholders.
- ORSA is considered to be a useful framework to consider the financial risks from climate change.

Disclosure

- Firms are expected to disclose information on material risks within Pillar 3 disclosures.
- Firms should consider if further disclosures are necessary to enhance transparency on the approach to managing financial risks from climate change.
- Firms are expected to develop and maintain an appropriate approach to disclosure.
- Firms are expected to engage with wider initiatives on climate-related financial disclosures to allow for the benefits of disclosures that are comparable across firms.

AIG UK

Summary of Climate Risk Plan

The Climate Risk Plan, which is made available to the PRA, sets out how AIG UK will continue to meet the above regulatory expectations in respect of managing climate-related financial risk. The Climate Risk Plan supports the business in delivering AIG's Net Zero Commitments and sets out the activities for AIG UK's Insurance and Investment operations linked to the delivery of those commitments.

Senior Management Function Role

The PRA expects to see evidence that there is a Senior Management Function (SMF) role that provides effective oversight of risk management and controls and also expects the board to ensure that adequate resources are devoted to managing the financial risks from climate change.
The Chief Risk Officer was appointed to the SMF role by the AIG UK Board in 2021. The SMF provides effective oversight of risk management and controls and also expects the board to ensure that adequate resources are devoted to managing the financial risks from climate change.

Stress testing

In the UK, AIG completed climate stress tests as prescribed by the Prudential Regulatory Authority (PRA) for the 2019 General Insurance Stress Test and 2021 CBES exercise.

During 2023, AIG UK's ERM team, in conjunction with our Financial Lines and Casualty underwriters, developed an in-house set of climate litigation scenarios, drawing upon and adapting the 2021 CBES exercise by focusing on the areas most relevant to AIG UK and leveraging AIG UK's contribution to the Climate Litigation Chapter from the Climate Financial Risk Forum's Session 3 guides to enrich the scenario narratives. The scenarios developed by AIG UK explore the core drivers of climate litigation identified within the litigation chapter: With support from AIG UK Underwriting and Claims teams, AIG UK ERM facilitated a series of workshops to assess the potential impacts of climate litigation risk with the following objectives:

- Further AIG UK's understanding of how and where products may potentially respond to climate litigation.
- Support the calibration of certain local entity capital models.
- Help identify the drivers of potential loss in hypothetical climate litigation scenarios and inform management actions as appropriate.

The workshop output and policy-level data, helped increase AIG UK's understanding of the potential financial impacts from climate litigation risk and further developed AIG UK's risk identification and risk mitigation strategies for climate litigation risk, in alignment with AIG UK's Risk Appetite

AIG continues to develop its stress testing capabilities to help us better understand the transition, physical and liability risks that may emerge through our underwriting and investment activities.

AIG Inc. Environmental, Social and Governance Report

In 2024, AIG published its third Sustainability Report. The Report is aligned with globally recognized standards and frameworks such as the Taskforce for Climate-related Financial Disclosures (TCFD) Recommendations, Sustainability Accounting Standards Board Standards (SASB), Global Reporting Initiative (GRI) standard, the Ten Principles of the UN Global Compact, and the UN Sustainable Development Goals. The publication of the report allows us to be responsive to key stakeholders seeking this information, most notably our investors, regulators, clients, rating agencies and public interest organizations.

For further information please refer to AIG's Sustainability Report: https://www.aig.com/home/about/corporate-responsibility/sustainability

Solvency & Financial Condition Report 2024

D. Valuation for Solvency Purposes

THE 'VALUATION FOR SOLVENCY PURPOSES' SECTION OF THE REPORT DESCRIBES THE VALUATION OF ASSETS, TECHNICAL PROVISIONS AND OTHER LIABILITIES UNDER UK GAAP AND SOLVENCY II. THE SECTION ALSO OUTLINES THE APPROACH AND METHODOLOGY UNDERLYING THE VALUATION.

KEY ELEMENTS IN THE SECTION ARE:

- Assets
- Technical Provisions
- Other Liabilities

VALUATION FOR SOLVENCY PURPOSES

AIG HOLDINGS EUROPE LIMITED

The "Valuation for Solvency Purposes" section states the principles and bases applied by AHEL in preparing the Solvency II economic balance sheet (EBS). AHEL's Solvency II balance sheet has been prepared using the default accounting consolidation method (Method 1).

AHEL's subsidiaries consist of largely insurance undertakings and service providing entities. AHEL and its subsidiaries have a 31 December financial period end. At 31 December 2024 AHEL has consolidated AIG Israel's EBS as at quarter-ended 30 September 2024.

From a UK GAAP perspective, AHEL has taken advantage of section 401 of the Companies Act 2006, which exempts an intermediate parent company to prepare consolidated financial statements if it is included in the consolidated financial statements of a larger group drawn up in a manner equivalent to consolidated.

Therefore, AHEL standalone financial statements contain UK GAAP financial information related to AHEL as an individual company and do not contain consolidated financial information of a group.

Solvency II Consolidated Balance Sheet As at 31 December 2024	Notes	Standalone AHEL UK GAAP £'m	Consolidated EBS YE 2024 £'m	Consolidated EBS YE 2023 £'m
Assets				
Deferred acquisition costs	9	-	-	-
Intangible assets	10	-	-	-
Deferred tax assets	8	-	29.1	60.5
Pension benefit surplus	11	-	17.2	18.5
Property, plant & equipment held for own use	7	-	70.0	97.7
Investments	D.1	2,340.0	5,563.9	5,183.8
Property (other than for own use)		-	-	-
Participations		2,340.0	11.3	37.5
Equities		-	-	-
Equities - listed		-	-	-
Equities - unlisted		-	-	-
Bonds		-	5,054.4	4,961.2
Government Bonds		-	1,367.3	1,616.9
Corporate Bonds		-	3,265.2	3,053.8
Structured notes		-	-	-
Collateralised securities		-	421.9	290.5
Investment funds		-	468.2	61.3
Derivatives		-	-	-
Deposits other than cash equivalents		-	30.0	123.8
Other Investments		-	-	-
Loans & mortgages	2	-	292.5	347.0
Loans and mortgages to individuals		-	-	0.1
Other loans & mortgages		12.4	-	346.9
Loans on policies		-	-	-
Reinsurance recoverable from:	D.2	-	1,885.3	1,984.7
Non-life and health similar to non-life	13	-	1,877.2	1,978.7
Life and health similar to life, excluding index-linked and unit-linked	13	-	8.1	6.0
Insurance & intermediaries receivables	4	-	41.6	29.1
Reinsurance receivables	5	-	550.2	379.3
Receivables (trade, not insurance)	3	9.0	144.6	139.2
Cash and cash equivalents	6	0.1	123.2	185.9
Total assets		**2,361.5**	**8,717.6**	**8,425.8**

Solvency II Consolidated Balance Sheet As at 31 December 2024	Notes	Standalone AHEL UK GAAP £'m	Consolidated EBS YE 2024 £'m	Consolidated EBS YE 2023 £'m
Liabilities				
Technical Provisions	D.2			
Technical provisions – non-life	13	-	(5,865.0)	(5,737.7)
Technical provisions – life	13	-	(49.8)	(54.8)
Liabilities other than Technical Provisions	D.3			
Provisions other than technical provisions	15	-	(56.1)	(41.7)
Pension benefit obligations		-	-	-
Deposits from reinsurers	18	-	(65.3)	(65.2)
Deferred tax liabilities	17	-	(14.5)	(13.8)
Derivatives		-	-	-
Debts owed to credit institutions		-	-	-
Insurance & intermediaries payables	19	-	(4.4)	(11.1)
Reinsurance payables	20	-	(8.1)	(13.6)
Payables (trade, not insurance)	14	(0.5)	(353.7)	(342.1)
Subordinated liabilities	16	-	-	-
Subordinated liabilities not in BOF		-	-	-
Subordinated liabilities in BOF		-	-	-
Total Liabilities		(0.5)	(6,416.9)	(6,280.2)
Excess of Assets over Liabilities		2,361.0	2,300.7	2,145.6

AMERICAN INTERNATIONAL GROUP UK LIMITED

The following tables set out assets and liabilities as reported by AIG UK and adjusted for presentational and reclassification items to align AHEL's UK GAAP balance sheet to the prescribed format of the Solvency II balance sheet Quantitative Reporting Template (QRT).

Solvency II Balance Sheet As at 31 December 2024	Notes	UK GAAP YE 2024 £'m	Solvency II Reclassification YE 2024 £'m	Solvency II Adjustment YE 2024 £'m	Solvency II EBS YE 2024 £'m	Solvency II EBS YE 2023 £'m
Assets						
Goodwill	12	0.8	-	(0.8)	-	-
Deferred acquisition costs	9	167.7	-	(167.7)	-	-
Intangible assets	10	12.1	-	(12.1)	-	-
Deferred tax assets	8	51.3	(31.3)	-	20.0	53.2
Pension benefit surplus	11	17.2	-	-	17.2	18.5
Property, plant & equipment held for own use	7	65.5	-	-	65.5	90.8
Investments	1	4,992.8	43.8	40.5	5,077.1	4,787.7
Property (other than for own use)		-	-	-	-	-
Participations		19.0	11.2	40.5	70.7	89.7
Equities		-	-	-	-	-
Equities - listed		-	-	-	-	-
Equities - unlisted		-	-	-	-	-
Bonds		4,532.5	43.8	(34.4)	4,541.9	4,540.8
Government Bonds		4,532.5	6.0	(3,447.5)	1,090.9	1,444.6
Corporate Bonds		-	35.1	2,994.0	3,029.2	2,805.6
Structured notes		-	-	-	-	-
Collateralised securities		-	2.7	419.1	421.9	290.5
Investment funds		411.4	(11.2)	34.4	434.6	33.6
Deposits other than cash equivalents		29.9	0.0	-	29.9	123.7
Loans & mortgages	2	215.6	12.0	(1.6)	226.0	271.4
Other loans & mortgages		215.6	12.0	(1.6)	226.0	271.4
Reinsurance recoverable from:	D.2	3,055.7	-	(1,325.4)	1,730.3	1,839.9
Non-life and health similar to non-life	13	3,055.7	-	(1,329.9)	1,725.8	1,835.0
Life and health similar to life, excluding index-linked and unit-linked	13	-	-	4.5	4.5	4.9
Insurance & intermediaries receivables	4	1,104.4	-	(1,062.7)	41.6	28.1
Reinsurance receivables	5	549.9	-	-	549.9	379.0
Receivables (trade, not insurance)	3	147.5	(55.8)	-	91.7	102.3
Cash and cash equivalents	6	89.1	-	-	89.1	161.4
Total assets		**10,469.5**	**(31.3)**	**(2,529.8)**	**7,908.2**	**7,732.4**

Solvency II Balance Sheet As at 31 December 2024	Notes	UK GAAP YE 2024 £'m	Solvency II Reclassification YE 2024 £'m	Solvency II Adjustment YE 2024 £'m	Solvency II EBS YE 2024 £'m	Solvency II EBS YE 2023 £'m
Liabilities						
Technical Provisions	**D.2**					
Total Technical provisions	13	(7,283.4)	-	1,765.5	(5,517.9)	(5,430.0)
Technical provisions - non-life	13	(7,283.4)	-	1,836.6	(5,446.8)	(5,354.8)
Technical provisions – life	13	-	-	(71.1)	(71.1)	(75.3)
Liabilities other than Technical Provisions	**D.3**					
Provisions other than technical provisions	15	(56.1)	-	-	(56.1)	(41.7)
Deposits from reinsurers	18	(6.6)	-	-	(6.6)	(7.7)
Deferred tax liabilities	17	-	31.3	(31.3)	-	(11.6)
Insurance & intermediaries payables	19	(107.5)	-	107.5	-	(8.1)
Reinsurance payables	20	(822.7)	-	822.7	-	(9.7)
Payables (trade, not insurance)	14	(283.3)	-	-	(283.3)	(284.3)
Subordinated liabilities	16	-	-	-	-	-
Total Liabilities		**(8,559.5)**	**31.3**	**2,664.3**	**(5,863.9)**	**(5,793.2)**
Excess of Assets over Liabilities		**1,910.0**	**-**	**134.3**	**2,044.3**	**1,939.2**

D.1 ASSETS

(Note D1) D.1 INVESTMENTS (OTHER THAN ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED CONTRACTS)

AHEL investments are valued in accordance with Article 75 of the Solvency II Directive. Under the Directive, assets are fair valued at arm's length basis between knowledgeable and willing parties, and liabilities valued at the amount for which they could be transferred at arm's length basis between knowledgeable and willing parties.

In the absence of quoted market prices in an active market, the holdings of non-controlling interest in participations are included using the adjusted equity method.

AHEL's participations represent non-controlling interest in subsidiaries which are stated at cost less impairment in UK GAAP. Under Solvency II, these participations are accounted for using the adjusted equity method by applying Article 75 valuation principles on their individual assets and liabilities.

AHEL's investments comprise the following categories:

- Participations
- Equities
- Bonds (including Government Bonds, Corporate Bonds, Structured Products and Collateralised Securities)
- Collective Investment Undertakings (Investment Funds)
- Derivatives
- Deposits other than cash equivalents

The table below shows the split of AHEL's total investments between AIG UK and other component entities.

The consolidation adjustment of £2,339.1m serves to eliminate the net assets of AHEL's and AIG UK's subsidiaries which are fully consolidated on a line-by-line basis.

AHEL

	Bonds	Deposits other than cash equivalents	Investment Funds	Participations	Total
	£'m	£'m	£'m	£'m	£'m
AHEL Solo	-	-	-	2,279.7	2,279.7
AIG UK	4,541.9	29.9	434.6	70.7	5,077.1
Other Subsidiaries	512.5	0.1	33.6	0	546.2
Consolidation Adjustments	-	-	-	(2,339.1)	(2,339.1)
AHEL Consolidated	**5,054.4**	**30.0**	**468.2**	**11.3**	**5,563.9**

AMERICAN INTERNATIONAL GROUP UK LIMITED

Note 1: Investments (Other than assets held for index linked and unit linked contracts)	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Participations	19.0	11.2	40.5	70.7	**11.3**
Bonds	4,532.5	43.8	(34.4)	4,541.9	**5,054.4**
Investment funds	411.4	(11.2)	34.4	434.6	**468.2**
Deposits other than cash equivalents	29.9	-	-	29.9	**30.0**
Balance as at 31 December 2024	**4,992.8**	**43.8**	**40.5**	**5,077.1**	**5,563.9**

(Note 2) LOANS AND MORTGAGES

Loans and mortgages are measured at amortised cost under UK GAAP. Under Solvency II, they are measured at fair value using the income approach through the discounted cash flow method.

The discounted cash flow method relies on the use of unobservable market inputs to reflect the assumptions market participants would use in pricing the asset or liability based on sources independent of the entity pricing the asset or liability. Unobservable inputs reflect internal assumptions in regard to the assumptions market participants use in pricing the asset or liability (including assumptions about risks inherent in the asset or liability or inherent in the model used to estimate the price of the asset or liability).

The own data used to develop unobservable inputs is adjusted if information indicating that market participants would use different assumptions is reasonably available without undue cost and effort.

The unobservable valuation inputs are updated only when corroborated by evidence such as market transactions.

AHEL

The table below shows the split of AHEL's loans and mortgages between AIG UK and other component entities.

Loans and Mortgages	£'m
AHEL Solo	12.4
AIG UK	226.0
Other Subsidiaries	54.0
Consolidation Adjustment	-
AHEL Consolidated	**292.4**

AMERICAN INTERNATIONAL GROUP UK LIMITED

Note 2: Loans and Mortgages	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 31 December 2024	215.6	12.0	(1.6)	226.0	292.4

(Note 3) RECEIVABLES (TRADE, NOT INSURANCE)

AHEL

Receivables (trade, not insurance) relate to prepayments and other receivables which are due within 1 year. Owing to their short-term nature, the amortised cost valuation under UK GAAP is taken to approximate fair valuation.

The table below shows the split of AHEL's trade receivables between AIG UK and other component entities.

The difference between UK GAAP and Solvency II arises as insurance receivables which are not past due under UK GAAP are treated as future cash flows and reclassified to technical provisions under Solvency II.

Receivables (Trade, Not Insurance)	£'m
AHEL Solo	9.0
AIG UK	91.7
Other Subsidiaries	76.9
Consolidation Adjustment	(32.9)
AHEL Consolidated	**144.6**

The consolidation adjustment of (£32.9m) represents the elimination of intragroup trade balances.

AMERICAN INTERNATIONAL GROUP UK LIMITED

Note 3: Receivables (trade, not insurance)	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 31 December 2024	147.5	(55.8)	-	91.7	144.6

(Note 4&5) INSURANCE & INTERMEDIARY RECEIVABLES & REINSURANCE RECEIVABLES

AHEL

(Re)insurance receivables comprise amounts past due by (re)insurers and linked to (re)insurance business, including:

- Receivables from (re)insurers that relate to settled claims of policyholders or beneficiaries.
- Receivables from (re)insurers in relation to other than insurance events or settled insurance claims (e.g., commissions).

AHEL's (re)insurance receivables are all due within 12 months. Owing to their short-term nature, the amortised cost valuation under UK GAAP is taken to approximate fair valuation. Under Solvency II, insurance receivables form part of the future premium cash flows which make up the "gross premium provisions" component of the Solvency II technical provisions.

The reclassification in insurance and intermediaries receivables relates to the amounts that are not past due under UK GAAP treated as future cash flows and included in technical provisions under Solvency II

The table below shows the split of AHEL's (re)insurance receivables between AIG UK and other component entities.

Insurance and Intermediaries Receivables	£'m
AIG UK	41.6
Other Subsidiaries	-
Consolidation Adjustment	-
AHEL Consolidated	**41.6**

Reinsurance Receivables	£'m
AIG UK	549.9
Other Subsidiaries	0.3
AHEL Consolidated	**550.2**

AMERICAN INTERNATIONAL GROUP UK LIMITED

Note 4: Insurance and Intermediaries Receivables	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 31 December 2024	1,104.4	-	(1,062.7)	41.6	41.6

Note 5: Reinsurance Receivables	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 31 December 2024	549.9	-	-	549.9	550.2

(Note 6) CASH AND CASH EQUIVALENTS

AHEL

The table below shows the split of AHEL's cash and cash equivalents between AIG UK and other component entities.

Cash and Cash Equivalents	£'m
AHEL Solo	0.1
AIG UK	89.1
Other Subsidiaries	34.0
AHEL Consolidated	**123.2**

AMERICAN INTERNATIONAL GROUP UK LIMITED

Note 6: Cash and Cash Equivalents	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 31 December 2024	89.1	-	-	89.1	123.2

(Note 7) PROPERTY, PLANT & EQUIPMENT HELD FOR OWN USE

AHEL Group

The revaluation model is applied to the measurement of property both under UK GAAP and Solvency II.

Under the UK GAAP Revaluation model, property is held at the revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. AHEL's property portfolio is revalued on a regular basis at open market valuation by independent, professionally qualified valuers. These valuations are in accordance with the requirements of the revaluation model within FRS102.

Other items of property and equipment (e.g., leasehold improvements, fixtures and fittings) are stated at historical cost less subsequent accumulated depreciation and subsequent accumulated impairment losses. Owing to immateriality, they are not restated to fair value for Solvency II purposes.

The table below shows the split of the AHEL's property, plant and equipment between AIG UK and other component entities.

Property, Plant and Equipment Held for Own Use	£'m
AIG UK	65.5
Other Subsidiaries	4.5
AHEL Consolidated	**70.0**

AMERICAN INTERNATIONAL GROUP UK LIMITED

Note 7: Property, Plant & Equipment	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 31 December 2024	65.5	-	-	65.5	70.0

(Note 8) DEFERRED TAX ASSET

AHEL

The Solvency II measurement principles for deferred taxes are consistent with IAS 12. Deferred tax is provided in full on all temporary differences arising between the Solvency II valuation and the tax bases of assets and liabilities. Deferred tax is calculated by jurisdiction such that applicable national tax rates are used for these calculations.

Deferred tax assets and liabilities are netted off if the counterparty is the same tax authority and there is an ability to settle net. Deferred tax assets are further tested for recoverability from brought-forward losses or expected future taxable profits at the level of each subsidiary.

The table below shows the split of AHEL's deferred tax assets between AIG UK and other component entities.

Deferred Tax Assets	£'m
AIG UK	20.0
Other Subsidiaries	9.1
AHEL Consolidated	**29.1**

AMERICAN INTERNATIONAL GROUP UK LIMITED

Note 8: Deferred Tax Asset	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 31 December 2024	51.3	(31.3)	-	20.0	29.1

(Note 9) DEFERRED ACQUISITION COST

AHEL

Under UK GAAP, acquisition costs, which represent commissions and other related costs, are deferred and amortised over the period in which the related premiums are earned.

Under Solvency II, deferred acquisitions are written off. All cash flows arising from expenses that will be incurred in servicing all recognised insurance and reinsurance obligations over the lifetime are instead considered in determining the best estimate technical provisions (see Section D.2).

AMERICAN INTERNATIONAL GROUP UK LIMITED

Note 9: Deferred Acquisition Costs	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 31 December 2024	167.7	-	(167.7)	-	-

(Note 10) INTANGIBLE ASSETS

AHEL's intangible assets include capitalised software costs and acquired brands. Under UK GAAP, intangible assets are measured at historical cost less accumulated amortisation and impairment.

Under Solvency II, intangible assets are valued at zero unless they can be sold separately, and their values can be derived using quoted prices in active markets. At 31 December 2024, none of AHEL's intangible assets met this criterion therefore the whole amount was written off.

AMERICAN INTERNATIONAL GROUP UK LIMITED

Note 10: Intangible Assets	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 31 December 2024	12.1	-	(12.1)	-	-

(Note 11) PENSION BENEFIT SURPLUS

AHEL

AHEL's subsidiaries operate a number of pension schemes; whose members receive benefits on either a defined benefit or defined contribution basis. Under UK GAAP, the defined benefit obligation and associated surplus or deficit are calculated by independent actuaries using the projected unit credit method in accordance with Section 28.

The Solvency II measurement of pension assets and liabilities is consistent with Section 28 measurement.

At 31 December 2024, the pension benefit surplus reported by AHEL related to AIG UK.

Pension Benefit Surplus	£'m
AIG UK	17.2
AHEL Consolidated	**17.2**

AMERICAN INTERNATIONAL GROUP UK LIMITED

Note 11: Pension Benefit Surplus	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 31 December 2024	17.2	-	-	17.2	17.2

(Note 12) Goodwill

AIGUK

AIGUK's goodwill relates to AIGUK's acquisition of assets and liabilities in Hospital Plan Insurance Services ("HPIS") and HPIS Limited ("HPIS Ltd") in March 2021. It represents the difference between acquisition costs and net assets of HPIS and HPIS Ltd.

Under Solvency II, goodwill is valued at zero unless they can be sold separately, and their values can be derived using quoted prices in active markets. Hence, the whole amount was written off.

AMERICAN INTERNATIONAL GROUP UK LIMITED

Note 12: Goodwill	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 31 December 2024	0.8	-	(0.8)	-	-

D.2 TECHNICAL PROVISIONS

(Note D2) Technical Provisions

The technical provisions are defined as the probability-weighted average of future cash flows, discounted to take into account the time value of money considering all possible future scenarios. The cash flow projection used in the calculation of the best estimate takes account of all the cash in-flows and out-flows required to settle the insurance and reinsurance obligations over their lifetime.
Technical provisions are grouped into the following key components:

- Gross claims provisions: best estimates of provisions that relate to the earned exposure.
- Gross premium provisions: best estimates of provisions that relate to the unearned exposure i.e., driven by unearned premium and policies which are bound but not yet incepted (BBNI) at the valuation date.
- Risk margin: Additional provision to bring the best estimates to the level required to transfer the obligations to a third-party undertaking.

AMERICAN INTERNATIONAL GROUP UK LIMITED

Solvency II requires Technical Provisions to be segmented by Solvency II lines of business. The segmentation of lines of business is more granular and is dependent on a UK GAAP reserving process that groups the risks using major/minor risk codes and reserving classes. The grouping of risks considers both the homogeneity of the risk profiles and the sufficiency of credible data in the analysis of development pattern and the underlying volatility. As with standard actuarial techniques, large individual claims are considered separately from the remainder of the risk group if the inclusion would otherwise distort results, or if separation would be considered to produce a more reliable valuation.

Reserving classes are further split by country and then allocated by currency based on currency mix factors. These factors are calculated based on outstanding loss reserves and earned premium data as at the valuation date.

The currency level reserves are converted into cash flows using payment patterns and are discounted by applying risk-free yield curves (by currency) that are provided by the PRA to get Technical Provisions by reserving classes.

Technical Provisions by reserving classes are then mapped to the Solvency II lines of business. In cases where more than one reserving class maps to a single Solvency II line of business, the reserving classes are assumed to be independent of each other. In cases where one reserving class maps to more than one Solvency II lines of business, an assessment is carried out to derive allocation assumptions based on the outstanding claims or claims reserve as at valuation date. This includes where reserving classes should be split into direct business, proportional reinsurance business and non-proportional reinsurance business.

VALUATION BASIS, METHODS AND MAIN ASSUMPTIONS

Currently the PRA regulations do not apply to AIG Israel and therefore it is not required to produce an annual SFCR. However, the Israeli regulator has been moving steadily towards implementing a prudential regime similar to Solvency II. The technical provisions valuation methodology for AIG Israel is in line with Solvency II regulations.

At the AHEL level, the consolidated best estimate of technical provisions is calculated as the sum of Solvency II Best estimates of AIG UK, and AIG Israel. Where there are intra- group reinsurance contracts, the following adjustments have been made:

The best estimate of the undertakings that accept risks shall not include the cash flows arising from the obligations of the intra-group reinsurance contracts; and

- The undertaking that cedes the risk will not recognize the amounts recoverable from the intra-group reinsurance contracts.
- There were no material intra-group reinsurance contracts at 31 December 2024.

AHEL’s Risk Margin is the sum of solo Risk Margins for AIG UK and AIG Israel.

Notes to Economic Balance Sheet

AHEL

There have been no material changes in the assumptions used to calculate the Solvency II technical provisions. AHEL's Technical Provisions are categorised as:

- Non-life and health similar to non-life is the largest category of technical provisions, and it relates to the following SII Lines of Business:
  D. General Liability (AIG UK and AIG Israel)
  E. Motor Vehicle Liability (AIG UK and AIG Israel)
  F. Fire and Other Damage to Property (AIG UK and AIG Israel)
  G. Other Motor Insurance (AIG UK and AIG Israel)
  H. Marine, Aviation and Transport (AIG UK)
  I. Credit and Suretyship (AIG UK)
  J. Miscellaneous Financial Loss (AIG UK)
  K. Medical Expense (AIG UK and AIG Israel)
  L. Income Protection (AIG UK and AIG Israel)

- Life and health similar to life, excluding index-linked and unit-linked technical provisions relates to the following business:
  - Other Life Insurance that represents life protection products (AIG Israel)
  - Annuities stemming from non-life insurance contracts and relating to health insurance obligations namely Periodic Payment Orders or PPOs that arise from General Liability and Motor Vehicle Liability lines of AIG UK

The sum of technical provisions of Non-life and Health similar to non-life represents the total non-life technical provisions. Similarly, the sum of Life and health similar to life, excluding index-linked and unit-linked represents the Total Life Technical Provisions.

(Note 13) Technical Provisions - AHEL

Note 13: Technical provisions	Total Non-life and health similar to non-life £'m	Total Life and health similar to life, excluding index-linked and unit-linked £'m
Best Estimate	(5,512.6)	(30.7)
Risk Margin (unaudited)	(352.4)	(19.1)
Gross Technical Provision	**(5,865.0)**	**(49.8)**
Reinsurance Recoverable	1,877.2	8.1
Net Technical Provision	**(3,987.8)**	**(41.7)**

(Note 13) Technical Provisions - AMERICAN INTERNATIONAL GROUP UK LIMITED

Note 13: Technical provisions	Total Non-life and health similar to non-life £'m	Total Life and health similar to life, excluding index-linked and unit-linked £'m
Best Estimate	(5,116.3)	(65.1)
Risk Margin (unaudited)	(330.5)	(6.0)
Gross Technical Provision	**(5,446.8)**	**(71.1)**
Reinsurance Recoverable	1,725.8	4.5
Net Technical Provision	**(3,721.0)**	**(66.6)**

AMERICAN INTERNATIONAL GROUP UK LIMITED

GROSS CLAIMS PROVISIONS

The following adjustments are applied to the UK GAAP reserves (with no margin for prudence) to derive the gross claims provision:

- Expenses.
- Events Not in Data (ENID).
- Discounting credit.
- Reinsurance recoveries (less bad debt).
- Any segmentation required to complete the calculations.

The UK GAAP reserves are calculated using a deterministic process, analysing gross and net claims separately, using a combination of Chain Ladder and Bornhuetter-Ferguson methods. Expert judgements are applied on the selection of the method used to estimate the ultimate, development factors, tail factors and prior loss ratios for each origin period. Over 20 years of data is considered for the analysis.

GROSS PREMIUM PROVISIONS

The Unearned Premium Reserve (UEPR) is used as the starting point to estimate gross best estimate premium provisions before the following adjustments are applied:

- Application of budget loss ratios to reduce the unearned premium reserve for claims liability.
- BBNI business.
- Expenses.
- ENID.
- Discounting credit.
- Future premium (payables and receivables).
- Reinsurance recoveries (less bad debt).
- Any segmentation required to complete the calculations.

The UEPR amount includes the unearned Late Travelling Premium (LTP) balance as at the valuation date. LTP are premiums that are incepted but not yet fully booked into the system by year-end for various reasons, such as delays in receiving information from the broker.

SOLVENCY II ADJUSTMENTS

The details of Solvency II adjustments that are applied to AIG UK's UK GAAP reserves to get Best Estimates of Technical Provisions are as follows:

1. CLAIMS CASH FLOWS OF UNEARNED BUSINESS

Budget loss ratios are used to calculate the expected losses from unearned business in the premium provisions. They are derived utilising the actuarial best estimate ultimate loss ratio assumptions with adjustments made to allow for future expected inflation and rate changes.

2. BBNI (BOUND BUT NOT INCEPTED)

BBNI premium income relates to policies which AIG UK is legally obliged to write but which have not yet been incepted as at the valuation date. This business usually arises due to tacit arrangements (i.e., where policies are automatically renewed unless either the policyholder or insurer provides a cancellation notice before the auto renewal date). BBNI premium, commission and claims are allowed for in the calculation and profit from BBNI acts to reduce the best estimate Technical Provisions.

An additional allowance is included within the ceded BBNI for contractually obliged minimum premiums corresponding to the 1st of January reinsurance renewals.

3. EXPENSES

Solvency II requires the best estimates to take into account expenses which relate to recognised insurance and reinsurance obligations of insurance and reinsurance undertakings. These expenses have been classified into the following five subgroups and the table below illustrates which expenses are included in the claims provision and which are included in the premium provision.

Since UK GAAP reserves include Allocated Loss Adjustment Expenses ("ALAE") no further allowance for ALAE is made in the best estimate technical provisions. All expenses are applied on a gross basis, and it is assumed there are no ceded expenses.

Assumptions on the percentage loadings of Solvency II expenses are based on Gross Operating Expenses. Key assumptions are applied around the proportion of administration expenses to include in the Solvency II expense loading.

Expense type	Premium provision	Claims provision
Administrative expenses	✓	
Investment management expenses	✓	✓
Claims management expenses	✓	✓
Reinsurance management expenses	✓	✓
Acquisition expenses	✓	

4. EVENTS NOT IN DATA (ENID)

ENID adjustment is designed to capture those potential future claims that do not exist in the historical data used for UK GAAP reserves calculation. These claims are typically caused by low-frequency, high-severity man-made hazards. Historical events which are contained within the Company's historical loss experience are also considered to ascertain whether further scenarios or loadings need to be applied.

5. DISCOUNTING CREDIT

Claims and premium provisions are converted to future cash flows by application of payment patterns to determine how much of the provisions will be paid out in each of the future calendar years. Ceded claims cash flows are assumed to have the same payment pattern as the gross cash flows, which mirrors the UK GAAP best estimate reserving process.

The risk-free yield curves (with no volatility adjustment and matching adjustment) provided by the PRA for each currency are used to discount future cash flows of premium and claim provisions to the valuation date, to take account of the time-value of money. The cash flows are discounted mid-year, which assumes that the average claim is paid mid-year.

6. FUTURE PREMIUM (PAYABLES AND RECEIVABLES)

The Solvency II regime allows liability cash flows to be offset by premium receivables cash flows that are expected to be received but are not overdue, in the technical provisions calculation. Similarly, premiums payables which have not yet been paid by AIG UK also need to be considered.

Premium receivables are typically much higher than premium payables and therefore, result in reduction of premiums provision.

Premiums provision calculation on a net basis takes into account reinsurance payables (i.e., money owed by the Company in respect of reinsurance contracts).

7. REINSURANCE RECOVERIES

The reinsurance recoveries are calculated separately for the claims provision and the premiums provision, with the ceded UK GAAP reserves and ceded UEPR respectively used as the start point in the calculation.

To determine the UK GAAP ceded reserves, a netting-down approach is used, where the estimates of claims gross and net of reinsurance are modelled, and the reinsurance recoveries taken as the difference. The reinsurance structure for the existing business is considered in the projection of the best estimate by the reserving team.

Excluding contractually obliged M&D premiums, AIG UK currently adopts the principle of correspondence in its treatment of reinsurance, for both current and future reinsurance contracts. Within AIG UK, if the premium for a reinsurance contract is paid out (e.g., in the form of deposit premium) in advance of the underlying business being bound, this premium is treated as a separate balance to the technical provisions in the EBS. Therefore, there is no allowance in the technical provisions for recoveries or premiums from outwards reinsurance premiums relating to unbound inwards business.

In accordance with the principle of correspondence described above, reinsurance premiums and recoveries in respect of future reinsurance premiums are allowed for in the technical provisions where the purchase is consistent with the ongoing business strategy, as laid out in the budget.

8. REINSURANCE BAD DEBT

The reinsurance bad debt provision is an adjustment which takes into account the potential losses due to the default of reinsurance counterparties. The adjustment increases net technical provisions in both the claims and premium provisions.

The ceded UK GAAP reserves and the credit rating for each reinsurer as at the valuation date are used to allocate the ceded recoveries due on claims and premiums provisions to each reinsurer.

The bad debt provision is estimated by taking into account the maturity and run-off of the ceded cashflows, including the probability of default and loss given default for each reinsurer.

RISK MARGIN (Unaudited)

Methodology 1, prescribed by EIOPA's Guideline 62, is used to calculate the future SCR relating to current obligations. The calculation is done in the Internal Model using loss distributions of Non-Catastrophic Insurance Risk (excluding New Business risk), Counterparty Default Risk, Operational Risk and Catastrophic Risk. The losses by risk type and by Solvency II line of business are run off individually, taking into account the duration of each line of business.

The future loss distributions are then aggregated, and the future SCRs are calculated as the 99.5th percentile of the total loss distribution for each future time. These future SCRs are discounted with the appropriate GBP yield curve, published by the Bank of England. The sum of the discounted SCRs is multiplied by the Cost of Capital of 4% as prescribed by the PRA to obtain an initial Risk Margin. The initial Risk Margin is then adjusted to account for any differences between the actual Technical Provisions on the Economic Balance Sheet and the modelled Technical Provisions in the Internal Model to obtain the final Risk Margin for the Company.

Lapses and other policyholder behaviours are assumed to be immaterial given the nature of AIG UK's business. Multi-year policies are assumed to be immaterial given the general business is to write one-year policies.

An allocation of the Risk Margin by Solvency II line of business is also produced using a simplified risk margin by line of business as allocation key.

LEVEL OF UNCERTAINTY

UNCERTAINTY IN BEST ESTIMATE RESERVING

Future claims experience is dependent on the external environment, which is subject to uncertainty, including that related to legislative, social and economic change. The impact of uncertain external factors is considered throughout the reserving exercise and discussed as part of the Reserve Committee meetings. Some of the key uncertainties include:

Financial Lines: Increased market and regulatory scrutiny of the financial institutions post the financial crisis, as well as cladding and M&A related claims.

Casualty: Litigation changes such as the Ogden discount rate changes, Ministry of Justice reforms, PPO claims (i.e., propensity/emergence, mortality, ASHE index), abuse and disease claims.

Cat Excess: This consists of high-layer excess financial and casualty business, which typically has long reporting and settlement delays. As a result, there is a significant degree of relative uncertainty around the estimation of reserves for this book of business.

Economic Inflation: After a prolonged period of stable, low inflation, inflation is trending higher and appears to be more volatile in the short-term. Whilst we have assessed the potential impacts of future inflation, there is material uncertainty as to the future trajectory, and therefore it is possible that future long-term claims inflation is materially different from our assumptions.

Social Inflation: Social Inflation can be considered as claims inflation over and above economic inflation. Furthermore, it is inflation driven by changes in societal behaviour, whether that is increased litigiousness, or anti-business sentiment driving increases in jury awards. Social Inflation drives an overall increase in insurance claims, and so can have frequency and severity impacts.

Uncertainty in the best estimate reserves can also arise from model error. Model error occurs when the methodology used does not accurately reflect the development process for the line of business (i.e., misspecification of the model). We manage model error by using a range of methods rather than relying on a single one which are summarised below:

1) Modelling is performed using a variety of different methods including:
    - Chain-ladder;
    - Bornhuetter Fergusson;
    - Frequency/Severity; and
    - Cape Cod.
2) Modelling is performed on both paid claims and incurred claims. For some lines of business, different large loss modelling approaches are used.
3) The results of the modelling under each method type are compared and documented as part of the modelling process and calculation of final claim reserves.

UNCERTAINTY IN CASH FLOWS

The payment of future claims is dependent on the payment pattern used to discount the cash flows. Two main assumptions are made in application of the pattern:

- The development of the reinsurance paid claims is equal to the development of gross paid claims. This assumption has been validated by comparing the gross and net payment patterns.
- The payment patterns derived from the estimation of the UK GAAP reserves are appropriate to use for both the claims provision and the premium provision.

UNCERTAINTY IN THE EXPENSES ESTIMATE

The expense allocation is based on incurred historical expenses and expert judgement is applied to convert these expenses to a Solvency II valuation basis. The main judgments relate to the inclusion of head office costs relating to AIG Inc. and the portion of direct expenses to include in the administration loading.

UNCERTAINTY IN THE BBNI ESTIMATE

The premium estimate is sensitive to the number of weeks that are assumed as bound prior to inception where more granular policy level data for the calculation is not available. This assumption has been subject to sensitivity-testing and is particularly relevant for quarters where major renewal dates might be captured (for example, 1st of January). Although the actual BBNI premium estimate is sensitive to the number of weeks assumed, the impact on Solvency II Technical Provisions is dampened as only the profit portion of the BBNI premium is considered.

VALUE OF TECHNICAL PROVISIONS FOR EACH MATERIAL LINE OF BUSINESS

General Liability, Marine, Aviation and Transport and Fire and Other Damage business represent 90% of the Company's net technical provisions. The main methods and assumptions applied in the calculation of the technical provisions for these segments are described in Section D.2 above.

All assumptions are applied in a consistent manner for each line of business although the underlying values may differ by line (e.g., there is a higher discount benefit in General Liability compared to Fire and Other Damage as claims in General Liability take longer to settle).

The composition of AHEL's Technical Provisions by material SII LoBs is consistent with that of AIG UK. General Liability, Fire & other Damage to Property, Motor Vehicle Liability and Marine, aviation and transport represent the most material SII LoBs by Technical Provisions for AHEL.

Within AIG UK, technical provisions arise from non-life claims of Motor Vehicle Liability and General Liability lines that are paid as annuities. These annuities are called Periodic Payment Orders (PPOs).

D.3 OTHER LIABILITIES

(Note 14) PAYABLES (TRADE, NOT INSURANCE)

AHEL

Payables (trade, not insurance) include accruals and creditor balances which do not arise from insurance operations. Owing to their short-term nature, the amortised cost valuation under UK GAAP is taken to approximate fair valuation.

The table below shows the split of AHEL's trade payables between AIG UK and other component entities.

Payables (Trade, Not Insurance)	£'m
AHEL Solo	(0.5)
AIG UK	(283.3)
Other Subsidiaries	(102.8)
Consolidation Adjustment	32.9
AHEL Consolidated	**(353.7)**

The consolidation adjustment of £32.9m represents the elimination of intragroup trade balances.

AMERICAN INTERNATIONAL GROUP UK LIMITED

Note 14: Payables (Trade, Not Insurance)	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 31 December 2024	(283.3)	-	-	(283.3)	(353.7)

(Note 15) PROVISIONS OTHER THAN TECHNICAL PROVISIONS

AHEL

Provisions are recognised when there exists a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Under UK GAAP, a provision is measured in accordance with Section 21, which is at the best estimate of the amount the entity would pay to settle the obligation or transfer it to a third party.

The recognition and measurement of provisions under Solvency II are consistent with UK GAAP.

At 31 December 2024, the amount reported by AHEL for other provisions related to AIG UK.

Provisions Other Than Technical Provisions	£'m
AIG UK	(56.1)
AHEL Consolidated	**(56.1)**

AMERICAN INTERNATIONAL GROUP UK LIMITED

Note 15: Provisions Other Than Technical Provisions	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 31 December 2024	(56.1)	-	-	(56.1)	(56.1)

(Note 16) SUBORDINATED LIABILITIES

AHEL

There are no subordinated liabilities at 31 December 2024.

(Note 17) DEFERRED TAX LIABILITIES

AHEL

Refer to Note 8 for the UK GAAP and Solvency II valuation principles in respect of deferred taxes.

The table below shows the split of AHEL's deferred tax liabilities between AIG UK and other component entities.

Deferred Tax Liabilities	£'m
AIG UK	-
Other Subsidiaries	(14.5)
AHEL Consolidated	**(14.5)**

AMERICAN INTERNATIONAL GROUP UK LIMITED

Note 17: Deferred Tax Liabilities	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 31 December 2024	-	31.3	(31.3)	-	(14.5)

(Note 18) DEPOSIT FROM REINSURERS

AHEL

Deposits from reinsurers are measured at amortised cost under UK GAAP. The amortised cost valuation is taken to approximate fair value for Solvency II purposes.

The table below shows the split of AHEL's deposits from reinsurers between AIG UK and other component entities.

Deposits from Reinsurers	£'m
AIG UK	(6.6)
Other Subsidiaries	(58.7)
AHEL Consolidated	**(65.3)**

AMERICAN INTERNATIONAL GROUP UK LIMITED

Note 18: Deposit from Reinsurers	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 31 December 2024	(6.6)	-	-	(6.6)	(65.3)

(Notes 19 & 20) INSURANCE AND INTERMEDIARIES PAYABLES & REINSURANCE PAYABLES

AHEL

(Re)insurance payables represent the sum of creditors arising out of direct insurance and reinsurance operations. AHEL's (re)insurance payables are all due within 12 months. Owing to their short-term nature, the amortised cost valuation under UK GAAP is taken to approximate fair valuation.

The reclassification in (re)insurance payables relates to these balances forming part of the future premium cash flows in "gross premium provisions" component in Solvency II technical provisions.

The table below shows the split of AHEL's (re)insurance payables between AIG UK and other component entities.

Insurance and Intermediaries Payables	£'m
AIG UK	-
Other Subsidiaries	(4.4)
AHEL Consolidated	**(4.4)**

Reinsurance Payable	£'m
AIG UK	-
Other Subsidiaries	(8.1)
AHEL Consolidated	**(8.1)**

AMERICAN INTERNATIONAL GROUP UK LIMITED

Note 19: Insurance and Intermediaries Payables	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 31 December 2024	(107.5)	-	107.5	-	(4.4)

Note 20: Reinsurance Payable	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 31 December 2024	(822.7)	-	822.7	-	(8.1)

D.4 ALTERNATIVE VALUATION METHODS

AHEL

The following is a description of the valuation methodologies used for instruments carried at fair value:

Fixed Maturity Securities

Whenever available, the Company obtains quoted prices in active markets for identical assets at the financial position date to measure fixed maturity securities at fair value in its available-for-sale portfolios. Market price data is generally obtained from dealer markets.

Management is responsible for the determination of the value of the investments carried at fair value and the supporting methodologies and assumptions. The Company employs independent third-party valuation service providers to gather, analyse and interpret market information, and derive fair values based upon relevant methodologies and assumptions for individual instruments. When the Company's valuation service providers are unable to obtain sufficient market observable information upon which to estimate the fair value for a particular security, fair value is determined either by requesting brokers who are knowledgeable about these securities to provide a quote, which is generally non-binding, or by employing widely accepted internal valuation models.

Valuation service providers typically obtain data about market transactions and other key valuation model inputs from multiple sources and using widely accepted valuation models provide a single fair value measurement for individual securities for which a fair value has been requested under the terms of service agreements. The inputs used by the valuation service providers include, but are not limited to, market prices from recently completed transactions and transactions of comparable securities, benchmark yields, interest rate yield curves, credit spreads, currency rates, quoted prices for similar securities and other market observable information as applicable. The valuation models take into account, among other things, market observable information as of the measurement date as well as the specific attributes of the security being valued including its term, interest rate, credit rating, industry sector, and when applicable, collateral quality and other security or issuer-specific information. When market transactions or other market observable data is limited, the extent to which judgement is applied in determining fair value is greatly increased.

The Company has processes designed to ensure that the values received are accurately recorded, that the data inputs and the valuation techniques utilised are appropriate and consistently applied, and that the assumptions are reasonable and consistent with the objective of determining fair value. The Company assesses the reasonableness of individual security values received from valuation service providers through various analytical techniques. In addition, the Company may validate the reasonableness of fair values by comparing information obtained from the Company's valuation service providers to other third-party valuation sources for selected securities. The Company also validates prices for selected securities obtained from brokers through reviews by members of management who have relevant expertise and who are independent of those charged with executing investing transactions.

The methodology described above is relevant for all fixed maturity securities. The following paragraphs set out certain procedures unique to specific classes of securities.

Fixed Maturity Securities Issued by Government Entities

For most debt securities issued by government entities the Company obtains fair value information from independent third-party valuation service providers, as limited quoted prices in active markets are available for debt securities issued by government entities. The fair values received from these valuation service providers may be based on a market approach using matrix pricing, which considers a security's relationship to other securities for which a quoted price in an active market may be available, or alternatively based on an income approach which uses valuation techniques to convert future cash flows to a single present value amount.

Fixed Maturity Securities Issued by Corporate Entities

For most debt securities issued by corporate entities, the Company obtains fair value information from third-party valuation service providers. For certain corporate debt securities, the Company obtains fair value information from brokers.

RMBS/CMBS/CDOs and Other ABS

Third-party valuation service providers also provide fair value information for the majority of the Company's investments in RMBS, CMBS, CDOs and other ABS. Where pricing is not available from valuation service providers, the Company obtains fair value information from brokers. Broker prices may be based on an income approach, which converts expected future cash flows to a single present value amount, with specific consideration of inputs relevant to structured securities, including ratings, collateral types, geographic concentrations, underlying loan vintages, loan delinquencies, and weighted average coupons and maturities. Broker prices may also be based on a market approach that considers recent transactions involving identical or similar securities. When the volume or level of market activity for an investment in RMBS, CMBS, CDOs or other ABS is limited, certain inputs used to determine fair value may not be observable in the market.

Equity securities held by the Company relate to investments in real estate investment funds and private equity funds and these are held at fair value with amounts recognised through Other Comprehensive Income.

Mutual Funds

Mutual funds take the form of short-term funds supporting our liquid asset portfolio. These are reported at fair value at each reporting date. Due to availability of publicly quoted prices in active markets, they are classified as Level 1 fair value.

Loans Receivables

The Company holds Loans Receivables at amortised cost in line with their classification as Loans and receivables under IAS 39 (opted for under the choice given under FRS 102). Amortised cost is calculated using the effective interest method, which allocates interest income/expense over the relevant year by applying the effective interest rate to the carrying amount of the asset. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

D.5 ANY OTHER MATERIAL INFORMATION

AHEL

As at 31 December 2024, there is no other material information regarding Valuation for Solvency Purposes.

Solvency & Financial Condition Report 2024

E. Capital Management

THE 'CAPITAL MANAGEMENT' SECTION OF THE REPORT DESCRIBES THE INTERNAL OPERATIONAL STRUCTURES/PROCEDURES UNDERLYING CAPITAL MANAGEMENT WITHIN AHEL.

THE CAPITAL PLAN IS UPDATED AT LEAST ANNUALLY OR MORE FREQUENTLY IF A MATERIAL CHANGE OCCURS TO AHEL'S RISK OR CAPITAL PROFILE, BUSINESS STRATEGY, THE MACRO-ECONOMIC OUTLOOK OR IF REGULATORY FEEDBACK WARRANTS A CHANGE.

KEY ELEMENTS OF THE SECTION ARE:

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

E. CAPITAL MANAGEMENT

APPROACH TO CAPITAL MANAGEMENT

AHEL recognises the SCR as the minimum capital level. It aims to hold a target capital buffer over and above this minimum capital level to limit the possibility of breaching the minimum capital level.

AMERICAN INTERNATIONAL GROUP UK LIMITED

Capital management focuses on two aspects:

- ensuring that there is sufficient coverage of both the regulatory capital requirements (MCR and SCR) as well as the economic capital targets set; and
- optimisation of the quality of available Own Funds, in respect of the capital position of the organisation and also in the context of the worldwide Group.

The Finance function provides the Board and RCC with information on the AIG UK's capital position and monitors the surplus in line with internal, regulatory and rating agency capital requirements. The Capital Management department also works alongside Enterprise Risk Management to conduct group internal and regulatory Stress and Scenario Testing. The governance and oversight of the capital management process is laid out in the subsection System of Governance.

CAPITAL MANAGEMENT PLAN

AHEL's insurance subsidiaries are regulated and capitalised individually in order to meet their respective regulatory and other capital needs. Each insurance subsidiary produces an Individual Capital Plan at least annually, on which the AHEL capital projections over a three-year planning horizon are formulated. The capital projections are monitored and updated on a quarterly basis and include

- Regulatory and target minimum capital levels
- Breakdown of its capital structure
- Dividend plans from its subsidiaries
- Dividend plans to its parent company
- Cashflow analysis

CAPITAL MANAGEMENT PROCESS AND POLICY

AHEL

AHEL has an active capital management process which aims to ensure it meets regulatory capital requirements while optimising capital efficiency.

The Capital Management Policy document establishes a formal capital assessment and management framework encompassing the following aspects of capital management:

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

AMERICAN INTERNATIONAL GROUP UK LIMITED

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

- Ensuring adequate capital is maintained to meet regulatory and rating agency requirements and ensuring capital is available to support strategic plans;
- Enabling AIG UK to follow and meet its rating agency strategy and in particular to achieve its target ratings;
- Optimising AIG UK's sources and usage of capital;
- Ensuring that excess capital is returned to AIG Inc. on a timely basis without compromising the other objectives, as above;
- Cover the PRA's requested amount above Minimum Capital Level;
- Cover the risk appetite approved by the Board as part of the Risk Appetite Framework.

E.1 OWN FUNDS

AHEL uses a combination of basic and ancillary own funds to meet its Solvency II capital requirements:

- Basic own funds – net assets on the balance sheet and contingent convertible notes.
- Ancillary own funds - off balance sheet items that may be called up to absorb losses (e.g., letters of credit).

COMPOSITION AND QUALITY OF OWN FUNDS

AHEL

AHEL's own funds are divided into three tiers based on set criteria relating to permanence and loss absorbency, with Tier 1 being of the highest quality.

The composition and total available own funds for AHEL as at 31 December 2024 is provided below:

Balance as at 31 December 2024	Tier 1 Unrestricted £'m	Tier 1 Restricted £'m	Tier 2 £'m	Tier 3 £'m	Total £'m
Ordinary Share Capital	73.5	-	-	-	73.5
Share Premium Account related to Ordinary Share Capital	59.7	-	-	-	59.7
Reconciliation Reserve	1,617.5	-	-	-	1,617.5
Restricted Tier 1 contingent convertible notes	-	304.3	-	-	304.3
Subordinated Liabilities	-	-	-	-	-
Letters of Credit (Ancillary Own Funds)	-	-	400.0	-	400.0
Net Deferred Tax Assets	-	-	-	14.6	14.6
Total Available Own Funds	**1,750.7**	**304.3**	**400.0**	**14.6**	**2,469.6**

Balance as at 31 December 2023	Tier 1 Unrestricted £'m	Tier 1 Restricted £'m	Tier 2 £'m	Tier 3 £'m	Total £'m
Ordinary Share Capital	73.5	-	-	-	73.5
Share Premium Account related to Ordinary Share Capital	59.7	-	-	-	59.7
Reconciliation Reserve	1,535.6	-	-	-	1,535.6
Restricted Tier 1 contingent convertible notes	-	304.3	-	-	304.3
Subordinated Liabilities	-	-	-	-	-
Letters of Credit (Ancillary Own Funds)	-	-	400.0	-	400.0
Net Deferred Tax Assets	-	-	-	60.5	60.5
Total Available Own Funds	**1,668.8**	**304.3**	**400.0**	**60.5**	**2,433.7**

AMERICAN INTERNATIONAL GROUP UK LIMITED

The composition and total available own funds for the Company as at 31 December 2024 is provided below:

Balance as at 31 December 2024	Tier 1 Unrestricted £'m	Tier 1 Restricted £'m	Tier 2 £'m	Tier 3 £'m	Total £'m
Ordinary Share Capital	15.3	-	-	-	15.3
Share Premium Account related to Ordinary Share Capital	1,063.7	-	-	-	1,063.7
Reconciliation Reserve	745.3	-	-	-	745.3
Subordinated Liabilities	-	-	-	-	-
Letters of Credit (Ancillary Own Funds)	-	-	400.0	-	400.0
Net Deferred Tax Assets	-	-	-	20.0	20.0
Total Available Own Funds	**1,824.3**	**-**	**400.0**	**20.0**	**2,244.3**

Balance as at 31 December 2023	Tier 1 Unrestricted £'m	Tier 1 Restricted £'m	Tier 2 £'m	Tier 3 £'m	Total £'m
Ordinary Share Capital	15.3	-	-	-	15.3
Share Premium Account related to Ordinary Share Capital	1,063.7	-	-	-	1,063.7
Reconciliation Reserve	707.1	-	-	-	707.1
Subordinated Liabilities	-	-	-	-	-
Letters of Credit (Ancillary Own Funds)	-	-	400.0	-	400.0
Net Deferred Tax Assets	-	-	-	53.1	53.1
Total Available Own Funds	**1,786.0**	**-**	**400.0**	**53.1**	**2,239.2**

TIER 1 BASIC OWN FUNDS

AHEL

At 31 December 2024, AHEL's Tier 1 Basic Own Funds were made up of the following items:

- Ordinary share capital
- Solvency II reconciliation reserve
- Share Premium Account
- Restricted Tier 1 contingent convertible notes

AIG UK's ordinary share capital is classified as Tier 1 unrestricted capital as its Articles of Association do not prohibit the cancellation of dividends after they have been declared.

AHEL's reconciliation reserve is made up of the remainder of the excess of assets over liabilities and is classified as Tier 1 capital in accordance with the Solvency II regulations. The table below sets out the components of the reconciliation reserve:

Reconciliation Reserve	£'m
Excess of assets over liabilities	2,300.7
Less:	
Ordinary Share Capital	(73.5)
Share Premium Account	(59.7)
Net Deferred Tax Assets	(14.6)
Other non-available own funds	(31.1)
Other items approved by supervisory authority as basic own funds	(304.3)
Foreseeable dividends and distributions	(200.0)
Reconciliation Reserve	**1,617.5**

AMERICAN INTERNATIONAL GROUP UK LIMITED

The table below sets out the components of the reconciliation reserve:

Reconciliation Reserve	£'m
Excess of assets over liabilities	2,044.3
Less:	
Ordinary Share Capital	(15.3)
Share Premium Account	(1,063.7)
Net Deferred Tax Assets	(20.0)
Foreseeable dividends and distributions	(200.0)
Reconciliation Reserve	**745.3**

TIER 2 BASIC OWN FUNDS

AHEL

At 31 December 2024, there was no subordinated debt in AHEL.

AMERICAN INTERNATIONAL GROUP UK LIMITED

At 31 December 2024, there was no subordinated debt in AIG UK.

TIER 2 ANCILLARY OWN FUNDS

Own funds that do not fall within the definition of basic own funds are known as ancillary own funds.

These are off balance sheet items, e.g., letters of credit or commitments to provide funds to an insurer, which if called upon, would increase basic own funds. Such items can only be used to cover the SCR and are not eligible to cover the MCR.

AHEL

At 31 December 2024, there were no Letters of Credit (LOCs) in place for AHEL.

AMERICAN INTERNATIONAL GROUP UK LIMITED

At 31 December 2024, AIG UK had the following LOCs in place:

Letters of Credit	PRA approval period	£'m
£300m of LOCs issued to AIG UK (£100m each)	01 August 2022 – 01 August 2026	300.0
£100m of LOC issued to AIG UK	28 March 2024 – 27 March 2028	100.0
Total Letters of Credit		**400.0**

In Q1 2025, a letter of credit amounting to £100m was approved to qualify as Ancillary Own Funds with an approval period of 4 years. This replaced a previously approved letter of credit with original approval period up to 01 August 2026.

TIER 3 BASIC OWN FUNDS

AHEL

At 31 December 2024, AHEL had net deferred tax assets of £14.6m on its Economic Balance Sheet, all of which counted towards its Tier 3 basic own funds.

AMERICAN INTERNATIONAL GROUP UK LIMITED

At 31 December 2024, AIG UK had net deferred tax assets of £20.0m on its Economic Balance Sheet, all of which counted towards its Tier 3 basic own funds.

ELIGIBLE OWN FUNDS

AHEL

	Total £'m	Tier 1 (unrestricted) £'m	Tier 1 (restricted) £'m	Tier 2 £'m	Tier 3 £'m
Total eligible own funds to meet the SCR	2,469.6	1,750.7	304.3	400.0	14.6
Total available own funds to meet the SCR	2,469.6	1,750.7	304.3	400.0	14.6

AMERICAN INTERNATIONAL GROUP UK LIMITED

	Total £'m	Tier 1 (unrestricted) £'m	Tier 1 (restricted) £'m	Tier 2 £'m	Tier 3 £'m
Total eligible own funds to meet the SCR	2,244.3	1,824.3	-	400.0	20.0
Total available own funds to meet the SCR	2,244.3	1,824.3	-	400.0	20.0

FUNGIBILITY AND TRANSFERABILITY OF OWN FUNDS

AHEL

At 31 December 2024, AHEL recognised £31.1m of restriction in respect of the fungibility and transferability of the group own funds. This is in respect of the portion of AIG Israel's own funds which are not available to cover the Group SCR due to local regulations.

AMERICAN INTERNATIONAL GROUP UK LIMITED

At 31 December 2024, AIG UK did not have any restrictions in respect of the fungibility and transferability of its own funds.

MATERIAL DIFFERENCES BETWEEN EQUITY IN THE FINANCIAL STATEMENTS AND THE EXCESS OF ASSETS OVER LIABILITIES

AHEL

AHEL has taken advantage of the exemption available under Section 401 of Companies Act 2006 from the requirement to produce consolidated financial statements. Therefore, the requirement to disclose material differences between equity in financial statements and the excess of assets over liabilities is not applicable to AHEL.

AMERICAN INTERNATIONAL GROUP UK LIMITED

The table below sets out the material differences between equity in the financial statements and the excess of assets and liabilities calculated under Solvency II.

Balance as at 31 December 2024	£'m
Equity as per UK GAAP	1,910.0
Solvency II valuation differences	134.3
Excess of assets over liabilities under Solvency II	**2,044.3**

E.2 GROUP SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

AHEL's SCR at 31 December 2024 was £1,324.9m. The table below shows a breakdown of AHEL's SCR by risk and diversification benefit. AHEL uses a Partial Internal Model which is made up from entities that use Internal Model and SF.

A detailed analysis of the SCR and its components is disclosed in the Risk Profile section.

AHEL SCR (unaudited) £'m	AHEL	AIG Israel	Group SCR
	Y/E 2024	Y/E 2024	Y/E 2024
Insurance risk	846.1	185.5	1,031.6
Market risk	390.9	51.2	442.2
Credit risk	158.0	13.7	171.7
Operational risk	238.3	12.2	250.5
Pension risk	18.5	-	18.5
Loss Absorbing capacity of deferred taxes	-	(14.5)	(14.5)
Diversification	(483.8)	(91.2)	(575.0)
Total SCR	1,167.9	157.0	1,324.9

For the AHEL Year End capital calculation, the AIG Israel Standard Formula (SF) calculations are performed as at 2024 Q3.

During 2024, there were no Major Model Change applications to the PRA for AHEL's Internal Model and subsequently there are no outstanding Major Model Change applications under review by the PRA for AHEL.

The method for calculating the consolidated SCR is Method 1.

AHEL's capital requirement under Solvency II (which seeks to quantify and reflect its current risk profile) is calculated on a consolidated group basis through the PIM. AHEL currently has and is forecast to maintain a capital surplus above this binding capital constraint over the horizon of our business plan, with each of AHEL's subsidiary insurance entities maintaining capital above their solo entity SCRs.

AHEL's reported diversification benefit includes the diversification between risk components and the PIM diversification but does not include the diversification within each of the risk components. The reported diversification benefit for AHEL is £483.8m on an undiversified SCR of £165bn which represents 29% of total undiversified capital. This is broadly similar to its constituent entities apart from AIG Israel which has a diversification benefit of £91.2m which represents 37% of undiversified capital.

MINIMUM CAPITAL REQUIREMENT (MCR)

AHEL

The Group MCR represents a minimum level below which the inputs used for the calculation of Group MCR are provided in the table below:

- It is calculated in accordance with the SF, which is subject to a defined floor and cap based on the risk-based Solvency Capital Requirement.
- The AHEL MCR for the reporting period is £705.0m. This is simply the sum of the respective Solo MCRs of AIG UK and AIG Israel.

The inputs used for the calculation of Group MCR are provided in the table below:

MCR Components	£'m
AIG UK Solo MCR	517.0
AIG Israel Solo MCR	188.0
Group MCR	**705.0**

AMERICAN INTERNATIONAL GROUP UK LIMITED

The following table shows the MCR calculation:

Overall MCR calculation	£'m
Linear MCR	518.7
SCR (Unaudited)	1,149.0
MCR cap	517.0
MCR floor	287.3
Combined MCR	517.0
Absolute floor of the MCR	5.9
Minimum Capital Requirement	**517.0**

E.3 USE OF DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SCR

AHEL

AHEL did not make use of the duration-based equity risk sub-module in the reporting during this reporting period.

AMERICAN INTERNATIONAL GROUP UK LIMITED

AIG UK did not make use of the duration-based equity risk sub-module in the reporting during this reporting period.

E.4 DIFFERENCE BETWEEN THE STANDARD FORUMULA AND ANY INTERNAL MODEL USED

AHEL

AHEL uses a Partial Internal Model in the calculation of its SCR.

AMERICAN INTERNATIONAL GROUP UK LIMITED

AIG UK at 31 December 2024 used the Internal Model for the calculation of the Solvency Capital Requirement.

This section provides a summary of the Internal Model including how it is used, methods used in the calculation of the SCR, techniques used to integrate the PIM and comparison to the SF.

E4.1 Use of the Internal Model in the business

The Internal Model reflects AHEL's view of risk in its insurance operations and has an Igloo calculation kernel which aggregates data from various sources and quantifies potential variances to the business plan. Both the model inputs and model results are used extensively within the management and decision-making process.

AHEL has categorised Model Uses into five sections:

1. Capital Management

The primary purpose of the Internal Model is to calculate the SCR for regulatory reporting under Solvency II. It is used to develop a Target Capital Level to determine the appropriate level of capital to be held by allowing for the ultimate view of risk.

2. Portfolio Management

As part of the Business Plan Risk Review, the risk profile and capital requirements of the business plan are assessed through the Internal Model. The risk profile is assessed against the Board approved risk appetite to ensure undue levels of risks are not being planned. The risk review also quantifies the probabilities of not making profits for underwriting and investment returns as well as highlighting the returns that would be achieved at various key return periods.

3. Risk Management

The Risk Appetite Statement approved by the Board defines parameters within which the company must operate and provides a framework against which the business must report to the BRC on the current risk profile. The Risk Limits split out the overall entity level 1:7 & 1:200 Risk Tolerances into our major risk types. Target (Green) 1:7 and 1:200 risk levels are set for each risk type, as well as Escalation (Amber) and Limit (Red) levels. These appetite limits are reported against the Internal Model results. The output of the model feeds into the Risk Appetite Framework. These outputs from the model are monitored on a quarterly basis to ascertain any breaches in thresholds. These breaches are flagged at the relevant committees so that any appropriate remediation can be put in place.

The Internal Model is also used for the ORSA which provides the Board and senior management with a comprehensive assessment of the risk profile. The ORSA provides both a qualitative as well as quantitative assessment of these risks, and the quantification included in the ORSA is obtained from Internal Model output.

4. Asset Management

The Internal Model is used to assess the impact of changes in market conditions on assets and liabilities by:

a) Calculating Market Risk Charges which feed into a daily report tracking the total Market Risk consumption at different levels of granularity.
b) A framework for managing the currency holdings of the capital resources has been developed using the Internal Model to determine the level of capital in each currency to match the capital requirements arising in that currency, with all excess capital held in GBP.
c) The SAA process uses the Internal Model to provide a set of metrics that can facilitate ongoing monitoring of asset-related risks and setting of risk limits, assessment of proposed asset allocation strategies and sensitivity analysis of model results to asset-related inputs.

5. Reinsurance Management

The Internal Model is used to assess the impact of reinsurance contracts used to mitigate against undesirable individual or aggregate exposures. The capital impacts resulting from the reinsurance contracts can then be compared with the cost of the contracts to determine its appropriateness.

E4.2 Scope of the Internal Model

The scope of the Internal Model is designed to ensure that all material quantifiable risks which the entity is exposed to have been captured. The model is designed around a series of modules each of which is linked to the risk areas of the Risk Management Framework and included within the risk register. Some of the risks included within the risk register have been deemed immaterial and therefore have not been included within the scope of the model and instead are managed through the business-as-usual process.

In order to determine the risks in scope of the Internal Model, the risk profile of the entity was assessed. The risk scope of the Internal Model has been designed such that it complies with Article 101 of Directive 2009/138/EC and its outputs can provide an accurate representation of the entity's risk profile and project the most material sources of risk. In order to ensure that all material quantifiable risks of the entity are included in scope of the model the risk register and risk appetite were used as a starting point.

The SCR covers at least the following risks: Insurance Risk, Market Risk, Operational Risk and Credit Risk. Operational Risk and Man-Made Catastrophe Risk are modelled through Realistic Disaster Scenarios (RDS) due to the limited availability of data to produce a representative statistical loss distribution. Instead of utilising an exhaustive list of scenarios, consideration and effort has been provided into producing a list of scenarios that are representative of the company's risk profile and include losses from events not captured in data. The scenarios focus more on capturing all possible losses based on the risk profile than the underlying events that can cause these losses. Therefore, not all possible events are explicitly modelled but their potential losses have been considered in the scenarios used.

Not all risk components have been included in the scope of the Internal Model. For example, the data used by the model is not directly in scope, but rather indirectly in scope through the governance of the data, data requirements and the data quality assessments. The processes for generating these inputs to the model are also considered outside the scope of the model because they are part of the wider business as usual activities. These processes are subject to internal governance and controls. The risk register is a tool that is used to assess the risk profile of the company and validate the risk coverage of the Internal Model. As such it is not considered in scope of the Internal Model. However, as discussed above, the model is designed to take into account all material risks modelled around the Risk Management Framework.

E4.3 Calculation of the Internal Model

E4.3.1 Methods Used

AHEL has developed an Internal Model in accordance with the requirements of Solvency II as well as its own internal capital needs.

The core component of the Internal Model is known as the Calculation Kernel. This can be thought of as the core calculation engine where the majority of the capital calculation takes place. The Calculation Kernel also combines any risk modelling performed outside of the kernel in other tools, such as the asset-modelling software.

The Internal Model is a stochastic model, which is commonly run for 100,000 simulations. The number of simulations can be changed via the input settings. As with all stochastic models, an increased number of simulations helps with providing convergence to the model outputs (particularly when looking at tail percentiles) and reduces simulation sampling error.

The model uses a number of cash flows in its calculations. Despite this, the overall capital result and balance sheet information is only provided at the end of the projection period. Intermediary calculations are not reportable at an overall balance sheet or capital level. In this respect the overall design of the model provides information on the capital requirement for a particular time. However, it does not show how the capital requirement has changed over this period.

The Accounts Model collates all risk types modelled in earlier components of the Calculation Kernel. It produces the following technical accounts (considering premiums, claims, expenses and commissions) for every Modelling Unit: Technical Balance Sheet, Underwriting Account and Technical Cash-flow Statement. These are produced using inputs from the Reserve Risk, Premium Risk, Reinsurance, and Credit Risk models, along with cash-flow assumptions (claims and premium payment patterns) which are input directly into the Accounts Model, and economic assumptions (discount rates, exchange rates) from the ESG.

The Accounts Model combines the technical accounts for all lines of business and incorporates asset balances and returns from the Asset Model, along with other risk types that exist only at the aggregate level: Operational Risk, Credit Risk on Receivables, and Pension Risk. From these items, the following financial statements are produced: Opening Balance Sheet, Income Statement, and Closing Balance Sheet. The Legal Entity accounts are produced by aggregating the individual business unit accounts.

The simulated Income Statement gives the overall loss distribution from which the capital requirement is determined. Capital is allocated to risk type and line of business, the method for which depends on use.

The three main currencies (GBP, EUR and USD) are modelled using information from the ESG, which are used to assess both the asset and liability positions. The modelling is done at a more granular level including the following separate currencies where applicable: AUD, CAD, CHF, DKK, EUR, GBP, JPY, NOK, SEK and USD. However, the model is not limited to just these and can easily be expanded to cover additional currencies if needed.

The individual currencies are converted to one reporting currency for the Income Statement and Balance Sheet reporting. This reporting currency varies depending on the business unit selected.

The Internal Model currently looks to provide the capital required under a one-year time frame. The basis of the cohort for this one year is an accident year (AY), which is consistent to the basis of reserving in UK and Europe and the format that most data is found and available in.

Under Solvency II, the SCR is calculated on an accident year basis and is calculated as the capital required at the outset (time zero) such that in one year's time, assets are greater than or equal to liabilities at the 99.5th percentile (i.e., the Value-at-Risk of the Basic Own Funds subject to a confidence level of 99.5% over a one-year time horizon). This implies recognition of the time-value of money with a consideration of movements within the accident year.

The dependency structure of the model aims to capture all the potential interactions between the risks of the Company. AHEL operates in a global business environment and recognises that these correlations can be very complex to parameterise and to capture appropriately within the modelling structure. The dependency structure captures dependencies between business units, lines of business and risk types. The purpose of the model is to capture the full range of possible outcomes. In essence, the key requirement of the dependency structure is to model and assess the diversification benefits resulting from the aggregation and the mitigation of the risks for a multi-country and multi-line operating company, in a clear and where possible explicit manner.

As a core component of the model, the dependency structure extends to all risk factors to which AHEL is exposed to. These risks include Non-Catastrophe Insurance Risk, Catastrophe Risk, Reinsurance Counterparty Risk, Market Risk, Credit Risk and Operational Risk.

The dependency structure plays a key role in the Internal Model as the aggregation method between risk types and for quantifying the level of diversification between AIG's key risks. In addition to dependencies between risk types, the dependency structure also considers interrelationships between calibrated risk units within a particular risk type. Diversification and aggregation is key to insurance and is the fundamental principle of the pooling of risk. Furthermore, insurers like AIG benefit from diversification by writing in various countries and Line of Business sectors.

E4.3.2 Data Used

The data requirements for the Internal Model as captured in the Data Directory are categorised into segments broadly aligned to business functions providing data and risk types for which it is used. At present, the Data Directory content has been classified into the following data segments:

No.	Data Segment	Data Subsets
1	Actuarial	Actuarial data is used as a direct input into the model (non-calibration data) and to feed the calibration (calibration data): • Non calibration data: historical earned premium, best estimate reserves, payment patterns, unallocated claims expense (ULAE), currency mix, Bound But Not Incepted written premium and risk margin; • Calibration data: historical incurred and paid loss triangles, large loss details, catastrophe claims, earned premium, best estimate reserves, premium rate changes, claims inflation rates (estimated increase in claim amounts based on reported inflation rates), budget loss ratios.
2	Assets	Details of AIG's investments; economic scenarios generated from the ESG.
3	Credit Risk Reinsurer	Reinsurers' share of the OSLR, IBNR, UEPR, incurred and paid losses, bad debts, collaterals. Credit Ratings by Reinsurer.
4	Finance	Actual balance sheet, prior-year written premium, UEPR, commissions, receivables, payables.
5	Legal Entity Plan (Strategic Finance, FP&A)	AIG legal entities' five-year plan (Income statement) including input data used in the process to produce the plan (e.g., premium and expense growth rate, RI ratios), unless covered in other data segments.
6	Man-Made Catastrophe	Man-Made Catastrophe scenarios' details including potential losses and their correlations.
7	Natural Catastrophe	Natural Catastrophe exposure modelled based on policy details, adjustment factors to compensate for data quality, completeness and modelling appropriateness.
8	Operational Risk	Operational Risk scenarios' details.
9	Reinsurance	XOL and QS reinsurance contracts' details including potential losses; ratios for prior-year reinsurance
10	Tax	Tax rates and prior-year paid tax admissible for deferred tax benefit. Future based on actual data so there is little uncertainty
11	Credit Risk Broker	Broker details, credit ratings and receivables split into under and over 90 days (clearing adjustments).
12	Dependencies	Values and parameters that support the parameterisation of the model change the characteristics of the Internal Model when it runs.
13	Pension Risk	Pensions Best Estimate reserves obtained from the external scheme administrator.

E4.3.3 Integration Technique for Partial Internal Model

Article 239(1) of the Delegated Regulation provides a default integration technique to integrate a PIM with the SF based on correlation matrices and formulas of the SF set out in Annex IV of the Directive and Title I, Chapter V of the Delegated Regulation.

This default technique is centred on risk types, rather than legal entities, being out of scope of the PIM. In particular, the SF correlation matrix reflects the dependency between risks and not the dependency between legal entities. As the Internal Model models all of AHEL's risks excluding the aforementioned insurance subsidiary, this technique is not feasible for AHEL's group PIM. This is the condition described in Article 239(5)(c) of the Delegated Regulation which says that an integration technique shall not be appropriate if the design of the PIM would not allow its integration with the SF (using the technique). By way of example, the dependency between a non-life underwriting risk module and a life underwriting risk module is not the same as the dependency between a non-life insurance company (AIG UK) and a composite insurance company (AIG Israel), which makes the SF correlation matrix unusable for AHEL's Group SCR.

In such cases as this, Article 239(2) of the Delegated Regulation allows for alternative integration techniques to be adopted instead. These alternatives are outlined in Annex XVIII of the Delegated Regulation.

Due to the limitation of the default integration technique, AHEL will use Integration Technique 1 instead.

Annex XVIII of the Delegated Regulation defines the Basic Solvency Capital Requirement under Integration Technique 1 to be equal to the sum of:

- the capital requirements for the units of the PIM,
- the capital requirement derived by applying the SF for the Basic SCR only to the risks that are out of the scope of the PIM
- the capital requirement for intangible asset risk as set out in Article 203.

Notwithstanding the language of this description which refers to a PIM for a solo entity, the intention of this technique is clear and can be applied to a PIM for a group.

Following the concept of Integration Technique 1, AHEL's Group SCR will be the sum of:

- the capital requirement of the PIM
- the capital requirement of the SF

E4.4 Differences between the Standard Formula and Internal Model methodologies and underlying assumptions

The key drivers of the differences between the SF SCR and IM SCR are as follows:

- **Different Calculation Basis:** The most basic difference between the SF and AIG UK's Internal Model is the general approach taken to calculating the SCR. The SF broadly takes a deterministic, shock-based approach (e.g., shocks to asset values, premiums and reserves) to reach an aggregate 99.5% loss. The Internal Model however takes a stochastic simulation-based approach, which delivers a full P&L distribution (probability distribution forecast) from which a 99.5% loss is derived. At lower levels of risks, like for like comparisons, can be difficult as the SF is only focused at the 99.5th percentile.

- **Dependency Structure – Correlation & Diversification:** The SF has been developed to reflect the risk profile of an average European-centric insurer; as a result, it does not provide full recognition of risk diversification available to a firm such as AIG UK. For example, when modelling Insurance Risk, the SF does not fully allow for the level of line of business and geographical diversification inherent within AIG UK's insurance risk profile.

- **Mean Profitability in Business Plan:** The SF does not take credit for any business plan profit. The current approved model also removes this credit for underwriting profit. AIG UK excludes planned underwriting profit within the SCR due to a lack of clear history of meeting their planned underwriting targets.

- **Pension Risk**: The SF applies a look through approach to the defined benefit pension plan and does not model the pension risk as a standalone risk type.

- **Catastrophe Risk Diversification**: A higher capital requirement for the SF Catastrophe Risk is observed because the SF allows for 'Accident Concentration Risk' with respect to buildings with highest concentration which is not allowed for in the Internal Model.

- **Operational Risk Diversification**: The SF assumes 100% correlation between Operational Risk and other risk types. Hence makes no allowance for diversification benefits between Operational Risk and other risk types. The Internal Model, on the other hand, makes allowance for diversification benefits between operational risk and other risk types.

The main differences between the SF and IM methodologies and assumptions by risk type are set out below:

Underwriting Risk / Premium Risk – The SF Makes no allowances for the cross - subsidies of profits/losses between different lines of business. The calculation assumes that when stresses are applied, every line of business suffers losses. The IM allows for the cross subsidies between lines of business. For example, for a particular simulation, if one line of business is profitable and another is loss-making, the profit can be used to offset the loss in the underwriting result. The allowance for the cross subsidies between lines of business can reduce the overall capital requirement on the IM basis.

Man-made Catastrophe – SF uses a simplistic "scenario" based approach. The scenarios are prescribed by the regulation and are generally based on the largest exposures. The IM uses a RDS approach.

Natural Catastrophe – The SF uses simplistic factor-based calculations based on the sum insured in different CRESTA zones. The IM uses simulated losses from a Catastrophe Model across world-wide exposures.

Market risk (Equity Risk) – The SF applies risk charge to Strategic Participations whereas the IM does not model fluctuations in balance sheet value of participations

Market risk (Foreign Exchange Risk) – The SF uses a flat risk charge of 25% for non-GBP (AIG UK's reporting currency) balances. The IM models this on an economic basis using the ESG.

Market risk (Concentration Risk) – The SF explicitly models this as a sub risk type within Market Risk whereas the IM implicitly models this within Investment Credit Risk.

Counterparty risk / Credit Risk – The SF includes credit risk on cash whereas the IM accounts for this within Market Risk

Operational Risk – The SF uses a simplistic method based on percentage of premium or technical provisions. No allowance for diversification between Operational Risk and other risk types. The IM uses a scenario-based approach which explicitly allows for diversification between Operational Risk and other risk types.

Pension Risk – The SF follows a look through approach for pension scheme assets and liabilities. The assets and liabilities are modelled in different parts of the SF calculation. The IM models Pension Risk as a standalone risk type.

Lapse Risk – The SF allows for a proportion of the EPFP to be removed from own funds due to lapses. No allowance is made for this in the IM.

E.5 NON-COMPLIANCE WITH SCR AND MCR

AHEL

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

AMERICAN INTERNATIONAL GROUP UK LIMITED

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

E.6 ANY OTHER INFORMATION

As at 31 December 2024, there is no other material information regarding Capital Management of the Company.

Solvency & Financial Condition Report 2024

F. Appendices to the Solvency and Financial Condition Report

KEY ELEMENTS OF THE SECTION ARE:

- Glossary;
- AHEL QRTs; and
- AIG UK QRTs.

F.1 GLOSSARY

A

AIG Inc	American International Group Inc
A&H	Accident and Health
AFS	Available for Sale
AHEL	AIG Holdings Europe Limited
ALAE	Allocated Loss Adjustment Expenses
ALM	Asset Liability Matching
AMG	Asset Management Group
AOF	Ancillary Own Funds
AQI	Account Quality Index
AY	Accident Year
AYLR	Accident Year Loss Ratio

B

BBNI	Bound But Not Yet Incepted
BIA	Business Impact Analysis
BCP	Business Continuity Plan
BoE	Bank of England
BOF	Basic Own Funds
BTA	Business Travel Assistance
BRC	Board Risk Committee
BSCR	Basic Solvency Capital Requirement

C

CAT	Catastrophe
CBRA	Category Based Risk Assessment
CCAR	Comprehensive Capital Analysis and Review
CCO	Chief Credit Officer
CEE	Central and Eastern Europe
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMBS	Commercial Mortgage-Backed Security
CMRC	Compensation and Management Resources Committee
COO	Chief Operating Officer
CoR	Combined Operating Ratio
CP	Commercial Property
CRB	Criminal Records Bureau
CRO	Chief Risk Officer

D

D&O	Directors and Officers
DAC	Deferred Acquisition Costs
DGC	Data Governance Council
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability

E

EBS	Economic Balance Sheet
ECM	Economic Capital Model
ECR	Enhanced Capital Requirement
EDGC	European Data Governance Council
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
EL	Employer's Liability
EMEA	Europe, Middle East and Africa
ENID	Events not in Data
ERM	Enterprise Risk Management
EPIFP	Expected Profit in Future Premiums
EU	European Union
EUT	End User Tools
ExCo	Executive Committee

F

FAC	Facultative Reinsurance
FCA	Financial Conduct Authority
FCG	Financial Crime Group
FCU	Financial Control Unit
FL	Financial Lines
FOE	Freedom of Establishment
FOS	Freedom of Services
FOS	Financial Ombudsman Service
FSMA	Financial Services and Markets Act 2000
FX	Foreign Exchange

G

GAAP	Generally Accepted Accounting Principles
GCG	Global Compliance Group
GDP	Gross Domestic Profit
GL	General Liability
GOE	Gross Operating Expenses
GPE	Gross Premiums Earned
GPW	Gross Premium Written

H

HR	Human Resources

I

IAG	Internal Audit Group
IBNR	Incurred but not Reported
ICAS	Individual Capital Adequacy Standards
ICG	Individual Capital Guidance
IFRS	International Financial Reporting Standards
ILS	Insurance Linked Securities
IM	Internal Model
IMA	Investment Management Agreement
IMAP	Internal Model Approval Process

K

KRI	Key Risk Indicator

L

LAC - DT	Loss Absorbing Capacity of Deferred Taxes
LACR	Liquid Assets Coverage Ratio
LCO	Local Compliance Officer
LFL	Liability & Financial Lines
LoB	Lines of Business
LoC	Letters of Credit
LTP	Late Travelling Premium
LUT	Large and Unusual Transactions

M

M&A	Mergers & Acquisitions
M&T	Monitoring and Testing Group
MCR	Minimum Capital Requirement
MGA	Managing General Agent
MI	Management Information
MMC	Man-made Catastrophe

N

NB	New Business
NII	Net Investment Income
NPE	Net Premiums Earned
NPW	Net Premiums Written

O

ORM	Operational Risk Management
ORR	Obligor Risk Rating
ORSA	Own Risk and Solvency Assessment
OSP	Outsourcing Service Provider

P

PIM	Partial Internal Model

Q

QRT	Quantitative Reporting Template

R

RCC	Risk and Capital Committee
RCSA	Risk and Control Self-Assessment
RDS	Realistic Disaster Scenario
RF	Risk Free
RI	Reinsurance
RM	Risk Management
RMF	Risk Management Framework
RMBS	Residential Mortgage-Backed Security
ROE	Return on Equity
RT	Risk transfer

S

S&P	Standard and Poor's
SAA	Strategic Asset Allocation
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SF-SCR	Standard Formula - Solvency Capital Requirement
SII	Solvency II
SIMR	Senior Insurance Managers Regime
SLA	Service Level Agreement
SME	Small Medium Enterprise
SST	Stress and Scenario Testing

T

TDC	Total Direct Compensation
TOM	Target Operating Model

U

UEPR	Unearned Premium Reserve
UK	United Kingdom
ULAE	Unallocated Loss Adjustment Expenses
UW	Underwriting
UWP	Underwriting Profit

V

VAT	Value Added Tax
XoL	Excess of Loss

AIG Holdings Europe Limited

Solvency and Financial Condition Report

Disclosures

31 December

2024

(Monetary amounts in GBP thousands)

General information

Entity name	AIG Holdings Europe Limited
Entity identification code and type of code	LEI/2138009EFBD5FYGFGB20
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	31 December 2024
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Partial internal model
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

-

IR.02.01.02 - Balance sheet

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

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

IR.05.03.02 - Life income and expenditure

IR.05.04.02 - Non-life income and expenditure : reporting period

IR.23.01.04 - Own Funds

IR.25.04.22 - Solvency Capital Requirement

IR.32.01.22 - Undertakings in the scope of the group

IR.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	29,114
R0050	Pension benefit surplus	17,167
R0060	Property, plant & equipment held for own use	69,952
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	5,564,078
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	11,216
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	5,054,649
R0140	*Government Bonds*	1,367,281
R0150	*Corporate Bonds*	3,265,501
R0160	*Structured notes*	0
R0170	*Collateralised securities*	421,868
R0180	*Collective Investments Undertakings*	468,231
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	29,983
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	292,432
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	60
R0260	*Other loans and mortgages*	292,371
R0270	Reinsurance recoverables from:	1,885,331
R0280	*Non-life and health similar to non-life*	1,877,193
R0315	*Life and health similar to life, excluding index-linked and unit-linked*	8,138
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	41,641
R0370	Reinsurance receivables	550,215
R0380	Receivables (trade, not insurance)	144,604
R0390	Own shares (held directly)	
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	123,178
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	8,717,712

	Liabilities	Solvency II value
		C0010
R0505	Technical provisions - total	5,914,905
R0510	*Technical provisions - non-life*	5,865,047
R0515	*Technical provisions - life*	49,857
R0542	Best estimate - total	5,543,375
R0544	*Best estimate - non-life*	5,512,654
R0546	*Best estimate - life*	30,721
R0552	Risk margin - total	371,530
R0554	*Risk margin - non-life*	352,393
R0556	*Risk margin - life*	19,137
R0565	Transitional (TMTP) - life	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	56,097
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	65,345
R0780	Deferred tax liabilities	14,469
R0790	Derivatives	
R0800	Debts owed to credit institutions	13
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	4,420
R0830	Reinsurance payables	8,060
R0840	Payables (trade, not insurance)	353,691
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in Basic Own Funds*	
R0870	*Subordinated liabilities in Basic Own Funds*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	6,417,000
R1000	**Excess of assets over liabilities**	2,300,713

IR.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					Total Top 5 and home country
R0010			US	CL	CA	AR	IL	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	1,717,694	219,756	-303	15,231	229	264,672	2,217,279
R0120	Gross - Proportional reinsurance accepted	76,400	85,776	91,345	32,009	51,648	0	337,178
R0130	Gross - Non-proportional reinsurance accepted	12,413	23,027	13,838	3,724	7,059	0	60,062
R0140	Reinsurers' share	678,743	357,422	93,531	39,861	49,946	32,168	1,251,671
R0200	Net	1,127,763	-28,864	11,350	11,103	8,990	232,504	1,362,847
	Premiums earned							
R0210	Gross - Direct Business	1,725,199	160,402	-76	17,506	229	234,521	2,137,781
R0220	Gross - Proportional reinsurance accepted	62,587	82,494	95,115	30,346	43,975	0	314,517
R0230	Gross - Non-proportional reinsurance accepted	11,039	23,508	14,639	3,548	6,225	0	58,959
R0240	Reinsurers' share	714,707	270,012	99,433	39,928	42,885	31,973	1,198,939
R0300	Net	1,084,118	-3,608	10,245	11,473	7,544	202,548	1,312,319
	Claims incurred							
R0310	Gross - Direct Business	984,258	55,867	467	541	1,717	156,849	1,199,698
R0320	Gross - Proportional reinsurance accepted	22,673	18,969	25,695	9,886	7,845	0	85,067
R0330	Gross - Non-proportional reinsurance accepted	1,878	7,345	2,771	1,477	1,025	0	14,496
R0340	Reinsurers' share	254,634	44,812	27,966	12,305	9,495	16,595	365,807
R0400	Net	754,174	37,369	966	-401	1,092	140,254	933,454
R0550	**Net expenses incurred**	278,209	-7,120	2,800	2,739	2,218	46,159	325,004

IR.05.02.01

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

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
R1400			IL					
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross		46,864					46,864
R1420	Reinsurers' share		6,076					6,076
R1500	Net	0	40,788					40,788
	Premiums earned							
R1510	Gross							0
R1520	Reinsurers' share							0
R1600	Net	0	0					0
	Claims incurred							
R1610	Gross		30,442					30,442
R1620	Reinsurers' share		4,946					4,946
R1700	Net	0	25,497					25,497
R1900	**Net expenses incurred**		15,601					15,601

IR.05.03.02

Life income and expenditure

		Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Premiums written							
R0010	*Gross direct business*					26,360	20,504	46,864
R0020	*Gross reinsurance accepted*							0
R0030	Gross	0	0	0	0	26,360	20,504	46,864
R0040	*Reinsurers' share*					5,414	662	6,076
R0050	Net	0	0	0	0	20,946	19,842	40,788
	Claims incurred							
R0110	*Gross direct business*					13,486	16,956	30,442
R0120	*Gross reinsurance accepted*							0
R0130	Gross	0	0	0	0	13,486	16,956	30,442
R0140	Reinsurers' share					3,258	1,687	4,946
R0150	Net	0	0	0	0	10,228	15,269	25,497
	Expenses incurred							
R0160	*Gross direct business*					8,241	7,360	15,601
R0170	*Gross reinsurance accepted*							0
R0180	Gross	0	0	0	0	8,241	7,360	15,601
R0190	Reinsurers' share					0	0	0
R0200	Net	0	0	0	0	8,241	7,360	15,601
R0300	Other expenses							
	Transfers and dividends							
R0440	Dividends paid							

IR.05.04.02
Non-life income and expenditure : reporting period

		All business (including annuities stemming from accepted non-life insurance and reinsurance contracts)	All non-life business (ie excluding annuities stemming from accepted insurance and reinsurance contracts)	Non-life insurance and accepted proportional reinsurance obligations: Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance - personal lines	Motor vehicle liability insurance - non-personal lines	Motor vehicle other motor insurance - personal lines	Motor vehicle other motor insurance - non-personal lines	Marine, aviation and transport insurance	Fire and other damage to property insurance - personal lines	Fire and other damage to property insurance - non-personal lines
		C0010	C0015	C0110	C0120	C0130	C0140	C0141	C0150	C0151	C0160	C0170	C0180
	Income												
	Premiums written												
R0110	Gross written premiums		3,257,729	69,266	85,068	0	56,555	96,192	147,314	0	375,560	167,551	1,157,124
R0111	Gross written premiums - insurance (direct)		2,273,985	68,726	84,134	0	56,555	89,604	147,314	0	204,928	167,349	547,994
R0113	Gross written premiums - accepted reinsurance		983,743	539	935	0	0	6,588	0	0	170,633	202	609,129
R0160	Net written premiums		1,614,352	57,984	70,948	0	55,783	52,768	147,314	0	225,818	16,403	284,361
	Premiums earned and provision for unearned												
R0210	Gross earned premiums		3,121,542	53,023	76,413	0	51,265	91,869	126,873	0	376,318	121,258	1,109,168
R0220	Net earned premiums		1,537,298	49,173	71,400	0	50,376	51,196	126,873	0	216,715	18,841	251,723
	Expenditure												
	Claims incurred												
R0610	Gross (undiscounted) claims incurred		1,587,628	34,621	28,369	0	51,438	127,522	81,249	0	244,522	54,079	218,949
R0611	Gross (undiscounted) direct business		1,288,023	34,423	28,117	0	51,871	119,228	81,249	0	169,521	54,037	53,524
R0612	Gross (undiscounted) reinsurance accepted		299,606	198	252	0	-433	8,294	0	0	75,002	42	165,425
R0690	Net (undiscounted) claims incurred		972,521	31,806	24,397	0	46,332	60,309	81,249	0	134,236	9,187	128,674
R0730	Net (discounted) claims incurred	978,433	972,521										
	Analysis of expenses incurred												
R0910	Technical expenses incurred net of reinsurance ceded	387,387											
R0985	Acquisition costs, commissions, claims management costs	138,657	138,606	11,271	13,570	0	4,584	2,297	19,561	0	28,090	3,418	-1,174
	Other expenditure												
R1140	Other expenses	28,147											
R1310	**Total expenditure**	1,465,446											

	Non-life insurance and accepted proportional reinsurance obligations: General liability insurance: Employers Liability	Public & products Liability	Professional Indemnity	Other general liability	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Accepted non-proportional reinsurance: Health	Casualty	Marine, aviation and transport	Property	Annuities stemming from non-life insurance contracts	Annuities stemming from non-life accepted reinsurance contracts
	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0310	C0320	C0330	C0340	C0525	C0545
R0110	86,398	72,193	251,878	420,560	72,630	0	8,680	49,273	0	45,090	12,609	83,788		
R0111	83,650	58,484	241,594	398,569	72,521	0	8,406	44,156						
R0113	2,748	13,709	10,284	21,991	109	0	273	5,116		45,090	12,609	83,788		
R0160	62,560	35,980	126,860	285,879	10,608	0	6,508	33,089		45,090	12,609	83,788		
R0210	86,567	63,461	249,176	449,827	68,894	0	7,758	53,031		45,184	11,318	80,142		
R0220	63,405	35,756	123,715	289,834	8,332	0	7,103	36,210		45,184	11,318	80,142		
R0610	46,632	35,475	257,849	302,193	57,955	0	3,457	9,205	0	9,316	5,334	19,463		
R0611	45,777	28,076	254,316	299,074	57,862	0	3,325	7,624						
R0612	855	7,399	3,533	3,119	93	0	132	1,581	0	9,316	5,334	19,463		
R0690	30,510	23,598	132,743	227,207	2,652	0	2,962	2,787	0	9,251	5,296	19,326		
R0730													5,911	
R0985	5,414	645	6,395	36,404	-7,788	0	1,600	4,242	0	3,623	1,607	4,848	51	

IR.23.01.04

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)	73,524	73,524		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	59,697	59,697		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				
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	1,617,467	1,617,467			
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	14,645				14,645
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				
R0180	Other items approved by supervisory authority as basic own funds not specified above	304,352	0	304,352	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**					
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**	2,069,685	1,750,688	304,352	0	14,645
	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	400,000			400,000	
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**	400,000			400,000	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
	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)	2,469,685	1,750,688	304,352	400,000	14,645
R0530	Total available own funds to meet the minimum consolidated group SCR	2,055,040	1,750,688	304,352	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)	2,469,685	1,750,688	304,352	400,000	14,645
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	2,055,040	1,750,688	304,352	0	
R0590	Consolidated group SCR	1,324,914				
R0610	**Minimum consolidated Group SCR**	705,063				
R0630	**Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A)**	186.40%				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	291.47%				
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)**	2,469,685	1,750,688	304,352	400,000	14,645
R0670	**SCR for entities included with D&A method**	0				
R0680	**Group SCR**	1,324,914				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	186.40%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	2,300,713
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	200,000
R0725	Deductions for particpations in financial and credit institutions	
R0730	Other basic own fund items	452,218
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non available own funds	31,028
R0760	**Reconciliation reserve**	1,617,467

IR.25.04.22

Solvency Capital Requirement

Net of loss absorbing capacity of technical provisions

		C0010
	Market risk	
R0070	Interest rate risk	103,676
R0080	Equity risk	63,204
R0090	Property risk	19,875
R0100	Spread risk	344,304
R0110	Concentration risk	0
R0120	Currency risk	252,426
R0125	Other market risk	138,217
R0130	Diversification within market risk	-479,545
R0140	**Total Market risk**	442,158
	Counterparty default risk	
R0150	Type 1 exposures	189,025
R0160	Type 2 exposures	1,229
R0165	Other counterparty risk	0
R0170	Diversification within counterparty default risk	-18,542
R0180	**Total Counterparty default risk**	171,712
	Life underwriting risk	
R0190	Mortality risk	17,659
R0200	Longevity risk	0
R0210	Disability-Morbidity risk	0
R0220	Life-expense risk	3,855
R0230	Revision risk	0
R0240	Lapse risk	11,854
R0250	Life catastrophe risk	27,570
R0255	Other life underwriting risk	0
R0260	Diversification within life underwriting risk	-18,902
R0270	**Total Life underwriting risk**	42,036
	Health underwriting risk	
R0280	Health SLT risk	32,564
R0290	Health non SLT risk	5,086
R0300	Health catastrophe risk	364
R0305	Other health underwriting risk	0
R0310	Diversification within health underwriting risk	-2,534
R0320	**Total Health underwriting risk**	35,481
	Non-life underwriting risk	
R0330	Non-life premium and reserve risk (ex catastrophe risk)	909,909
R0340	Non-life catastrophe risk	593,483
R0350	Lapse risk	0
R0355	Other non-life underwriting risk	0
R0360	Diversification within non-life underwriting risk	-539,535
R0370	**Total Non-life underwriting risk**	963,857
R0400	**Intangible asset risk**	0
	Operational and other risks	
R0422	Operational risk	250,490
R0424	Other risks	18,476
R0430	**Total Operational and other risks**	268,966
R0432	**Total before all diversification**	2,983,266
R0434	Total before diversification between risk modules	1,924,209
R0436	Diversification between risk modules	-584,826
R0438	**Total after diversification**	1,339,384
R0440	Loss absorbing capacity of technical provisions	0
R0450	Loss absorbing capacity of deferred tax	-14,469
R0455	Other adjustments	0
R0460	**Solvency capital requirement including undisclosed capital add-on**	1,324,914
R0472	Disclosed capital add-on - excluding residual model limitation	
R0474	Disclosed capital add-on - residual model limitation	
R0480	**Solvency capital requirement including capital add-on**	1,324,914
R0490	Biting interest rate scenario	
R0495	Biting life lapse scenario	
	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*	
R0520	*Institutions for occupational retirement provisions*	
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	
R0540	Capital requirement for non-controlled participation requirements	
R0550	Capital requirement for residual undertakings	
	Overall SCR	
R0555	Solvency capital requirement (consolidation method)	1,324,914
R0560	SCR for undertakings included via D and A	0
R0565	SCR for sub-groups included via D and A	
R0570	**Solvency capital requirement**	1,324,914

IR.32.01.22

Undertakings in the scope of the group

Country	Identification code and type of code of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority
C0010	C0020	C0040	C0050	C0060	C0070	C0080
GB	LEI/21380087VX2V5QO23G83	American International Group UK Limited	Non-life insurance undertaking	Company limited by shares	Non-mutual	Prudential Regulation Authority
GB	LEI/2138009EFBD5FYGFGB20	AIG Holdings Europe Limited	Insurance holding company as defined in the Glossary part of the PRA Rulebook	Company limited by shares	Non-mutual	
GB	LEI/213800NUVVGD1YYLI181	AIG Europe (Services) Limited	Ancillary services undertaking as defined in the Glossary part of the PRA Rulebook	Company limited by shares	Non-mutual	
GB	LEI/213800UHTS5BFWPQVQ02	AIG Trade Finance Limited	Ancillary services undertaking as defined in the Glossary part of the PRA Rulebook	Company limited by shares	Non-mutual	
IL	LEI/213800YIPBN5ZRMBRV45	AIG Israel Insurance Company Ltd.	Composite undertaking	Company limited by shares	Non-mutual	Supervisor of Insurance (Israel)

American International Group UK Limited

Solvency and Financial Condition Report

Disclosures

31 December

2024

(Monetary amounts in GBP thousands)

General information

Entity name	AIG UK Ltd
Entity identification code and type of code	LEI/21380087VX2V5QO23G83
Type of undertaking	Non-life undertakings
Country of incorporation	GB
Language of reporting	en
Reporting reference date	31 December 2024
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Full internal model
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

IR.02.01.02 - Balance sheet

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

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

IR.05.04.02 - Non-life income and expenditure: reporting period

IR.12.01.02 - Life technical provisions

IR.17.01.02 - Non-Life Technical Provisions

IR.19.01.21 - Non-Life insurance claims

IR.23.01.01 - Own Funds

IR.25.04.21 - Solvency Capital Requirement

IR.28.02.01 - Minimum Capital Requirement - Both life and non-life insurance activity

IR.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	20,024
R0050	Pension benefit surplus	17,167
R0060	Property, plant & equipment held for own use	65,476
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	5,076,992
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	70,573
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	4,541,918
R0140	*Government Bonds*	1,090,879
R0150	*Corporate Bonds*	3,029,172
R0160	*Structured notes*	0
R0170	*Collateralised securities*	421,868
R0180	*Collective Investments Undertakings*	434,588
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	29,912
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	225,970
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	225,970
R0270	Reinsurance recoverables from:	1,730,325
R0280	*Non-life and health similar to non-life*	1,725,787
R0315	*Life and health similar to life, excluding index-linked and unit-linked*	4,538
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	41,642
R0370	Reinsurance receivables	549,872
R0380	Receivables (trade, not insurance)	91,627
R0390	Own shares (held directly)	
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	89,109
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	7,908,204

		Solvency II value
	Liabilities	C0010
R0505	Technical provisions - total	5,517,902
R0510	*Technical provisions - non-life*	5,446,786
R0515	*Technical provisions - life*	71,116
R0542	Best estimate - total	5,181,452
R0544	*Best estimate - non-life*	5,116,288
R0546	*Best estimate - life*	65,164
R0552	Risk margin - total	336,451
R0554	*Risk margin - non-life*	330,498
R0556	*Risk margin - life*	5,952
R0565	Transitional (TMTP) - life	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	56,097
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	6,576
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	283,346
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in Basic Own Funds*	
R0870	*Subordinated liabilities in Basic Own Funds*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	5,863,922
R1000	**Excess of assets over liabilities**	2,044,282

IR.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					Total Top 5 and home country
R0010			US	CL	CA	AR	IN	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	1,717,694	219,756	-303	15,231	229	820	1,953,427
R0120	Gross - Proportional reinsurance accepted	76,400	85,776	91,345	32,009	51,648	31,190	368,368
R0130	Gross - Non-proportional reinsurance accepted	12,413	23,027	13,838	3,724	7,059	5,321	65,383
R0140	Reinsurers' share	678,743	357,422	93,531	39,861	49,946	22,860	1,242,363
R0200	Net	1,127,763	-28,864	11,350	11,103	8,990	14,472	1,144,815
	Premiums earned							
R0210	Gross - Direct Business	1,725,199	160,402	-76	17,506	229	820	1,904,081
R0220	Gross - Proportional reinsurance accepted	62,587	82,494	95,115	30,346	43,975	28,332	342,850
R0230	Gross - Non-proportional reinsurance accepted	11,039	23,508	14,639	3,548	6,225	5,147	64,106
R0240	Reinsurers' share	714,707	270,012	99,433	39,928	42,885	20,217	1,187,182
R0300	Net	1,084,118	-3,608	10,245	11,473	7,544	14,083	1,123,855
	Claims incurred							
R0310	Gross - Direct Business	984,258	55,867	467	541	1,717	225	1,043,074
R0320	Gross - Proportional reinsurance accepted	22,673	18,969	25,695	9,886	7,845	4,971	90,039
R0330	Gross - Non-proportional reinsurance accepted	1,878	7,345	2,771	1,477	1,025	271	14,767
R0340	Reinsurers' share	254,634	44,812	27,966	12,305	9,495	3,134	352,346
R0400	Net	754,174	37,369	966	-401	1,092	2,333	795,533
R0550	Net expenses incurred	278,209	-7,120	2,800	2,739	2,218	3,570	282,415

IR.05.04.02

Non-life income and expenditure : reporting period

	All business (including annuities stemming from accepted non-life insurance and reinsurance contracts)	All non-life business (ie excluding annuities stemming from accepted insurance and reinsurance contracts)	Non-life insurance and accepted proportional reinsurance obligations									
			Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance - personal lines	Motor vehicle liability insurance - non-personal lines	Motor vehicle other motor insurance - personal lines	Motor vehicle other motor insurance - non-personal lines	Marine, aviation and transport insurance	Fire and other damage to property insurance - personal lines	Fire and other damage to property insurance - non-personal lines
	C0010	C0015	C0110	C0120	C0130	C0140	C0141	C0150	C0151	C0160	C0170	C0180
Income												
Premiums written												
Gross written premiums		2,993,057	61,148	85,068		3,619	96,192	0	0	375,560	167,551	1,120,788
Gross written premiums - insurance (direct)		2,009,314	60,609	84,134		3,619	89,604	0	0	204,928	167,349	511,659
Gross written premiums - accepted reinsurance		983,743	539	935		0	6,588	0	0	170,633	202	609,129
Net written premiums		1,381,848	49,867	70,948		3,550	52,768	0	0	225,818	16,403	261,470
Premiums earned and provision for unearned												
Gross earned premiums		2,887,021	45,728	76,413		4,704	91,869	0	0	376,318	121,258	1,074,648
Net earned premiums		1,334,750	41,878	71,400		4,518	51,196	0	0	216,715	18,841	231,037
Expenditure												
Claims incurred												
Gross (undiscounted) claims incurred		1,430,779	29,065	27,757		4,870	124,795	0	0	243,520	53,034	207,899
Gross (undiscounted) direct business		1,131,173	29,499	28,115		5,403	119,228	0	0	169,521	54,037	38,840
Gross (undiscounted) reinsurance accepted		299,606	198	252		-433	8,294	0	0	75,002	42	165,425
Net (undiscounted) claims incurred		832,260	26,547	24,065		4,812	59,232	0	0	135,533	8,948	115,428
Net (discounted) claims incurred	838,172	832,260										
Analysis of expenses incurred												
Technical expenses incurred net of reinsurance ceded	340,555											
Acquisition costs, commissions, claims management costs	108,847	108,796	9,215	13,568		610	2,297	0	0	28,090	3,418	-5,701
Other expenditure												
Other expenses	48,632											
Total expenditure	1,298,839											

	Non-life insurance and accepted proportional reinsurance obligations								Accepted non-proportional reinsurance				Annuities stemming from non-life insurance contracts	Annuities stemming from non-life accepted reinsurance contracts
	General liability insurance				Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation and transport	Property		
	Employers Liability	Public & products Liability	Professional Indemnity	Other general liability										
	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0310	C0320	C0330	C0340	C0525	C0545
Gross written premiums	84,725	68,365	237,410	420,560	72,630		8,680	49,273		45,090	12,609	83,788		
Gross written premiums - insurance (direct)	81,977	54,656	227,126	398,569	72,521		8,406	44,156						
Gross written premiums - accepted reinsurance	2,748	13,709	10,284	21,991	109		273	5,116		45,090	12,609	83,788		
Net written premiums	62,363	35,508	125,581	285,879	10,608		6,508	33,089		45,090	12,609	83,788		
Gross earned premiums	85,073	59,786	235,072	449,827	68,894		7,758	53,031		45,184	11,318	80,142		
Net earned premiums	63,232	35,282	122,528	289,834	8,332		7,103	36,210		45,184	11,318	80,142		
Gross (undiscounted) claims incurred	44,646	31,589	250,472	308,690	56,166		3,382	9,102		10,508	5,463	19,823		
Gross (undiscounted) direct business	44,558	24,963	249,126	299,074	57,862		3,325	7,624						
Gross (undiscounted) reinsurance accepted	855	7,399	3,533	3,119	93		132	1,581		9,316	5,334	19,463		
Net (undiscounted) claims incurred	29,939	22,730	131,964	229,619	2,305		2,923	2,661		10,442	5,425	19,686		
Net (discounted) claims incurred													5,911	0
Acquisition costs, commissions, claims management costs	5,439	704	6,619	36,404	-7,788		1,600	4,242		3,623	1,607	4,848	51	0

IR.12.01.02
Life technical provisions

		Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Best estimate							
R0025	Gross Best Estimate (direct business)				65,164			65,164
R0026	Gross Best Estimate (reinsurance accepted)				0			0
R0030	**Gross Best Estimate**	0	0	0	65,164	0	0	65,164
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				4,538			4,538
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	0	0	0	60,626	0	0	60,626
R0100	**Risk margin**				5,952			5,952
	Amount of the transitional on Technical Provisions							
R0140	TMTP - risk margin							0
R0150	TMTP - best estimate dynamic component							0
R0160	TMTP - best estimate static component							0
R0170	TMTP - amortisation adjustment							0
R0180	**Transitional Measure on Technical Provisions**	0	0	0	0	0	0	0
R0200	**Technical provisions - total**	0	0	0	71,116	0	0	71,116

IR.17.01.02
Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
	Best estimate																	
	Premium provisions																	
R0060	Gross	-3,464	-8,869		-5,240	0	-25,895	-77,322	19,829	-8,969		-830	-2,791		1,401	-906	-3,648	-116,705
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	2,488	2,526		-9,917		-64,034	-308,434	-72,873	-15,898		79	-6,083					-472,146
R0150	**Net Best Estimate of Premium Provisions**	-5,952	-11,395		4,677	0	38,138	231,111	92,702	6,929		-909	3,292		1,401	-906	-3,648	355,441
	Claims provisions																	
R0160	Gross	27,653	44,328		289,586	0	504,122	1,246,068	2,817,874	130,562		2,276	50,905		73,187	11,238	35,194	5,232,993
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	447	706		118,424		210,207	842,450	917,567	89,876		163	18,094					2,197,934
R0250	**Net Best Estimate of Claims Provisions**	27,206	43,622		171,163	0	293,915	403,618	1,900,307	40,686		2,113	32,812		73,187	11,238	35,194	3,035,059
R0260	**Total best estimate - gross**	24,190	35,459		284,346		478,226	1,168,745	2,837,703	121,593		1,446	48,114		74,588	10,332	31,546	5,116,288
R0270	**Total best estimate - net**	21,254	32,227		175,840	0	332,053	634,729	1,993,009	47,615		1,204	36,104		74,588	10,332	31,546	3,390,500
R0280	**Risk margin**	3,279	4,915		17,200		35,562	57,146	197,341	4,213		279	4,088		4,201	779	1,497	330,498
R0320	**Technical provisions - total**	27,468	40,373		301,546	0	513,788	1,225,891	3,035,044	125,806		1,725	52,202		78,789	11,111	33,043	5,446,786
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	2,935	3,232		108,506	0	146,174	534,016	844,693	73,978		242	12,010		0	0	0	1,725,787
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	24,533	37,142		193,039	0	367,615	691,875	2,190,350	51,828		1,483	40,191		78,789	11,111	33,043	3,720,999

IR.19.01.21

Non-Life insurance claims

Total Non-life business

Accident year / underwriting year: Accident year

Gross Claims Paid (non-cumulative)
(absolute amount)

	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Year	Development year											In Current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior											87,466	0	87,466
-9	276,142	442,894	243,101	141,607	194,638	109,124	28,915	19,677	24,923	5,710		5,710	1,486,730
-8	284,646	502,831	236,500	139,276	77,284	57,193	124,560	53,810	20,325			20,325	1,496,424
-7	248,261	441,890	281,068	167,090	113,959	53,425	66,872	72,826				72,826	1,445,391
-6	371,062	758,865	321,289	140,465	143,167	61,445	57,609					57,609	1,853,903
-5	358,861	308,129	197,337	297,092	62,509	102,527						102,527	1,326,454
-4	252,962	318,910	155,502	121,711	118,902							118,902	967,987
-3	202,742	321,269	182,351	178,831								178,831	885,192
-2	235,970	502,225	262,296									262,296	1,000,490
-1	236,864	231,871										231,871	468,736
0	265,604											265,604	265,604
											Total	1,316,501	11,284,379

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Year	Development year											Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10 & +	
Prior											594,494	479,070
-9	0	0	0	0	0	0	0	0	0	111,540		96,284
-8	0	0	0	0	0	0	0	0	151,133			131,796
-7	0	0	0	0	0	0	0	207,200				179,290
-6	0	0	0	0	0	0	272,047					239,901
-5	0	0	0	0	0	364,858						323,821
-4	0	0	0	0	399,845							360,308
-3	0	0	0	519,263								464,546
-2	0	0	738,129									666,020
-1	0	992,585										899,295
0	1,417,247											1,276,246
											Total	5,116,577

IR.19.01.21.22

Gross premium

	C0570	C0580
	Gross earned premium at reporting reference date	Estimate of future gross earned premium
N-9	2,328,338	0
N-8	2,215,939	0
N-7	2,086,529	0
N-6	2,228,781	0
N-5	2,159,535	0
N-4	2,299,183	0
N-3	2,498,002	0
N-2	2,753,020	0
N-1	2,935,460	0
N	2,911,600	0

IR.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	**Total**	**Tier 1 unrestricted**	**Tier 1 restricted**	**Tier 2**	**Tier 3**
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	15,320	15,320		0	
R0030	Share premium account related to ordinary share capital	1,063,663	1,063,663		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
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	745,275	745,275			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	20,024				20,024
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	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**	0				
R0290	**Total basic own funds after deductions**	1,844,282	1,824,257	0	0	20,024
	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	400,000			400,000	
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				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	400,000			400,000	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	2,244,282	1,824,257	0	400,000	20,024
R0510	Total available own funds to meet the MCR	1,824,257	1,824,257	0	0	
R0540	Total eligible own funds to meet the SCR	2,244,282	1,824,257	0	400,000	20,024
R0550	Total eligible own funds to meet the MCR	1,824,257	1,824,257	0	0	
R0580	**SCR**	1,148,985				
R0600	**MCR**	517,043				
R0620	**Ratio of Eligible own funds to SCR**	195.33%				
R0640	**Ratio of Eligible own funds to MCR**	352.82%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	2,044,282
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	200,000
R0725	Deductions for participations in financial and credit institutions	
R0730	Other basic own fund items	1,099,007
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	745,275

IR.25.04.21

Solvency Capital Requirement

Net of loss absorbing capacity of technical provisions

		C0010
	Market risk	
R0070	Interest rate risk	94,881
R0080	Equity risk	47,506
R0090	Property risk	19,793
R0100	Spread risk	323,628
R0110	Concentration risk	0
R0120	Currency risk	245,173
R0125	Other market risk	103,401
R0130	Diversification within market risk	-445,103
R0140	**Total Market risk**	389,280
	Counterparty default risk	
R0150	Type 1 exposures	175,008
R0160	Type 2 exposures	0
R0165	Other counterparty risk	0
R0170	Diversification within counterparty default risk	-18,259
R0180	**Total Counterparty default risk**	156,750
	Life underwriting risk	
R0190	Mortality risk	0
R0200	Longevity risk	0
R0210	Disability-Morbidity risk	0
R0220	Life-expense risk	0
R0230	Revision risk	0
R0240	Lapse risk	0
R0250	Life catastrophe risk	0
R0255	Other life underwriting risk	0
R0260	Diversification within life underwriting risk	0
R0270	**Total Life underwriting risk**	0
	Health underwriting risk	
R0280	Health SLT risk	0
R0290	Health non SLT risk	0
R0300	Health catastrophe risk	0
R0305	Other health underwriting risk	0
R0310	Diversification within health underwriting risk	0
R0320	**Total Health underwriting risk**	0
	Non-life underwriting risk	
R0330	Non-life premium and reserve risk (ex catastrophe risk)	791,988
R0340	Non-life catastrophe risk	561,252
R0350	Lapse risk	0
R0355	Other non-life underwriting risk	0
R0360	Diversification within non-life underwriting risk	-523,020
R0370	**Non-life underwriting risk**	830,219
R0400	**Intangible asset risk**	0
	Operational and other risks	
R0422	Operational risk	238,056
R0424	Other risks	18,494
R0430	**Total Operational and other risks**	256,551
R0432	**Total before all diversification**	2,619,181
R0434	Total before diversification between risk modules	1,632,800
R0436	Diversification between risk modules	-483,814
R0438	**Total after diversification**	1,148,985
R0440	Loss absorbing capacity of technical provisions	0
R0450	Loss absorbing capacity of deferred tax	0
R0455	Other adjustments	0
R0460	**Solvency capital requirement including undisclosed capital add-on**	1,148,985
R0472	Disclosed capital add-on - excluding residual model limitation	
R0474	Disclosed capital add-on - residual model limitation	
R0480	**Solvency capital requirement including capital add-on**	1,148,985
R0490	Biting interest rate scenario	
R0495	Biting life lapse scenario	

IR.28.02.01

Minimum Capital Requirement - Both life and non-life insurance activity

		Non-life activities	Life activities
		$MCR_{(NL,NL)}$ Result	$MCR_{(NL,L)}$ Result
		C0010	C0020
R0010	Linear formula component for non-life insurance and reinsurance obligations	517,474	0

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
R0020	Medical expense insurance and proportional reinsurance	21,254	49,867		
R0030	Income protection insurance and proportional reinsurance	32,227	70,948		
R0040	Workers' compensation insurance and proportional reinsurance	0	0		
R0050	Motor vehicle liability insurance and proportional reinsurance	175,840	56,318		
R0060	Other motor insurance and proportional reinsurance	0	0		
R0070	Marine, aviation and transport insurance and proportional reinsurance	332,053	225,818		
R0080	Fire and other damage to property insurance and proportional reinsurance	634,729	277,873		
R0090	General liability insurance and proportional reinsurance	1,993,009	509,331		
R0100	Credit and suretyship insurance and proportional reinsurance	47,615	10,608		
R0110	Legal expenses insurance and proportional reinsurance	0	0		
R0120	Assistance and proportional reinsurance	1,204	6,508		
R0130	Miscellaneous financial loss insurance and proportional reinsurance	36,104	33,089		
R0140	Non-proportional health reinsurance	0	0		
R0150	Non-proportional casualty reinsurance	74,588	45,090		
R0160	Non-proportional marine, aviation and transport reinsurance	10,332	12,609		
R0170	Non-proportional property reinsurance	31,546	83,788		

		$MCR_{(L,NL)}$ Result	$MCR_{(L,L)}$ Result
		C0070	C0080
R0200	Linear formula component for life insurance and reinsurance obligations	0	1,273

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
R0210	Obligations with profit participation - guaranteed benefits				
R0220	Obligations with profit participation - future discretionary benefits				
R0230	Index-linked and unit-linked insurance obligations				
R0240	Other life (re)insurance and health (re)insurance obligations			60,626	
R0250	Total capital at risk for all life (re)insurance obligations				

	Overall MCR calculation	C0130
R0300	Linear MCR	518,747
R0310	SCR	1,148,985
R0320	MCR cap	517,043
R0330	MCR floor	287,246
R0340	Combined MCR	517,043
R0350	Absolute floor of the MCR	5,900
R0400	**Minimum Capital Requirement**	517,043

	Notional non-life and life MCR calculation	C0140	C0150
R0500	Notional linear MCR	517,474	1,273
R0510	Notional SCR excluding add-on (annual or latest calculation)	1,146,165	2,820
R0520	Notional MCR cap	515,774	1,269
R0530	Notional MCR floor	286,541	705
R0540	Notional combined MCR	515,774	1,269
R0550	Absolute floor of the notional MCR	2,400	3,500
R0560	**Notional MCR**	515,774	3,500