AIG Europe S.A.

Solvency and Financial Condition Report 2024

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Summary

2024 Solvency and Financial Condition

This document sets out the Solvency and Financial Condition Report for AIG Europe SA ("AESA") in accordance with Solvency II Regulations.

Business and Performance

The AIG Group actively pursues insurance business within Europe and established AIG Europe S.A. as the vehicle through which to conduct this. AESA's core strength and capabilities include our financial strength and claims paying service, our market leading multinational offering, supported by a broad footprint with global and local knowledge, along with our expertise in complex risk management solutions.

Relative to the market AESA has a large proportion of Property, Financial Lines, Liability and Specialty products, but does not compete in Auto and Home (except Ireland and Greece) resulting in lower market share in Personal Insurance markets.

AESA's portfolio is weighted towards large and complex accounts relative to the market. From a geographic standpoint, premium production is concentrated in France, Germany and Italy, which are also the EU's largest insurance markets by premium.

The results of AESA for the year ended 31 December 2024, as shown in the Financial Statements, show a profit for the period of €394.1m (2023 - profit €392.1m). At 31 December 2024, total equity of the Company was €2,556.0m (2023 - €2,125.0m).

AESA made a total underwriting profit of €225.8m (2023 – profit of €361.6m).

€426.7m of total investment returns gains are made up of:

- €199.5m unrealised gains mainly driven by downward shifts in yields across EUR and USD curves and narrowing credit spreads.
- €205m investment income mostly representing the coupons and interests received or accrued over the year from corporate and government bonds.
- €22.2m realised gains come mainly from the sale or expiry of fixed income assets.

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

System of Governance

AESA's business strategy and operations function within its governance structure, of which the management of risk plays a significant part. Governance starts with the Board, which has overall responsibility for oversight of the company and its subsidiaries (see A.1) who operate a framework of prudent and effective controls enabling AESA's risks to be identified, assessed and managed.

Included in the governance framework is the Risk Management Framework, which supports AESA's risk culture. The risk framework covers the Company's businesses; operational functions and risk areas; establishes risk committees; risk reporting and risk controls. The AESA Risk Management Framework is based on the "Three Lines of Defence" model. This structure allows functions and individuals to have a clear understanding of their risk management responsibilities and aids embedding an effective risk culture.

Section B of this report provides further detail about the system of governance, the roles and responsibilities of the Board and the key control functions: 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 AESA's Internal Model (IM), which is used to determine the Solvency Capital Requirement (SCR).

Risk Profile

For the purposes of risk identification and measurement AESA's key risk types are Insurance Risk, Market Risk, Credit Risk, Liquidity Risk and Operational Risk (see sections C.1 to C.5). The types of risk to which AESA is exposed have not changed significantly over the year and remain as those mentioned above.

AESA recognises the influence of climate change's physical and transition risks over its assets and liabilities. These risks are considered under Other Material Risks (see C.7) and are deemed by AESA as having the potential to influence other risk categories (C1.1 to C.5).

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.

AESA's capital requirement under Solvency II (which seeks to quantify and reflect its current risk profile) is calculated on a Full Internal Model basis (IM-SCR). AESA currently has and is forecast to maintain a capital surplus above this binding capital constraint over the horizon of the business plan.

AESA SCR €'m	Y/E 2024
Insurance risk	763
Market risk	536
Credit risk	303
Operational risk	271
Pension risk	35
Diversification	(635)
Total Solvency Capital Requirement	1,273

Valuation for Solvency Purposes

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

In accordance with Article 75 of the Solvency II Directive, the Company's assets and liabilities other than technical provisions are measured in accordance with principles of an arm's length transaction between knowledgeable willing parties using market consistent valuation methods. 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.

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

AESA 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 in the context of the worldwide group.

Capital Management works alongside Enterprise Risk Management to conduct group internal and regulatory stress and scenario testing. In managing own funds, AESA 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.

The AESA Capital Plan is updated and approved by the Board annually or more frequently if there are material changes in circumstances.

AIG Europe SA Solvency II Capital Performance at a Glance

YE 2024	AIG Europe SA
Own Funds	**€2,394.2m**
Solvency Capital Requirement	**€1,273.0m**
Surplus	**€1,121.1m**
Solvency Ratio	**188.1%**

AESA uses its approved Solo Internal Model for the calculation of its Solo SCR. AESA's Internal Model Solvency Capital Requirement (IM-SCR) as at 31 December 2024 is €1,273m. The SCR calculated at this point in time was communicated with the Commissariat Aux Assurances (CAA) to be used for YE24 reporting. This is covered by €2,394.2m of eligible capital resources, providing a Solvency II surplus of €1,121.1m and a

Solvency II coverage ratio of 188.1%. Both metrics are defined by the regulations to mean the excess of the Company's total eligible own funds over its Solvency Capital Requirement.

The total Available Own Funds for AESA by tier is summarised below.

	Tier 1 Unrestricted €'m	Tier 1 Restricted €'m	Tier 2 €'m	Tier 3 €'m	Total €'m
Total Available Own Funds 2024	**2,054.2**	**0.0**	**340.0**	**0.0**	**2,394.2**
Total Available Own Funds 2023	**2,124.9**	**0.0**	**340.0**	**0.0**	**2,464.9**

It should be noted there is no difference between eligible and available own funds. The amount of eligible Tier 2 & 3 own funds cannot exceed 50% of the SCR.

AIG Europe SA 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:

Chair and Independent Non-Executive Director	**J. Presber**
Independent Non-Executive Director	**C. Feipel**
Executive Director and Chief Executive Officer	**P. Della Rosa**
Director	**D. Manzetti**
Non-Executive Director	**A. Goodall**

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

J-M. Nessi	**Resigned 31 December 2024**
L. Castrichino	**Resigned 01 May 2024**
T. Lillelund	**Resigned 16 September 2024**
P. Della Rosa	**Appointed 19 September 2024**
D. Manzetti	**Appointed 24 June 2024**

Statement of Directors' Responsibilities

The Solvency II Directive, the Delegated Acts, related Implementation Rules, Technical Standards and Guidelines 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 in 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.

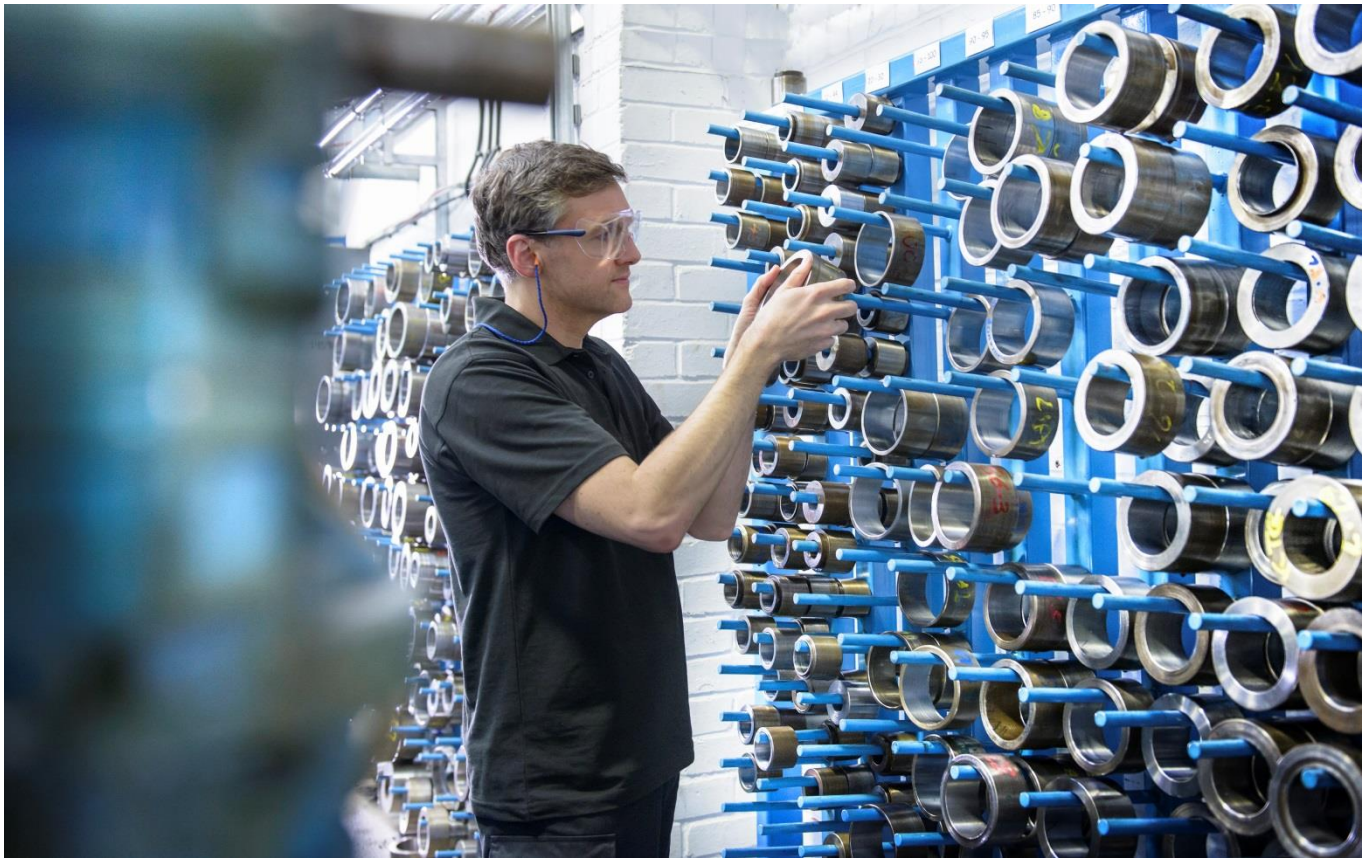
Statement of disclosure of information to auditors

Each of the persons, who is 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.

On behalf of the Board,

D. Manzetti
Director



Solvency & Financial Condition Report 2024

A. Business and Performance

THIS SECTION OF THE REPORT SETS OUT THE DETAILS REGARDING THE COMPANY'S BUSINESS STRUCTURE, KEY OPERATIONS, MARKET POSITON AND THE FINANCIAL PERFORMANCE FOR 2024.

KEY ELEMENTS OF THE SECTION ARE:

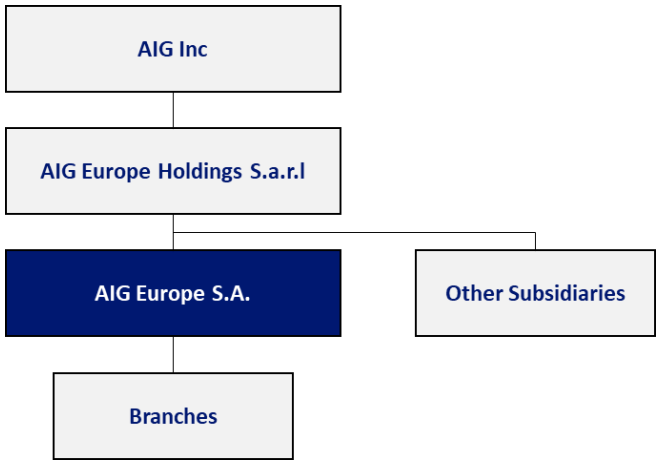
- Business Information;
- Underwriting Performance;
- Investment Performance; and
- Performance from other activities.

A.1 Business

AIG EUROPE SA INFORMATION

AESA is the principal AIG non-life insurance company within the AIG Europe Holdings S.à.r.l. group and is ultimately wholly owned by AIG Inc. For the purposes of Solvency II AIG Europe Holdings S.à.r.l. heads a European "sub-group", principally made up of AESA, with other registered intermediaries such as AIG Advisors s.r.l and AssiB s.r.l also in place.

A simplified group structure as at 31 December 2024 is shown in the diagram below:



Other material undertakings of AESA are:

Participation	Country	Ownership
AIG Germany Holding GmbH	Germany	100%
AIG Global Reinsurance Operations	Belgium	100%
Hansa GmbH*	Germany	100%
Hansa Grundstuckverwaltungs GmbH & Co. KG*	Germany	94.5%

* AESA's Board agreed on 29 November 2022 to recommend starting procedures to dissolve Hansa and Hansa Grundstuckverwaltungs.

AESA is a multi-line 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. AESA's management team uses the expertise from the European operations as well as that based in the UK. A non-insurance UK branch of AESA has been established, which employs the UK based staff who support AESA under dual employment contracts. The costs are divided between American International Group UK Limited, and AESA based on an annual assessment of time spent on each entity.

AESA is in scope of Solvency II.

The Solvency and Financial Condition Report (SFCR) is presented in millions of Euros, and the attached public quantitative reporting templates (QRTs) in Appendix F are in thousands of Euros as set out in Article 2 of the Commission Implementing Regulation (EU) 2015/2452. The functional and reporting currency of the Company is Euros. Rounding differences of + / - one unit can occur.

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

Registered Office

Grand Duchy of Luxembourg
35D Avenue J.F. Kennedy
Luxembourg L-1855
+352 27 00 72 01

External Auditors

PricewaterhouseCoopers
2 Rue Gerhard Mercator
Luxembourg L-1014
+352 49 48 48 1

Supervisory Authority

Commissariat aux Assurances (CAA)
11 Rue Robert Stumper
2557 Gasperich
Luxembourg
+352 22 69 11 1

The SFCR was authorised for issue by the Board of Directors on 3 April 2025.

A-1 Significant Business Developments or Other Events

Russian and Ukraine / Israel and Palestine

The Russia/Ukraine conflict began in February 2022 and the Israel/Palestine conflict began in October 2023.

These two conflicts have and may continue to have a significant impact on the global macroeconomic and geopolitical environments, including increased volatility in capital and commodity markets, rapid changes to regulatory conditions around the globe including the use of sanctions, operational challenges for multinational corporations, inflationary pressures, and an increased risk of cybersecurity incidents.

These two conflicts are evolving and have the potential to adversely affect our business and results of operations from an investment, underwriting and operational perspective. While we believe we have taken appropriate actions to minimize related risk, we continue to monitor potential exposure and operational impacts, as well as any actual and potential claims activity. The ultimate impact will depend on future developments that are uncertain and cannot be predicted, including scope, severity and duration, the governmental, legislative, and regulatory actions taken (including the application of sanctions), and court decisions, if any, rendered in response to those actions.

The Company have continuously assessed and monitored the potential impacts and the potential exposures to its business and any potential overall impact to financial performance due to the resulting economic and political developments. The Company holds one material reserve related to policyholder claims arising from the Russian invasion of Ukraine, although there is a high degree of uncertainty in relation to the value of these potential exposures. AESA does not hold any investments directly in Russia, Ukraine, Israel, or Palestine.

Inflation

Inflation in Europe was 2.4% in December 2024, compared to 2.9% at December 2023. During 2023 and 2024 there have been steady decreases in the inflation rate, down from the historic high of 9.2% at December 2022.

The disinflation observed since 2022 is likely to continue in 2025 as inflation in the Eurozone is forecasted at 2.1% and at 1.9% in both 2026 and 2027 respectively.

MATERIAL LINES OF BUSINESS (LOB) BY OPERATING SEGMENT AND SOLVENCY II

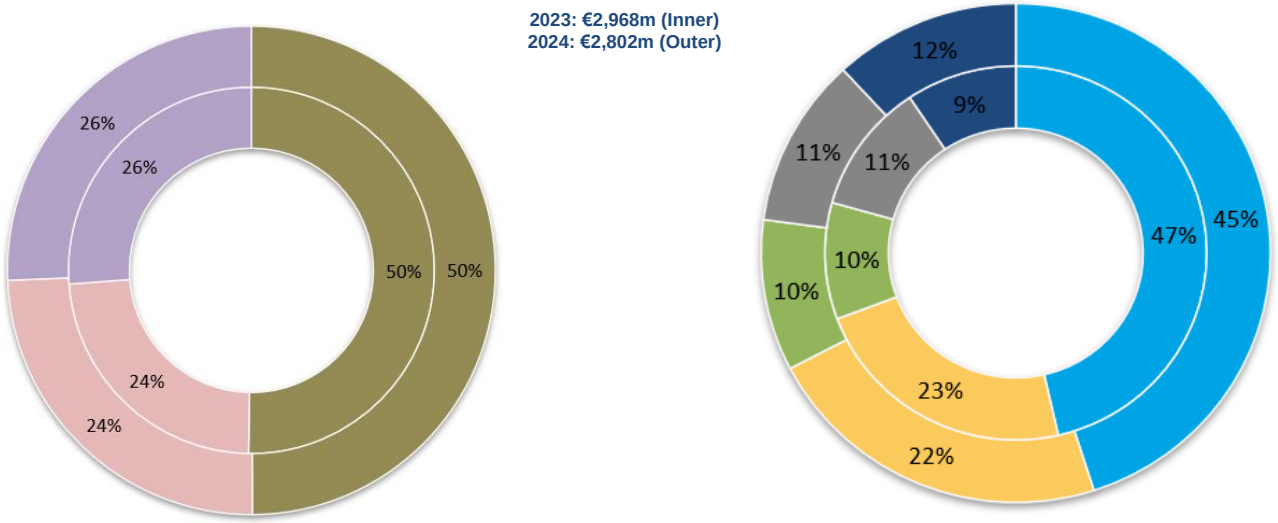
AESA's business segments are organised into Commercial and Consumer lines. Commercial lines refer to products and services for the commercial and institutional customers. This line represents around 76% of the AESA's net premiums earned. Product lines include traditional types such as general liability, property and financial lines; and highly specialised such as political risk, cyber security and aviation. Consumer lines focus on customer-centric services, innovating product offerings and developing strong distribution relationships. Main product types in this segment are personal accident, income protection and medical expense cover.

Insurance LoB and operating segments

Solvency II LoB

Net Premiums Earned (NPE)

2023: €2,968m (Inner)
2024: €2,802m (Outer)



LIABILITY AND FINANCIAL LINES (LFL)

Constitutes the largest section of the Commercial insurance segment of the Company at 50% 0 of Net Premiums Earned in 2023 and 2024. AESA is a market leader in multiple Financial Lines products including Directors and Officers liability, Cyber insurance, M&A insurance, Kidnap & Ransom insurance and Professional liability insurance.

PERSONAL INSURANCE (PI)

Amounts to 26% of Net Premiums Earned in 2023 and 2024 for the Company and includes Personal Accident and Health, Personal Property, Personal Auto and Service Programmes.

PROPERTY AND SPECIAL RISKS (PSR)

Represents the Company's second largest Commercial insurance segment at 26% Net Premiums Earned in 2023 and 2024 and Includes Property Insurance products for Commercial Properties, Upstream and Downstream Energy, Power Generation, Oil Rig, Chemicals, Mining and Construction and Speciality Insurance products.

Under Solvency II, insurance products and offerings are categorised into 16 standardised Solvency II lines of business (LoB). The Group's top 5 material Solvency II LoBs by Net Premiums Earned in 2024 are:

- **GENERAL LIABILITY (45%)**
- **FIRE AND OTHER DAMAGE TO PROPERTY (22%)**
- **MARINE, AVIATION AND TRANSPORT (10%)**
- **INCOME PROTECTION (11%)**
- **MOTOR VEHICLE LIABILITY (12%)**

Source QRT S.05.01

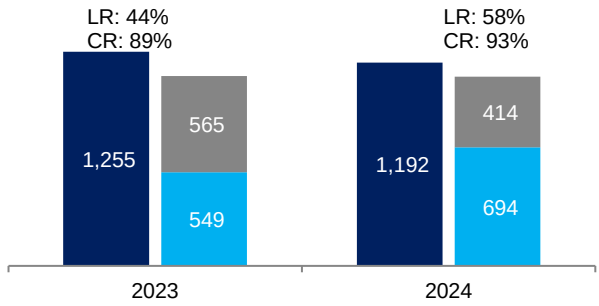
A.2 Underwriting Performance

UNDERWRITING PERFORMANCE BY MATERIAL LINES OF BUSINESS AND GEOGRAPHICAL AREAS

A.2.1 UNDERWRITING PERFORMANCE BY SOLVENCY II LINES OF BUSINESS

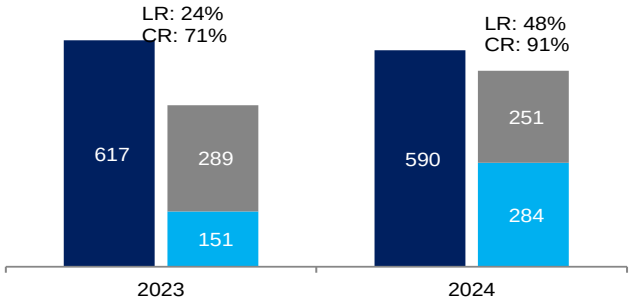
The diagrams below provide key performance indicators (Net Premium Earned, Claims Incurred and Expenses) for major Solvency II lines of business as per AESA's QRT S.05.01.

General Liability



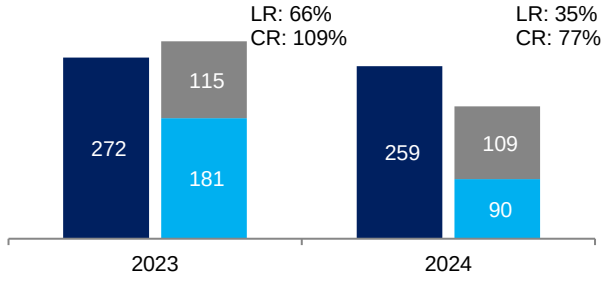
Decrease in premiums due to increased competition and rate flattening. Adverse loss experience observed in 2024 vs better expense vs 2023 for an overall 5% deterioration of the profitability.

Fire and Other Damage to Property



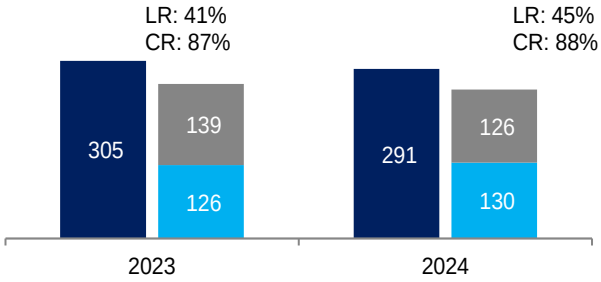
Decrease in premiums combined with unfavourable claims experience has resulted in 20% higher CR in comparison to 2023.

Marine, Aviation and Transport



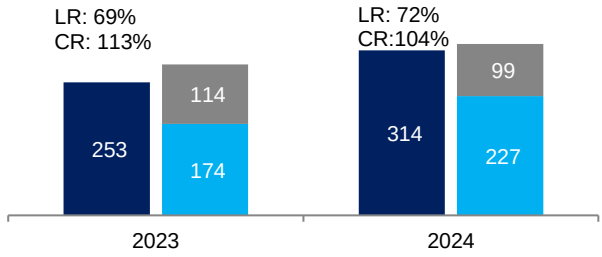
Decrease in premiums vs favourable claims resulted in lower CR compared to prior year.

Income Protection



Decrease in premiums and favourable expense management compensate for slightly higher loss ratio. Profitability broadly flat year over year

Motor Vehicle Liability



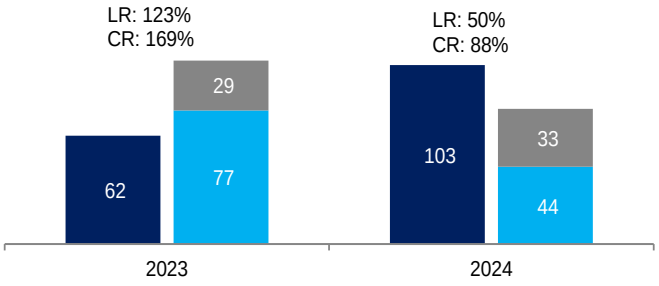
Higher premiums with corresponding increase in claims kept the LR broadly stable. Lower CR thanks to improved expense position.

A.2.2 UNDERWRITING PERFORMANCE BY MATERIAL GEOGRAPHICAL AREA

The section below has been historically produced using information from AESA's QRT S.05.02. For YE 2024 the section is populated using QRT S. 04.05.21.

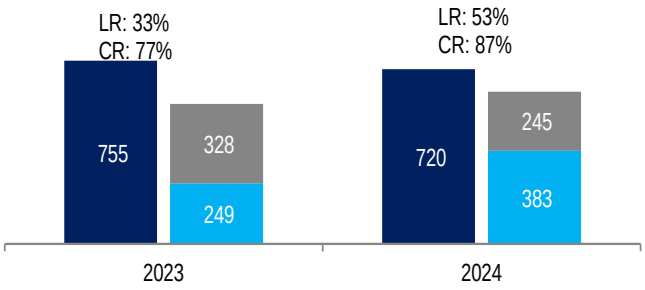
For AESA, the material geographical areas are France (16%), Germany (18%), Italy (14%), Netherlands (10%) and Spain (7%), of AESA's Gross Earned Premiums in YE 2024.

Luxembourg



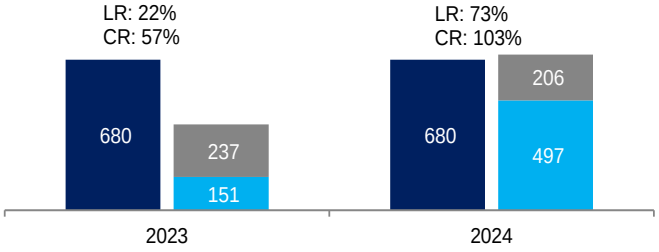
Higher premiums with a reduction in claims reduced the LR. The overall CR has reduced in line, keeping the differential between the CR and LR broadly unchanged.

France



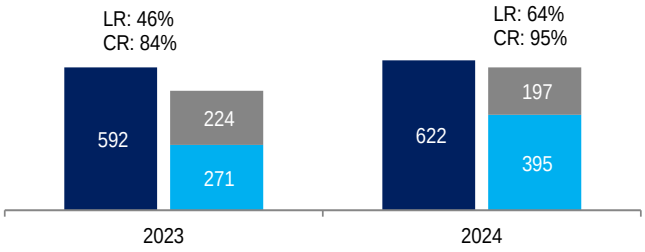
Decrease in premiums and adverse claims experience result in adverse 10% COR

Germany



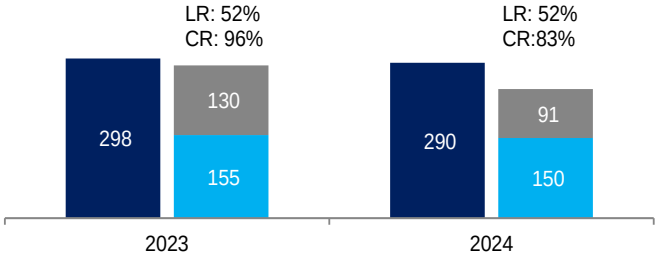
Premiums remain flat. Adverse claims experience vs expense slightly improving.

Italy



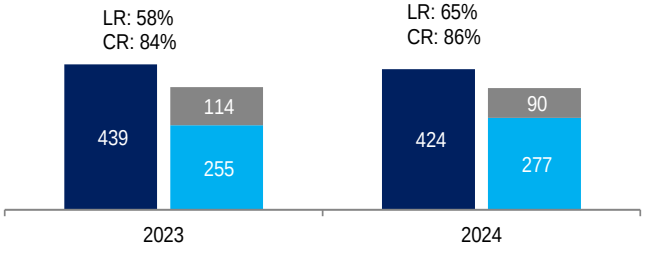
Premiums increase and favourable expense management vs adverse development in claims

Spain



increase in premiums and favourable claims experience deliver improvement in CR despite slight deterioration in expense

Netherlands



Light decrease in premiums and deterioration in claims for a total adverse 2% impact on CR

A.3 Investment Performance

The Company'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 the Company'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, the Company holds a diversified investment portfolio that is invested in government bonds, corporate bonds, securitised assets, loans, investments in group undertakings and cash.

Investment performance is defined as net investment income plus realized and unrealised gains and losses.

Asset Classes	**Gross Investment Income**	**Realised Gains and Losses**	**Unrealised Gains and Losses**	**Total Investment Return**
€	2024	2024	2024	2024
Corporate Bonds	151,526,630	12,894,149	149,640,537	314,061,317
Government Bonds	27,222,736	1,256,677	42,299,727	70,779,140
Securitised Assets	9,528,013	196,137	2,096,708	11,820,858
Mutual Funds	0	7,174,520	3,133,839	10,308,359
Equity Instruments	0	0	2,160,203	2,160,203
Loan Participations	2,810,085	714,545	117,398	3,642,029
Short Term Deposits	13,954,601	0	0	13,954,601
Other	0	0	56,758	56,758
Total	**205,042,066**	**22,236,029**	**199,505,170**	**426,783,265**

€426.7m of total investment returns gains are made up of:

- €199.5m unrealised gains mainly driven by downward shifts in yields across EUR and USD curves and narrowing credit spreads.
- €205m investment income mostly representing the coupons and interests received or accrued over the year from corporate and government bonds.
- €22.2m realised gains come mainly from the sale or expiry of fixed income assets.

A.4 Performance from Other Activities

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

OTHER MATERIAL INCOME AND EXPENSES

Other material income and expenses, €m	2023	2024
Acquisition Costs	857.2	855.1
Administrative expenses	302.5	283.4

Acquisition costs, which represent commissions and other related costs, are deferred, and amortised over the period in which the related premiums are earned. Related reinsurance commissions receivable are not netted against deferred acquisition costs, instead, included within accruals and deferred income 2024.

Administrative expenses specifically consist of costs arising from premium collection, portfolio administration, holding bonuses and rebates and inward and outward reinsurance. In particular they include staff costs and depreciation provisions in respect of office furniture and equipment in far as these need not be shown under acquisition costs, claims incurred or investment charges.

A.5 Any other Material Information

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

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; and
- Outsourcing arrangements.

B.1 General Information on the System of Governance

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

B.1.A. Management and Governance Structure

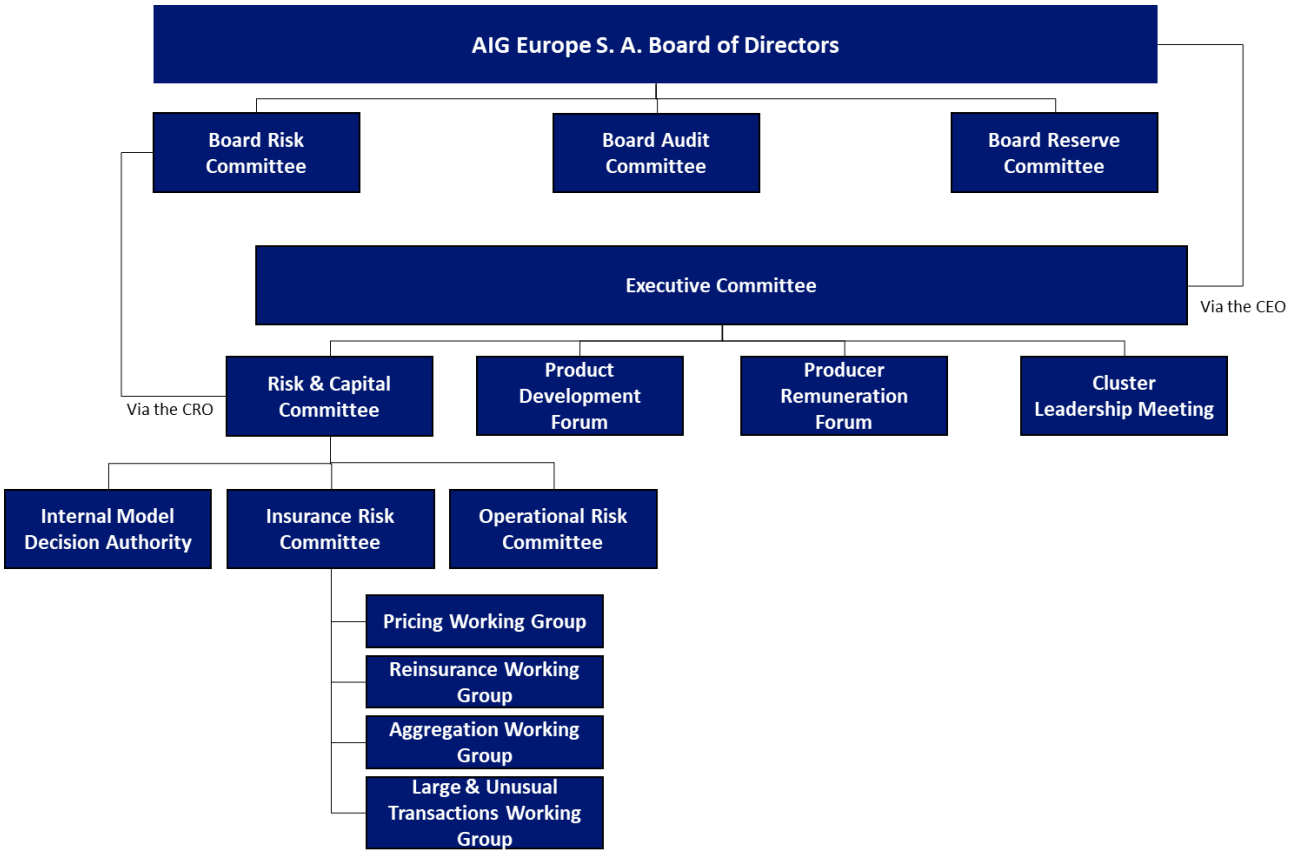
AESA's business strategy and operations operate within its governance structure, of which the management of risk plays a significant part. The Board has overall responsibility for management of the Company providing leadership and oversight of the executive management. It sets the risk appetite for the Company and delegates the day-to-day operation of the risk and control framework to the executive management and receives reports through a formal governance reporting framework.

Included in the governance framework is the risk management framework. The risk framework covers the Company's business and operations functions and risk areas. The risk governance structure provides a framework within which material risks are continually identified, assessed, monitored and managed, utilising outputs from the Economic Capital Model (ECM), where appropriate.

The governance structure has three levels of committees:

1) Board
2) Board committees
3) Executive Committees including Risk Committees

It is designed to support the Company in embedding a strong risk culture through the integration of risk management with regulatory requirements and business activities such as strategy and planning. Each of these committees has a distinct role to play within the Company's risk governance framework. Authority flows from the Board to its sub-committees as set out in their respective terms of reference.



The role of the Board Risk Committee (BRC) is to challenge, oversee and monitor risk management to ensure risks being identified and managed within the risk governance requirements and Board-approved risk appetite.

The Reserves Committee is responsible to ensure that adequate technical reserves are maintained and to oversee and manage reserving risk with the risk appetite.

The Audit Committee is responsible for providing independent and objective assurance and oversight of the effectiveness of the systems of internal controls and monitoring the Company's compliance with legal and regulatory requirements including approval of Solvency II policies and regulatory returns prior to being approved by the Board.

The Risk and Capital Committee (RCC) is authorised by the ExCo to manage the risk profile within the risk governance framework and Board—approved risk appetite. The RCC has sub-committees, each chaired by a member of the senior leadership team, covering Internal Model,

Insurance 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 Company's 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, which is made up of a series of cascaded Risk Committees. The outputs of the risk management processes mentioned above are reported through the committee structure with the ORSA report and its underlying components reviewed and challenged at each level and then approved by the Board.

THE "THREE LINES OF DEFENCE" MODEL

AESA's risk management framework is based on the "Three Lines of Defence" model. This structure allows for each function and individual to have a clear understanding of their risk management responsibilities and aids embedding an effective risk culture across the Company.

Overview of Management and Governance in AESA

Board of Directors

The Board is responsible for promoting the long-term success of the Company whilst securing an appropriate degree of protection for policyholders. Its objectives are to set the Company's strategic aims, monitor management's performance against those strategic aims, set the Company's risk appetite, ensure the Company is adequately resourced and that effective controls are in place. The Board is composed of a mix of Executive Directors, Non-Executive and Independent Non-Executive Directors. Any major changes to the Company's business activities must receive Board approval prior to implementation.

Audit Committee

The role of the Audit Committee includes:

- Assisting the Board in discharging its responsibilities for the integrity over the Company's financial statements;
- Providing independent and objective assurance and oversight of the effectiveness of the systems of internal controls (financial, operational, compliance and risk management), including those systems and controls reviewed by Internal Audit;
- Providing oversight of the qualifications, independence, and performance of External Audit; and
- Monitoring the Company's compliance with legal and regulatory requirements including approval of Solvency II policies and regulatory returns prior to being approved by the Board.

The Audit Committee is composed of the Independent Non-Executive Directors. The Chief Financial Officer (CFO), the General Counsel, the Chief Compliance Officer and the Head of Internal Audit and the lead partner of the External auditors are standing invitees. The Audit Committee Chair reports to the Board on key discussions and decisions following quarterly Board meetings. In addition, documents such as the annual financial statements are reviewed by the Audit Committee prior to being put before the Board. The Audit Committee Chair provides a summary of key issues and decisions to the following quarterly Board meeting.

Board Risk Committee

The role of the BRC is to challenge, oversee and monitor the management of risks to ensure risks being identified and managed within the risk governance requirements and risk appetite as set by the Board.

The BRC is composed of the Independent Non-Executive Directors, the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Risk Officer (CRO). The BRC reviews the risk review of the business plan to ensure that risks to the business plan and the capital implications are adequately identified and assessed as part of the business planning process and that appropriate mitigating actions are in place.

The BRC chair reports to the Board on key discussions and decisions. Where the BRC asks for further information or for particular issues to be addressed and reported on, the Enterprise Risk Management (ERM) function is responsible for capturing a list of action points and ensuring that these are reported back on in full at the subsequent BRC meetings. The RCC is the body that bears primary responsibility for ensuring that the BRC's instructions are carried out. The BRC Chair provides a summary of key issues and decisions to the following quarterly Board meeting.

Reserves Committee

The role of the Reserves Committee is to ensure that the Company maintains reasonable and adequate technical reserves and to oversee and manage reserving risk. The Reserves Committee is composed of the Independent Non-Executive Directors and executive committee members. Various Heads of underwriting units attend when required. The Reserves Committee Chair provides a summary of key issues and decisions to the following quarterly Board meeting.

The Executive Committee

The Executive Committee (ExCo) has responsibility for developing and implementing strategy and managing operational issues relating to the Company. It is accountable to the Board for the day-to-day management of the Company. It develops strategy through business and capital plans and proposes these for approval by the Board. Once approved, ExCo is responsible for implementing these. The ExCo is composed of the CEO and a mix of senior executives.

The ExCo receives reports from the business, operational and the key functions to enable it to monitor progress against the strategy and business plan. It also maintains oversight of transformation projects and other strategic initiatives. The ExCo has created two further sub-committees, in addition to the RCC, being the Product Development Forum to oversee Product governance; and the Local Producer Compensation Committee

to review and approve, including with conditions or modifications, any new or renewing prospects for arrangements with Third Party Intermediaries, which involve non-standard remuneration.

Risk and Capital Committee

The RCC is authorised by the ExCo to manage the risk profile of the Company within the risk governance framework and risk appetite as set 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 Own Risk and Solvency Assessment (ORSA) and, ultimately, the half-yearly ORSA reports.

The outputs of the risk management processes mentioned above are escalated through the committee structure with each ORSA report and its underlying components reviewed and challenged at each level and approved by the Board.

The RCC has sub-committees that cover Internal Model, Insurance risk, and Operational risk, to manage risk profile in each of these areas at a more granular level. Other members include relevant business heads, risk experts from ERM and actuarial expertise from the Internal Model team.

The Insurance Risk Committee has four Sub-Groups; Pricing; Reinsurance; Aggregation and Large and Unusual Transactions, 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 RCC also delegates responsibility to the Internal Model Decision Authority to cover specific aspects of the Company's 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 the same membership of ExCo and meets after each ExCo meeting on a quarterly basis. Any matter due to go to the BRC should first receive RCC review. The RCC provides a written summary of key issues and decisions to the following quarterly BRC meeting. 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.A FIRST LINE OF DEFENCE

Senior management (executive/business/operational), along with all staff in the organisation are responsible for implementing and maintaining the controls necessary for achievement of the Company's strategic and business objectives, the ownership and management of its inherent risks, its compliance with corporate standards and its legal and regulatory obligations. In this context, senior management are risk-takers and hence form the "First Line of Defence" against failure.

B.1.A.B SECOND LINE OF DEFENCE

Compliance and Enterprise Risk Management (ERM) are the oversight functions who are 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. In this context, these functions are the "Second Line of Defence" against failure.

ERM also partners with the business in providing advice, guidance, and challenge in managing their risks.

B.1.A.C THIRD LINE OF DEFENCE

The Internal Audit function delivers the "Third Line of Defence" by providing independent assurance to the Board, through the Audit Committee, regarding the effectiveness of the First and Second Lines of Defence.

Internal Audit

Internal audit forms the third line of defence. An independent internal audit function will, through a risk-based approach to its work, provide assurance to the Board and senior management. This assurance will cover how effectively the Company assesses and manages its risks and will include assurance on the effectiveness of the first and second lines of defence. It encompasses all elements of the risk management framework (from risk identification, risk assessment and response, to communication of risk related information) and all categories of the Company's objectives: strategic, ethical, operational, reporting and compliance.

B.1.A.D KEY FUNCTIONS, ROLES AND RESPONSIBILITIES

As part of the governance system, the roles and responsibilities of the key functions of Risk Management, Compliance, Actuarial and Internal Audit are set out below:

1) Risk Function – Chief Risk Officer (CRO)

The Company's ERM function oversees the delivery of the risk management framework. The function is led by the CRO who is a member of the ExCo. The ERM function implements the Risk Management Framework (RMF) through a suite of "Risk Processes". The results and findings from these processes 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
- Business & Strategy Risk.

A matrix reporting structure ensures a common approach to risk management throughout the Company and ensures that all relevant risks are identified, measured, managed, monitored and reported. ERM continues to work closely with management to improve the risk profile of the business and strengthen the RMF throughout Europe. The 'Risk Management System' subsection B.3 of the report aims to provide an overview of the key risks encountered and the corresponding processes and procedures put in place for the management of these risks. The section also outlines the overall risk culture.

2) Compliance Function – Chief Compliance Officer

AESA 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 AESA Compliance team is led by the AESA Chief Compliance Officer, who is supported by the AESA Local Compliance Officers. Subject Matter Expert teams for Financial Crimes, Testing and Data Analytics & Monitoring and Compliance Operations support where required.

Compliance function responsibilities

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 AESA 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 FCG and Privacy group, provide advisory guidance for these matters.
- **Advisory Services:** The AESA 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 AESA 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 program, the Compliance teams evaluate the inherent risk ratings, applicable key controls, and residual risk ratings for key Compliance Risks. The 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.
- **Testing and Data Analytics and Monitoring:** AESA 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 compliance 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, AESA 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 AESA 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 AESA ExCo and works closely with other Executive members including the CEO, CFO, CRO and underwriting leadership among others. The Chief Actuary has a reporting line to the AESA CEO as

well as the International Chief Actuary. 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 for the Company, 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.
- **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 the Company to trade in such a way that risk data and exposure data is captured, allowing for a more robust premium rate management environment across the Company.
- **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 AESA's largest liability on its balance sheet; hence an accurate valuation of reserves is critical for the Company 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 the modelling of AESA's Insurance Risk. IT participates in the Internal Model review and challenge process as part of the IMDA process. This element feeds into the ECM, which plays a wider role in determining the overall capital impact of changes to the Company's risk profile. Actuarial also helps calculate the Insurance Risk elements of the Standard Formula (SF) requirements for the Company 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 AESA's 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;
    - Peer review of pricing profitability studies; and
    - 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 AESA 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 organisational 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.

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 and transformation of regional controlling, capital management, reinsurance, taxation and treasury. The Finance Controllership team is responsible for recording and organising the financial transactions generated by other departments.

The Finance function has the following responsibilities:

- External reporting for the Company and its branches including statutory accounts and Solvency II reporting
- Business planning
- Business partnering including management information
- Tax
- Capital management
- Reinsurance
- Rating agency relationships.

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

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 on Solvency II reporting tool is 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 Financial Control Unit (FCU) of quarterly and annual submissions including review of controls.

B.2 Fit and Proper

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

Assessment of fit and proper

Persons who effectively run the Company or have other key functions are required to meet the fit and proper requirements. The Company has established fit and proper policies and processes which comply with the current regulatory regime.

- **References**: The Company takes reasonable steps to obtain appropriate references from the person's previous employer(s).
- **Criminal Record Bureau (CRB) checks**: Following receipt of the person's consent the Company obtains and assesses any disclosures contained within a criminal records bureau check (or overseas equivalent if applicable).
- **Pre-appointment questionnaire:** against which the findings of the above can be cross-checked.
- **Qualifications**: Request and review evidence of relevant qualifications as appropriate.
- **Application**: Require a formal application with CV (containing the candidate's full employment history accounting for any gaps, and the reasons for leaving each employer) and ensure that the person is interviewed at an appropriate level in order to assess his or her competence, knowledge, experience and training (including the person's training needs and requirements), taking into account the duties that will be expected of that person as set out in the role profile for the position.

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

AESA Internal Model

AESA has developed an ECM which was approved in September 2018 by the CAA. There are no material quantifiable risks that are out of scope of the model and there is no intangible asset which is not valued as zero.

Risk Management Overview, Strategy and Objectives

AESA believes that a strong, effective and embedded risk management framework is crucial to maintaining successful business operations and delivering sustainable, long-term profitability. This is achieved through a strong risk culture articulated by effective ERM senior leadership and embodied by management at all levels through our governance structure and risk management processes.

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

AESA'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 AESA continues to manage its business in an environment of controlled, proportionate risk-taking to generate sustainable earnings and deliver long-term value for AIG's shareholders.

AESA'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 the company faces. Identified risks are then managed through the application of a set of regional Level 2 'Statements of Operating Standards', 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 the 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 AESA as a risk-aware business.

The BRC, is a Board delegated sub-committee, has ultimate responsibility for development and oversight of the risk management framework; the Board delegates the management of risks within its risk appetite and the risk governance framework to the RCC. The RCC escalates matters of importance to the Board as needed.

Risk Culture

AESA 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.
- **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.
- **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 across AESA.

The current risk governance structure provides an oversight and decision-making framework within which material risks are continually identified, assessed, monitored and managed at a regional level, utilising outputs from the ECM where appropriate.

The risk governance structure has three distinct levels of committees, Board Committees, Executive Risk Committees and Dedicated Committees, and is designed to support the efforts in embedding a strong risk culture through the integration of risk management with regulatory requirements and business activities such as strategy and planning. Each of these committees has a distinct role to play within the risk governance framework.

ERM utilises the following set of "Risk Processes" to implement and embed the Company's risk management framework.

Risk Identification

AESA 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, AESA 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 Risk Management Framework.

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 the 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 Emerging Risk 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);
- Regular stress and scenario exercises are undertaken during the year in co-operation with business operations to evaluate the perils AESA is exposed to across multiple facets of the business.

The outputs from these activities enable AESA to identify key areas for focus and to identify their potential impact on the risk profile.

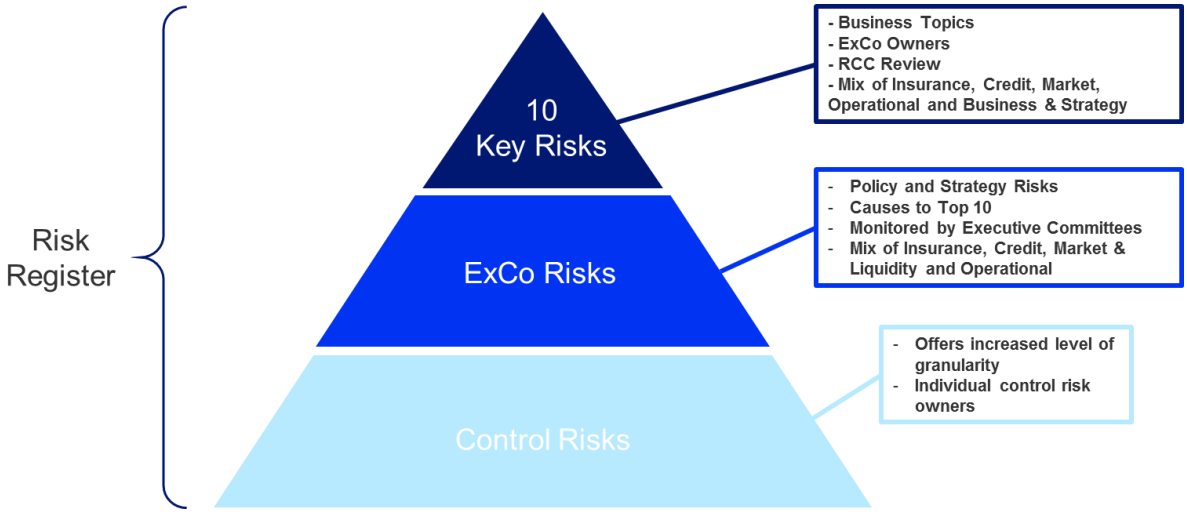
Risk Register

There is 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 entity level key risks, spanning the whole of the company's operations. These risks are owned at the 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 AESA 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 AESA 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: Entity Level 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 the company to produce risk dashboards for the RCC, ExCo and BRC covering all of these key risks, as well as a more detailed report for each relevant Risk Committee. Please see Section C for the Company's list of Entity Level 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 and regional support functions. These ExCo risks are supported by specific tailored Key Risk Indicators for use in committee decision making.

Risk Register

The Risk Register is updated on a quarterly basis by the Heads of Insurance, Market, Credit and Operational Risk in consultation with relevant risk and control owners.

Risk Management and Control

The management of the key risks and the establishment and application of relevant mitigating controls is an essential part of the management of its activities against appetite. Without appropriately designed and monitored controls, the likelihood of AESA 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

ERM utilises periodical risk reporting to articulate to regional and local management, including the RCC and the Board, whether the company is identifying, monitoring and managing its risks sufficiently to adequately operate within its risk appetite and to recommend (where appropriate) remedial actions.

Regular Risk Reports

ERM produces regular reports covering the activities of the Insurance, Operational, and Internal Model for review by the RCC, which provides users with an overview of:

- Key internal or external risk developments over the last month that may impact on the risk profile;
- Updates on the progress of remediation on identified management actions;
- Actions and points of focus in the last committee.

These reports are designed to provide senior management with an ongoing overview of developments to the risk profile and concurrent risk management activities, and act as a bridge between iterations of more detailed Quarterly Risk Reports.

Quarterly Risk Assessments

ERM co-ordinates the production of detailed risk assessments covering key risks for discussion 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, taking into account assessment of the underlying risks that comprise each entity level key risk and the results of monitoring conducted on emerging risks is documented in a Risk Watchlist. Expert judgement on the part of the individual Heads of Risk 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.

Stress and Scenario Testing Framework

AESA, as part of its risk management framework, undertakes Stress and Scenario Testing across the business, covering single (e.g. sensitivity of fixed investment portfolio to interest rates) and multiple factors (risk aggregation) to determine the Gross and Net (of facultative and internal treaty reinsurance) Profit & Loss impact on AESA.

Stress and Scenario Testing provides valuable input for AESA through informing senior management of how simulated 'real-life' events create pools of risk aggregation across risk types that ultimately impact AESA's capital position. AESA's 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 AESA's 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: With the annual business plan providing a best estimate projection, the stress tests stress the forecasts to understand the impacts of various scenarios on both profitability and the future capital position.

Reverse Stress Testing: AESA 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 AESA to assess the extreme risks which could threaten it and consequently ensure early warning indicators and both mitigating (pre event) and remediating (post event) management actions have been developed.

Emerging Risk Scenarios: Given the flexible nature of Stress & Scenario Tests as a risk management tool, they are valuable for analysing and quantifying the risks posed by emerging events. Through the ongoing review of the Risk Profile (as a part of the ORSA) the ERM team identifies emerging risks, for which bespoke stress tests can then be delivered to aid measurement and understanding.

Solvency Capital Management

Management develop and regularly reassess capital targets and operating ranges in order to ensure AESA holds an appropriate and efficient amount of capital. The binding regulatory capital requirement for AESA is the Internal Model SCR ("IM-SCR"). AESA has no appetite to breach the IM-SCR and takes appropriate steps to ensure continuous compliance, holding sufficient capital resources in order to meet this requirement.

AESA 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.

B.4 Own Risk and Solvency Assessment

An Enterprise Risk Management ("ERM") framework is in place to identify, assess, manage, monitor and report on the risks faced by AESA. The Own Risk and Solvency Assessment ("ORSA") is a mechanism for consolidating outputs from the ERM framework and business processes into one holistic view on the risk profile and solvency situation over the business planning horizon and if required its ultimate risk position. The outputs of this process are recorded within the ORSA Report.

ORSA Governance

Ultimate ownership of the ORSA process lies with the Board as part of its oversight responsibility for the management of risk in the organisation. As such, the Board is expected to set their expectations for the ORSA. The Board delegates responsibility of the execution of the ORSA process to the Chief Risk Officer, who is also responsible for overseeing the production of the ORSA Report.

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 and this is reviewed, challenged and ultimately signed off at Board level. 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 second 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 involves 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 Risk and Capital Committee, ERM and the AESA Board) and how it fits in with the Company's key business processes.

B.5 Internal Control System

The description of the internal control system is disclosed in Section B1A.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 B1A.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 B1A.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 (OSPs) are defined as Third Parties that perform/provide core business activities, i.e. insurance products/services (and/or regulated activities) on behalf of AESA.

AESA utilises outsourcing arrangements for a number of operational activities in order 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 vendor; 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 is complying 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 operation	**Jurisdictions (Outsourced/ Receiving)**	**Description**
Administration	Ireland, France, Spain & Switzerland, Bulgaria and India	Administration & fulfilment; premium collection, data entry, refunds, and billing.
Investment / Asset Management	UK	Investment Management and Operations.

Claims Handling	Bulgaria, Belgium, Nordics, France, Italy, Portugal & UK.	Claims handling and settlement.
Sales, Distribution & Underwriting	Italy, Spain, Germany, Netherlands & UK.	Advised & non-advised Sales, introductions, underwriting.
Sales	Italy, France, Spain, Finland & UK.	Sales & distribution: non-advised sales.
Specialist Technical Services	France, Belgium, Netherlands, Spain & UK.	Surveyors, appraisers, and engineers.
Accounts Payable and Finance Centre	India	Accounts payable, data entry, filling, GAAP reporting.
Underwriting	India, Malaysia	Non-advised back-offices Sales, Underwriting quotation and analytics.
Reinsurance Operations	India	Reinsurance administration.
Operations – Policy servicing, Multinational	India, Philippines	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 level of AESA. Each of the Committees and sub-committees is comprised of members with specific experience and expertise to provide the necessary challenge and oversight. The Committees and sub committees are authorised to make decisions and take actions within a delegated authority.

The governance structure provides a mechanism for AESA 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.

The ExCo formulates local strategies and business plans, taking account of AIG Group strategic direction. The plan is presented to the Board who scrutinise it to assess its benefits and risks to determine whether its implementation would be in accordance with AESA's:

- Risk appetite;
- Legal and regulatory constraints;
- Fair treatment of those who are (or may become) the policyholders of the Company; and
- Safety and soundness of the Company.

B.10 Any other material information

AESA has no other material information to disclose.

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:

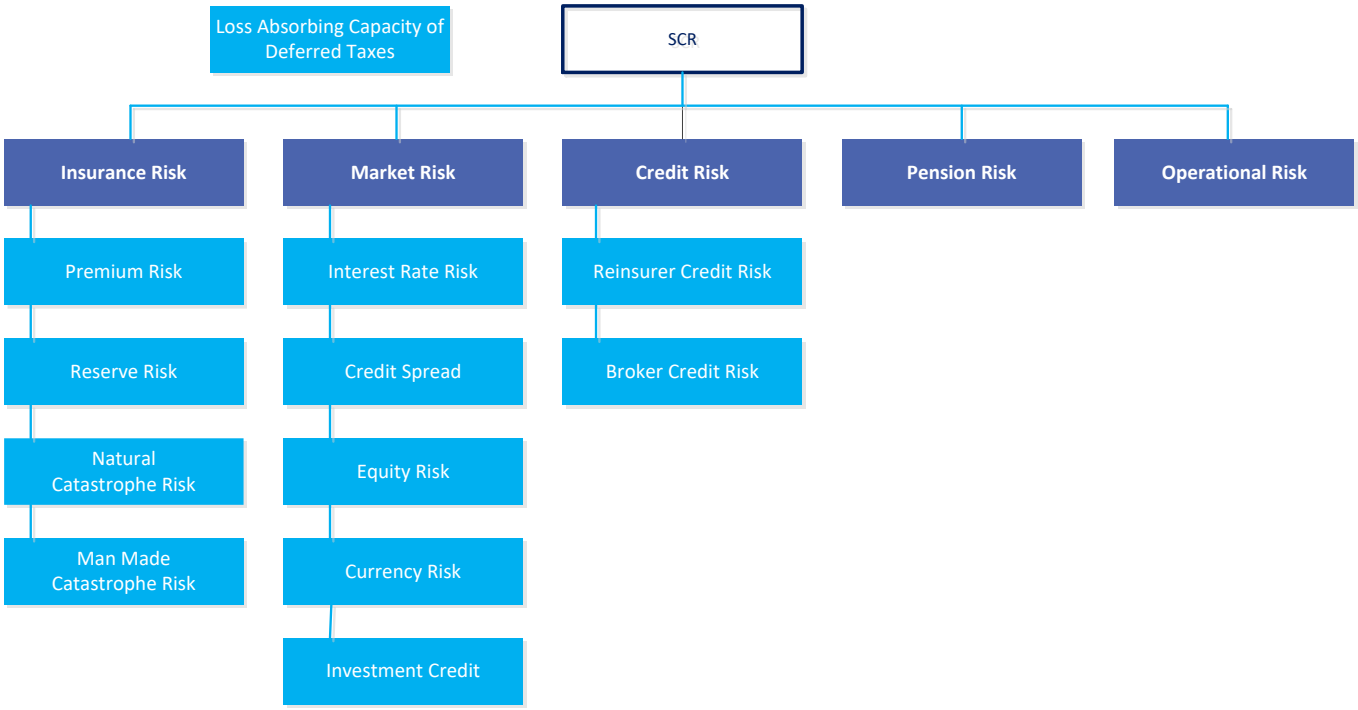
- Risk exposure;
- Measures used to assess the risk;
- Risk concentration;
- Risk mitigation; and
- Risk sensitivities.

AESA believes that 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 ERM senior leadership and embodied by management at all levels through the governance structure and risk management processes.

AESA's capital requirement under Solvency II (which seeks to quantify and reflect its current risk profile) is calculated on a Full Internal Model basis (IM-SCR). AESA currently has and is forecast to maintain a capital surplus above this binding capital constraint over the horizon of the business plan.

AESA SCR €'m	Y/E 2024
Insurance risk	763
Market risk	536
Credit risk	303
Operational risk	271
Pension risk	35
Diversification	(635)
Total Solvency Capital Requirement	1,273

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



Risk Profile, Measurement and Assessment

AESA's Risk Management Framework supports the identification, measurement, management, monitoring and reporting of major risk groupings that it is exposed to, including:

- Insurance Risk;
- Market Risk including Liquidity Risk;
- Credit Risk;
- Operational Risk including Technology Risk;
- Business & Strategy Risk;
- Environmental, Societal and Governance (ESG) Risk

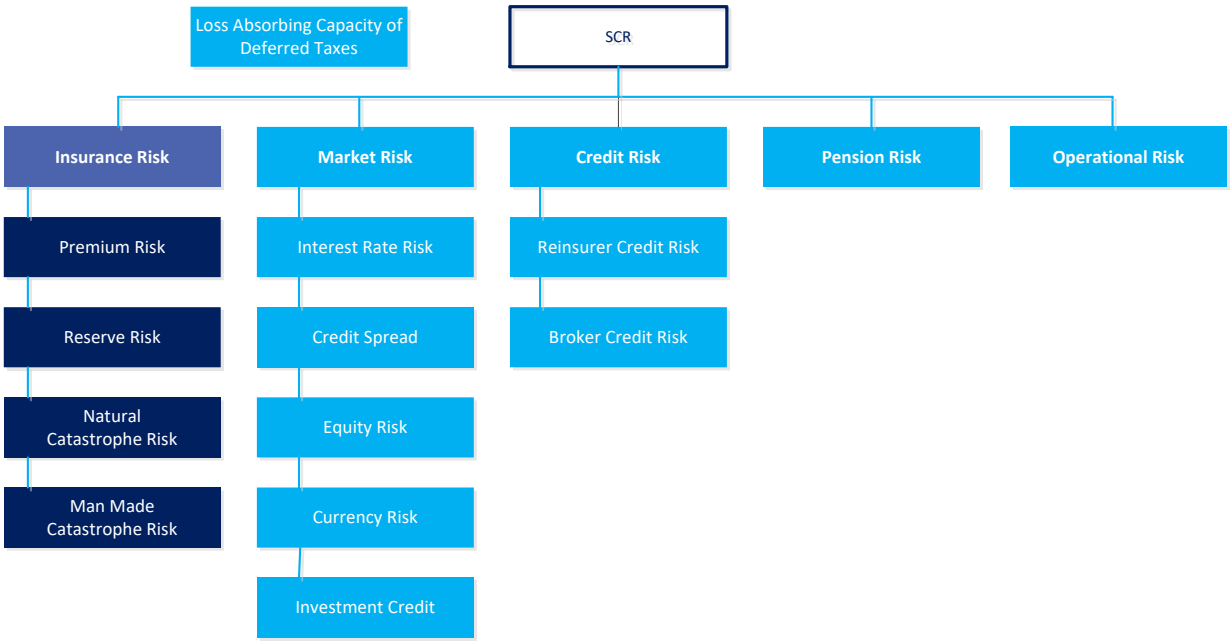
AESA has identified a number of risks that may potentially impact on the successful execution of its business plan and ability to generate sustainable profits during 2024 and beyond.

TOP 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	9	Operational Risk
Business & Strategy Risk	10	Business & Strategy Risk
ESG	11	ESG

C.1 Insurance Risk (Underwriting Risk)

Insurance Risk encompasses the risks AESA 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

AESA is exposed to various catastrophic events in which geographically concentrated 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 our operating results.

Man Made Cat Risk

Man-made catastrophe risk represents the uncertainty regarding aggregate loss potential caused by human activities, including terrorism, aircraft crash, latent diseases and financial crises. In a number of instances Man Made Catastrophe risks can be associated with events where no historic data is available (Events not in data). These catastrophe events have the potential to impact any one or multiple of AESA's regions, product segments and specific insurance lines of business.

AESA'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 AESA 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)

AESA predominantly utilises a third-party Catastrophe Models 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 based on a 1 in 40, 1 in 100 and 1 in 250-year return period, in certain cases alternative return periods are selected.

Insurance claims arising from scenarios such as 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 our 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 Economic Capital Model.

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 by the Company 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	Accident Year Ultimate Loss Ratio vs Budget, Incurred Loss Ratio vs 5 Year Average, Magnitude of Prior Year Reserve Movements
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.

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 relate to potential natural catastrophe losses with the highest being a European earthquake, followed by a European windstorm.

INSURANCE RISK MITIGATION TECHNIQUES

AESA 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:

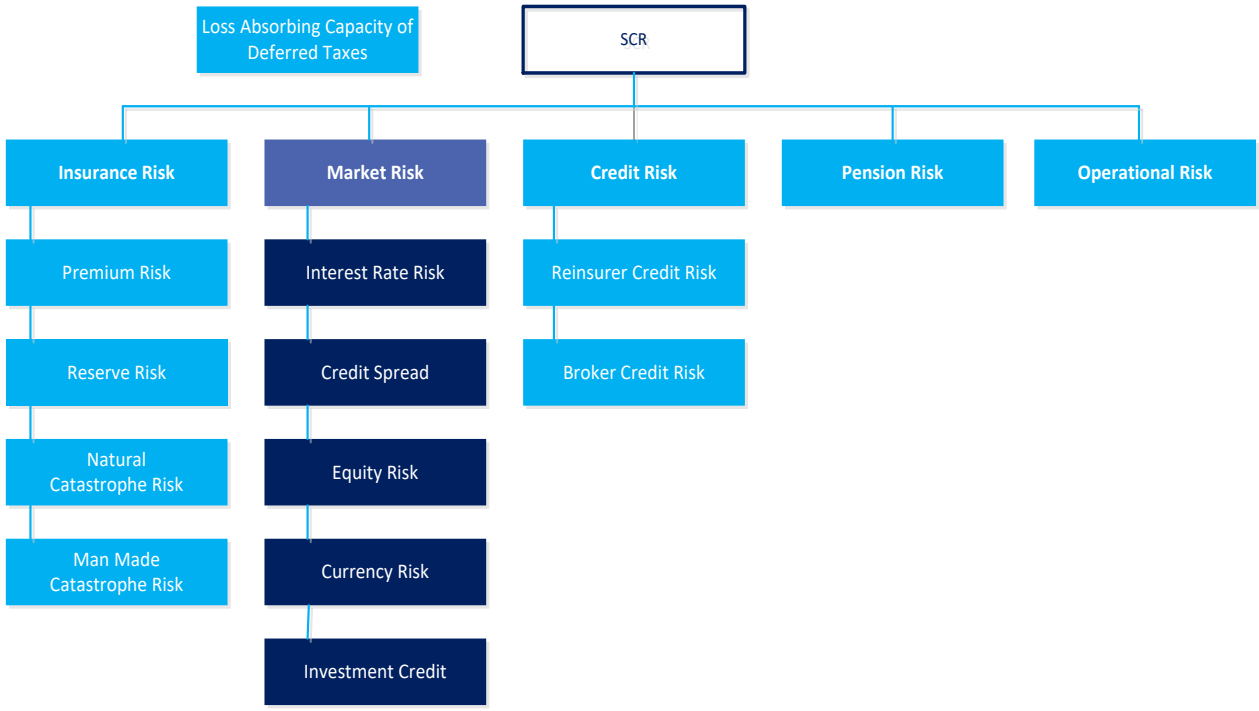
Type of risk	Risk mitigation techniques
Premium Risk - Failure of pricing	
Pricing guidelines	The Company seeks to manage pricing risk through the setting and review of pricing guidelines relevant to each business line and the application of a strict hierarchy of underwriting authorities to ensure that 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 the Company's Insurance Risk Committee for consideration from a Statement of Financial Position, liquidity, and portfolio point of view before the Company becomes committed.
Purchase of reinsurance	The Company 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	The Company seeks to manage this risk through the use of processes and procedures over the production, review and analysis of annual business plans and the introduction of new products for each line of business, prior to approval and execution.
Assessment of key projects and strategic investments	The Company also has processes in place for the identification, assessment and approval of key projects and strategic investments.
Reserve Risk - Adverse reserve development	
Monitoring adherence to claims reserving policies and procedures	The Company seeks to manage this risk through monitoring adherence to established policies and procedures in place governing claims reserving practices.
Catastrophe Risk - Failure to manage risk aggregation / accumulation	
Use of pre-bind rules and authorities	The Company seeks to manage this risk through the use of pre-bind rules and authorities to manage significant within line and cross-line exposures.
Review of large and unusual transactions	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, AESA's Actuarial Team conducts quarterly reserve reviews of the overall book to determine appropriate reserve levels and quarterly reviews of the expected Incurred But Not Reported (IBNR) adequacy. AESA also employs external consultants to perform reviews of its reserves to provide an independent review of their adequacy.

C.2 Market Risk



Market Risk quantifies the adverse impact on AIG due to broad, systemic movements in one or more market risk drivers. Market Risk drivers include equity prices, credit spreads, foreign exchange rates, interest rates and residential / commercial estate values.

AESA is 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;
- 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 euro, generating FX Translation Risk;
- Transactions that require cash-flow settlement in a currency other than the functional currency, generating foreign exchange transaction risk.

A description of the Company's components of Market Risk is shown below:

Key Risk Description	Risk Context
Unexpected loss in market value	The value of the investment assets held by AESA may be adversely affected as a result of interest rate, inflation, foreign exchange, equity, real estate and credit spread movements and the deterioration in the credit quality of invested assets, impacting on AESA's capital position and liquidity profile.

The scope and magnitude of Market Risk exposures requires the maintenance of a robust Risk Management Framework that contains documented risk-taking authorities, defined risk limits and minimum standards for managing Market Risk within the company's set risk appetite. Firm-wide limits have been established on the consolidated interest rate, FX, credit spreads, equity and residential and commercial real estate exposures.

The principal controls that support the management of Market Risk within the company are as follows:

- Monitoring adherence to established set of investment guidelines, which are reviewed and updated periodically by the Risk and Capital 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 Company's 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 an Annual Investment Plan for the company that is within the company's Market Risk Appetite. Execution of the SAA is monitored against the Investment Plan and the Market Risk Appetite on a weekly basis.

MARKET RISK EXPOSURE

A description of the Company's components of Market Risk is shown below:

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 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 Company's exposure to Equity risk is immaterial because holdings in underlying equity securities are not significant.
Investment Credit Risk	In the process of purchasing investment assets to pay claims and meet future liabilities AIG 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. As well as simulating systemic movements in individual market risk factors, the Economic Scenario Generator 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 for dependencies with other risk types.

The Internal Model provides several mechanisms by which movements in market risk factors can impact the Company:

- 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, Asset Credit risk is included within the Market risk sub-module. This also helps from a governance perspective since representatives from AIG investments are an integral part of market risk framework. Moreover, through co-ordination with AIG investment, the Company can influence both their market risk and invested asset credit risk profiles.

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

Market Risk Components	Key Risk Indicators (KRIs) / Early Warning Indicators (EWI)
Spread risk	Early Warning Indicator (EWI) based on credit spread indexes. A rise of more than 60bps (i.e currently estimated at 1.5 times the volatility over a quarter) over a quarter will trigger a review of the solvency of the entity and credit spread stress test scenarios.
Currency risk	FX exposure is monitored on a quarterly basis and the RCC is informed of the exposure when thresholds (2% and 5% capital) measured with a 1 year VaR are breached.
Interest rate risk	Monitor ALM gap which should be within a +/- 1 year band. Monitor 5Y swap rate quarterly variations. Monitor implied probability of central bank base rate move from Overnight Index Swap (OIS) rates
Inflation risk	Monitor difference of breakeven interest rate with inflation rate averaged over 3 years

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

MARKET RISK CONCENTRATION

AESA 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.

AESA 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

67% of AESA's investments were either rated AAA, AA or A in 2024. Bonds (government, corporate and securitised assets) comprise the largest portion of the Company's investment portfolio out of which 69% were either rated AAA, AA or A in 2024.

Total investments

Asset Ratings	Market Risk Concentration €m	Market Risk Concentration %
AAA	2,458	30%
AA	1,082	13%
A	2,051	25%
BBB	1,848	22%
BB	413	5%
B	186	2%
CCC	26	0%
Not Rated	265	3%
Total	**8,329**	**100%**

Source: QRT S.06.02.02
The Not Rated assets mainly comprise of cash and deposits and mortgages and loans.

MARKET RISK CONCENTRATION – BY ISSUER

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

Issuer names	Market Risk Concentration €m	Market Risk Concentration %
Federal Republic of Germany	325	4%
Kingdom of Denmark	196	2%
Kreditanstalt fuer Wiederaufbau (German State Bank)	193	2%
United States Treasury	172	2%
European Investment Bank (EU Member States Bank)	156	2%

Source: QRT S.06.02.02

The largest exposures are national governments or state-owned banks and therefore, the associated market risks are considered to be low.

MARKET RISK CONCENTRATION – BY CURRENCY

AESA has large asset exposures to Euro, US Dollars and Swiss Francs. The split of Total Investments by major currencies is as follows:

Currency	Market Risk Concentration €m	Market Risk Concentration %
Euro	6,629	80%
US Dollar	943	11%
Swiss Franc	326	4%
Other	430	5%
Total	**8,329**	**100%**

Source: QRT S.06.02.02

MARKET RISK MITIGATION TECHNIQUES

AESA 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.

PROCESS FOR MONITORING THE EFFECTIVENESS OF MARKET RISK MITIGATION TECHNIQUES

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

The Board either as a whole or through its committees oversees market risk and approve annually the Risk Appetite Framework which contains among other things, the risk appetite for Market Risk.

The Board discharges its responsibility for oversight of the Policies and Procedures through the RCC, and as such is empowered to provide guidance and oversight regarding Market Risk. The RCC is chaired by the CRO.

RISK MITIGATION AND THE PRUDENT PERSON PRINCIPLE

AESA's investment management policy ensures its continued compliance with the Prudent Person Principle (PPP) as laid down in Article 132 of the Directive 2009/138/EC.

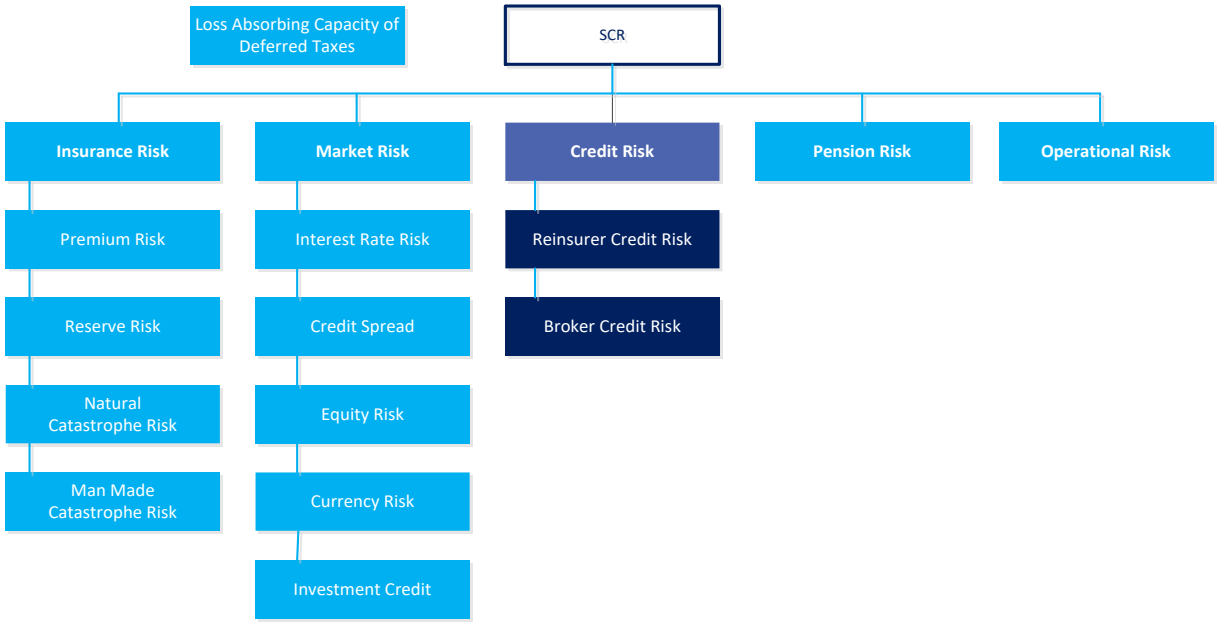
As detailed in Investment Performance in section A above, the investment management framework sets out its SAA that is approved by the Board and is regularly reviewed.

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. AESA does not invest in any asset category that is 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 is governed by the Investment Management Agreement (IMA) and SAA. The IMA includes specific concentration limits around the credit rating of counterparties per asset class. AESA holds a well-diversified portfolio due to limits and it uses derivatives for risk management purposes only.

C.3 Credit Risk

Credit Risk is the risk that the value of a portfolio of assets and liabilities changes due to unexpected changes in the credit quality of issuers of assets, of a trading partner or a default of a third party in a credit insurance product.



CREDIT RISK EXPOSURE

Credit Risk is the risk that the value of a portfolio of assets and liabilities changes due to unexpected changes in the credit quality of issuers of assets, of a trading partner or a default of a third party in a credit insurance product.

Although modelled in other risk areas, the model does also include elements of Credit Risk:

- Asset Credit Risk (within Market Risk); and
- Trade Credit (within Insurance Risk).

MEASURES USED TO ASSESS CREDIT RISK

The Internal Model allows the explicit modelling of default and exposure to both reinsurance and broker counterparties. AESA 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 to assess the credit risk:

Principal Risk	Risk Context
Unexpected credit loss owing to Reinsurer failure	AESA faces a risk of material losses if their main reinsurers fail or are unable to pay their contractual share of claims payable.
Unexpected credit loss (all other counterparties including group)	AESA faces a risk of material losses that could negatively affect the value of its investments and/or reduce its profitability if other internal (intra-group) or third-party obligors default on their commitments.

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

AESA has established an effective Credit Risk management framework that includes guidelines and processes to govern day-to-day credit risk-taking activities. AIG's Chief Credit Officer (CCO) and business unit credit officers are primarily responsible for implementing and maintaining a risk management framework consistent with the Credit Policy and Credit Procedures.

Credit ratings measure an Obligor's Probability of Default (PD), defined as the likelihood of an Obligor default over a two to three year time horizon. These ratings are based on the obligors' fundamental creditworthiness (not market-derived measures).

AESA monitors and controls its company-wide credit risk concentrations and attempts to avoid unwanted or excessive risk accumulations, whether funded or unfunded. To minimise the level of credit risk in some circumstances, AESA may require third-party guarantees, reinsurance or collateral, such as letters of credit and trust collateral accounts. These are treated as credit exposures and included in AESA's risk concentration exposure data. AESA also identifies its aggregate credit exposures to its underlying counterparty risks.

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 core operations. It may arise either in the form of single name concentration or industry concentration.

AESA's most material Credit Risk concentration relates to reinsurance arrangements. The largest reinsurance balance is with AIG Group and the details of top five reinsurer balances, including those held with captive reinsurers are as follows:

Reinsurer Name	€m
American International Group, Inc.	1,325
Euroguard Insurance Company Limited	284
Transdev Re SA	137
Marias Falls Insurance Company, Limited	68
Metro Reinsurance AG	59

Source: S.31.01 QRT

The amount of exposure to AIG group in particular is monitored on a regular basis and the solvency ratios of AIG group is subject to continuous assessment.

CREDIT RISK MITIGATION TECHNIQUES

Credit Risk mitigation involves managing the approval process for requests for credit limits, program limits and credit transactions above authorities or where concentrations of risk may exist or be incurred. Credit Risks are managed and controlled by the CCO through techniques listed below:

- Aggregating the credit exposure data by counterparty, country, sector and industry and regularly reporting and reviewing risk concentrations with senior management;
- Administering regular portfolio credit reviews of investment and credit-incurring business units and recommending corrective actions where required;
- Approving appropriate credit reserves and credit-related other-than-temporary impairments;
- Overseeing the submission of individual transactions with high unsecured credit exposures to the Large and Unusual Transactions Referral Group for its consideration; and
- Overseeing the Watch List process within the portfolios.

PROCESS FOR MONITORING THE EFFECTIVENESS OF CREDIT RISK MITIGATION TECHNIQUES

Credit Risks are monitored through the governance structure. The IRC monitors and reports on the credit risks within Insurance business. The Reinsurance Working Group, part of the IRC, meets quarterly to manage, monitor and report the Credit Risks associated with reinsurance and broker balances within AESA. The committee adheres to its terms of reference with respect to its membership, chair, the frequency of meetings, and record keeping.

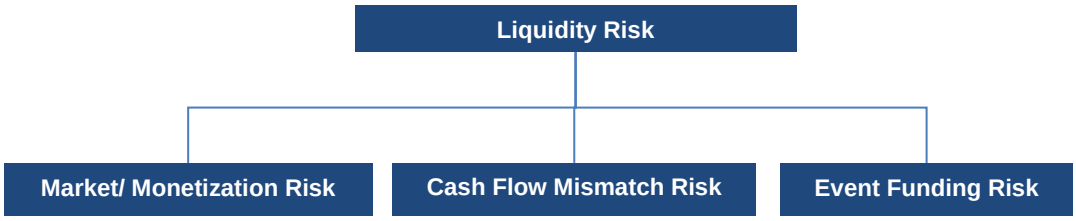
The Committees executes its responsibilities effectively by review of the Credit Risk profile against the risk appetite, and ad-hoc portfolio reviews. The IRC also receives and comments on relevant Credit Risk content relating to the Economic capital model calibration, model validation and model outputs. Feedback and challenge is provided by the committee on all of these reports.

Reinsurance recoverables are a key risk consideration for AESA. The Reinsurance Credit Department is dedicated to the management of reinsurance recoverables within AIG, and conducts the following principal control activities:

- Periodic detailed assessments of the financial strength and condition of current and potential reinsurers, both foreign and domestic;
- Monitoring both the financial condition of reinsurers as well as the total reinsurance recoverable ceded to reinsurers, and set limits with regard to the amount and type or exposure AIG is willing to take with reinsurers; and
- Reviews the nature of the risks ceded and the need for measures, including requiring collateral from active reinsurance counterparties, to mitigate Credit Risk.

C.4 Liquidity Risk

Liquidity refers to the ability to generate sufficient cash resources to meet AESA's payment obligations. It is defined as unencumbered cash and assets that can be monetized in a short period of time at a reasonable cost in both normal and stressed market conditions.
Liquidity Risk is defined as the risk that the financial condition will be adversely affected by the inability or perceived inability to meet its 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 the company's ability to meet short-term financial obligations as they come due:

- Market/Monetization 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 option.

MEASURES USED TO ASSESS LIQUIDITY RISK

AESA's 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.

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.

AESA being predominantly a non-life insurer 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 AESA's 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

AESA has established 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.

Liquidity Risk is mitigated through investment in predominately liquid financial assets and constant monitoring of expected asset and liability maturities.

AESA further manages this risk through reviews of Liquidity Risk Management Reports provided by the Treasury function as well as review and approval of stress scenarios designed by Treasury to assess the liquidity risk in extreme situations.

The Treasury department is also operationally responsible for ensuring that sufficient funding required for a stressed scenario is available and that the sources of funding are appropriately diversified. Also, the Treasury department maintains a Contingent Funding Plan that is triggered in the event of breaches in the Liquidity Risk limits.

AIG Liquidity Management Policy prescribes procedures to maintain sufficient liquidity to meet the obligations as they become due and the AESA complies with this policy.

The Risk Appetite is set to maintain defined target liquid asset levels under both baseline and stressed conditions.

PROCESS FOR MONITORING THE EFFECTIVENESS OF LIQUIDITY RISK MITIGATION TECHNIQUES

AESA has established a 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 Risk Management team is responsible for the implementation of this framework whereas, the MRC are responsible for monitoring the Liquidity Risk through a range of responsibilities. These include meeting at least quarterly to manage, monitor and report on the Liquidity risks within the Company. The MRC executes its responsibilities effectively by review of the liquidity risk profile against its present risk appetite as well as reviewing key risk exposures.

EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS (EPIFP)

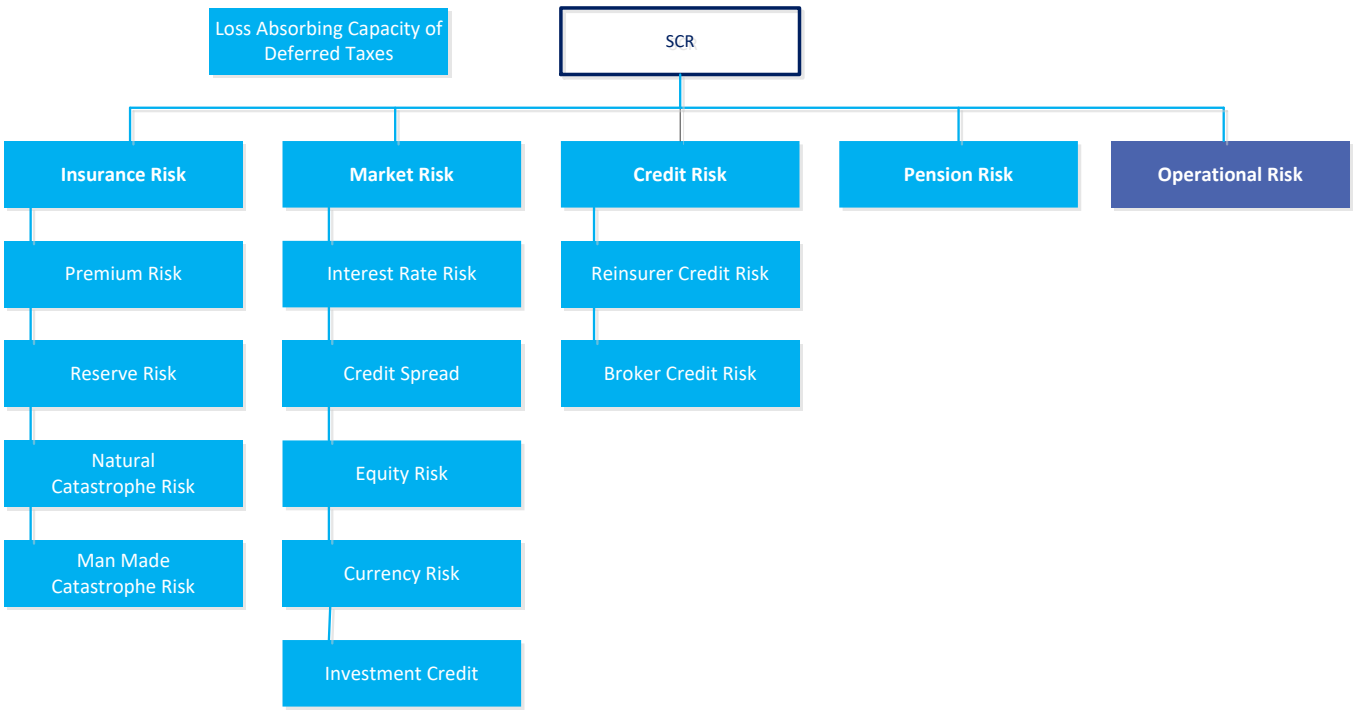
EPIFP is presented in QRT.23.01.22 'Own Funds'. EPIFP are profits arising from the inclusion in the technical provisions on existing business that will be received in the future but have not yet been received.

The total EPIFP for AESA is €482.9m.

C.5 Operational Risk

Operational risk is defined as the risk of loss, or other adverse consequences, resulting from inadequate or failed internal processes, people, systems or external events.

Operational 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

The Company's exposure to Operational Risks is the third largest risk type. The Company has the exposure to the following types of Operational risk:

Operational Risk Components	Description
IT system disruptions	The risk of IT systems or applications failing or not performing reliably (includes application development, infrastructure maintenance and DR capability).
Outsourcing and Third-party performance and engagement	The risk that third party capabilities and SLAs do not match business requirements and expose the company to unintended risk. Also includes errors and delays in the on-boarding of new vendors and business partners.
Legal & Regulatory risk	Applies to local non-US insurance rules & regulations and the failure of adhering to them.
Business Disruption & Systems Failure	Risks associated with the interruption of business activity due to system or communication failures, the inaccessibility of information or the unavailability of utilities.
Financial reporting misstatements	This is the risk of financial statements containing material misstatements and/or errors in tax accounting.
Claims	The risk of inadequate handling of claims by the company resulting in claims leakage or inappropriate denials.
Staffing resources	The risk of losses arising due to insufficient capability of staff resources (includes the failure to provide a safe environment for employees).
Fraud	Risk of loss due to fraud perpetrated internally or externally.
Administration execution	Covers execution administration errors in policy servicing (timeliness, incorrect data, communication breakdowns), leading to customer detriment, reputational and operational impacts.

Operational Risk Components	Description
Cyber	The risk of cyber-attacks leading to information theft & denial of service.
Project execution	Covers the risk of program execution failure with large projects not delivered correctly, on time, on budget, or causing other unforeseen impacts or errors. Also includes the risk of the incorrect prioritisation of projects.
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.
Business continuity	The risk of ineffective business continuity plans negatively impacting company operations as a result of natural disasters, political events, terrorism or accidents.
Data	The risk that required data is not sufficiently available or of high enough quality (both because of systems and supporting processes) to support business decisions.
Conduct risk	The risk of not ensuring fair customer outcomes through the product life cycle, both from internal or external (outsourced) processes. The risk overlaps with other key risks (e.g. data quality, programme execution, 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 Second Line of Defence (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 by AESA to assess the Operational Risk:

Operational Risk Components	Metrics
IT system disruptions	Report of IT systems or applications fail or do not perform reliably
Outsourcing and Third-party performance and engagement	Risk Events, Category Based Risk Assessment (CBRA) Report
Legal & Regulatory risk	Number of Privacy Risk Incidents / Escalations
Business Disruption & Systems Failure	Outage Systems and Outage Duration Report
Financial reporting misstatements	Late Fillings Report
Claims	Closed file reviews, Declined Ratios, Complaints Claim Handling Report
Staffing resources	Headcount Report
Fraud	Number of internal fraud cases, Gross loss from internal fraud
Administration execution	Service Level Agreement Report
Cyber	Number of attacks, Malware detected
Project execution	Large Projects Execution Report
Reinsurance	Bound not booked report, Internal Treaty, External Treaty, Fac / Captive spend
Receivables	Open Receivables Report
Business continuity	BIA/ BCP Assessment Report
Data	Data Quality and Availability Report
Conduct risk	Complaint Management Report

OPERATIONAL RISK CONCENTRATION

When viewed on a standalone basis, the largest Operational Risk AESA is exposed to is the group contagion/reputational risk where a negative impact of AIG Inc. reputation such as a downgrade on credit rating could have a significant impact on client relationships. Other significant Operational Risks include financial integrity, failure in application of reinsurance and breach of underwriting authority.

OPERATIONAL RISK MITIGATION TECHNIQUES

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

AIG Group's ORM Framework, which AESA aligns to, 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.

PROCESS FOR MONITORING THE EFFECTIVENESS OF OPERATIONAL RISK MITIGATION TECHNIQUES

ERM and management have worked together to continue enhancement of the Operational Risk Framework in AESA.

The Risk Event reporting process is further enhanced in its journey to maturity. ORM's focus is on awareness, and it is delivered through multiple training and awareness sessions with senior management, including lunch & learns with staff. Additional "tone from the top" messages are initiated from senior management, including a "raise your hand" campaign by the CEO, and messages from the President of AIG to again confirm the need for all employees to raise risk events.

The analysis of risk events was enhanced through monthly risk event forums (across the region, as well as with global ORM colleagues). The network of risk champions is also in place with their main goal to support the identification and reporting of risk events in their business units.

ORM reviews all risk events reported and communicate management actions for significant events, to all relevant Governance forums and committees.

Risk identification is further supported by the execution of Risk and Control Self-Assessments. 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 for the Company, aligning this to a global top-down risk assessment.

C.6 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 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	EIOPA	Performed every two years
Strategic planning SSTs	All Risks	As required
Emerging Risks SSTs	All Risks	As required

STRESS TESTS AND SENSITIVITIES

Target Capital is defined as the Solvency Capital Requirement plus a buffer. AESA's proposed Target Capital Buffer has been determined to be EUR 594m as at Q4 2024.

The foreseeable dividend payment is taken into consideration in the baseline scenario. As can be seen from the table, none of the stresses resulted in a capital drawdown in excess of the buffer included in the target capital.

A set of stress testing scenarios has been performed to independently assess the level of proposed capital buffer to ensure it is held at such a level that any single loss from the stresses does not result in a breach of the SCR. The below stresses take into consideration the Accident Year Stop Loss and ADC contracts for insurance risk.

The results from the stress testing analysis have been summarised below:

Stress	2025		
	Rank	Lowest Solvency Ratio	Variance from Baseline
Baseline	0	193.2%	
180bps Credit Spread and -20% Equity Shock	1	176.2%	-17.0%
Large Losses and Credit Spread Shock	2	180.7%	-12.5%
Cancellation of ADC Roll-in	4	185.5%	-7.7%
100bps Interest Rate Increase, 180bps Credit Spread Shock	3	184.0%	-9.2%
Synchronised Cyber Attack	7	186.9%	-6.3%
Persistent Inflation	5	193.5%	0.2%
100bps Interest Rate Increase Shock	8	190.3%	-2.9%
Large Losses and PYD on all Reserve years	6	195.4%	2.2%
Reinsurance Rate Hardening +20%	11	194.9%	1.6%
Group Stagflation	10	194.9%	1.7%
Transient Inflation	9	194.2%	1.0%
Reinsurance Rate Hardening +10%	12	196.6%	3.4%
European Earthquake & European Windstorm	13	196.7%	3.5%
100bps Interest Rate Decrease Shock	14	201.9%	8.7%
Severe Draw (€390m Gross, €135m Net in AY2024)	15	202.6%	9.4%

Please note that the Baseline Solvency Ratio used as the basis for the Stress and Sensitivity Testing uses a historical Own Funds and SCR projection calculated prior to the current Own Funds reported within the SFCR.

C.7 Other Material Risks

Pension Risk

Pension risk exists for AESA on the defined benefit schemes sponsored by its direct and indirect subsidiaries, primarily in Germany, Netherlands, Ireland and Switzerland. For AESA, the pension deficit on an IAS19 accounting basis is the principal driver of capital requirement for pension risk under Solvency II as well as for internal risk management purposes. The primary risk mitigation of pension risk is through ongoing monitoring, assessment and capital setting. Quarterly SCR calculations are performed by the Solvency II Pillar 3 reporting team based on updated quarterly IAS19 valuation provided by the pension scheme administrator.

Technology Risk

Technology Risk is the risk that customers or AIG may suffer service disruptions or may incur losses arising from system defects such as failures, faults, or incompleteness in computer operations, or illegal or unauthorized use of computer systems, including Cyber security and the risks emanating from threats to AIG systems.

Technology Risk encompasses information/cyber security, and its programme is run by a distinct unit: the Information Security Office. Their mission is to respond to the evolving threat landscape and maintain a resilient business, while monitoring AIG's infrastructure for malicious content in email and internet traffic. They leverage threat intelligence, basic defensive tools, identity & access management throughout the worker lifecycle at AIG. Security controls increase system integrity and limit opportunities reducing the attack surface and monitoring network traffic at critical locations.

The Technology Risk function within ERM provides specialist risk oversight across all technology aspects impacting the Company. The team monitor the technology risk position, providing reports to the Board, Risk and Capital Committee.

Technology Risk provide specialist support to the Chief Risk Officer, performing deep dive risk reviews, managing completion of reviews of IT related operational risk scenarios as part of the operational risk component of the internal capital model, as well as monitoring all technology related risk events, ensuring appropriate actions are taken to address any control failures. The team partner with technology management on various initiatives, providing risk insights to support business activities such as programme delivery and vendor engagements.

Under the Digital Operational Resilience Act (DORA) requirements, AESA has reviewed its existing framework for ICT (Technology) Risk Management adjusting to reinforce measures in place addressing technological vulnerabilities, third-party dependencies, and potential cyber threats. This means leveraging established incident response mechanisms, resilience testing, and oversight of third-party service providers and adhering to new regulatory reporting requirements.

Beyond compliance, DORA presents strategic opportunities for European insurance companies to enhance their own operational resilience while developing new insurance products addressing technology risks. As digital transformation accelerates across the insurance value chain, DORA-compliant insurers are better placed to win business.

In effecting DORA, AESA has strengthened its capacity to identify emerging technology risks in their own operations and those of their clients. This dual perspective enables AESA to bolster its operational resilience, as well as provide feedback towards cyber insurance and technology risk coverage products based on deeper understanding of digital vulnerabilities.

Technology Risk is mitigated through capital setting as it is modelled within the Company's Internal Model as part of Operational Risk.

Climate Change Risk (Environmental, Societal and Governance)

In line with EIOPA's definition, AESA acknowledges that sustainability risks may materialise through existing (prudential) risk categories. AIG recognizes that there could be emerging risk scenarios that resonate and/or are correlated with ESG risks, where some may still be emerging and others like sustainability related litigation are already known.

AESA takes note that Climate Change Risk aligned as part of the European Sustainability Reporting Standards (ESRS) under the Environmental Topical Standards.

Climate change has three distinct, yet highly interrelated, mechanisms that create risk:

- Physical Risk: Both direct and indirect impacts from event driven (acute) or longer-term (chronic) shifts in climate patterns. Climate change contributes to an increase in the frequency and severity of natural disasters and the creation of uncertainty as to future trends and exposures.
- Transition Risks: Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change.
- Liability Risks: May arise from people or businesses seeking compensation for losses they may have suffered from physical or transition risks. This may be due to policy and technological changes, as well as from third parties who seek to influence policy or recover losses from others whom they believe are responsible by means of failure to mitigate, adapt and/or disclose.

Climate change, indicated by higher concentrations of greenhouse gases, a warming atmosphere and ocean, wildfires, diminished snow and ice, and a rise in sea levels, appears to have contributed to an increase in the frequency and severity of natural disasters and the creation of uncertainty as to future trends and exposures. As such, climate change presents significant financial implications for AIG in areas such as underwriting, claims and investments, as well as risk capacity, financial reserving, and operations.

Climate change presents challenges to our ability to effectively underwrite, model and price catastrophe risk particularly if the frequency and severity of catastrophic events such as pandemics, hurricanes, tornadoes, heatwaves, floods, wildfires and windstorms and other natural disasters continue to increase. For example, losses resulting from actual policy experience may be adverse as compared to the assumptions made in product pricing as well as mortality assumptions and our ability to mitigate our exposure may be reduced.

Climate change-related risks may also adversely impact the value of the securities that we hold or lead to credit risk of other counterparties we transact business with, including reinsurers. Our reputation or corporate brand could also be negatively impacted as a result of changing customer

or societal perceptions of organizations that we either insure or invest in due to their actions (or lack thereof) with respect to climate change, as well as political initiatives or other stakeholder expectations with respect thereto. Any policies adopted by investors to address changing societal perceptions on climate change could result in increased compliance costs to our businesses and changes to our corporate governance and risk management practices and may affect the type of assets we hold in our investment portfolio.

Lawmakers and regulators have imposed and may continue to impose new requirements or issue new guidance aimed at addressing or mitigating climate change-related risks and efforts undertaken in response thereto, leading to exposure to discrepancies between applicable regulatory regimes regarding climate change.

Additionally, litigation may trigger losses under liability policies, such as casualty and directors' and officers' insurance policies, increase our liabilities and affect the viability of certain of our business lines.

Weather changes and other effects of climate change result in more frequent and more severe claims over flooding, mudslides and other climate events that results in injury or damage, as well as in construction defect litigation, chemical release lawsuits, and workers' compensation claims from our customers and, potentially, impact the value of the securities that we hold.

We may face business continuity risk as a result of climate change-related incidents that may disrupt business operations, including extreme weather events.

Given the nature of the risk, we cannot at this stage predict the long-term impacts of climate change on our business and results of operations.

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 FROM LUXEMBOURG GAAP BASIS TO SOLVENCY II BASIS. THE SECTION ALSO OUTLINES THE APPROACH AND METHODOLOGY UNDERLYING THE VALUATION.

KEY ELEMENTS OF THE SECTION ARE:

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

In accordance with Article 75 of the Solvency II Directive, the Company's assets and liabilities other than technical provisions are measured in accordance with principles of an arm's length transaction between knowledgeable willing parties using market consistent valuation methods. 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.

The table below sets out AIG Europe S.A.'s summarised Balance Sheet as at 31 December 2024, comparing assets and liabilities reported under Luxembourg GAAP to Solvency II.

Solvency II Balance Sheet as at 31 December 2024 €m	Notes	LUX GAAP	Solvency II Reclassification	Solvency II Adjustment	Solvency II EBS
Assets					
Deferred acquisition costs	8	253.8	0.0	(253.8)	0.0
Intangible assets	9	15.0	0.0	(15.0)	0.0
Deferred tax assets	7	0.0	0.0	45.5	45.5
Pension benefit surplus	10	6.8	0.0	0.0	6.8
Property, plant & equipment held for own use	6	18.0	0.0	0.0	18.0
Investments	1	8,213.4	68.6	(132.9)	8,149.2
Property (other than for own use)		0.0	0.0	0.0	0.0
Participations		17.0	0.0	6.5	23.5
Equities		1.5	0.0	0.9	2.4
Equities - listed		0.0	0.0	0.0	0.0
Equities - unlisted		1.5	0.0	0.9	2.4
Bonds		7,988.4	68.6	(151.5)	7,905.5
Government Bonds		2,431.4	9.1	(264.3)	2,176.3
Corporate Bonds		5,352.8	58.5	111.9	5,523.2
Structured notes		0.0	0.0	0.0	0.0
Collateralised securities		204.1	1.0	0.8	206.0
Investment funds		181.2	0.0	11.2	192.4
Derivatives		0.0	0.0	0.0	0.0
Deposits other than cash equivalents		25.3	0.0	0.0	25.3
Loans & mortgages	2	36.8	0.2	(0.7)	36.3
Other loans & mortgages		36.8	0.2	(0.7)	36.3
Reinsurance recoverable from:	D.2	3,397.5	0.0	(1,816.3)	1,581.1
Non-life excluding health		3,397.5	0.0	(1,810.4)	1,587.1
Health similar to non-life		0.0	0.0	(5.9)	(5.9)
Life excluding Health and index-linked and unit-linked		0.0	0.0	0.0	0.0
Insurance & intermediaries receivables	11	1,096.8	40.6	(1,081.3)	56.1
Reinsurance receivables	4	791.4	0.0	0.0	791.4
Receivables (trade, not insurance)	3	1,138.7	(68.8)	0.0	1,069.9
Cash and cash equivalents	5	126.1	0.0	0.0	126.1
Total assets		**15,094.2**	**40.6**	**(3,254.5)**	**11,880.3**

Solvency II Balance Sheet as at 31 December 2024 €m	Notes	LUX GAAP	Solvency II Reclassification	Solvency II Adjustment	Solvency II EBS
Liabilities					
Technical Provisions	D.2				
Technical provisions – non-life		(10,328.8)	0.0	2,359.7	(7,969.1)
Non-life excluding health		(10,328.8)	0.0	2,573.1	(7,755.7)
Health similar to non-life		0.0	0.0	(213.4)	(213.4)
Technical provisions – life		0.0	0.0	0.0	0.0
Liabilities other than Technical Provisions		0.0	0.0	0.0	0.0
Provisions other than technical provisions	13	(148.5)	0.0	0.0	(148.5)
Pension benefit obligations	14	(66.7)	0.0	0.0	(66.7)
Deposits from reinsurers	16	(1.1)	0.0	0.0	(1.1)
Deferred tax liabilities	15	0.0	0.0	(202.4)	(202.4)
Debts owed to credit institutions		0.0	0.0	0.0	0.0
Insurance & intermediaries payables		(409.4)	0.0	253.3	(156.0)
Reinsurance payables	17	(970.3)	(0.0)	970.3	0.0
Payables (trade, not insurance)	12	(913.4)	(40.6)	171.7	(782.2)
Total Liabilities		**(12,838.2)**	**(40.6)**	**3,552.7**	**(9,326.1)**
Excess of Assets over Liabilities		**2,256.0**	**(0.0)**	**298.2**	**2,554.2**

D.1 Assets

NOTE 1: INVESTMENTS

Under Solvency II, investments excluding participations are measured using fair valuation principles.

Investments are classified into the three tiers of fair value hierarchy based on the characteristics of inputs available in the marketplace. The following valuation hierarchy is used:

- **Level 1:** Quoted market prices in active markets for the same assets.
- **Level 2:** Quoted market prices in active markets for similar assets with adjustments to reflect differences. The adjustments reflect factors specific to the asset including the condition or location of the asset, the extent to which inputs relate to items that are comparable with the asset and the volume or level of activity in the markets within which the inputs are observed.
- **Level 3:** Alternative valuation methods which make use of relevant market inputs including:
    - Quoted prices for identical or similar assets in markets which are not active;
    - Inputs other than quoted prices that are observable for the asset, including interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads; and
    - Market-corroborated inputs, which may not be directly observable but are based on or supported by observable market data.

Holdings in related undertakings, including participations are valued at the lower of historic cost and realisable value under Luxembourg GAAP. Under Solvency II, participations are valued using the adjusted equity method by applying the Article 75 valuation principles on the individual assets and liabilities of the Company's subsidiaries.

The table below shows the split of AIG Europe S.A.'s total investments between the different Solvency II asset categories, as well as the reclassification and valuation adjustments applied at 31 December 2024.

Note 1: Total Investments, €m	LUX GAAP	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II
Property (other than for own use)	0.0	0.0	0.0	0.0
Participations	17.0	0.0	6.5	23.5
Equities	1.5	0.0	0.9	2.4
Bonds	7,988.4	68.6	(151.5)	7,905.5
Investment funds	181.2	0.0	11.2	192.4
Deposits other than cash equivalents	25.3	0.0	0.0	25.3
Total Investments	**8,213.4**	**68.6**	**(132.9)**	**8,149.1**

At 31 December 2024, accrued interest was reclassified from other receivables to the value of the underlying assets under Solvency II.

NOTE 2: LOANS AND MORTGAGES

AIG Europe S.A.'s loans and mortgages are measured at amortised cost under Luxembourg GAAP. Under Solvency II, they are measured at fair value using the discounted cash flow method.

The table below shows the reclassification and valuation adjustments made to loans and mortgages at 31 December 2024.

Note 2: Loans and Mortgages, €m	LUX GAAP	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II
Balance at 31 December 2024	36.8	0.2	(0.7)	36.3

At 31 December 2024, accrued interest was reclassified from other receivables to loans and mortgages under Solvency II. The fair value adjustment was € (0.7)m.

NOTE 3: RECEIVABLES (TRADE, NOT INSURANCE)

The table below shows the reclassification and valuation adjustments made to trade receivables at 31 December 2024.

Note 3: Receivables (trade, not insurance), €m	LUX GAAP	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II
Balance at 31 December 2024	1,138.7	(68.8)	0.0	1,069.9

As shown in Notes 1 and 2 above, accrued interest was reclassified to the underlying asset under Solvency II.

NOTE 4: REINSURANCE RECEIVABLES

Note 4: Reinsurance Receivables, €m	LUX GAAP	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II
Balance at 31 December 2024	791.4	0.0	0.0	791.4

At 31 December 2024, there were no differences between Luxembourg GAAP and Solvency II for reinsurance receivables.

NOTE 5: CASH AND CASH EQUIVALENTS

The table below shows the reclassification and valuation adjustments made to cash and cash equivalents at 31 December 2024.

Note 5: Cash and Cash Equivalents, €m	LUX GAAP	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II
Balance at 31 December 2024	126.1	0.0	0.0	126.1

At 31 December 2024, € (0.0m) of overdrafts were reclassified to debts owed to credit institutions.

NOTE 6: PROPERTY, PLANT & EQUIPMENT HELD FOR OWN USE

Land and buildings are held at historical acquisition cost under Luxembourg GAAP and are based on the most recent valuation under Solvency II. Property and equipment are valued at historical acquisition cost and depreciated to their residual values over their useful lives under both Luxembourg GAAP and Solvency II.

Note 6: Property, Plant and Equipment held for Own Use, €m	LUX GAAP	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II
Balance at 31 December 2024	18.0	0.0	0.0	18.0

At 31 December 2024, there were no differences between Luxembourg GAAP and Solvency II for property, plant and equipment held for own use.

NOTE 7: DEFERRED TAX ASSET

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.

The 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.

Under Luxembourg GAAP, the concept of deferred tax assets or liability does not exist. Adjustments are made to reinstate the deferred tax assets and liabilities on an IFRS basis. The Company's Solvency II deferred tax asset or liability is then calculated based on the temporary differences between the Economic Balance Sheet and the IFRS tax bases of the entity's component branches.

The table below shows the reclassification and valuation adjustments made to deferred tax assets at 31 December 2024.

Note 7: Deferred Tax Asset, €m	LUX GAAP	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II
Balance at 31 December 2024	0.0	0.0	45.5	45.5

At 31 December 2024, the Solvency II adjustment represents the value of Deferred Tax Assets allowable under Solvency II.

NOTE 8: DEFERRED ACQUISITION COST

Under Luxembourg 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).

The table below shows the reclassification and valuation adjustments made to deferred acquisition costs at 31 December 2024.

Note 8: Deferred Acquisition Costs, €m	LUX GAAP	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II
Balance at 31 December 2024	253.8	0.0	(253.8)	0.0

At 31 December 2024, deferred acquisition costs were written off under Solvency II.

NOTE 9: INTANGIBLE ASSETS

The Company's intangible assets include capitalised software costs, acquired brands and goodwill. Under Luxembourg 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 the Company's intangible assets met this criterion therefore the whole amount was written off.

The table below shows the reclassification and valuation adjustments made to intangible assets at 31 December 2024.

Note 9: Intangible Assets, €m	LUX GAAP	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II
Balance at 31 December 2024	15.0	0.0	(15.0)	0.0

At 31 December 2024, intangible assets were written off under Solvency II.

NOTE 10: PENSION BENEFIT SURPLUS

The Company operates a number of pension schemes, whose members receive benefits on either a defined benefit or defined contribution basis. Under Luxembourg GAAP, the defined benefit obligation and associated surplus or deficit are calculated by independent actuaries using the Projected Unit Credit Method.

Note 10: Pension Benefit Surplus, €m	LUX GAAP	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II
Balance at 31 December 2024	6.8	0.0	0.0	6.8

At 31 December 2024, there were no differences between Luxembourg GAAP and Solvency II for pension benefit surplus.

NOTE 11: INSURANCE & INTERMEDIARIES RECEIVABLES

Insurance and intermediaries receivables that are not past due (<90 days) are future cash flows and are therefore reclassified to technical provisions under Solvency II. Any remaining insurance receivables/payables not reclassified to technical provisions are measured using the income approach alternative valuation method, which converts future cash flows to a single current amount.

The table below shows the reclassification and valuation adjustments made to insurance and intermediaries receivable at 31 December 2024.

Note 11: Insurance & intermediaries receivables, €m	LUX GAAP	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II
Balance at 31 December 2024	1,096.8	40.6	(1,081.3)	56.1

At 31 December 2024, the reclassification adjustment represents the grossing up adjustment with trade payables for net balances within the branch ledgers. The Solvency II valuation adjustment represents insurance receivables which are not past due that are treated as future cash flows and reclassified to technical provisions under Solvency II.

D.2 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 Estimate of provisions that relate to the earned exposure.
- Gross premium provisions: Best Estimate 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.

Solvency II requires Technical Provisions to be segmented by Solvency II lines of business. The Company's segmentation of lines of business is more granular and is dependent on Luxembourg 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 provide by EIOPA 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

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.

GROSS CLAIMS PROVISIONS

Luxembourg GAAP best estimate of reserves (with no margin for prudence) are used as the starting point to estimate the gross claims provisions before the following adjustments are applied:

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

The Luxembourg 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 the Company's Luxembourg GAAP reserves to arrive at 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. BOUND BUT NOT INCEPTED (BBNI)

BBNI premium income relates to policies which the Company 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, lapses, commission and claims are allowed for in the calculation and profit from BBNI acts to reduce the best estimate Technical Provisions.

The BBNI methodology differs depending on the country to accurately reflect individual country bookings, data availability and seasonality characteristics.

An additional allowance is included within the ceded BBNI for contractually obliged minimum premiums corresponding to the 1st 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 Luxembourg 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 Luxembourg 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. For each country within AIG Europe S.A., the

same payment patterns are used by line of business, which mirrors the Luxembourg GAAP best estimate reserving process.

The risk-free yield curves (with no volatility adjustment and matching adjustment) provided by EIOPA 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 calculation of the technical provisions. Similarly, premiums payables which have not yet been paid by the Company also need to be taken into account.

Premium receivables are 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 LUX GAAP ceded reserves and ceded UEPR respectively used as the start point in the calculation.

To determine the Luxembourg 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, the Company currently adopts the principle of correspondence in its treatment of reinsurance, for both current and future reinsurance contracts. Within the Company, 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 Luxembourg 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

Methodology 1, prescribed by EIOPA's Guideline 62, is used to calculate the future Solvency Capital Requirement (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 EUR yield curve as prescribed by EIOPA. The sum of the discounted SCRs is multiplied by the Cost of Capital of 6% as prescribed by EIOPA 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 the Company'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 quarterly Reserve Committee meetings. Some of the key uncertainties include:

Financial Lines: Increased market and regulatory scrutiny of the financial institutions post the financial crisis.

Casualty: Litigation changes, legal reforms, bodily injury and industrial disease claims are areas of uncertainty.

Excess Placements: The book contains excess policies (notably Financial Lines and Casualty classes), 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.

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). The reserving process considers model error in the three ways detailed below.
Modelling is completed using a variety of different methods including:

- Chain-ladder.
- Bornhuetter Ferguson.
- Frequency/Severity.

Modelling is completed on both paid claims and incurred claims. For some lines of business, different large loss modelling approaches are tested.

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 to allow for mitigation of model error.

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 Luxembourg 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 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 in countries 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 are dampened as only the profit portion of the BBNI premium is considered.

VALUE OF TECHNICAL PROVISIONS FOR EACH MATERIAL LINE OF BUSINESS

General Liability, Fire and Other Damage, Motor Vehicle Liability and Marine, Aviation and Transport business represent over 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).

Valuation of Technical Provisions for each Major Line of Business, €m	General liability insurance	Fire and other damage to property insurance	Motor vehicle liability insurance	Marine, aviation and transport insurance
Best Estimate	4,406.5	1,070.9	1,022.4	537.7
Risk Margin	250.8	37.1	44.7	14.0
Gross Technical Provision	**4,657.3**	**1,108.0**	**1,067.1**	**551.7**
Reinsurance Recoverable	616.8	275.0	344.1	275.3
Net Technical Provision	**4,040.5**	**833.0**	**723.0**	**276.4**

GENERAL LIABILITY INSURANCE

General Liability lines represent 63% of Solvency II net technical provisions. Luxembourg GAAP reserves for Liability and Financial lines that represent Casualty (General Liability), D&O and Professional Indemnity business are the starting point for the calculation of technical provisions of this Solvency II line. The most material Solvency II adjustments that result in reduction of Luxembourg GAAP reserves are the discounting credit (€479m), UEPR profit (€186m), and removal of earned reserve margin (€82m),

FIRE AND OTHER DAMAGE TO PROPERTY INSURANCE

Fire and Other Damage lines represents 13% of SII net technical provisions. Luxembourg GAAP reserves that represent Property and Energy business are the starting point for the calculation of technical provisions for this Solvency II line. The most material Solvency II adjustment resulting in a reduction to the Luxembourg GAAP reserves are for the UEPR profit (€89m) and discounting credit (€21m).

MOTOR VEHICLE LIABILITY INSURANCE

Motor Vehicle Liability insurance represents 11% of Solvency II net technical provisions. Luxembourg GAAP reserves that represent Casualty (Auto) and Personal Auto Liability business are the starting point for the calculation of technical provisions for this Solvency II line. The most material Solvency II adjustments that result in reduction of Luxembourg GAAP reserves are the discounting credit (€89m), UEPR profit (€56m), and discounting credit of €22m.

MARINE, AVIATION AND TRANSPORT INSURANCE

Marine, Aviation and Transport represents 4% of Solvency II net technical provisions. Luxembourg GAAP reserves that represent Marine and Aerospace business are the starting point for the calculation of technical provisions for this Solvency II line. The most material Solvency II adjustment resulting in reduction of Luxembourg GAAP reserves are for the UEPR profit (€38m) and discounting credit (€12m).

D.3 Other Liabilities

D.3 Other Liabilities

NOTE 12: PAYABLES (TRADE, NOT INSURANCE)

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 Luxembourg GAAP is taken to approximate fair valuation.

The table below shows the reclassification and valuation adjustments made to trade payables at 31 December 2024.

Note 12: Payables (Trade, Not Insurance), €m	LUX GAAP	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II
Balance at 31 December 2024	(913.4)	(40.6)	171.7	(782.2)

At 31 December 2024 the reclassification adjustment represents the grossing up adjustment with insurance receivables for net balances within the branch ledgers.

At 31 December 2024, €171.7m of deferred foreign exchange gains under Luxembourg GAAP were reinstated under Solvency II.

NOTE 13: PROVISIONS OTHER THAN TECHNICAL PROVISIONS

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 Luxembourg GAAP, a provision is measured at the best estimate of the amount the entity would pay to settle the obligation or transfer it to a third party.

The table below shows the reclassification and valuation adjustments made to other provisions at 31 December 2024.

Note 13: Provisions Other Than Technical Provisions, €m	LUX GAAP	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II
Balance at 31 December 2024	(148.5)	0.0	0.0	(148.5)

At 31 December 2024, there were no differences between Luxembourg GAAP and Solvency II for other provisions.

NOTE 14: PENSION BENEFIT OBLIGATIONS

Refer to Note 10 for the Luxembourg GAAP and Solvency II valuation principles in respect of pension benefit obligations.

Note 14: Pension Benefit Obligations, €m	LUX GAAP	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II
Balance at 31 December 2024	(66.7)	0.0	0.0	(66.7)

At 31 December 2024, there were no differences between Luxembourg GAAP and Solvency II for pension benefit obligations.

NOTE 15: DEFERRED TAX LIABILITIES

Refer to Note 7 for the Luxembourg GAAP and Solvency II valuation principles in respect of deferred taxes.

The table below shows the reclassification and valuation adjustments made to deferred tax liabilities at 31 December 2024.

Note 15: Deferred Tax Liabilities, €m	LUX GAAP	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II
Balance at 31 December 2024	0.0	0.0	(202.4)	(202.4)

At 31 December 2024, the Solvency II adjustment represents the value of Deferred Tax Liabilities allowable under Solvency II.

NOTE 16: DEPOSIT FROM REINSURERS

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

Note 16: Deposit From Reinsurers, €m	LUX GAAP	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II
Balance at 31 December 2024	(1.1)	0.0	0.0	(1.1)

At 31 December 2024, there were no differences between Luxembourg GAAP and Solvency II for deposits from reinsurers.

NOTE 17: REINSURANCE PAYABLE

Reinsurance payables represent the sum of creditors arising out of direct insurance and reinsurance operations. The Company's reinsurance payables are all due within 12 months. Owing to their short term nature, the amortised cost valuation under Luxembourg GAAP is taken to approximate fair valuation. Under Solvency II, reinsurance payables form part of the future premium cash flows which make up the gross premium provisions component of the Solvency II technical provisions.

The table below shows the reclassification and valuation adjustments made to reinsurance payables at 31 December 2024.

Note 17: Reinsurance Payable, €m	LUX GAAP	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II
Balance at 31 December 2024	(970.3)	(0.0)	970.3	0.0

At 31 December 2024, the Solvency II adjustments represents the future net receivables/payables relating to Solvency II technical provisions.

D.4 Alternative Valuation Methods

Alternative valuation methods, as defined in the Solvency II regulations, are applied in the fair valuation of the following assets of the Company:

- Loans and mortgages;
- Property, plant and equipment;
- Equity securities.

The details around alternative valuation methods used in Loans and Mortgages and Property, plant and equipment are disclosed in Notes 2 and 6 respectively. The valuation of equity securities is based on net asset value by percentage owned.

D.5 Other Material Information

No other information to report.

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E. Capital Management

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

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

KEY ELEMENTS OF THE SECTION ARE:

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

E.1 Own Funds

AESA 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.
- 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

The Company'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 the Company as at 31 December 2024 is provided below:

Composition and Quality of Own Funds, €m	Tier 1 Unrestricted	Tier 1 Restricted	Tier 2	Tier 3	Total
Ordinary Share Capital	47.2	0.0	0.0	0.0	47.2
Share Premium Account related to Ordinary Share Capital	1,226.0	0.0	0.0	0.0	1,226.0
Reconciliation Reserve	781.0	0.0	0.0	0.0	781.0
Letters of Credit (Ancillary Own Funds)	0.0	0.0	340.0	0.0	340.0
Net Deferred Tax Assets	0.0	0.0	0.0	0.0	0.0
Total Available Own Funds	**2,054.2**	**0.0**	**340.0**	**0.0**	**2,394.2**

TIER 1 BASIC OWN FUNDS

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

- Ordinary share capital
- Share premium account
- Solvency II reconciliation reserve.

The Company's ordinary share capital and related share premium are classified as Tier 1 unrestricted capital as its Articles of Association do not prohibit the cancellation of dividends after they have been declared.

The Company's reconciliation reserve is classified as Tier 1 capital in accordance with the Solvency II regulations. The table below sets out the components of the reconciliation reserve.

A €500m dividend was approved by the Board on 26th March 2025. The amount is deducted from Basic Own Funds for YE 2024 reporting as is defined as 'foreseeable' at time of submission of the SFCR.

Reconciliation Reserve	€m
Excess of assets over liabilities	2,554.2
Less:	
Forseeable distributions	(500.0)
Ordinary Share Capital	(47.2)
Share Premium Account related to Ordinary Share Capital	(1,226.0)
Net Deferred Tax Assets	0.0
Reconciliation Reserve	**781.0**

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.

At 31 December 2024, the Company had the following Letters of Credit in place.

Letters of Credit		
Counterpart	CAA approval period	€m
ING Bank N.V (Dublin branch)	1 December 2022 – 30 November 2026	200
Landesbank Hessen-Thueringen Girozentrale (Helaba)	1 December 2022 – 30 November 2026	140
Total Letters of Credit		**340**

The Letters of Credit are provided by external banks. The terms of the Letters of Credit enable the Company to call upon the agreed guarantee amounts on demand. The banks in turn recover funds from AIG, Inc. in its capacity as applicant and guarantor. Both Letters of Credit have been renewed for a further four years from 1 December 2022.

ELIGIBLE OWN FUNDS

At 31 December 2024, the Company's total eligible Own Funds to meet its SCR was the same as the total available Own Funds.

€m	Total	Tier 1 (unrestricted)	Tier 1 (restricted)	Tier 2	Tier 3
Total eligible own funds to meet the SCR	2,394.2	2,054.2	0.0	340.0	0.0
Total available own funds to meet the SCR	2,394.2	2,054.2	0.0	340.0	0.0

FUNGIBILITY AND TRANSFERABILITY OF OWN FUNDS

At 31 December 2024, the Company 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

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 LUX GAAP	2,256.0
Solvency II valuation differences	298.2
Excess of assets over liabilities under Solvency II	**2,554.2**

E.2 Solvency Capital Requirement And Minimum Capital Requirement

E.2.1 SOLVENCY CAPITAL REQUIREMENT (SCR)

AESA uses the Internal Model to calculate its Solvency Capital Requirement (SCR). AESA's SCR at 31 December 2024 is €1,273m.

The table below shows a breakdown of the SCR by risk and diversification benefit.

SCR	€m
Insurance risk	763
Market risk	536
Credit risk	303
Operational risk	271
Pension risk	35
Loss Absorbing capacity of deferred taxes	0
Diversification	(635)
Solvency Capital Requirement	**1,273**

E.2.2 MINIMUM CAPITAL REQUIREMENT (MCR)

AESA uses the Internal Model to calculate its Minimum Capital Requirement (MCR). AESA's MCR at 31 December 2024 is €572.9m.

The following table shows the MCR calculation:

Overall MCR calculation	€m
Linear MCR	940.9
SCR	1,273.0
MCR cap	572.9
MCR floor	318.3
Combined MCR	572.9
Absolute floor of the MCR	4.0
Minimum Capital Requirement	**572.9**

The MCR is based on factors applied to net premiums written amounts in the previous 12 months and the net best estimate technical provisions both split by Solvency II class of business. The charge for premium and technical provision elements are then summed to create a total charge.

Calculation of MCR (inputs), €m	Net (of reinsurance) best estimate provisions	Net (of reinsurance) written premiums in last 12 months
Medical expense insurance and proportional reinsurance	15.6	29.8
Income protection insurance and proportional reinsurance	148.3	291.0
Workers' compensation insurance and proportional reinsurance	38.3	1.5
Motor vehicle liability insurance and proportional reinsurance	678.3	313.3
Other motor insurance and proportional reinsurance	0.0	0.0
Marine, aviation and transport insurance and proportional reinsurance	262.4	259.4
Fire and other damage to property insurance and proportional reinsurance	795.8	591.0
General liability insurance and proportional reinsurance	3,789.7	1,191.3
Credit and suretyship insurance and proportional reinsurance	96.6	23.2
Legal expenses insurance and proportional reinsurance	0.0	0.0
Assistance and proportional reinsurance	4.5	32.4
Miscellaneous financial loss insurance and proportional reinsurance	148.8	92.3
Non-proportional health reinsurance	0.0	0.0
Non-proportional casualty reinsurance	18.5	27.2
Non-proportional marine, aviation and transport reinsurance	1.5	1.2
Non-proportional property reinsurance	9.8	13.4

APPROACH TO CAPITAL MANAGEMENT

AESA 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 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 wider European and worldwide Group.

The Finance function provides the Board and RCC with information on the capital position and monitors the surplus in line with internal, regulatory and rating agency capital requirements. The Capital Management department also works alongside ERM to conduct group internal and regulatory stress and scenario testing. The governance and oversight of the capital management process is laid out in the section B System of Governance.

CAPITAL MANAGEMENT PLAN

AESA produces an annual Capital Management Plan, which sets out target capital parameters and strategy to be maintained over a three-year business planning horizon. The intention of the plan is to ensure AESA meets regulatory capital requirements and other business expectations such as distribution payments to the AIG Group parent whilst also optimising capital efficiency.

The AESA Capital Plan aims to:

- Document the regulatory and internal minimum capital levels and show capital projections under baseline and stressed scenarios.
- Support the distribution plan.
- Describe the capital implications and actions required in the event that a stress scenario occurs.

The Capital Plan is a complete and comprehensive analysis of the Company's capital sources and uses a three-year time frame that takes into consideration:

- Multiple macroeconomic and financial market scenarios.
- Business and Strategic Plan, budget and goals.
- Overall capital level relative to its risk tolerance.
- Applicable regulations.
- Capital management goals.
- Multiple future scenarios involving capital resources and requirements under the Solvency II Internal Model.
- It presents the key facts with respect to the assessment of capital adequacy and analyses the impact of the proposed restructuring events and capital actions.

CAPITAL MANAGEMENT PROCESS AND POLICY

AESA has a Capital Management Policy in place which is approved annually by the Board, concerning 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 AESA to follow and meet its rating agency strategy and in particular to achieve its target ratings.
- Optimising the sources and usage of capital.
- Ensuring that excess capital is returned to Group on a timely basis without compromising the other objectives, as above.
- The Capital Management Policy pertains to capital level and capital structure.
- Cover the CAA's requested amount above Minimum Capital Level
- The level of buffer covers the to a 1 in 7 internal model output, the most onerous stresses modelled in the ORSA and maintains the entity's capital coverage in line with peers.
- AESA has an active Capital Management process to ensure it meets regulatory capital requirements and rating agency expectations while optimising capital efficiency by returning "excess" capital to its parent.

The CAA authorised AESA to hold part of the capital buffer in the form of Letters of Credit whilst the balancing amount of the buffer is covered by called up capital.

E.3 Use Of Duration-Based Equity Risk Sub-Module In The Calculation Of The Solvency Capital Requirement

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

E.4 Differences Between The Standard Formula And Any Internal Model Used

AESA uses the Internal Model to calculate the SCR.

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

E4.1 Use of the Internal Model in the business

The Internal Model reflects AESA'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.

AESA 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, with defined escalation thresholds set for each risk type using the results of 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 EUR.
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

AESA 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 Economic Scenario Generator.

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 time 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 Economic Scenario Generator.

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 (EUR, GBP, and USD) are modelled using information from the Economic Scenario Generator, 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 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, which is in EUR. 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 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. AESA 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 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 AESA 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. 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 lines of business.

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 Economic Scenario Generator.
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.

No.	Data Segment	Data Subsets
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 modelled on the basis of specific scenarios' calibration and related 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.

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

The key drivers of the differences between the Standard Formula SCR (SF-SCR) and IM-SCR are as follows:

- **Different Calculation Basis:** The most basic difference between the SF and AESA'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 AESA. For example, when modelling Insurance Risk, the SF does not fully allow for the level of line of business and geographical diversification inherent within AESA'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. AESA 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 a simplistic factor-based calculations based on the sum insured in different CRESTA zones (Catastrophe Risk Evaluation and Standardising Target Accumulations). 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-EUR (AESA's reporting currency) balances. The IM models this on an economic basis using the Economic Scenario Generator.

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

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

E.6 Any Other Information

No other information to report.

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F. Appendices to the Solvency and Financial Condition Report

KEY ELEMENTS OF THE SECTION ARE:

- Glossary;
- AESA QRT's

F.1 Glossary

A

AIG	American International Group
A&H	Accident and Health
AESA	AIG Europe SA (the Company)
AFS	Available for Sale
ALAE	Allocated Loss Adjustment Expenses
ALM	Asset Liability Matching
AOF	Ancillary Own Funds
AQI	Account Quality Index
AY	Accident Year
AYLR	Accident Year Loss Ratio
AYSL	Accident Year Stop Loss

B

BBNI	Bound But Not Yet Incepted
BIA	Business Impact Analysis
BCP	Business Continuity Plan
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
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
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
ECG	European Compliance Group
ECM	Economic Capital Model
ECR	Enhanced Capital Requirement
EDGC	European Data Governance Council
EEA	European Economic Area
ESG	Environmental, Social and Governance
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
FCG	Financial Crime Group
FCU	Financial Control Unit
FL	Financial Lines
FOE	Freedom of Establishment
FOS	Freedom of Services
FX	Foreign Exchange

G

GAAP	Generally Accepted Accounting Principles
GCG	Global Compliance Group
GDP	Gross Domestic Product
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
IM SCR	Internal Model Solvency Capital Requirement
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

P&L	Profit and Loss
PI	Personal Insurance
PP	Personal Property
PPI	Payment Protection Insurance
PPO	Periodic Payment Order
PSR	Property & Special Risks
PwC	PricewaterhouseCoopers
PYD	Prior Year Development

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
	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
SF	Standard Formula
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

X

XoL	Excess of Loss

F.2 Quantitative Reporting Templates

AIG Europe S.A.

Solvency and Financial Condition Report

Disclosures

31 December

2024

(Monetary amounts in EUR thousands)

General information

Undertaking name	AIG Europe S.A.
Undertaking identification code	213800SCCLMKOWSSX732
Type of code of undertaking	LEI
Type of undertaking	Non-Life insurance undertakings
Country of authorisation	LU
Language of reporting	en
Reporting reference date	31 December 2024
Currency used for reporting	EUR
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

S.02.01.02 - Balance sheet
S.04.05.21 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations
S.05.01.02 - Premiums, claims and expenses by line of business
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.05.01 - Solvency Capital Requirement - for undertakings using an internal model (partial or full)
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	45,496
R0050	Pension benefit surplus	6,818
R0060	Property, plant & equipment held for own use	17,972
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	8,149,159
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	23,546
R0100	*Equities*	2,416
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	2,416
R0130	*Bonds*	7,905,471
R0140	*Government Bonds*	2,176,288
R0150	*Corporate Bonds*	5,523,223
R0160	*Structured notes*	0
R0170	*Collateralised securities*	205,960
R0180	*Collective Investments Undertakings*	192,400
R0190	*Derivatives*	13
R0200	*Deposits other than cash equivalents*	25,313
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	36,284
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	36,284
R0270	Reinsurance recoverables from:	1,581,141
R0280	*Non-life and health similar to non-life*	1,581,141
R0290	*Non-life excluding health*	1,587,086
R0300	*Health similar to non-life*	-5,944
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	56,056
R0370	Reinsurance receivables	791,354
R0380	Receivables (trade, not insurance)	1,069,883
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	126,130
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	11,880,294

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	7,969,075
R0520	*Technical provisions - non-life (excluding health)*	7,755,689
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	7,392,951
R0550	*Risk margin*	362,738
R0560	*Technical provisions - health (similar to non-life)*	213,386
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	196,235
R0590	*Risk margin*	17,150
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	148,535
R0760	Pension benefit obligations	66,724
R0770	Deposits from reinsurers	1,092
R0780	Deferred tax liabilities	202,420
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	156,027
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	782,224
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	9,326,097
R1000	**Excess of assets over liabilities**	2,554,197

S.04.05.21

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

R0010		Home Country	Top 5 countries (by amount of gross premiums written): non-life				
			GERMANY	FRANCE	ITALY	NETHERLANDS	SPAIN
	Premiums written (gross)	C0010	C0020	C0021	C0022	C0023	C0024
R0020	Gross Written Premium (direct)	71,304	806,632	745,952	587,928	416,108	294,084
R0021	Gross Written Premium (proportional reinsurance)	2,510	17,317	11,780	49,546	1,644	17,929
R0022	Gross Written Premium (non-proportional reinsurance)	1,594	7,588	1,011	16,740	183	2,636
	Premiums earned (gross)						
R0030	Gross Earned Premium (direct)	98,740	743,364	706,961	557,771	422,589	270,776
R0031	Gross Earned Premium (proportional reinsurance)	2,535	17,545	11,726	47,714	1,474	16,624
R0032	Gross Earned Premium (non-proportional reinsurance)	1,612	7,613	1,006	16,484	164	2,633
	Claims incurred (gross)						
R0040	Claims incurred (direct)	43,772	493,701	377,402	372,595	276,499	148,756
R0041	Claims incurred (proportional reinsurance)	420	-4,222	610	1,479	-21	15
R0042	Claims incurred (non-proportional reinsurance)	180	7,292	5,303	21,248	54	1,003
	Expenses incurred (gross)						
R0050	Gross Expenses Incurred (direct)	32,412	202,157	244,269	190,261	90,197	88,840
R0051	Gross Expenses Incurred (proportional reinsurance)	591	3,025	376	4,301	9	1,990
R0052	Gross Expenses Incurred (non-proportional reinsurance)	397	738	96	1,960	6	199

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	28,581	307,967	1,560	351,047	0	407,728	1,437,368	1,623,667	89,669	0	40,271	125,725					4,413,582
R0120	Gross - Proportional reinsurance accepted	2,786	4,696	0	18,023	0	14,792	71,930	37,504	0	0	2	3,113					152,846
R0130	Gross - Non-proportional reinsurance accepted													0	27,193	1,246	13,440	41,878
R0140	Reinsurers' share	1,536	21,668	16	55,090	0	163,156	919,042	469,317	66,745	0	7,964	36,623	0	0	0	0	1,741,158
R0200	Net	29,831	290,995	1,543	313,980	0	259,364	590,256	1,191,854	22,924	0	32,309	92,214	0	27,193	1,246	13,440	2,867,148
	Premiums earned																	
R0210	Gross - Direct Business	27,243	302,072	1,468	330,405	0	402,420	1,336,623	1,602,660	75,746	0	38,454	132,791					4,249,882
R0220	Gross - Proportional reinsurance accepted	2,787	4,676	0	16,096	0	14,074	70,464	36,715	0	0	4	2,882					147,696
R0230	Gross - Non-proportional reinsurance accepted													0	26,656	1,150	13,051	40,857
R0240	Reinsurers' share	1,592	21,064	16	52,837	0	161,705	830,624	469,827	55,923	0	8,629	33,865	0	0	0	0	1,636,082
R0300	Net	28,438	285,684	1,452	293,664	0	254,789	576,463	1,169,548	19,823	0	29,828	101,808	0	26,656	1,150	13,051	2,802,354
	Claims incurred																	
R0310	Gross - Direct Business	9,205	134,566	1,991	543,230	0	375,942	512,804	799,933	94,511	0	4,735	63,325					2,540,242
R0320	Gross - Proportional reinsurance accepted	141	1,497	0	26,845	0	19,689	37,947	6,776	128	0	0	10					93,034
R0330	Gross - Non-proportional reinsurance accepted													0	4,328	1,263	4,235	9,826
R0340	Reinsurers' share	48	6,009	0	342,982	0	306,117	266,861	112,476	67,336	0	1,007	22,487	0	0	0	0	1,125,323
R0400	Net	9,299	130,054	1,991	227,094	0	89,513	283,890	694,234	27,303	0	3,728	40,848	0	4,328	1,263	4,235	1,517,779
R0550	**Expenses incurred**	11,410	125,522	257	99,154	0	109,248	251,016	414,482	-4,147	0	17,071	34,128	0	6,932	476	3,709	1,069,259
R1210	**Balance - other technical expenses/income**																	
R1300	**Total technical expenses**																	1,069,259

S.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
R0010	**Technical provisions calculated as a whole**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	-4,743	-51,219	-89	-25,541	0	4,315	55,618	-108,284	14,488	0	-6,013	-11,232	0	372	-121	835	-131,615
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-1,977	-21,220	-6	-25,128	0	-90,486	-272,397	-196,850	-21,616	0	-3,838	-10,893	0	0	0	0	-644,410
R0150	**Net Best Estimate of Premium Provisions**	-2,766	-30,000	-83	-414	0	94,801	328,015	88,566	36,104	0	-2,176	-339	0	372	-121	835	512,795
	Claims provisions																	
R0160	Gross	18,903	194,839	38,545	1,047,904	0	533,351	1,015,247	4,514,795	144,951	0	7,198	176,371	0	18,130	1,650	8,918	7,720,801
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	550	16,499	209	369,203	0	365,770	547,432	813,696	84,438	0	494	27,261	0	0	0	0	2,225,551
R0250	**Net Best Estimate of Claims Provisions**	18,353	178,340	38,335	678,701	0	167,581	467,815	3,701,098	60,513	0	6,705	149,110	0	18,130	1,650	8,918	5,495,250
R0260	**Total best estimate - gross**	14,160	143,619	38,456	1,022,363	0	537,666	1,070,865	4,406,511	159,439	0	1,185	165,139	0	18,502	1,529	9,753	7,589,187
R0270	**Total best estimate - net**	15,587	148,340	38,253	678,287	0	262,382	795,830	3,789,664	96,616	0	4,529	148,771	0	18,502	1,529	9,753	6,008,045
R0280	**Risk margin**	1,355	13,301	2,494	44,698	0	14,044	37,124	250,796	4,288	0	589	9,963	0	796	91	350	379,889
R0320	**Technical provisions - total**	15,516	156,920	40,950	1,067,061	0	551,710	1,107,989	4,657,307	163,727	0	1,774	175,101	0	19,298	1,620	10,103	7,969,075
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	-1,427	-4,721	203	344,075	0	275,283	275,035	616,846	62,822	0	-3,344	16,368	0	0	0	0	1,581,141
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	16,942	161,641	40,747	722,986	0	276,426	832,954	4,040,460	100,904	0	5,118	158,734	0	19,298	1,620	10,103	6,387,934

S.19.01.21

Non-Life insurance claims

Total Non-life business

Accident year / underwriting year: Accident year

Gross Claims Paid (non-cumulative)

(absolute amount)

Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Development year											In Current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior											218,231	218,231	218,231
-9	461,744	537,200	242,905	122,041	65,302	65,711	66,996	27,148	17,495	15,871		15,871	1,622,414
-8	635,911	822,957	318,479	168,001	111,887	167,705	7,011	52,849	31,757			31,757	2,316,556
-7	478,333	655,232	285,583	135,026	99,446	74,108	46,684	50,571				50,571	1,824,983
-6	547,737	677,393	320,882	233,356	95,002	92,261	64,553					64,553	2,031,184
-5	491,620	543,405	305,883	144,072	79,811	60,656						60,656	1,625,447
-4	375,451	439,278	218,333	137,501	84,103							84,103	1,254,666
-3	470,758	481,906	212,668	125,512								125,512	1,290,844
-2	465,207	513,848	317,725									317,725	1,296,780
-1	426,252	594,544										594,544	1,020,796
0	494,343											494,343	494,343
											Total	2,057,866	14,996,244

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Development year											Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10 & +	
Prior											1,047,999	943,203
-9	0	0	0	0	566,597	322,142	341,031	238,047	297,513	182,623		165,050
-8	0	0	0	608,990	596,341	334,973	365,224	247,847	394,887			354,962
-7	0	0	769,986	620,586	597,331	359,106	380,341	332,101				299,819
-6	0	1,057,094	786,571	645,070	658,774	373,095	494,340					445,373
-5	1,715,268	1,088,218	809,862	697,503	671,647	481,380						437,101
-4	1,792,837	1,110,214	873,945	730,923	642,231							587,473
-3	1,798,937	1,202,894	918,827	773,586								701,877
-2	1,965,310	1,260,616	926,605									844,620
-1	2,054,834	1,323,683										1,214,554
0	1,867,504											1,726,771
											Total	7,720,801

S.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)	47,176	47,176			
R0030	Share premium account related to ordinary share capital	1,225,972	1,225,972			
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings					
R0050	Subordinated mutual member accounts					
R0070	Surplus funds					
R0090	Preference shares					
R0110	Share premium account related to preference shares					
R0130	Reconciliation reserve	781,049	781,049			
R0140	Subordinated liabilities					
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above					
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in financial and credit institutions**					
R0290	**Total basic own funds after deductions**	2,054,197	2,054,197	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand					
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand					
R0320	Unpaid and uncalled preference shares callable on demand					
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	340,000			340,000	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC					
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0390	Other ancillary own funds					
R0400	**Total ancillary own funds**	340,000			340,000	
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	2,394,197	2,054,197	0	340,000	0
R0510	Total available own funds to meet the MCR	2,054,197	2,054,197	0	0	
R0540	Total eligible own funds to meet the SCR	2,394,197	2,054,197	0	340,000	0
R0550	Total eligible own funds to meet the MCR	2,054,197	2,054,197	0	0	
R0580	**SCR**	1,273,049				
R0600	**MCR**	572,872				
R0620	**Ratio of Eligible own funds to SCR**	188.07%				
R0640	**Ratio of Eligible own funds to MCR**	358.58%				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	2,554,197				
R0710	Own shares (held directly and indirectly)					
R0720	Foreseeable dividends, distributions and charges	500,000				
R0730	Other basic own fund items	1,273,148				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds					
R0760	**Reconciliation reserve**	781,049				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business					
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	482,953				
R0790	**Total Expected profits included in future premiums (EPIFP)**	482,953				

S.25.05.01
Solvency Capital Requirement - for undertakings using an internal model (partial or full)

	Component-specific information	Solvency Capital Requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios	Consideration of the future management actions regarding technical provisions and/or deferred taxes	Amount modelled
	Risk type	C0010	C0050	C0060	C0070
R0020	Total diversification	-638,024,589.34			-638,024,589.34
R0030	*Total diversified risk before tax*	-638,024,589.34			-638,024,589.34
R0040	*Total diversified risk after tax*	-638,024,589.34			-638,024,589.34
R0070	Total market & credit risk	1,110,352,238.84			1,110,352,238.84
R0080	*Market & Credit risk - diversified*	608,798,302.88			608,798,302.88
R0190	Credit event risk not covered in market & credit risk	0.00			0.00
R0200	*Credit event risk not covered in market & credit risk - diversified*	0.00			0.00
R0270	Total Business risk	0.00			0.00
R0280	*Total Business risk - diversified*	0.00			0.00
R0310	Total Net Non-life underwriting risk	1,469,535,890.12			1,469,535,890.12
R0320	*Total Net Non-life underwriting risk - diversified*	1,047,656,487.29			1,047,656,487.29
R0400	Total Life & Health underwriting risk				
R0410	*Total Life & Health underwriting risk - diversified*				
R0480	Total Operational risk	270,868,927.52			270,868,927.52
R0490	*Total Operational risk - diversified*	270,868,927.52			270,868,927.52
R0500	Other risk	0.00			0.00

		Value
	Calculation of Solvency Capital Requirement	C0100
R0110	Total undiversified components	1,911,073,191.91
R0060	Diversification	-638,024,589.34
R0120	Adjustment due to RFF/MAP nSCR aggregation	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	Solvency capital requirement excluding capital add-on	1,273,048,602.57
R0210	Capital add-ons already set	
R0211	*of which, capital add-ons already set - Article 37 (1) Type a*	
R0212	*of which, capital add-ons already set - Article 37 (1) Type b*	
R0213	*of which, capital add-ons already set - Article 37 (1) Type c*	
R0214	*of which, capital add-ons already set - Article 37 (1) Type d*	
R0220	Solvency capital requirement	1,273,048,602.57
	Other information on SCR	
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	
R0310	Amount/estimate of the loss absorbing capacity for deferred taxes	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirement for ring-fenced funds	
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	
R0450	Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	
R0460	Net future discretionary benefits	

		Yes/No
	Approach to tax rate	C0109
R0590	Approach based on average tax rate	Yes

		Before the shock	After the shock	LAC DT
	Calculation of loss absorbing capacity of deferred taxes	C0110	C0120	C0130
R0600	**DTA**			
R0610	DTA carry forward			
R0620	DTA due to deductible temporary differences			
R0630	**DTL**			

R0640	Amount/estimate of LAC DT	
R0650	Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	
R0660	Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	
R0670	Amount/estimate of AC DT justified by carry back, current year	
R0680	Amount/estimate of LAC DT justified by carry back, future years	
R0690	Amount/estimate of Maximum LAC DT	

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	940,937

		Net (of reinsurance /SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	15,587	29,831
R0030	Income protection insurance and proportional reinsurance	148,340	290,989
R0040	Workers' compensation insurance and proportional reinsurance	38,253	1,543
R0050	Motor vehicle liability insurance and proportional reinsurance	678,287	313,324
R0060	Other motor insurance and proportional reinsurance	0	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	262,382	259,441
R0080	Fire and other damage to property insurance and proportional reinsurance	795,830	590,958
R0090	General liability insurance and proportional reinsurance	3,789,664	1,191,305
R0100	Credit and suretyship insurance and proportional reinsurance	96,616	23,152
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	4,529	32,431
R0130	Miscellaneous financial loss insurance and proportional reinsurance	148,771	92,294
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	18,502	27,193
R0160	Non-proportional marine, aviation and transport reinsurance	1,529	1,246
R0170	Non-proportional property reinsurance	9,753	13,440

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	

		Net (of reinsurance /SPV) best estimate and TP calculated as a whole	Net (of reinsurance /SPV) total capital at risk
		C0050	C0060
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		
R0250	Total capital at risk for all life (re)insurance obligations		

	Overall MCR calculation	C0070
R0300	Linear MCR	940,937
R0310	SCR	1,273,049
R0320	MCR cap	572,872
R0330	MCR floor	318,262
R0340	Combined MCR	572,872
R0350	Absolute floor of the MCR	4,000
R0400	**Minimum Capital Requirement**	572,872