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Prudential International Assurance plc

Solvency and Financial Condition Report

Year ended 31 December 2024

2nd April 2025

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Summary

Purpose of the Solvency and Financial Condition Report (SFCR)

This report will help you better understand the Prudential International Assurance plc ("PIA" or "the Company") regulatory capital and financial position under Solvency II, which is the harmonised EU-wide regulatory capital framework for insurance companies. The appendices to this report also detail specific Quantitative Reporting Templates (QRTs) for PIA in the format needed under Solvency II. The specifics of these templates are discussed in more detail across various sections of this report including sections A.2 (Underwriting Performance), A.3 (Investment Performance), D (Valuation for Solvency Purposes) and E (Capital Management). It also covers how PIA is run, as well as a description of our business and performance, system of governance, risk profile, valuation for Solvency II purposes and PIA's approach to capital management.

The PIA Board reviewed and approved this report on 2nd April 2025.

Business and Performance

PIA is authorised and regulated by the Central Bank of Ireland to transact cross border life assurance business in Europe. PIA has two branches, one in the UK (Third Country Branch) and one in Poland (EEA Branch).

PIA provides multi-asset solutions in the UK, the Crown Dependencies, Poland and to UK Nationals in selected countries in continental Europe. PIA also provides a wholesale market solution (Future+) that facilitates European domiciled third party distributors to make investments in the Prudential Assurance Company ('PAC') With-Profits Fund.

Section A, Business and Performance, outlines the overall corporate structure and regulatory environment in which PIA operates. It covers the overall financial and investment performance of PIA and details the statutory financial statements of PIA.

PIA's financial statements are prepared in accordance with Financial Reporting Standard 102 Applicable in the UK and Republic of Ireland (FRS 102) and 103 Insurance Contracts (FRS 103) (collectively, "FRS"). PIA remains profitable and well capitalised. Gross profit of £25.5m for 2024 was £10.6m higher than in 2023 which was achieved due to higher profitability of PIA Ireland (increase by £4.9m), PIA Poland (increase by £1.4m) and UK branch (£4.3m). The increase in profit was driven mainly by changes in reserving methodology, higher margin income and lower investment management expenses, partially offset by lower investment return. Net profit of £15.7m for 2024 was £8.0m higher than 2023. This result was affected by Pillar Two global minimum tax rules which apply to our ultimate parent company M&G plc and an increase of £0.9m in current tax attributable to policyholders of (£6.2m 2024; £5.3m 2023).

New business sales of £88.7m, using the usual industry measure Annual Premium Equivalent (APE), were 20% lower compared to 2023 (£110.4m), which was mainly impacted by lower sales of offshore bonds in the UK market.

The key 2024 financial results are shown in the following table:

	2024 £m	2023 £m
Gross profit	25.5	14.9
Statutory profit	15.7	7.7
Technical provisions under Solvency II	9 318	9 043
Solvency Capital Requirement (SCR)	288	282
Own Funds	407	390
Solvency Ratio %	**141.2**	**138.3**

System of Governance

The PIA Board of Directors is responsible for the governance and oversight of all of PIA's operations and risks. The Board has established Board Committees to support their decision making which are chaired by Independent Non-Executive Directors (INEDs).

To assist the Board in identifying and managing significant risks, PIA has implemented a Governance Framework. This defines PIA's approach to governance and internal controls to ensure PIA meets internal and external requirements and standards. The PIA Governance Framework covers all activities, structures and delegations specifically designed for the oversight and management of the PIA business.

During 2024 a separate Customer Committee was created to ensure due consideration is given to customers' interests at all points in the product lifecycle. The responsibilities of the Customer Committee were previously within the remit of the Proposition & Product Oversight Committee. The latter was reconstituted as the Proposition & Pricing Committee during 2024 to reflect the amended responsibilities of the Committee. Further information on the System of Governance is provided in Section B.

Risk Profile

As part of its business operations, PIA takes on risks on behalf of its shareholder, customers and clients. PIA generates shareholder value by selectively taking exposure to risks where the risk is adequately rewarded, and can be appropriately quantified and managed. There are also risks inherent in business operations that have no upside that PIA does not choose to take. Effective risk management helps PIA safeguard its ability to meet commitments to its shareholder, customers and clients, comply with legislation and regulation, and protect its reputation.

PIA is exposed to a number of financial and non-financial risks including but not limited to underwriting risk, market risk, credit risk, liquidity risk and operational risk.

Section C, Risk Profile, sets out information regarding PIA's risk profile, including the exposures to each material category of risk, the measures used to assess these risks and the techniques used to mitigate and monitor these risks. At an overall level, there has been no material change to PIA's risk profile during 2024 arising from its own business operations and external conditions.

Valuation for Solvency Purposes

Section D, Valuation for Solvency Purposes, gives an overview of PIA's solvency balance sheet. It also outlines the valuation methods and principles used by PIA in valuing its assets and technical provisions. This section also provides a reconciliation between PIA's statutory financial statements and its solvency balance sheet.

Capital Management

Section E, Capital Management, provides details of the Company's own funds position. It also gives a breakdown of the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR).

PIA does not apply any of the following measures as permitted by Solvency II:

- Matching adjustment, as referred to in Article 77b of the Directive;
- Volatility adjustment, as referred to in Article 77d of the Directive;
- Transitional risk-free interest rate-term structure, as referred to in Article 308c of the Directive;
- Transitional deduction, as referred to in Article 308d of the Directive.

At the end of 2024, PIA's total eligible own funds (all of which are Tier 1) under Solvency II are £407m. This was 1.41 times or £119m above the SCR of £288m. The MCR as at 31 December 2024 is £72m (2023: £70m).

During 2024, there were no instances of non-compliance with either the MCR or the SCR.

Movements in SCR and MCR between 2023 and 2024 are explained in section E.

A. Business and Performance

A.1 Business

A.1.1 Overview

Prudential International Assurance plc ("PIA" or "the Company") is a public limited company registered in Ireland under company number 209956.

A.1.2 Regulators

PIA is authorised and regulated by the Central Bank of Ireland to transact cross border life assurance business. The contact details for the Central Bank of Ireland (Central Bank) are as follows:

Central Bank of Ireland
New Wapping Street
North Wall Quay
Dublin 1

The Prudential Assurance Company Limited ("PAC"), is the immediate parent of PIA. The supervisory authority of PAC is the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). The contact details for the PRA and FCA are:

Prudential Regulation Authority
20 Moorgate
London, EC2R 6DA

Financial Conduct Authority
12 Endeavour Square
London, E20 1JN

PIA also has a UK branch and a Poland branch. The Prudential International Assurance UK Branch (PIA UK Branch), is authorised and regulated by the PRA and FCA. The Prudential International Assurance PLC SA Oddział w Polsce Branch (PIA Poland Branch), is supervised by the Polish Financial Supervision Authority ("KNF").

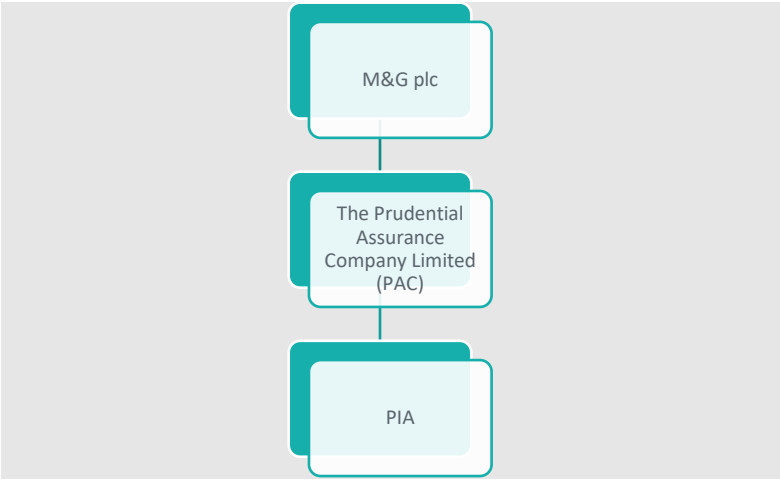
A.1.3 Auditors

PIA external auditors and contact details are:

PricewaterhouseCoopers ("PwC")
One Spencer Dock
North Wall Quay
Dublin 1

A.1.4 Group structure and shareholders

As at 31 December 2024, PIA's ultimate parent company is M&G plc. A simplified group structure is illustrated below. PIA is a wholly owned subsidiary of The Prudential Assurance Company Limited (PAC), who is ultimately owned by M&G plc, which is listed on the London Stock Exchange.



A.1.5 Material lines of business and geographical markets

PIA has three material lines of business: insurance with profit participation, unit-linked insurance, and other life insurance.

Insurance with profit participation business comprises all single premium investment products that are invested in the PAC with-profits funds via a reinsurance arrangement and the with-profit endowment products written by PIA Poland branch, which are also reinsured to PAC. PIA also provides a wholesale market solution (Future+) that facilitates European domiciled third party distributors to make investments in the PAC With-Profits Fund.

PIA unit-linked business ranges from proprietary to open architecture products and also includes products that offer mortality and morbidity benefits. Proprietary products are products where the policyholder can only invest in funds offered by PIA, whereas open architecture products allow policyholders to invest in a wide range of external funds and other assets.

The Other life insurance line of business relates to non-profit insurance products written by the PIA Poland Branch.

PIA provides multi-asset solutions in the UK, the Crown Dependencies, Poland and to UK Nationals in selected countries in continental Europe. PIA also provides a wholesale market solution (Future+) that facilitates European domiciled third party distributors to make investments in the Prudential Assurance Company ('PAC') With-Profits Fund.

A.1.6 Significant events during 2024

A summary of significant events that occurred during 2024 is provided below.

During 2024 no new products have been introduced. However, there have been some updates to the with-profit endowment products written by PIA Poland branch and two investment bond products were closed to new business (Prudential International Investment Portfolio and Prudential Onshore Portfolio Bond).

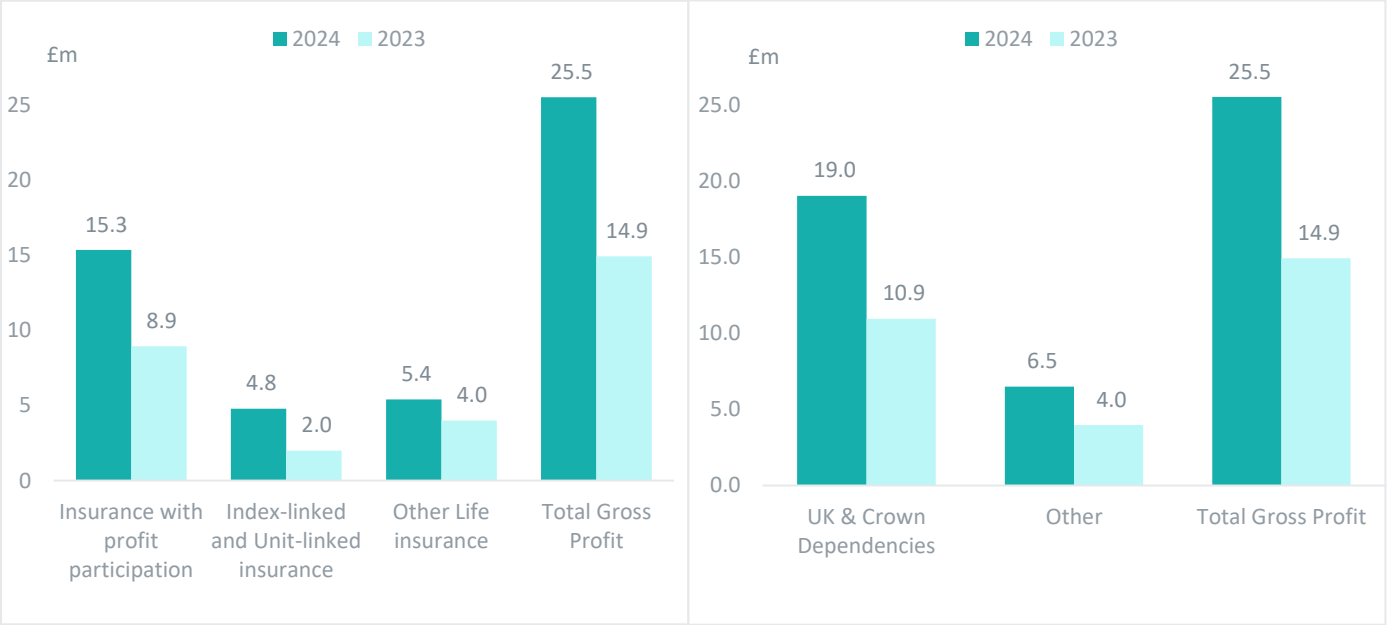
PIA Finance and Actuarial teams have been working to bring in-house the accounting and financial reporting activities currently outsourced to a third-party service provider. Actuarial results for the period to 31 December 2024 were produced using the new in-house processes. The new finance processes apply from 1 January 2025.

During 2024 there have been no capital contributions to the company nor any dividend payment.

The Company is currently considering a reinsurance optimisation arrangement with its parent company PAC. The proposed reinsurance agreement constitutes a material change of business plan and is expected to be executed in 2025 subject to regulatory approval.

A.2 Underwriting Performance

PIA's financial statements are prepared in accordance with Financial Reporting Standard 102 Applicable in the UK and Republic of Ireland (FRS 102) and 103 Insurance Contracts (FRS 103) (collectively, "FRS").
PIA's FRS profit broadly equates to premiums less claims (including change in technical provisions) and expenses, together with investment returns and therefore PIA has defined its underwriting performance as its FRS profit. PIA's underwriting performance profit by geographical market for 2024 and 2023 are illustrated below:



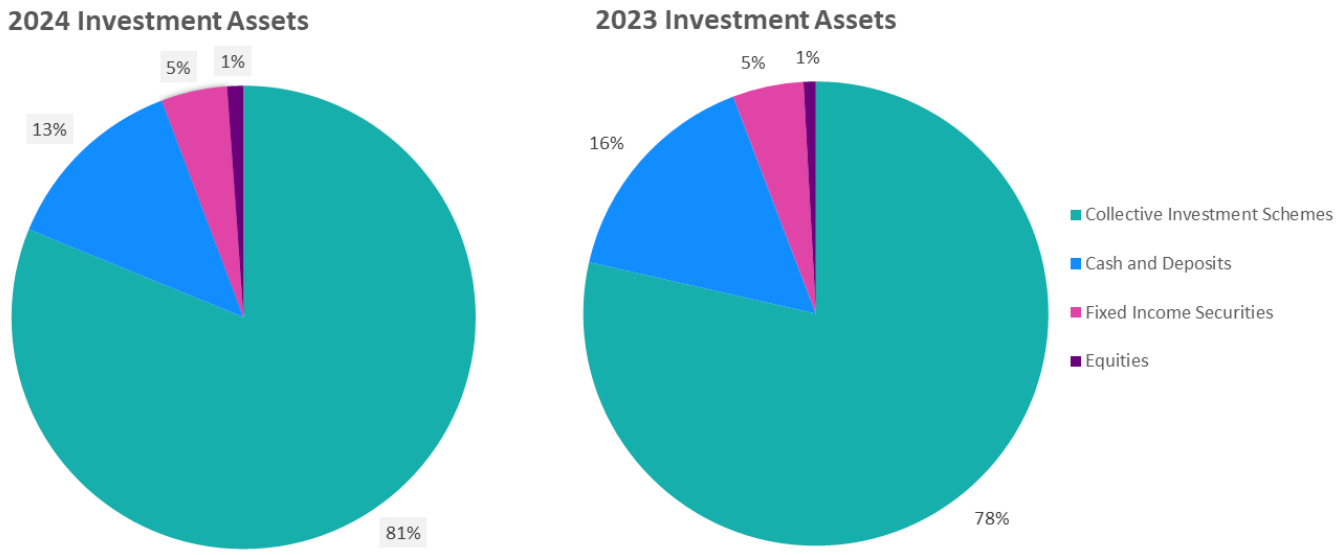
PIA profit before tax for 2024 was £25.5m which was £10.6m higher than for 2023. A considerable increase was noted in relation to insurance with profit participation mainly due to changes in reserving methodology (£4.1m), higher margin income (£2.8m) and lower investment management expenses (£4.6m), partially offset by lower investment return (-£4.0m). PIA Poland Branch, classified as other life insurance in the charts above, also contributed positively

to the total PIA result (£1.5m) which mainly was driven by an increase in net premium written in 2024 (c.£3m) and decrease in DAC (-£0.8m) compared to prior year.

A.3 Investment Performance

A.3.1 Investment analysis

The following investments are held in respect of shareholder and policyholder linked assets. Shareholder assets account for 14% of the total portfolio (14% at 2023).



In 2024 there were no material variances in the portfolio structure in comparison to 2023.
Reinsurance recoverable assets are not included in the above analysis.

A.3.2 Investment return

PIA's investment income for 2024 and 2023 is shown below:

Investment income	2024 £m	2023 £m
Fixed Income Securities	1.7	0.9
Collective Investment Schemes ('CIS')	9.6	15.1
Cash and Deposits	13.4	11.0
Total income	24.6	26.9

Total realised gains	45.4	10.4
Total unrealised (losses) / gains	123.3	106.8
Total investment return	**193.3**	**144.2**

Investment income slightly decreased in 2024 mainly due to lower dividend income from CIS which was compensated to some extent by higher interest on cash and deposits resulting from increased interest rates compared to prior years.

Total investment return was higher due to favourable market conditions leading to higher valuations of investment assets and unrealised gains generated from investment funds compared to prior year.

PIA does not have asset investments in securitisation as defined under Solvency II (2023: £nil).

A.4 Performance of Other Activities

There are no material items to note.

A.5 Any Other Information

No other material information to note.

B. System of Governance

B.1 General Information on the System of Governance

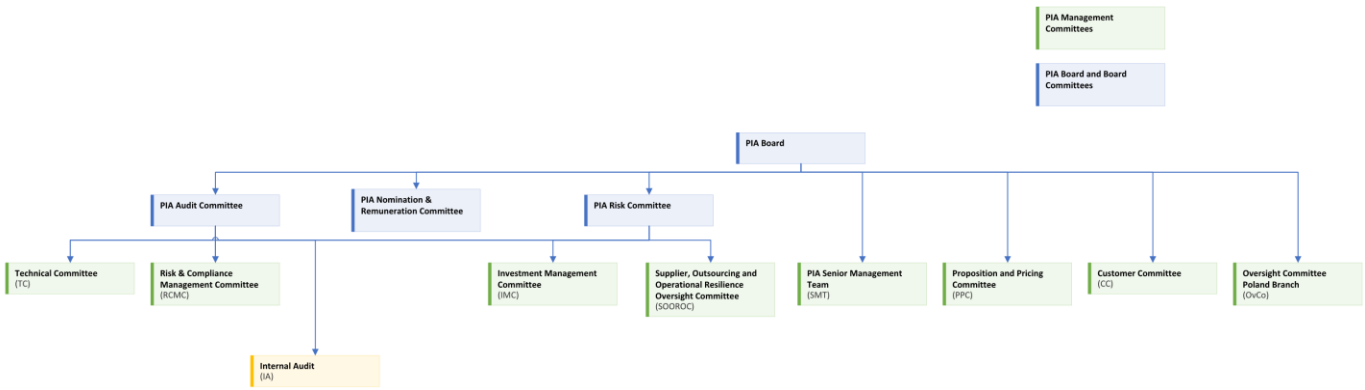
B.1.1 Governance structure

PIA is required to comply with the Corporate Governance Requirements for Insurance Undertakings 2015 issued by the Central Bank of Ireland and has developed a corporate governance framework in line with these requirements and best practice.

The PIA Board of Directors is responsible for the governance and oversight of all of PIA's operations and risks. The PIA Board believes that an effective governance structure is a prerequisite to ensure effective decision-making and clear accountability. The PIA Governance Framework covers all activities, structures and delegations specifically designed for the oversight and management of the PIA business. The Framework describes the scope and authority of the governance structures established within the business, and highlights the delegations provided from the Board to Board Committees and to the executive management team to run the business on a day-to-day basis. The Framework meets and supports several requirements including:

- Solvency II and EIOPA requirements and guidelines;
- Central Bank of Ireland Corporate Governance Requirements for Insurance Undertakings 2015; and
- M&G plc and PAC Governance Framework, Standards and Policies.

The Board, Board Committees and Management Committees critical to the PIA governance structure are set out below. The Board has delegated functions of the Board to its Board Committees. The Board has delegated authority to the Managing Director of PIA to exercise all the powers of PIA Directors subject to the limits imposed and approvals required by the PIA Governance Framework and the M&G plc Group Governance Framework, and those matters reserved to the Board. PIA has established Management Committees comprising senior managers that help the Board, Board Committees and the PIA Managing Director in the operations of the business. The PIA Board of Directors comprise eight members; four Independent Non-Executive Directors, including Chair of the Board; one Group Non-Executive Directors, and three Executive Directors.



Governance body	Objective	Main responsibilities
Board of Directors	The objective of the PIA Board is to ensure that PIA operates in an efficient and effective manner, within an established framework of effective systems of internal control, risk management and compliance and is compliant with all relevant laws, regulations and administrative provisions.	The following are key areas where powers are reserved for the decision of the Board: • Business Strategy and Business Plan including and material changes. • New Products or material changes to existing products. • Corporate culture. • Internal Control and Risk Management. • Solvency and Finance. • Dividends. • Remuneration. • Communication. • Board and Committee membership.
Board Audit Committee	Assists the Board in meeting its responsibility for the integrity of PIA's financial statements, for the effectiveness of its internal control and risk management systems and for monitoring the effectiveness and objectivity of the internal and external auditors.	The following are key areas where powers have been delegated from the Board to the Audit Committee: • Reviews PIA's annual report and financial statements, other public reports and reports PIA send to the regulatory authorities including Solvency II reporting. • Makes recommendations to the Board on financial statements it needs to approve. • Reviews the effectiveness of internal control systems, including second and third line reviews. • Recommends and monitors the choice of external auditors, reviews the scope of the external audit and the independence of the external auditors. • Reviews the effectiveness of internal auditors, ensuring the function is adequately resourced and has appropriate authority and independence to meet their responsibilities. • Reviews reports on tax compliance.
Board Risk Committee	Assists the Board in meeting its responsibilities by ensuring that PIA's System of Governance is operating effectively. Specifically, the Risk Committee ensures that PIA has implemented an appropriate risk framework and that its risk function operates effectively.	The Risk Committee is responsible for assisting the Board in its oversight of risk, including the following key areas: • Advises the Board on risk oversight, risk appetite, risk tolerance and risk strategy. • Reviews PIA's Risk Management Framework and recommends to the Board for approval. • Recommends changes to the Risk and Compliance Management Frameworks and policies. • Approves the operation of the Risk and Compliance Functions, making sure they have the resources, authority and independence to meet their responsibilities. • Reviews the ORSA and Recovery Plans and recommends to the Board for approval.
Board Nomination and Remuneration Committee	Assist the Board in monitoring, evaluating and reporting on the effectiveness and any weaknesses of the Company's systems of governance in respect to nominations and remuneration.	The following are the key areas of responsibilities of the PIA Nomination and Remuneration Committee: • Decides, implements and operates PIA's remuneration policy. • Succession plans for the Board. • Makes sure the Board and sub-committees have the right skills and resources. • Makes recommendations to the Board of proposed appointments to the Board.

Governance body	Objective	Main responsibilities
		• Considers M&G plc's approach to corporate culture and how it applies to PIA. • Ensures new Directors receive appropriate induction and training and ongoing training for all Directors. • Monitors on an ongoing basis the performance of directors, senior managers and those executing a Pre-Approved Controlled Function ("PCF"). • Reviews the results of annual Board Effectiveness assessments.
Senior Management Team (SMT)	The SMT's principal purpose is to assist the PIA Managing Director with his responsibility for the day-to-day running of the PIA business and the implementation of PIA's strategy and business plan.	The SMT reports to the Board via the PIA Managing Director Board Update and is responsible for assisting the PIA Managing Director with the following key matters: • To provide the Managing Director with input and appropriate information, which may impact, either directly or indirectly, the setting of PIA's strategic direction and targets for PIA. • To provide regular updates to the Managing Director on material issues affecting PIA. • Monitor key risks impacting PIA. • Monitoring of financial performance, including actual versus budget and business plan. • Promoting a responsible risk culture. • Allocation of financial and talent resources to deliver strategies. • Offering advice, comments and recommendations as it sees fit to the PIA Board.
Customer Committee (CC)	Assists with giving due consideration to customers' interests at all points in the product lifecycle.	The CC reports to the Board and is responsible for assisting with the following key areas: • Oversight of customer outcomes, experience, servicing and complaints and resolution. • Oversight of customer improvement priorities to support customer outcomes and improved customer experience. • Review and monitoring of material customer risks (including emerging risks).
Proposition and Pricing Committee (PPC)	Assists with the development of new or material changes to existing propositions and products, and provides oversight of existing products throughout their lifecycle.	The PPC reports to the Board and is responsible for assisting with the following key areas: • Review and challenge PIA Propositions and related decisions, including pricing. • Product Governance. • Pricing and Profitability. • Reinsurance and Underwriting.
Oversight Committee – Poland Branch (OvCo)	Assists with the oversight of the Poland Branch.	The OvCo reports to the Board and is responsible for assisting with the permanent supervision over all activities of the PIA Poland Branch.
Investment Management Committee (IMC)	Assists with the oversight, governance and challenge over investment strategy and acts as an advisory forum for any significant decisions over the investment portfolio of PIA with	The IMC reports to the Risk Committee and is responsible for assisting with the following key areas: • Reviewing and approving changes to investment strategy design. • Overseeing compliance with Investment Management Agreements (IMAs).

Governance body	Objective	Main responsibilities
	consideration to applicable risk appetite and risk limits.	• Reviewing and approving transactions relating to asset classes. • Reviewing and approving changes to funds or their managers. • Unit pricing and valuations. • Monitoring of investment performance and related risks. • Reviewing and recommending to the Board Investment and Asset-Liability Management policies. • Oversight of investment management expenses.
Technical Committee (TC)	Assists and supports the PIA Finance Director in respect of regulatory and statutory reporting, and all other technical financial and risk aspects applicable to PIA.	The TC reports to the Audit and Risk Committees and is responsible for assisting with the following key areas: • Authorise any detailed methodologies underlying the company's risk appetite statements. • Review Quarterly and Annual Solvency II results. • Review Annual Financial Statements. • Approve and recommend where required any key changes to methodologies, assumptions, models or accounting basis applied by PIA.
Risk & Compliance Management Committee (RCMC)	Assists with the oversight of Risk Management and Compliance Framework.	RCMC reports to the Audit and Risk Committees and is responsible for assisting with the following key areas: • Monitoring PIA's Risk Management Framework • Monitors compliance across PIA including Compliance Monitoring Plan and Reviews. • Reviews and recommends to the Risk Committee reports PIA send to its regulators including the ORSA, Recovery Plan and Solvency II attestation of compliance. • Reviewing and recommending to the Risk Committee appropriate Risk and Compliance policies.
Supplier, Outsourcing and Operational Resilience Oversight Committee (SOOROC)	Assists with the oversight of key Outsourced Service Providers (OSPs).	SOOROC reports to the Risk Committee and is responsible for assisting with the following key areas: • Reviewing and approving proposals for new OSPs/third party suppliers or revisions to contracts with existing OSPs/third party suppliers. • Overseeing the development, maintenance and annual reviews of the PIA Operational Resilience Framework. • Monitoring compliance of OSPs against Service Level Agreements. • Reviewing regular or ad-hoc reports regarding oversight and monitoring of OSPs. • Reviewing and recommending to the Risk Committee appropriate policies. • Monitoring financial obligations to ensure contracts are meeting commercial objectives.

There has been no material change to PIA's system of governance during 2024.

B.1.2 Control functions

PIA has control functions in place covering risk management, compliance, actuarial and internal audit, which is consistent with PIA's obligations under Solvency II and the Corporate Governance Requirements for Insurance

Undertakings 2015. These control functions are responsible for providing oversight and challenge to the business and for providing assurance to the Board in relation to PIA's overall risk management and internal control frameworks.

B.1.3 Adequacy of and review of systems of governance

The Board is satisfied that appropriate systems of governance were in place during the reporting period. PIA reviews its systems of governance each year including an annual review of the effectiveness of the governance committees discussed in section B.1.1 (Governance structure). This includes assessing their responsibilities and updating terms of reference where appropriate. PIA also commissions an independent evaluation of the overall performance of the Board and individual directors every three years in line with the Central Bank's Corporate Governance Requirements for Insurance Undertakings 2015.

B.1.4 Remuneration

PIA remuneration practices are set by the PIA Board with delegated authority to the PIA Nomination and Remuneration Committee. Due consideration is given to the M&G plc group remuneration practices and compliance with the M&G plc Remuneration Policy.

PIA adopts the M&G plc Group Remuneration Policy, which:

- Promotes the long-term success of the Group;
- Attracts, motivates and retains the best talent to help ensure continued growth and success of the Group;
- Supports the Group's purpose and values to build a safe, respectful and inclusive culture through remuneration policies and schemes that promote and reward good conduct and behaviours for the benefit of our customers and colleagues;
- Aligns the interests of the Executive Directors, Senior Managers and employees with the interests of current and future Shareholders and other stakeholders;
- Strikes an appropriate balance between short-term and long-term performance with strong linkage to Group performance, effective risk management, management of conflicts of interest, customer outcomes, the culture and values of the Group and long-term shareholder value creation;
- Is simple and transparent, both externally and to colleagues; and
- Is compliant with relevant local remuneration regulation requirements e.g., Solvency II for PIA.

The remuneration structures are designed to support the achievement of the Group's short and long term business objectives, underpinned by the principles listed above. The remuneration policy is consistent with and promotes sound and effective risk management.

Governance processes across M&G plc apply to PIA and deliver robust oversight of reward, effective management of conflicts of interest and reflect the need to link remuneration decisions with risk culture. The PIA Nomination & Remuneration Committee is dedicated to implementing the policy and structures established by the Group Remuneration Committee and providing oversight of remuneration of PIA senior managers in scope of the policy.

Both fixed and variable remuneration is assessed against market data and internal benchmarks on an annual basis and balanced so that the fixed component represents a sufficiently high proportion of the total remuneration to avoid employees being overly dependent on the variable components and to mitigate unintended consequences and inappropriate behaviours to the detriment of customer outcome.

Variable remuneration available to employees includes short term incentives (i.e. annual bonus, quarterly sales incentives for sales staff) and long term incentive plan ("LTIP") awards.

Annual short-term incentive arrangements operate to support the alignment of colleagues to the Group's financial and strategic objectives, customer outcomes, culture, values, risk management policies and pay-for-performance principles. Currently, annual bonus awards are based on Business Unit and individual performance, and market practice. This allows PIA to operate a fully flexible bonus policy, including the possibility of not paying annual bonus based on financial and non-financial criteria.

M&G plc operate a LTIP over M&G plc's shares with performance conditions aligned with its long-term financial/strategic objectives and shareholder value creation. Participation in the LTIP is reserved for senior colleagues who have significant accountability and ability to influence the delivery of M&G plc's long term business objectives. Awards are granted annually and at the complete discretion of the M&G plc Remuneration Committee. PIA operates an LTIP in circumstances where there is a compelling commercial/strategic rationale and both the PIA Nomination and Remuneration Committee and the M&G plc Remuneration Committee are satisfied that such an arrangement is appropriate.

M&G plc operates a company-wide deferral policy in relation to variable remuneration. Alongside this company-wide policy, the remuneration requirements of the EIOPA Opinion on the Supervision of Remuneration Principles in the Insurance and Reinsurance Sector are taken into consideration when delivering variable remuneration outcomes to the Material Risk Taker population for PIA.

B.1.5 Material director and shareholder transactions

Excluding directors' remuneration, during 2024 there were no material transactions between PIA and its directors and shareholders.

B.2 Fitness & Probity

The Central Bank's Fitness & Probity Standards ("the Standards") apply to individuals holding roles that are designed as Controlled Functions (CFs) including those holding Pre-approval Controlled Functions (PCFs), which require pre-approval by the Central Bank.

In order to comply with the Standards, all individuals performing CF and PCF roles are required to be competent and capable, to behave with integrity, honestly, ethically, have the prerequisite skills and be financially sound.

PIA has controls and procedures in place for assessing the fitness and probity of individuals proposed to fulfil CF or PCF functions and that they comply with the Standards in advance of undertaking the regulated role. PIA's due diligence processes includes self-certification by proposed role holders and necessary checks and confirmations regarding their skills and experience, probity and financial soundness.

PIA also undertakes annual reviews to re-assess individuals' on-going fitness and probity and compliance with the Standards. Following successful completion of this exercise, all individuals performing CF and PCF are issued with Certificates of Compliance.

During 2024, PIA made relevant changes to its control environment to implement the remaining obligations arising from the Central Bank Individual Accountability Framework Act 2023 (the IAF Act) that were effective from 1 July 2024, in particular the obligations arising in respect of the Senior Executive Accountability Regime (SEAR).

Annually, a return is submitted by PIA to the CBI in respect of its PCFs and their on-going compliance with the F&P Standards.

B.3 Risk Management System including the Own Risk and Solvency Assessment

B.3.1 Risk Management System

The Board is responsible for setting and overseeing PIA's strategy for on-going management of material risks and has accordingly put in place a comprehensive Risk Management Framework ("RMF").

The RMF confirms roles and responsibilities for all key components of PIA's risk management system, including governance, risk appetite, risk culture and the risk management cycle. This enables PIA to appropriately identify, assess, measure and report risks that arise from its strategic objectives and business plan.

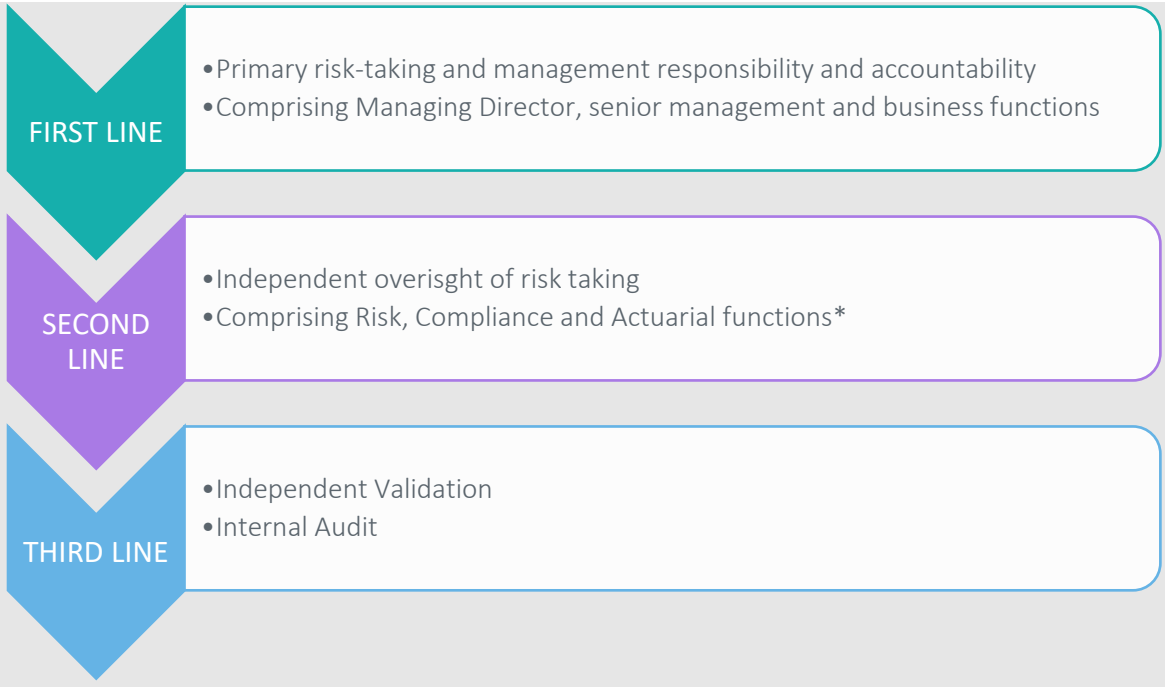
PIA has a Risk Appetite Statement ("RAS") that is approved by the Board annually and outlines PIA's appetite for each type of risk. The RMF and RAS are underpinned by a suite of risk policies, standards and processes.

PIA's Chief Risk Officer ("CRO") has responsibility for PIA's Risk Function and for maintaining and monitoring the effectiveness of PIA's risk management system. The PIA Risk Function is responsible for ensuring PIA has effective processes to identify and manage risks to which PIA is exposed and on an annual basis reports to the Board and Board Risk Committee regarding PIA's compliance with PIA risk policies. In addition, the PIA Risk Function is responsible for monitoring and reporting on PIA's risks, which includes reporting to the Board and Board Risk Committee in respect of PIA's risk exposures and its adherence to risk limits in the context of its RAS.

Additional details of the risk profile of the business and risk management strategies, processes and reporting procedures in respect of each category of risk are detailed in Section C of this report.

B.3.2 Three lines of defence

As part of its RMF, PIA operates a 'three lines of defence' model, which is summarised in the diagram below.



* The Actuarial Function spans the first and second line of defence

- First line of defence

  The PIA Managing Director, senior management and business functions are primarily responsible and accountable for identifying and managing the risks inherent in PIA's products, activities, processes and systems. This includes responsibility for implementing sufficient and appropriate internal controls to manage and report risks across the business and in line with PIA's RMF. The Actuarial Function spans the first and second line of defence.

- Second line of defence

  The second line of defence comprise the Risk, Compliance and Actuarial Control Functions. The second line of defence has oversight over all the activities of the business, including outsourced activities, and assessing the first line of defence's compliance with PIA's RMF. The Actuarial Function also provides assurances to the Board in relation to the adequacy of the calculation of PIA's technical provisions.

- Third line of defence

  Internal Audit is outsourced to M&G plc and provides independent assurance on the design, effectiveness and implementation of the overall system of internal control, including risk management and compliance. The third line of defence provides independent assurance of the first and second lines of defence to the Audit Committee and the Board.

B.3.3 Risk appetite and strategy

PIA's strategic risk objectives are to:

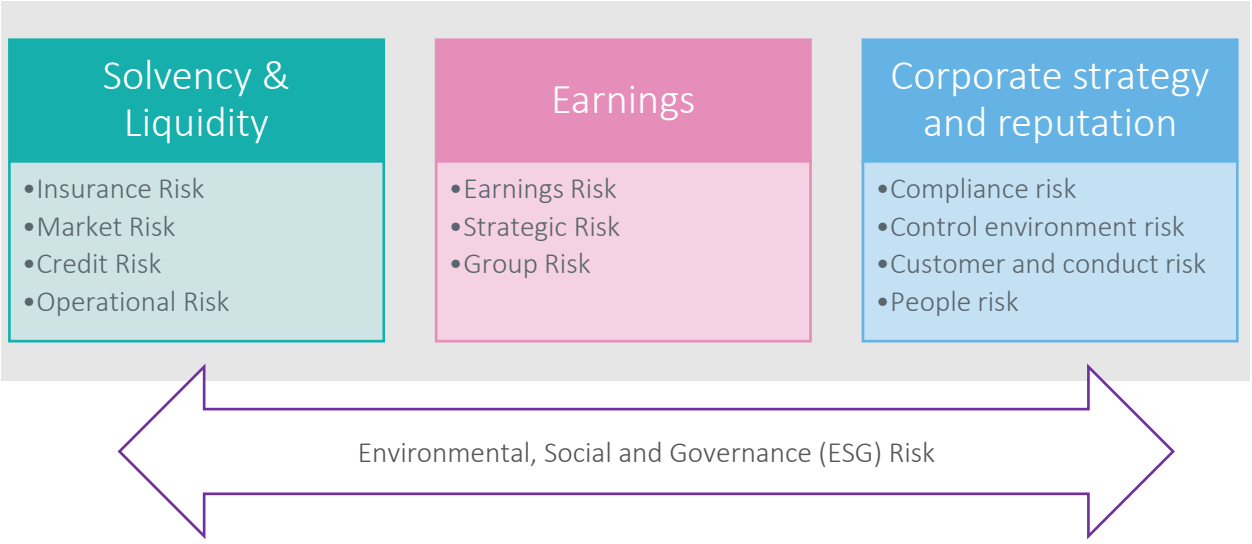
- Maintain sufficient solvency and liquidity levels to meet regulatory requirements with a high degree of confidence.
- Deliver sufficient stability of earnings in a sustainable fashion.

- Align with and support PIA's corporate strategy and business plan, including protecting the PIA and M&G brand and reputation.

In pursuing its strategic risk objectives, PIA has implemented a risk management system that is appropriate to the nature, scale and complexity of its business activities, as well as complying with its regulatory obligations.

PIA has a preference for risks that are reflected in its Board approved RAS, which details the risks PIA is willing to accept in executing its business activities while protecting the interests of its stakeholders including its customers, shareholders and employees. In addition, the RAS notes those risks PIA wants to avoid via adopting appropriate risk mitigation techniques or other management actions.

The RAS defines PIA's appetite for each type of risk, the rationale for accepting those risks and how those risks are managed within appetite, and is reviewed and approved by the Board at least annually. The high level components of the risk appetite statement for PIA are indicated below.



B.3.4 Risk identification, assessment and measurement

PIA's risk management cycle involves a process for identifying the risks to which it is exposed, assessing and managing these risks and monitoring the impact of these risks through reporting.

The risk identification exercise incorporates both top-down and bottom-up approaches and identifies PIA's most material risks, which are monitored on a regular basis as PIA's 'top and emerging risks' and form part of PIA's overall risk universe.

These risks are assessed over the short to medium-term horizon consistent with the Own Risk and Solvency Assessment (ORSA) processes. The risks are also identified through the Risk and Controls Self-Assessment (RCSA) process executed by the relevant risk owners and this is reviewed by the Risk Function and reported to the Board Risk Committee.

Risk management is the process of selecting and implementing measures to modify the inherent risk to an acceptable residual level. These include improving or adding to the internal controls in place, transferring the risk through risk transfer activities (e.g. reinsurance), avoiding risks which contravene company policy or the risk strategy (e.g. political

risk) and accepting risks where the cost to control them exceeds the potential impact of the risk and is within risk appetite.

B.3.5 Risk monitoring and reporting

PIA's Risk Function monitors risk appetite limits, risk policy limits and Key Risk Indicators ("KRIs") against selected measures of risk. PIA's Risk Function reports to the Board Risk Committee quarterly (or more often if required), providing an update on risk exposures against risk limits for each risk category based on specified quantitative and qualitative measures.

B.4 Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment ("ORSA") is a continuous process of identifying, assessing and monitoring the risks inherent within the business, including the corresponding solvency needs, assessed against PIA's Risk Appetite Statement. An ORSA report is produced at least annually. An ad-hoc ORSA may be triggered by a material change in PIA's risk profile with specific circumstances that could trigger an ad-hoc ORSA being set out in the ORSA Policy. Triggers are regularly monitored and where a trigger is activated, the CRO will decide on which ORSA processes are required to be performed and reported, including whether revised ORSA reports, or equivalent, are required. The ORSA provides quantitative and qualitative assessments of PIA's risk profile, risk management and solvency needs on a forward-looking basis reflecting PIA's strategy and business plan. The scope of the ORSA covers the full known risk universe of PIA including both modelled and non-modelled risks. The ORSA annual report documents the key risks for PIA, stress and scenario test results as well as the risks arising from the current strategy. The ORSA projections cover a four year period to examine the business horizons and requirements for capital in the future.

The Board, with significant support from the Board Risk Committee, oversees and directs the ORSA, and reviews and approves the ORSA Policy annually. The CRO conducts the ORSA process, producing the ORSA report and maintaining the ORSA record. The Board and Board Risk Committee steer this process, and review and approve the key aspects of the process at various points throughout the year. The annual ORSA process culminates in the ORSA report, which the Board reviews and approves. The Actuarial Function helps the Risk Function to produce various aspects of the ORSA, including capital projections and stress testing, and the Head of Actuarial Function also gives an Opinion on the ORSA to the Board.

B.5 Internal Control System

PIA's internal control system is appropriate to the nature, scale and complexity of its business activities, as well as complying with its regulatory obligations. The internal control system is an integral part of PIA's overall risk management framework and is designed to provide reasonable assurance to the Board regarding:

- the effectiveness and efficiency of operations;
- the accuracy and reliability of internal and external reporting;
- the delivery of fair outcomes for PIA's customers and
- assists compliance with rules and regulations.

PIA adheres to the six principles of internal control as detailed below:

- Management Delegated Authority
  PIA is managed in accordance with the authority delegated by the PIA Board.

- Lines of responsibility
  Each Business function has clearly defined lines of responsibility and delegated authority.

- Appropriate recording
  Transactions are appropriately recorded to permit the preparation of reliable financial statements.

- Financial reporting control procedures and systems
  The internal control system over financial reporting includes control procedures and systems which are regularly reviewed.

- Financial crime
  Financial crime is detected and prevented where possible.

- Risk Management
  The risks to which PIA are exposed to are identified and managed.

The Internal Control Policy establishes the minimum requirements for the internal control system and the policy is reviewed and approved annually by the Board.

B.5.1 Compliance function

The compliance function is under the responsibility of the Head of Compliance who is a member of the PIA Senior Management Team and reports directly to the PIA Managing Director. The compliance function is an independent second line function and reports on at least a quarterly basis to the Board Risk Committee, Board Audit Committee and Board.

The compliance function is responsible for providing oversight, challenge and assistance to the business in delivering the business plan within the requirements of applicable laws and regulations. In addition, the compliance function conducts independent compliance monitoring activity based on an annual compliance monitoring plan approved by the Board Audit Committee. The compliance monitoring plan is based on a compliance risk assessment which takes into account PIA's top and emerging risks, as well as giving consideration to the regulatory landscape in which PIA is operating across all of its geographical jurisdictions.

Compliance advisory support is provided to the PIA first line of defence by the compliance function for both existing and future obligations relating to current and any proposed new or amended business processes and procedures. In addition, emerging regulatory risk is monitored on an on-going basis by reviewing emerging legislation, market practice and regulatory communications.

The PIA Compliance Policy is reviewed and approved by the Board at least annually.

B.6 Internal Audit function

The Internal Audit Function is provided by the M&G plc Internal Audit Function and is independent of PIA's business activities as a 'third line of defence'. Internal Audit provides independent assurance reporting to the Board Audit Committee in respect of the Internal Audit Plan, which is reviewed and approved annually by the Board Audit Committee, and the status thereof.

The PIA Head of Internal Audit reports directly to the Group Chief Auditor and the Chair of the PIA Board Audit Committee.

Internal Audit is not restricted in scope in any way and is empowered by the PIA Board Audit Committee to audit all parts of PIA, with full access to any of the organisation's records, physical properties and personnel.

B.7 Actuarial function

The Actuarial Function is under the responsibility of the Head of Actuarial Function (HoAF) and they must fulfil their obligations as set out in Solvency II and the Central Bank's Domestic Actuarial Regime and Related Governance Requirements. The HoAF formally reports to the Board on compliance with these obligations.

The main responsibilities of actuarial function include:

- Calculating the value of the technical provisions in relation to PIA's insurance policies and reporting on this to the Board in line with regulatory requirements.
- Reviewing and providing an opinion on PIA's Underwriting Policy.
- Reviewing on an ongoing basis and providing an annual opinion on the adequacy of PIA's reinsurance arrangements, identifying any deficiencies and providing recommendations.
- Contributing to the ORSA process and providing an opinion of same to the Board.
- Reporting at least annually to the Board on the tasks that have been undertaken by the Actuarial Function and their results, to identify any deficiencies and provide recommendations as to how such deficiencies should be remedied.

B.8 Outsourcing

PIA uses outsourcing and third party solution providers to allow focus on its core business strengths, reduce costs and manage its delivery risks. PIA retains ultimate responsibility for any activity that is outsourced.

PIA has critical and important outsourcing arrangements with external and intra-group service providers. The following table details the critical or important activities and group shared services that PIA has outsourced.

Provider	Services provided	Jurisdiction of provider
External provider	Ancillary insurance intermediary services including administration of insurance policies	Ireland
Intragroup provider	Investment management services Group shared services including: • Internal Audit • Finance • HR • Information Technology • Procurement • Distribution and marketing	UK

PIA has an Outsourcing and Third Party Supplier Risk Management Policy, which sets out the requirements for managing outsourcing and supplier risk. The policy is compliant with regulatory requirements for outsourcing, covering the full lifecycle of managing outsourcing arrangements. The policy is reviewed and approved by the Board at least annually.

PIA has in place a robust outsourcing risk management framework that supports the effective procurement and subsequent oversight and governance of outsourcing service providers. We have formal outsourcing agreements in place to manage external and intra-group outsourcing arrangements. These agreements set out the responsibilities of both parties and we monitor and review them regularly. Relevant reporting and management information in relation to critical and important outsourcing arrangements is made by PIA Operations via the Supplier, Outsourcing and Operational Resilience Oversight Committee (SOOROC) under the responsibility of the PIA Chief Commercial and Operations Officer to the PIA Risk Committee on a quarterly basis.

B.9 Adequacy of the system of governance

PIA is rated by the Central Bank as a high impact firm under their Probability Risk and Impact System (PRISM) and its Governance Framework reflects the nature, scale and complexity of the risks inherent in PIA's business activities.

PIA must comply with the Central Bank's Corporate Governance Requirements for Insurance Undertakings 2015, which includes composition of its Board and Board Committees. In accordance with the Corporate Governance Requirements for Insurance Undertakings 2015, PIA reviews its governance framework on at least an annual basis, including the performance of its governance committees, which are discussed in section B.1.1 (Governance structure).

In addition, PIA commissions independent reviews of its governance framework periodically, including an independent evaluation of the overall performance of the Board and individual directors every three years.

B.10 Any other information

There is no other material information about the system of governance.

C. Risk Profile

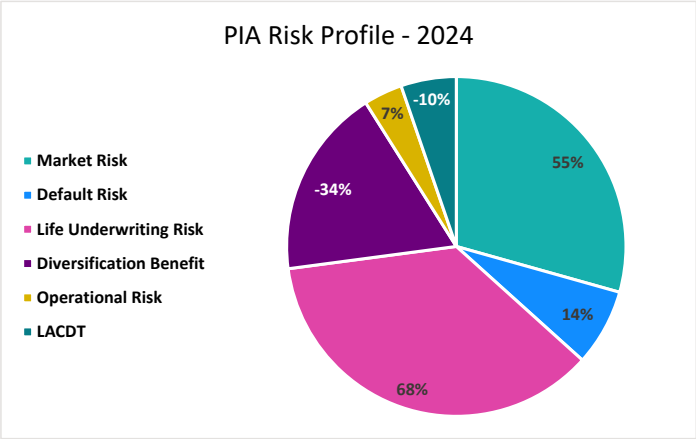
C.1 Introduction

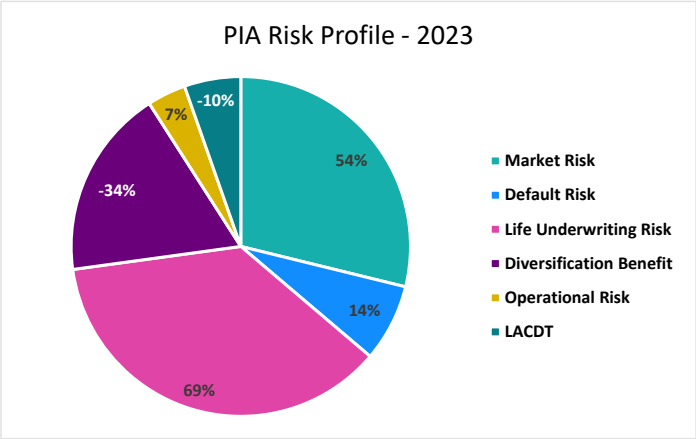
This section sets out information regarding the risk profile of the Company, including the exposures to each material category of risk, the measures used to assess these risks and the techniques used to mitigate and monitor them.

PIA holds capital to meet its Solvency II regulatory obligations across a wide range of risk scenarios. In accordance with Solvency II, PIA applies the Standard Formula to determine its capital requirements with respect to its risk profile and within its ORSA process undertakes an assessment on at least an annual basis to confirm that it remains appropriate for PIA. The Standard Formula is supplemented with scenario and stress testing as part of the ORSA process.

The analysis below shows PIA's risk profile by each risk type's capital requirements as determined using the Standard Formula. Overall, there has been no material change to PIA's risk profile during 2024.

Risk Category	2024 £m	2023 £m
Market Risk	159.2	153.1
Default Risk	39.7	39.2
Life Underwriting Risk	196.5	194.6
Diversification Benefit	(98.3)	(96.1)
Basic Solvency Capital Requirement	297.0	290.8
Operational Risk	20.0	19.6
Loss absorbing capacity of deferred tax	(28.6)	(28.6)
Solvency Capital Requirement	**288.4**	**281.8**





PIA does not have material off-balance sheet positions or transfer any of its risks to special purpose vehicles.

An overview of PIA's risk profile under each of the risk headings is discussed further in this Section.

The Prudent Person Principle

As set out in Solvency II, the Prudent Person Principle (PPP) requires PIA to only invests in assets whose risks it can properly identify, measure, monitor, manage and control. In the case of a conflict of interest PIA ensures that investments are made in the best interest of policyholders and beneficiaries.

All investments are made to ensure the security, quality, liquidity and profitability of the portfolio as a whole. Assets that are held to back liabilities should be invested in a manner appropriate to the nature and duration of the liabilities in question, and ultimately, should be invested in the best interests of all policyholders considering any disclosed fund objective.

PIA's RAS is set in relation to overall solvency, liquidity and other business needs, with risk limits and targets used to make sure that the business is managed within the RAS and is compliant with the PPP. PIA mitigates material risk by matching policyholder liabilities with the relevant assets.

PIA's product offering includes internally and externally managed unit-linked funds. PIA uses services from M&G plc's Treasury & Investment Office to manage internal unit-linked investments. The PIA Investment Policy sets out the framework for management and oversight of investment performance and investment related risk including externally managed funds and this is overseen by the PIA Investment Management Committee under the Chair of PIA's Head of Investments.

Stress and Scenario Testing

Each year, or more frequently if deemed necessary, PIA carries out stress and scenario testing covering its business planning horizon as part of the ORSA process, which is discussed in Section B. Stress and scenario testing are embedded in PIA's RMF and is an effective tool to measure PIA's risk profile and assess the sensitivity of PIA's solvency to a range of severe but plausible scenarios. The assessment includes an analysis of those risks discussed later in this section. In addition, PIA carries out reverse stress testing as part of the ORSA, which gives the Board an understanding of the maximum resilience to extremely severe adverse scenarios.

Mitigating management actions designed to maintain or restore key capital, liquidity and solvency metrics to within PIA's approved risk appetite are available to PIA in times of stress. As such, these actions will be available in the scenarios tested and will assist in maintaining the viability of PIA over the planning period.

The ORSA projections show that PIA is capitalised to withstand severe but plausible events.

Analysed below is the sensitivity test results as they impact PIA's SCR coverage ratio. These sensitivities have been selected on the basis of PIA's key risk exposures. Sensitivities which have a positive impact on PIA's profitability may have a negative impact on PIA's solvency position (and vice versa) as the increase in Own Funds is more than offset by the increase in SCR.

Risk Type	Sensitivity test	Impact on PIA's SCR coverage ratio %	Impact on PIA's Own Funds £m	Impact on PIA's SCR £m	Impact on PIA's Surplus £m
Expenses	A 15% increase in maintenance expenses.	(5%)	(20)	(3)	(17)
Investments	A 25% fall in equities	6%	(35)	(34)	(1)
Lapse rates	A 25% decrease in lapse rates	(13%)	29	51	(22)

C.2 Underwriting risk

PIA defines underwriting risk as the risk of loss, or adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions. PIA writes life insurance business which results in material exposures to the following risks:

- Lapse: risk to profitability if policies surrender early as PIA will lose future income streams on those contracts;
- Expense: the risk to profitability arising if expenses differ to expectation.

PIA has limited risk exposure to mortality and morbidity, primarily due to external reinsurance arrangements which mitigate the impact of adverse experience.

Underwriting risk is currently PIA's largest risk exposure in terms of capital required.

C.2.1 Risk appetite

PIA has appetite for accepting and underwriting insurance risks in areas where it believes it has strong expertise and operational controls. PIA has an appetite for selectively taking insurance risks and has appetite for retaining these risks

where it judges it to be more value-creating to do so than transferring the risk. The magnitude of exposures that PIA holds with regard to insurance risks is limited to the extent that they remain part of a balanced portfolio of sources of income for the shareholders and are compatible with a robust solvency position.

C.2.2 Risk concentration, assessment and management

The largest underwriting risk concentration relates to lapse risk as it requires the highest proportion of solvency capital to be held by PIA on Standard Formula basis, driven by the mass lapse event. This reflects the fact that overhead expenses would not be expected to be fully variable in a mass lapse scenario, whereas income from policyholder charges would reduce proportionately.

PIA measures and assesses its exposure to insurance risks using metrics agreed by the Board which are compatible with PIA's risk appetite. PIA considers various items to determine its insurance risk mitigation and management strategy; these include correlation with other risks, cost effectiveness, and credit standing of relevant counterparties (if applicable).

PIA sets assumptions for insurance risk based on its own experience and its understanding of each risk. PIA regularly performs experience studies which are reported to the Board, where actual experience is analysed and compared with expected experience. Appropriate actions are taken in the event of deviations in experience from pricing or reserving assumptions.

PIA aims to minimise lapse risk by setting an appropriate basis for pricing and reserving, and putting strong controls in place covering policyholder servicing, experience and behaviour monitoring, stress testing and validation of its lapse assumptions.

PIA monitors lapse experience on an ongoing basis and, when necessary, makes changes to product design and/or undertakes policy retention initiatives. Lapse experience studies are conducted regularly and are split by homogeneous risk groups for analysis.

PIA aims to minimise expense risk by setting an appropriate basis for pricing and reserving, and putting strong controls in place covering product design, pricing and experience monitoring, stress testing and validation of its expense assumptions. The expense strategy is to set budgets which are consistent with PIA's target levels of solvency and profitability, while ensuring that PIA has sufficient resources to run its business and achieve its business objectives. Expense budgets are approved by the PIA Board as part of the Company's Business Plan. Expenses are managed to ensure that actual expenses incurred are in line with approved budgets. PIA monitors its expenses on an ongoing basis and takes appropriate and timely action where incurred expenses are higher than the approved budget. Expense assumptions are set based on historical and projected future expenses. PIA also monitors its expense inflation risk and its policy count. Expense inflation is set relative to expected inflation for the relevant currency.

Reinsurance is used to manage insurance risks when it is desirable or cost effective to reduce exposure to a particular risk. PIA has a reinsurance limit framework to limit the exposure to a single external reinsurer.

PIA's morbidity and mortality risks are managed by setting an appropriate basis for pricing and reserving based upon strong expertise in these risks (including reinsurer's expertise), and by putting strong controls in place covering claims management, experience monitoring, stress testing, and validation of assumptions.

C.3 Market risk

Market risk is defined as the risk of loss or adverse change in the financial situation of our business or that of our policyholders resulting, directly or indirectly, from fluctuations in the level or volatility of market prices of assets, currencies, liabilities and financial instruments. PIA's drivers of market risk are equity, currency, interest rates, property, inflation, alternative investments and derivatives.

The key market risks to which PIA is exposed to are set out below:

- *Equity Risk*

  The key market risk faced by PIA is equity risk, which arises from the impact of adverse movements in equity markets on the management fees earned (as equities, both quoted and private, are a significant asset class within the policyholder funds). PIA reinsures risks relating to policyholder benefits on its with-profit business to its parent, PAC, but retains the risk relating to the value of future management fee income.

- *Currency Risk*

  Currency risk is the risk of loss resulting from changes in exchange rates. PIA's currency exposure arises through the impact of exchange rate movements on the policyholder funds affecting fee income, due to a currency mismatch between mainly euro denominated expenses and mainly sterling denominated income taken as a percentage of funds. In addition, currency translation risk arises in respect of PIA's Polish Branch (Zloty) given PIA's financial reporting currency is GBP.

- *Interest Rate Risk*

  The risk of loss arising from a change to actual or expected interest rates. The prevailing interest rates will be a significant factor in determining the value of PIA's obligations as well as the expected income and cash flow that will be generated from assets.

C.3.1 Risk appetite

PIA has appetite for market risk to the extent that it remains part of a balanced portfolio of sources of income for shareholders and is compatible with a robust solvency position. Where PIA manages market risk on behalf of its policyholders it will take on and manage this in line with relevant specified policyholder literature and Investment Management Agreements (IMAs).

PIA's risk appetites for key market risks to which PIA is exposed to are set out below:

- *Equity Risk*

  PIA has limited appetite for exposures to equity movements to remain unhedged, or for volatility within policyholder guarantees, after taking into account any natural offsets within the business. PIA accepts the equity exposure that arises through management fees subject to maintaining a strong solvency position.

- *Currency Risk*

  PIA accepts the currency risk that emerges from revenues retained locally to support the growth of its business, that arises from invested overseas assets through the impacts on valuations, and from the translation risks with regard to:

  - capital held in the local currency of the business to meet local regulatory and market requirements; and
  - impact on profit and loss of locally reported revenues.

  Expenses are matched by currency where possible to limit currency risk and optimise capital efficiency, PIA does not take significant shareholder exposures in currencies outside the local territory.

- *Interest Rate Risk*

  Assets and liabilities of PIA should be tightly matched where liquid assets or derivatives exist that can cover these exposures. PIA will only accept a limited amount of risk from writing liability products where liquid assets, derivatives, or other offsets in the business are unable to cover interest rate exposures.

C.3.2 Risk concentration, assessment and management

Risk concentrations within market risk (both at the asset class level and within asset classes) are controlled through various processes, including reviews of Strategic Asset Allocation, investment and hedging strategies, as well as investment constraints implemented via the Investment Management Agreements (IMAs) and fund management guidelines. These processes ensure that the overall market risk exposures are well-diversified.

Market risk policies, risk appetite statements, risk limits and triggers, processes and controls are in place to support effective market risk management, and PIA closely monitors and manages its exposures to key market risks. Board approved Key Risk Indicators (KRIs) for market risk are reported quarterly to the PIA RCMC and the PIA Board Risk Committee. Appropriate actions are taken if market risk exposure is outside PIA's risk appetite. PIA also performs market risk stress tests as part of its annual ORSA process to ensure future solvency needs are met even in extreme market crash situation.

PIA does not intend to take any undue market risk in the investment of its shareholder assets. Shareholder assets are held in short dated cash, near cash instruments or government bonds. Shareholder assets are invested with a view to minimising the volatility of the overall solvency position. Investment guidelines require cash to be placed with good quality counterparties and to ensure that there is a suitable spread of such counterparties. The PIA IMC oversees the investment of shareholder assets.

PIA does not actively seek exposure to currency risk and where management deem necessary, PIA will consider mitigating actions for its various currency risk exposures.

Linked liabilities are suitably matched for PIA's existing business.

C.4 Credit risk

PIA defines credit risk as the risk of loss or adverse change in the financial situation of the business, or that of our policyholders, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors in the form of default or other significant credit event (for example downgrade or spread widening).

PIA is exposed to credit risk from the following sources:

- *Invested Credit*

  The risk of loss resulting from investing in credit risky assets (e.g., bonds, mortgage loans) on behalf of shareholders, customers and clients (including policyholders and third-party business).

- *Counterparty*

  The risk of loss resulting from undertaking investment, reinsurance or derivatives actively used to meet mandate requirements or to mitigate risk exposure on behalf of shareholders, customers and clients (including policyholders and third-party business). The main source of this risk is PIA's exposure to its parent, PAC, through reinsurance arrangements which provide its policyholders with access to the PAC With-Profits Fund.

C.4.1 Risk appetite

PIA has appetite to take credit risk to the extent that it remains part of a balanced portfolio of sources of income for shareholders, and that it is compatible with a robust solvency position. PIA will take on and manage credit risk on behalf of its policyholders in order to generate suitable customer returns in line with relevant Investment Management Agreements (IMAs) or policyholder literature.

PIA's risk appetites for each of its key credit risk exposures are set out below:

- *Invested Credit*

  PIA accepts invested credit risk on behalf of shareholders and where it is relevant policyholders where there is an appropriate level of compensation for the risk and in line with relevant policyholder literature. PIA will only accept limited credit risk to any single institution particularly those of a lower credit quality.

- *Counterparty*

  PIA will accept counterparty risk where this arises as a by-product of investment activity, reinsurance or derivative transactions where such exposures are created to meet mandate objectives or mitigate risk, and in the management of cash. Where PIA or M&G plc manage counterparty risk on behalf of its policyholders, they will take on and manage this risk in line with relevant specified mandates and/or relevant policyholder documentation (e.g. the PPFM) considering the appropriateness of the nature and size of these exposures alongside those arising for the shareholder. PIA does not pursue a policy of actively taking counterparty credit risk.

C.4.2 Risk concentration, assessment and management

PIA's review of significant risk concentrations within credit risk consider its exposure to different asset classes, individual counterparties, specific geographical areas, industry sectors and currencies.

Credit risk policies, risk appetite statements, risk limits and triggers, processes and controls are in place to support effective risk management, and PIA closely monitors and manages its exposures to key risks. Board approved Key Risk Indicators (KRIs) are reported quarterly to the PIA RCMC and the PIA Board Risk Committee. Appropriate actions are taken if risk exposure is outside PIA's risk appetite. Relevant KRIs include minimum credit quality and asset concentration limits. Limits apply to external counterparties only.

PIA's risk management for the key areas of credit risk it is currently exposed to is set out below:

- *Invested Credit*

  PIA has direct exposure to investment credit risk within shareholder asset investment accounts. PIA reinsures the direct investment credit risk arising from its with-profit business to its parent.

  Credit risk on shareholder funds arises from bank failure or government insolvency and/or default. It is managed through appropriate diversification and monitoring of credit rating updates and other market information. Investments are made according to the PIA Investment Policy, which is set in line with the risk appetite set out for credit risk exposure and is reviewed annually. Deposits are placed in various banks with higher proportions permitted in higher rated banks. PIA monitors its relevant exposures and their ratings on an ongoing basis.

  For policyholder asset investment accounts in respect of PIA's internal unit linked and Open Architecture funds, the investment credit risk is borne by the policyholder. PIA is indirectly exposed to investment credit risk arising from policyholder assets as the value of future fee income received by PIA is dependent on the investment performance of these funds.

  PIA will take on and manage credit risk on behalf of its policyholders in order to generate suitable customer returns in line with relevant policyholder literature. PIA monitors regularly credit risk exposure, such as credit ratings of bank counterparties and their financial conditions, and also produces quarterly reports on the exposures.

- *Counterparty risk*

  PIA has counterparty risk exposure on deposits and due to the reliance placed on a number of internal and external reinsurance contracts. PIA's most material reinsurance contracts include intra-group reinsurance with its parent company PAC (A+, A1 and AA- ratings for financial strength from S&P, Moody's and Fitch respectively[1]) to allow its customers to access PruFund, and external reinsurance with institutions with very strong credit ratings to cover mortality and morbidity risk.

[1] As at January 2025

PIA sets minimum approved credit ratings for reinsurers from whom it can purchase reinsurance; these ratings are assessed when reinsurance contracts are signed or renewed and are monitored on an ongoing basis. PIA also sets maximum counterparty exposure to any third party external reinsurer it is involved with.

PIA monitors and reports on its relevant exposures and their ratings on a quarterly basis. If a reinsurer's rating falls below the approved credit rating limit, a report is prepared for the PIA PPOC and the PIA Board Risk Committee outlining the relevant details including any required course of actions that will be agreed through these governance channels.

C.5 Liquidity risk

PIA refers to liquidity risk as Shareholder Asset Liquidity Risk and Fund Liquidity Risk, and these are defined below:

- *Shareholder Asset Liquidity Risk*

  Shareholder Asset Liquidity Risk is defined as the risk of loss for our business, or of adverse changes in the financial situation, resulting from PIA's inability to generate sufficient cash resources to meet financial obligations (e.g. claims, creditors and planned dividends) as they fall due.

  PIA is exposed to shareholder asset liquidity risk as part of normal business activities. It is exposed to shareholder asset liquidity risk arising from the mismatch in liquidity of assets held compared to the frequency of paying liability cash flows, whether these are to insurance policyholders or other creditors.

- *Fund Liquidity Risk*

  Fund Liquidity Risk is defined as the risk of being unable to meet liabilities arising from a mismatch in liquidity of the underlying assets and the frequency of liability requirements of the fund.

  PIA is exposed to fund liquidity risk by virtue of the type of business that it writes. PIA offers a number of investment funds through its product offering including PAC With-Profits funds, PIA internal unit-linked funds and external unit-linked funds (via Open Architecture products). Fund liquidity risk can arise for policyholders from a mismatch in the liquidity of the underlying assets of a fund (for example, where it holds Commercial Property) and the frequency of liability requirements of the fund. Where required under Policy Terms and Conditions, PIA manages this risk on behalf of its policyholders. PIA is not directly exposed to this fund liquidity risk except for the impact on policyholder retention (and resulting impact on fee income) and reputation.

Overall, PIA's liquidity risk is considered to be relatively low as PIA strategically matches assets and liabilities and holds a high proportion of liquid assets.

C.5.1 Risk appetite

PIA's risk appetites for each component of its liquidity risk exposures are set out below:

- *Shareholder Asset Liquidity Risk*

  PIA have low appetite for any business not to have, or be unable to generate, sufficient liquid assets to meet their financial obligations as they fall due, or for PIA as a whole to not meet its financial obligations as they fall due under any plausible scenario

- *Fund Liquidity Risk*

  PIA has low appetite for any fund to have a liquidity profile which is significantly inconsistent with normal[2] liquidity expectations or other sources of liability risk such as collateral calls on derivatives in the portfolio or at a share class level.

C.5.2 Risk concentration, assessment and management

PIA's overall approach to the management of liquidity is such that material concentrations of liquidity risk are avoided. For example, liquidity is subject to regular monitoring against defined risk limits, mitigating the risk of liquidity risk concentrations arising.

A liquidity risk policy, risk appetite statement, risk limits and triggers, processes and controls are in place to support effective liquidity risk management, and PIA closely monitors and manages its exposures to this risk. Board approved Key Risk Indicators (KRIs) are reported quarterly to the PIA RCMC and the PIA Board Risk Committee. Appropriate actions are taken if risk exposure is outside PIA's risk appetite. Relevant KRIs are in place for both shareholder asset and fund liquidity risk.

In addition, PIA produces liquidity projections and reviews these against the risk appetite under the base and stressed scenarios as part of the ORSA process.

C.5.3 Expected profit included in future premiums

PIA is required to calculate and report the expected profit included in future premiums (EPIFP) included within its own funds. This calculation requires an assessment of the impact of an increase in insurance liabilities (excluding the risk margin) if future premiums relating to in-force business were not received, regardless of the legal or contractual rights of the policyholder to discontinue the policy.

The calculation is carried out at the level of homogeneous risk groups, as defined in Article 35 of the Delegated Regulation.

As at 31 December 2024, PIA EPIFP from QRT S.23 was £163m (2023: £152m).

[2] "Normal" for PIA is settlement of redemption requests within 30 days of submission. This is assessed by reviewing the dealing and valuation frequency of the fund, instances of suspension and deferred dealing would be considered to be outside of normal liquidity.

C.6 Operational risk

PIA defines operational risk as the risk of financial and non-financial impact (for example, regulatory and reputational) resulting from inadequate or failed internal processes, or from personnel and systems, or from external events, excluding events covered under Business Environment Risk. PIA has identified the following as drivers of its operational risk:

- Business operations and process
- Change/Transformation
- Technology resilience and digital security (including operational resilience)
- Data
- Third party
- Legal
- Data Privacy

C.6.1 Risk appetite

PIA is exposed to operational risk as part of its normal business activities. PIA's risk appetite is defined as:

> Overall, PIA does not accept to take operational risk to generate returns. PIA will act to avoid material impacts, including non-financial impacts, suffered as a result of failing to develop, implement and monitor appropriate controls to manage operational risk. However, PIA tolerates a level of risk that means the controls in place should prevent material impacts but should also not excessively restrict business activities.

In addition to the above, set out below are PIA's risk appetites for key drivers of operational risk:

- *Business operations and process*

  PIA does not accept and will act to avoid any material impacts, including regulatory censure and/or unfair customer treatment and subsequent reputational impacts, arising from failure to develop, implement and operate core business processes effectively.

- *Change/Transformation*

  PIA does not accept and will act to prevent any material impacts including financial overruns, time delays or non-delivery of benefits for projects/programmes that will have a material impact on the business model and/or strategy.

- *Technology resilience and digital security (including operational resilience)*

  PIA does not accept and will act to prevent any material impacts, including customer and subsequent reputational impacts, arising from:

  - significant interruption to, or degradation in the performance or capacity of, its technology applications and operational infrastructure (including service delivery) caused by a failure to develop, implement and monitor appropriate technology processes, controls and services;

- the theft of, compromise of, or damage to, its information, assets, data or staff caused by a lack of capability to detect, prevent, respond to and recover from security Risk Events.

- *Data*

  PIA has low appetite for impacts from failing to adopt appropriate data and data privacy governance and controls which ensure well defined, understood, high quality data is available and used to execute critical business and decision making processes, and to meet the obligations and demands of customers, regulators, and the law.

- *Third Party Risk*

  PIA does not accept and will act to prevent any material impacts, including customer and subsequent reputational impacts, arising from failure to implement controls to identify, assess, manage, monitor and govern third-party risks (including intra group outsourcing arrangements) across the Third Party Management Lifecycle (plan, evaluate and select; contract and on-board; manage; monitor; terminate and off-board).

- *Legal*

  PIA does not accept and will act to prevent any material impacts, including subsequent reputational impacts, arising from failure to comply with the applicable legislative requirements and/or breaches of internal policies and procedures which leads to legal action or regulatory censure. PIA has no appetite for any significant impacts (direct or indirect) as a result of deliberate or negligent practice.

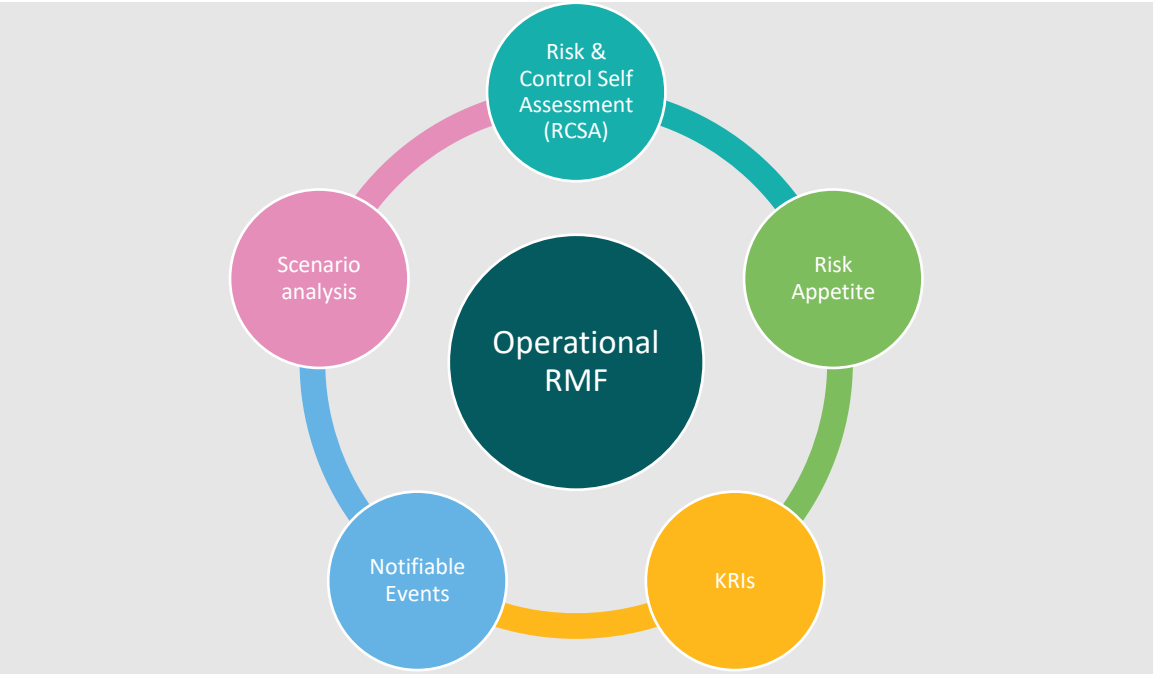
- *Data Privacy*

  PIA has no appetite for material noncompliance with applicable data protection laws and regulations, and/or, for any material loss or harm resulting from any such compromise.

C.6.2 Risk concentration, assessment and management

The most significant areas of risk concentration from an operational risk perspective are in respect of third party outsourcing arrangements. PIA relies heavily on a small group of key third parties (including intra-group) to deliver core business services and this is discussed in section B.8.

As part of PIA's RMF, it has developed an Operational Risk Management Framework which is illustrated below and is coordinated by PIA Risk.



The PIA Operational Risk Policy facilitates the effective management of individual operational risks, issues and notifiable events as well as the operational risk profile in aggregate across PIA. This policy is underpinned by the development and implementation of targeted risk management activity to manage exposure across operational risk sub-categories, several of which are subject to their own risk policies and standards. PIA's Operational Risk Policy provides an appropriate framework for the management of its current operational risk profile.

Technology resilience and digital security risk (including cyber and IT) is a top risk for PIA given the potential impact a related risk event could have on its business. A significant element of PIA's IT infrastructure is provided via M&G plc group shared services and therefore management of this risk is managed through oversight of PIA's material outsourced service providers, which is discussed in section B.8.

In addition, demonstrating overall operational resilience means upholding the continuity, performance and integrity of business services during times of disruption, planning on the basis of when, not if, disruptions occur. Following the implementation of the Central Bank of Ireland Cross Industry Guidance on Operational Resilience in December 2023 and the EU Digital Operational Resilience Act (DORA) in January 2025, PIA has continued to develop and enhance its operational resilience capability in line with the CBI three distinct pillars, namely Pillar 1 – Identify & Prepare; Pillar 2 – Respond & Adapt; and Pillar 3 – Recover & Learn.

Through 2024 the following activities were undertaken as part of the implementation of PIA's Operational Resilience policy and framework:

- Review and update the PIA Operational Resilience Framework (comprising of Strategy, Policy and supporting Business Standards)
- Review and update the CIB Services for PIA (a range of 6 applying to some or all of the supporting books of business)
- Enhancing the methodology for identifying CIBS

- Reviewing the definition of material detriment across the different areas of focus (customer, market and firm safety and soundness) allowing for industry and regulator learnings
- Updating the Impact tolerances metrics and thresholds for each identified CIB Services
- Review and update the dependency mapping across the revised list of CIB Services
- Completing the scenario testing suite from 2023 to include IPB ransomware and updating the results of the Polish Branch test
- Complete the annual Self Assessment in respect of PIA Operational Resilience
- Delivering the requirements to comply with DORA; identifying the Critical and Important Functions (CIFS), mapping all ICT supporting CIFS, enhancing third party contracts, implementing processes to identify and report major DORA reporting incidents to the regulator

The focus for 2025 is to enhance the Business Continuity Plan with detailed mapping of all dependencies and contingencies. This will allow us to utilise this detail when reviewing the Critical or Important Business (CIB) Services and their mapping. New scenario tests will be undertaken. We will continue to deliver the remaining requirements of DORA.

The Operational RMF includes, but is not limited to the following activities:

- Quarterly RCSAs completed by first line risk owners with oversight and challenge from Risk;
- Assessing operational risk as part of the ORSA process, including appropriate stress testing, when considering PIA's Own Solvency Needs (OSN);
- Operational risk policies (including Operational Resilience), and supporting standards;
- Development, maintenance and annual reviews of Operational Resilience Framework; Business Continuity Plan and IT Disaster Recovery Plan, including testing thereof;
- Monitoring of KRIs on a quarterly basis through Risk MI reported to the Risk Committee; and
- Monitoring of legislative, regulatory and fiscal rule changes on an ongoing basis.

C.7 Other material risks

An overview of other key or emerging material risks that PIA are exposed to is set out below.

C.7.1 Regulatory risk

PIA have a low appetite for regulatory risk across all jurisdictions we operate in. As such we have no appetite to knowingly miss or not meet regulatory requirements (unless agreed with the regulator) or for instances of material regulatory non-compliance that could lead to fines and / or enforcement action.

C.7.2 Control environment

The overall control environment of PIA ensures the risks PIA is exposed to are being adequately managed, with controls in place and operating effectively to limit the potential impact of any issues or notifiable events. The control environment is continually being enhanced across PIA as reflected in the RCSA.

C.7.3 Group and Strategic risk

PIA has limited appetite for M&G plc group risks and intragroup counterparty risks. The limit defining the level of intragroup arrangements PIA is willing to take on is linked to the expected level of new business projected in the business plan, which is written and reinsured to PAC. PIA remains well informed as to how group risk may impact its business strategy, risk profile and reputation/ brand.

PIA's group counterparty and intra group outsourcing risks are discussed above in sections C4 and C6 respectively.

PIA is exposed to reputational risk related to the Pru Brand and the utilisation of PruFund within product offerings. PIA regularly monitors Group risk through M&G's liquidity ratio, PAC solvency ratio, credit rating and intra-group counterparty exposure. Group risk is minimised somewhat while the parent company remains financially strong. The governance arrangements, risk management policies and processes, and internal control mechanisms across PIA, PAC and M&G plc also ensure group risk is appropriately managed, including any potential conflicts of interest.

Strategic risk is mainly identified through the business planning process which includes an annual risk opinion on the business plan presented to the Board.

C.7.4 Business environment risk

PIA accepts it is exposed to external business environment risk and will manage and report exposures through the annual ORSA, risk opinion on PIA's business plan, Emerging Risk and Top Risk assessment processes as well as the RCSA.

C.7.5 People risk

In order to achieve its strategic aims, PIA relies on its staff and in particular the SMT and Subject Matter Experts within and across the business. PIA's SMT are acutely aware of the potential for resource stretch within the business and the importance of retaining skilled and experienced staff in order to deliver strategic objectives. The PIA SMT have put measures in place to support staff including: changes to the working environment and remote working; promoting well-being initiatives; and increasing training opportunities.

Key person risk continues to be significant given the relatively small size of the in-house operations. Retention is closely monitored on an ongoing basis, as the time necessary to fill vacant positions is increasing as a result of a challenging recruitment market.

C.7.6 Political Risk

The divergence of UK and EU regulatory environments remains a risk to PIA and this is managed as part of PIA's management of its regulatory risk.

D. Valuation for Solvency Purposes

An overview of PIA's balance sheets for the purposes of statutory financial reporting (FRS) and Solvency II as at 31 December 2024 with comparator year end are set out below:

2024	Reference	FRS £m	Adjustments £m	Solvency II £m
Assets	D.1	10 179	-237	9 942
Technical provisions	D.2	-9 739	421	-9 318
Other liabilities	D.3	-186	-31	-217
Excess of assets over liabilities		253	153	407

2023	Reference	FRS £m	Adjustments £m	Solvency II £m
Assets	D.1	9 873	-222	9 651
Technical provisions	D.2	-9 448	405	-9 043
Other liabilities	D.3	-188	-30	-218
Excess of assets over liabilities		237	153	390

D.1 Assets

The tables below show assets held on an FRS and Solvency II basis as at 31 December 2024 with prior year end:

2024	Reference	FRS £m	Adjustments £m	Solvency II £m
Deferred acquisition costs	D.1.1	69	-69	0
Intangible assets	D.1.2	1	-1	0
Investments other than participations	D.1.3	289	1	290
Assets held for index-linked and unit-linked contracts	D.1.4	2 179	0	2 179
Reinsurance recoverable	D.1.5	7 551	-167	7 384
Cash and cash equivalents	D.1.6	52	0	52
Other	D.1.7	37	0	37
Total assets		10 178	-237	9 942

2023	Reference	FRS £m	Adjustments £m	Solvency II £m
Deferred acquisition costs	D.1.1	70	-70	0
Intangible assets	D.1.2	2	-2	0
Investments other than participations	D.1.3	283	1	284
Assets held for index-linked and unit-linked contracts	D.1.4	2 099	0	2 099
Reinsurance recoverable	D.1.5	7 338	-150	7 188
Cash and cash equivalents	D.1.6	45	0	45
Other	D.1.7	36	-1	35
Total assets		9 873	-222	9 651

The basis on which these asset categories are valued under Solvency II compared to FRS are described below.

D.1.1 Deferred acquisition costs

The value of deferred acquisition costs is nil for the Solvency II purposes. For FRS purposes, certain acquisition costs are deferred and recognised over an appropriate amortisation period.

D.1.2 Intangible assets

The value of intangible assets, such as distribution rights and software, are nil for the Solvency II purposes. For FRS purposes, intangible assets are recognised at cost less amortisation. Intangible assets also include goodwill, and the value of goodwill is £nil for both FRS and Solvency II purposes.

D.1.3 Investments other than participations

Investments (other than assets held for index-linked and unit-linked contracts) comprise the following asset types as included in the FRS and Solvency II balance sheets.

	2024 £m	2023 £m
Bonds	117	121
Collective investment undertakings	3	1
Deposits	171	162
Total investments other than participations	290	284

The carrying value of investments other than participations approximates to their fair value.

D.1.4 Assets held for index-linked and unit-linked contracts

These assets relate to insurance products where the policyholder bears the investment risk, namely unit-linked products, and are presented as a single line 'Assets held for index-linked and unit-linked funds' within the Solvency II balance sheet.

PIA's valuation policy sets out the basis of valuation of assets. This policy ensures that valuation estimates of assets are consistent with the valuation approach set out under Solvency II.

Controls are in place to verify that market prices or valuation model inputs are appropriate, reliable and in accordance with Solvency II.

All financial investments are classified at fair value. Financial assets are initially recognised at fair value, being the consideration paid for the acquisition of the investments, excluding all transaction costs. Movement in fair value is recognised in the Income Statement.

As the default valuation method, assets and liabilities are valued using quoted market prices in active markets for the same assets or liabilities, where available. Where recent market data is unavailable at any given reporting date, fair value is determined using independent pricing services, third-party broker or fund manager quotes.

Alternative valuation techniques are applied for investments which are not listed or have inactive markets. In valuing such investments, methods used and assumptions made are documented. Valuation techniques used may include comparison to recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, option adjusted spread models and, if applicable, enterprise valuation. If no realistic

value can be obtained, an investment will be measured at cost less any impairment provision, as this is considered best estimate of fair value. These techniques may include a number of assumptions relating to variables such as credit risk and interest rates. Changes in assumptions relating to these variables could positively or negatively impact the reported fair value of these instruments. When determining the inputs into the valuation techniques used priority is given to publicly available prices from independent sources when available, but overall the source of pricing is chosen with the objective of arriving at a fair value measurement that reflects the price at which an orderly transaction would take place between market participants on the measurement date.

The table below analyses the value of assets held for index-linked and unit-linked contracts by valuation method on a Solvency II basis.

Assets held for index-linked and unit-linked contracts	2024 £m	2023 £m
Quoted market prices in active markets for the same assets or liabilities	1 709	1 529
Valuation methods using quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences	449	549
Alternative valuation methods	21	21
Total investments other than participations	2 179	2 099

D.1.5 Reinsurance recoverable

Technical provisions are calculated on a gross-of-reinsurance basis, and a corresponding Reinsurance Asset ("Reinsurance Recoverable") exists on the balance sheet, as described in section D.2.4.

D.1.6 Cash and cash equivalents

Cash and cash equivalent are valued at fair value, an amount not less than the amount payable on demand.

D.1.7 Other assets

Other assets include premiums due, reinsurance and other trade receivables as well as tangible assets. Receivables are included at the amount of the receivable outstanding at the balance sheet date, less a provision for any irrecoverable amount. This basis of valuation is viewed by the Directors as being prudent with regard to the likely realisable value and therefore the fair value.

Tangible assets are measured at fair value that represents the realisable value of individual assets to transfer to a third party. An adjustment from FRS to Solvency II is made in relation to right of use of lease assets which are not treated as an asset under FRS102/103 but are valued according to IFRS16 for Solvency II purposes.

D.2 Technical provisions

PIA's technical provisions have been calculated under the principles and methodologies as laid out in Solvency II and the additional guidelines and technical information provided by the European Insurance and Occupational Pensions Authority (EIOPA). The technical provisions are the sum of two elements: the Best Estimate Liabilities (BEL) and the

risk margin. Technical provisions are gross of reinsurance because the reinsurance recoverable is treated as an asset rather than a reduction of liabilities on the Solvency II balance sheet (see section D1 Assets).

PIA does not apply any of the following measures, which are permitted under the Solvency II requirements (subject to approval):

- Matching adjustment, as referred to in Article 77b of the Directive;
- Volatility adjustment, as referred to in Article 77d of the Directive;
- Transitional risk-free interest rate-term structure, as referred to in Article 308c of the Directive;
- Transitional deduction, as referred to in Article 308d of the Directive.

This section gives an overview of PIA's technical provisions. It outlines the methods and main assumptions used in calculating the technical provisions for each of PIA's material lines of business: insurance with profit participation ("with profit"), unit-linked insurance and other life insurance.

Line of business	2024 £m	2023 £m
Insurance with profit participation	7,189	6,997
Unit Linked Insurance	2,098	2,009
Other life insurance	(86)	(80)
Total BEL	9,201	8,926
Risk Margin	117	117
Total technical provisions	9,318	9,043

The BEL corresponds to the probability-weighted average of future cash flows, taking account of the time value of money (i.e. the expected present value of future cash flows), using the risk-free interest rate term structure published by EIOPA. The calculation of the BEL is based upon up-to-date and credible information and realistic assumptions (derived from data analysis and expert judgement) and is performed using appropriate actuarial and statistical methods. The cash-flow projection used in the calculation of the BEL takes account of all the cash in-flows and out-flows required to settle the insurance obligations over their lifetime. The BEL is calculated before deduction of the amounts recoverable from reinsurance contracts (see sections D.1. and D.1.5).

The risk margin is calculated in line with Solvency II requirements, and aims to ensure that the total technical provisions are equivalent to the cost of transferring the insurance obligations to a third party. The calculation applies simplified methods in line with Solvency II.

In calculating technical provisions, the following key assumptions are made:

- economic assumptions, most of which are published by EIOPA and set by reference to market data at the valuation date and

- non-economic assumptions, used to derive non-market related best estimate liability cash flows (for example future claims and expenses).

The principal economic assumption is the risk-free interest rate term structure. The risk-free curves at which best estimate liability cash flows are discounted are specified by EIOPA.

Non-economic assumptions (e.g. persistency, mortality, morbidity and expense assumptions) are derived from analysis of recent historic experience data, and also reflect expected future experience. These assumptions are based on PIA's best estimate of future experience using past experience, market data and expert judgement and therefore there is a level of subjectivity in setting the assumptions. PIA updates its assumptions regularly in light of emerging

experience and changing business, economic and demographic factors. The main assumptions for each line of business are discussed below.

D.2.1 Insurance and investment with profit participation

This category comprises all single premium unit-linked investment products and regular premium savings products that provide with profits benefits to policyholders. With profits benefits are provided by the PAC With-Profits Fund via a reinsurance treaty between PIA and PAC.

Where financial guarantees are provided for within the with-profits fund they are 100% reinsured to PIA's parent, PAC.

The BEL is calculated as the sum of the unit BEL and the non-unit BEL. The Unit BEL reflects the value of the with profit benefits reinsured to PAC, and includes both:

- the in-force asset share at the valuation date; and
- the value of differences (Net Cost of Options, Guarantees and Smoothing) between expected future payments to policyholders and asset shares, arising from options, guarantees and smoothing.

The asset share represents the retrospective accumulation of premiums, investment return, claims payments for regular withdrawals and part surrenders, and the charges payable by the policyholder as specified by the policy terms and conditions.

The Net Cost of Options and Guarantees on both the unitised and conventional with profit business is calculated using outputs from the stochastic model used and maintained by PAC. This valuation allows for realistic management actions that are consistent with the operation of the with profits funds. The PAC management actions include the following:

- *Dynamic adjustments to reversionary and terminal bonus rates*
  This includes adjusting reversionary bonuses to target a specified range of terminal bonus cushion at maturity, or to maintain the solvency ratio of the participating fund in stressed conditions. For terminal bonuses, smoothing rules apply limiting the year on year change for the same bonus series. Terminal bonuses may be subject to a surrender penalty in certain market conditions.

- *Market Value Reductions*
  For some accumulating with profits policies, market value reductions may apply, subject to certain limits.

- *Suspension of smoothing*
  The usual smoothing rules can be suspended to maintain the solvency ratio of the participating fund in stressed conditions.

- *Dynamic investment strategy*
  This can include switching into lower-risk assets to maintain the solvency of the fund in stressed conditions.

The Net Cost of Options, Guarantees and Smoothing has no impact on the liabilities on a net of reinsurance basis, as it is 100% reinsured to PAC.

PIA holds a non-unit BEL for unitised with profit business that is calculated using a deterministic approach by discounting projected future cash flows from the contracts. The non-unit BEL also includes an amount in respect of

expected development spend. A non-unit BEL for the Polish with profit business is also calculated, but is 100% reinsured to PAC.

The most significant assumptions used in the calculation of the non-unit BEL for with-profits business are lapse assumptions and expense assumptions. These are best estimate assumptions.

The lapse assumptions used vary by product and by the duration of the policies, based on the results of annual experience studies. Expense assumptions reflect current and expected future expense levels and business volumes. Expert judgment is also used where deemed necessary. Further detail is set out in Section D.2.5.

D.2.2 Unit-linked Insurance

Unit linked insurance includes products where policyholders can only invest in funds offered by PIA (Proprietary) and products where policyholders can invest in funds offered by third parties as well as PIA (Open Architecture).

A small number of the products included in this line of business offer a capital redemption option that offers a guaranteed maturity benefit. As this guarantee is insignificant in size it does not require stochastic modelling.

PIA reinsures the risk benefits (e.g. mortality, critical illness and long-term-care) on these products to external reinsurers. Reinsurance is on a quota-share and surplus basis. PIA reinsures at least 75% of these risks.

The BEL is calculated as the sum of unit liability plus non-unit liability. The unit liability is calculated as the fair value of units deemed allocated at the valuation date. The non-unit liabilities comprise:

- the present value of all non-unit cash flows allowing for persistency, mortality, morbidity, the rate at which the unit reserves are expected to grow, expenses, expense inflation, charges for benefits, charges for expenses, management charges due to the Company. This can be negative, and reflects the discounted value of fee income from the unit funds less allowances for expenses.
- any additional reserves required – including long term care, unapplied single premium, and expected development spend.

The non-unit liability is modelled on a deterministic basis.

The most significant assumptions for this business are lapse and expense assumptions, as well as mortality and morbidity rates. The assumptions used vary by product and reflect recent experience where available. Where there is insufficient experience to perform a credible analysis of experience, reinsurers' rates are used.

Expense assumptions reflect current and expected future expense levels and business volumes. Expert judgment is applied where necessary.

Market-related assumptions are discussed in section D.2.5.

D.2.3 Other life Insurance

This predominately relates to the non-profit business written through the PIA Poland branch, which includes a standalone non-profit protection product, and rider benefits associated with the with-profits endowment assurance product.

75% of all mortality and morbidity risks in respect of the PIA Poland branch non-profit business are reinsured with an external reinsurer.

The BEL comprises the present value of future benefits and expenses less the present value of future premiums allowing for persistency, mortality, morbidity, commissions, expenses and expense inflation. The BEL is modelled on a deterministic basis.

The most significant assumptions for this business are lapse, mortality and morbidity rates. The assumptions used vary by product and reflect recent experience where available. Where there is insufficient experience to perform a credible analysis of experience, reinsurers' rates are used.

Expense assumptions reflect current and expected future expense levels and business volumes. Expert judgment is applied where necessary.

D.2.4 Reinsurance recoverable

In the Solvency II balance sheet, PIA includes the full expected cost of claims within the technical provisions, and treats the expected corresponding reinsurance recoverable as an asset. The valuation methods and assumptions for reinsurance recoverable are consistent with the methods and assumptions for the corresponding technical provisions discussed above. The value of the recoverable asset is the best estimate of future reinsurance cash flows, allowing for the probability of default by the reinsurer in line with Solvency II requirements.

PIA's primary reinsurance is in respect of its insurance with profit participation business and this is discussed above in section D.2.1. As a result of the reinsurance arrangement, PIA has a policyholder liability for insurance with profit participation which is backed by the reinsurance asset.

With respect to its unit-linked insurance and other life insurance lines of business, PIA has reinsurance arrangements in place with an external reinsurer where at least 75% of the mortality and morbidity risk on such products are reinsured (see sections D.2.2 and D.2.3). This reinsurance asset is currently negative as the expected value of future premiums payable to the reinsurer exceeds the expected value of future claims. Similarly, the remaining 25% exposure gives rise to a negative liability on PIA's balance sheet. For the majority of the book the retained sum at risk is immaterial.

D.2.5 Assumption changes

In 2024, the changes to the assumptions underlying the Company's calculation of technical provisions were as follows:

- Market-driven changes to economic parameters, including changes to risk-free rates and changes to expense inflation.
- Expense assumptions reflect the long-term best estimate level of expenses based on the current operating model for the business and are updated annually to reflect the most recent expense forecast for the business.
- Persistency and mortality assumptions are derived from analysis of recent historic experience data.

D.2.6 Level of uncertainty

The valuation of technical provisions relies upon PIA's best estimate of future liability cash flows, including the projection of the future level of the solvency capital requirement in the calculation of the risk margin. These cash flows are derived using best estimate assumptions, which are set using a combination of experience data, market data and expert judgement.

Uncertainty exists in the technical provisions as to whether the actual future cash flows will match those expected under PIA's best estimate assumptions. Over time, experience may differ from the best estimate assumptions or PIA's forward-looking expectations may evolve, such that assumptions will be updated with a consequent change in the value of future technical provisions.

The best estimate assumptions include assumptions about future economic conditions, for example interest rates and expense inflation levels; and assumptions about future non-economic experience, for example, persistency, mortality and morbidity. Assumptions are also made about future management actions.

Each assumption is approved by the PIA Technical Committee and PIA Board. However, each assumption by its very nature is not certain.

D.2.7 Comparison of technical provisions under Solvency II and in financial statements

The technical provisions reported in the financial statements are prepared under the European Communities (Life Assurance) Framework Regulations, 2015, which requires technical provisions to be calculated with due regard to the actuarial principles laid down in Solvency II.

The technical provisions reported in the financial statements are prepared in accordance with Financial Reporting Standard 102 Applicable in the UK and Republic of Ireland (FRS 102) and 103 Insurance Contracts (FRS 103). There are some differences to the Solvency II technical provisions as shown in the table below. The differences in methods and assumptions result in the Solvency II technical provisions (gross of reinsurance) being lower by £421m than those shown in the financial statements.

	2024 Financial Statements £m	2024 Solvency II £m	2024 Difference £m	2023 Financial Statements £m	2023 Solvency II £m	2023 Difference £m
Insurance with profit participation	7,543	7,189	354	7,328	6,997	331
Unit Linked Insurance	2,196	2,098	98	2,120	2,009	111
Other life insurance		(86)	86		(80)	80
Total BEL	9,739	9,201	538	9,448	8,926	522
Risk Margin		117	(117)		117	(117)
Total technical provisions	9,739	9,318	421	9,448	9,043	405

There are differences in the methods and assumptions used in the valuation of technical provisions under Solvency II versus the financial statements and the main differences are set out below:

- *Methodology*
  - The financial statements are based on a prudent assessment of non-unit liabilities that does not recognise the value of future fee income in excess of that required to meet the projected cash outflows on the business. The Solvency II liabilities recognise these fully on a best estimate basis.
  - Different approaches are used to calculate the best estimate liabilities on *insurance with profit participation* business; the Solvency II value reflects the full asset share, net cost of options and guarantees, and the present value of future profits associated with the business. The financial statements value is higher, as it is based on asset share while other components which are negative are floored to zero. There is no recognition of expected future profits associated with the business in the technical provisions reported in the financial statements.
  - The financial statements include a "Deferred Income Reserve" on *unit-linked insurance* business. This is removed under Solvency II.
  - Inclusion of a risk margin for Solvency II reporting requirements.

- *Assumptions*

The assumptions used within the calculation of the technical provisions reported in the financial statements are best estimate assumptions and are the same as those used for Solvency II. However, there are methodology differences that exclude certain components of the Solvency II liability from the technical provisions reported in the financial statements. In particular, the present value of expected future profits is floored at zero. Such flooring does not apply for Solvency II reporting purposes. The impact of these methodology changes is captured in the non-unit liability.

The technical provisions for Solvency II purposes also include additional development expenses above those allowed for within the technical provisions reported in the financial statements. These expenses are short term in nature and relate to commitments that have been made and are not allocated to maintenance or acquisition expenses.

- *Reinsurance recoverable*

A reconciliation of the reinsurance recoverable reported within the financial statements and under Solvency II is set out in the table below.

	2024 Financial Statements £m	2024 Solvency II £m	2024 Difference £m	2023 Financial Statements £m	2023 Solvency II £m	2023 Difference £m
Insurance with profit participation	7,543	7,420	123	7,328	7,227	101
External reinsurance	8	(36)	44	10	(39)	49
Total reinsurance recoverable	7,551	7,384	167	7,338	7,188	150

The reinsurance asset corresponds with the reinsurers share of the liability on with profit participation business as well as external reinsurers share on mortality and morbidity business. Under Solvency II the external reinsurance asset is negative as the expected value of future premiums payable to the reinsurer exceeds the expected value of future claims.

D.3 Information on valuation of other liabilities under Solvency II

Other material liabilities on the balance sheet as at 31 December 2024 are as follows:

Other liabilities (excluding technical provisions)	2024 £m	2023 £m
Insurance and intermediary payables	108	117
Reinsurance payables	10	9
Trade payables (excluding insurance)	60	56
Financial Liabilities	1	1
Other	1	1
Deferred tax liabilities	37	35
Total	217	219

For the valuation of other liabilities, excluding deferred tax liabilities, and financial liabilities there are no variances between the bases, methods and assumptions used by PIA for Solvency II purposes and those used in financial statements.

No material adjustments were made from FRS to Solvency II basis for current or prior year reporting.

There are no changes made to the recognition and valuation bases used or on estimations during the reporting period.

D.4 Alternative methods for valuation

Alternative methods for valuation applied by PIA are discussed in section D.1.4.

£21m (2023: £21m) of index-linked and unit-linked funds are valued using alternative valuation methods and these are materially offset by unit-linked liabilities. Therefore, any valuation changes in this category would not have a material effect on the valuation of Solvency II own funds.

D.5 Any other information

No other items to note.

E. Capital Management

E.1 Own funds

PIA manages its Solvency II own funds to ensure that sufficient own funds are available on an ongoing basis to meet regulatory capital requirements. PIA prepares a projected capital position as part of its business planning process. The business plan is prepared annually on a rolling basis and covers a three-year period. There were no material changes to the objectives, policies or processes for managing PIA's own funds during the year.

PIA's total eligible own funds under Solvency II are £407m, which is the excess of assets over liabilities and is all Tier 1 capital (unrestricted) and therefore eligible own funds to meet PIA's Solvency Capital Requirement (SCR). The breakdown of PIA's own funds as at 31 December 2023 and 31 December 2024 is set out in the table below:

Own funds (Tier 1 capital unrestricted)	Note	2024 £m	2023 £m
Ordinary share capital	b	65	65
Reconciliation reserve	c	255	237
Other items approved by supervisory authority as basic own funds	d	88	88
Total	a	407	390

The increase in the reconciliation reserve is explained mainly by net income contributing to retained earnings balance and the revaluation of non-unit element of best estimate technical provisions net of deferred tax.

Note	Explanation
a	PIA's eligible basic own funds to cover the Minimum Capital Requirement (MCR) comprise equity share capital, retained earnings attributable to equity shareholders calculated in the reconciliation reserve, and a capital contribution approved by the Central Bank. PIA has no ancillary own funds.
b	PIA's ordinary share capital represents 137,083,243 ordinary shares of €1.27 each. This comprises 101,381,272 ordinary shares where the partly paid amount equals 25% of each nominal share value, being €0.3175, and an additional 35,701,971 ordinary shares of €1.27 each. There is only one class of share capital. The ordinary shares have call rights to dividends, are entitled to a surplus on a winding up and have full voting rights.
c	The reconciliation reserve represents the residual of excess of assets over liabilities after deducting (i) equity share capital comprising ordinary share capital and share premium and (ii) capital contribution. The key elements of this are retained earnings and the non-unit-liability element of technical provisions, net of the corresponding deferred tax liability.
d	This represents the capital contributions approved by the Central Bank.

E.1.1 Reconciliation to financial statements

The table below illustrates the differences between shareholders' equity in the financial statements and the excess of assets over liabilities for Solvency II purposes (Own Funds).

Reconciliation to financial statements	Note	2024 £m	2023 £m
Shareholders equity in financial statements		253	237
Removal of deferred acquisition costs and intangibles	1	-70	-73
Difference in valuation of technical provisions, net of insurance	2	371	372
Risk Margin	3	-117	-117
Difference in value of deferred tax (principally as a result of valuation changes)	4	-29	-28
Other	5	-1	-1
Excess of assets over liabilities (SII Own Fuds)		407	390

The net difference in excess of assets over liabilities between the financial statements and the Solvency II balance sheet is £154m (2023: £153m) and is explained via the notes detailed below.

Note	Explanation
1	Deferred acquisition costs and other intangibles such as computer software and deferred income reserve contributing to equity in the financial statements are revalued to nil for Solvency II purposes.
2	Under Solvency II, technical provisions are calculated on a best estimate basis. This best estimate includes recognition of expected future premiums (net of related costs/claims) for contracts already written by PIA at the balance sheet date, subject to regulatory restrictions. This adjustment therefore accounts for any differences in the valuation assumptions for solvency compared with those for the financial statements.
3	The technical provisions for Solvency II reporting include the Risk Margin. The Risk Margin does not exist in the financial statements.
4	Deferred taxes are calculated based upon the differences ("temporary differences") between the values given to assets and liabilities in the Solvency II balance sheet and their values for tax and statutory reporting purposes.
5	Late adjustments to Statutory Financial Statement that are not reflected in Solvency II balance sheet due to low materiality

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Solvency Capital Requirement (SCR)

PIA uses the standard formula to calculate the SCR. No material simplified methods or undertaking specific parameters have been used in this assessment. There are currently no capital add-ons applied by the Central Bank of Ireland.

The total SCR as at 31 December 2024 is £288m (2023: £282m). The breakdown by risk module is set out in the table below:

Breakdown of SCR	2024 £m	2023 £m
Market Risk	159	153
Default Risk	40	39
Life Underwriting Risk	197	195
Diversification	(98)	(96)
Basic Solvency Capital Requirement	297	291
Operational Risk	20	20
Loss Absorbing Capacity of Deferred Tax	(29)	(29)
Solvency Capital Requirement	288	282

The increase of the total SCR is mainly driven by the increase in the non-unit liability over the period and assumption changes that PIA introduced at 31 December 2024 to value its Best Estimate Liability.

E.2.2 Minimum Capital Requirement (MCR)

The MCR is a lower capital requirement which is the minimum level below which the amount of financial resources is required not to fall. It is calculated based on a simple formula, based on a percentage of technical provisions and capital at risk. The MCR is subject to a floor of 25% of SCR and a cap of 45% of SCR. The MCR as at 31 December 2024 is £72m (2023: £70m).

Breakdown of MCR	2024 £m	2023 £m
Linear formula component for non-life insurance and reinsurance obligations	0	0
Linear formula component for life insurance and reinsurance obligations	16	16
Linear MCR	16	16
SCR	288	282
MCR cap	130	127
MCR floor	72	70
Combined MCR	72	70
Absolute floor of the MCR	3	3
MCR	72	70

The MCR is currently 25% of SCR.

The increase in MCR is driven by the corresponding change in SCR.

E.2.3 Use of duration-based equity risk sub-module in the calculation of the SCR

PIA does not use the duration-based equity risk approach in the calculation of its SCR.

E.2.4 Difference between the standard formula and the internal model

PIA does not use an internal model to calculate its SCR.

E.2.5 Non-compliance with the MCR and SCR

PIA has sufficient eligible own funds to cover both the SCR and MCR.

E.2.6 Any other information

No other items to note.

Appendix I | QRTs

QRTs Reference	QRTs Name
S.02.01.02	Balance Sheet
S.04.05.21	Premiums Claims Expenses by country
S.05.01.02	Premiums Claims and Expenses by LOB
S.12.01.02	Technical Provisions
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement - for undertakings using the standard formula
S.28.01.01	MCR - Non Composite

S.02.01.02 Balance Sheet (Balances in '000 units

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	1 100
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**290 194**
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	***R0100***	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	***R0130***	***116 864***
Government Bonds	R0140	116 864
Corporate Bonds	R0150	
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	2 739
Derivatives	R0190	
Deposits other than cash equivalents	R0200	170 591
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	2 178 642
Loans and mortgages	**R0230**	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	**R0270**	**7 383 813**
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	7 418 001
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	7 418 001
Life index-linked and unit-linked	R0340	-34 188
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	3 481
Reinsurance receivables	R0370	13 205
Receivables (trade, not insurance)	R0380	19 229
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	51 887
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**9 941 550**

Liabilities

Technical provisions - non-life	**R0510**	
Technical provisions - non-life (excluding health)	**R0520**	
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	**R0560**	
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	**7 204 049**
Technical provisions - health (similar to life)	**R0610**	
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions - life (excluding health and index-linked and unit-linked)	**R0650**	**7 204 049**
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	7 102 792
Risk margin	R0680	101 257
Technical provisions - index-linked and unit-linked	**R0690**	**2 114 085**
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	2 098 142
Risk margin	R0720	15 944
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	782
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	37 398
Derivatives	R0790	
Debts owed to credit institutions	R0800	1
Financial liabilities other than debts owed to credit institutions	R0810	764
Insurance & intermediaries payables	R0820	107 189
Reinsurance payables	R0830	9 859
Payables (trade, not insurance)	R0840	60 244
Subordinated liabilities	**R0850**	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	**R0900**	**9 534 372**

Excess of assets over liabilities	**R1000**	**407 178**

S.04.05.21 Premiums, claims and expenses by country (Balances in '000 units)

		Home country	Top 5 countries: life and health SLT				
		C0030	C0040	C0040	C0040	C0040	C0040
R1010		Ireland (IE)	United Kingdom (After	Poland (PL)	Luxembourg (LU)	Jersey (JE)	Spain (ES)
Gross Written Premium	R1020	0	396 961	106 575	46 121	45 200	39 058
Gross Earned Premium	R1030	0	396 961	106 575	46 121	45 200	39 058
Claims incurred	R1040	2 268	548 967	12 598	43 340	103 897	31 935
Gross Expenses Incurred	R1050	0	63 155	17 779	1 251	931	4 850

S.05.01.02 Premiums Claims and Expenses by LOB (Balances in '000 units)

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health	Annuities stemming from non-life insurance contracts and relating to insurance	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410		552 480	123 862	25 221					**701 563**
Reinsurers' share	R1420		562 180	20 908	5 809					**588 897**
Net	**R1500**		**-9 700**	**102 954**	**19 412**					**112 666**
Premiums earned										
Gross	R1510		552 480	123 862	25 221					**701 563**
Reinsurers' share	R1520		562 180	20 908	5 809					**588 897**
Net	**R1600**		**-9 700**	**102 954**	**19 412**					**112 666**
Claims incurred										
Gross	R1610		712 378	190 653	4 977					**908 009**
Reinsurers' share	R1620		709 461	16 688	3 765					**729 914**
Net	**R1700**		**2 917**	**173 965**	**1 212**					**178 095**
Expenses incurred	R1900		69 521	10 869	15 299					**95 689**
Balance - other technical expenses/income	**R2510**									
Total technical expenses	**R2600**									**95 689**
Total amount of surrenders	R2700		662 819	118 548						**781 366**

S.12.01.02 Life and Health SLT Technical provisions (Balances in '000 units)

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	**R0010**										0						0
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	R0020										0						0
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	**R0030**	7 188 875		2 098 142			-86 083				9 200 934						0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected	R0080	7 419 612		-34 188			-1 611				7 383 813						0
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	**-230 737**		**2 132 330**			**-84 472**				**1 817 121**						0
Risk Margin	**R0100**	76 143	15 944			**25 114**					**117 200**						0
Technical provisions - total	**R0200**	**7 265 018**	**2 114 085**			**-60 969**					**9 318 134**						0

S.23.01.01 Own Funds (Balances in '000 units)

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	**64 738**	64 738			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070		0			
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	**254 829**	254 829			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	**87 612**	87 612			
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						
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	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					0
Total basic own funds after deductions	**R0290**	**407 178**	**407 178**			

Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300				0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310				0	
Unpaid and uncalled preference shares callable on demand	R0320				0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330				0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340				0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350				0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360				0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370				0	0
Other ancillary own funds	R0390				0	0
Total ancillary own funds	**R0400**					

Available and eligible own funds			
Total available own funds to meet the SCR	**R0500**	**407 178**	**407 178**
Total available own funds to meet the MCR	**R0510**	**407 178**	**407 178**
Total eligible own funds to meet the SCR	**R0540**	**407 178**	**407 178**
Total eligible own funds to meet the MCR	**R0550**	**407 178**	**407 178**
SCR	**R0580**	**288 411**	
MCR	**R0600**	**72 103**	
Ratio of Eligible own funds to SCR	**R0620**	**141.18%**	
Ratio of Eligible own funds to MCR	**R0640**	**564.72%**	

		Value
		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	**407 178**
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	0
Other basic own fund items	R0730	**152 350**
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	R0740	
Reconciliation reserve	**R0760**	**254 829**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	R0770	163 019
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
Total Expected profits included in future premiums (EPIFP)	**R0790**	**163 019**

S.25.01.21 Solvency Capital Requirement – for undertakings on standard formula (Balances in '000 units)

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	159 161		
Counterparty default risk	R0020	39 679		
Life underwriting risk	R0030	196 513		
Health underwriting risk	R0040	0		
Non-life underwriting risk	R0050			
Diversification	R0060	-98 336		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	**R0100**	**297 016**		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	20 003
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	-28 609
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency Capital Requirement excluding capital add-on	**R0200**	**288 411**
Capital add-ons already set	R0210	
of which, capital add-ons already set - Article 37 (1) Type a	R0211	0
of which, capital add-ons already set - Article 37 (1) Type b	R0212	0
of which, capital add-ons already set - Article 37 (1) Type c	R0213	0
of which, capital add-ons already set - Article 37 (1) Type d	R0214	0
Solvency Capital Requirement	**R0220**	**288 411**
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring-fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

Approach to tax rate

		Yes/No
		C0109
Approach based on average tax rate	R0590	2 - No

Calculation of loss absorbing capacity of deferred taxes

		LAC DT
		C0130
LAC DT	R0640	**-28 609**
LAC DT justified by reversion of deferred tax liabilities	R0650	-28 609
LAC DT justified by reference to probable future taxable economic profit	R0660	0
LAC DT justified by carry back, current year	R0670	0
LAC DT justified by carry back, future years	R0680	0
Maximum LAC DT	R0690	0

S.28.01.01 Minimum Capital Requirement (Balances in '000 units)

Linear formula component for non-life insurance and reinsurance obligations

MCR calculation Non Life		Non-life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0	
Obligations with profit participation - future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	2 132 330	
Other life (re)insurance and health (re)insurance obligations	R0240		
Total capital at risk for all life (re)insurance obligations	R0250		1 809 492

		Non-life activities	Life activities
		C0010	C0040
MCRNL Result	R0010		
MCRL Result	R0200		16 193

Overall MCR calculation

		C0070
Linear MCR	R0300	16 193
SCR	R0310	288 411
MCR cap	R0320	129 785
MCR floor	R0330	72 103
Combined MCR	R0340	72 103
Absolute floor of the MCR	R0350	3 378
		C0070
Minimum Capital Requirement	**R0400**	**72 103**